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Business Briefs

Remittances

Flow to Mexico Up 20% in Year

Remittances, or cash transfers, from Mexicans working in the United States increased by 20.3% in the first three quarters of 2004, over the same period last year, on track for a 24% increase for the year. Remittances are the money immigrants send back home to keep their families alive.

In the first nine months of 2004, over $12.4 billion was sent back to Mexico, as compared to $13.4 billion for all of 2003. This gigantic sum is 81% of Mexico's earnings from oil exports over the same period—even though the price of oil is soaring—surpassing the total foreign direct investment, or earnings of national and international tourism, combined.

Almost none of this is "big bucks." The billions were sent in 37.9 million transactions, averaging $328 each. The remittances are principally spent on basic consumption items: food, clothing, and household goods. And entire local economies survive only because of these remittances, they also report. That has been the case with communities in Zacatecas, Guanajuato, Jalisco, Durango, and Michoacán, but this is also the case now in the southeastern states of Oaxaca, Puebla, Chiapas, and Yucatán, from where immigration has been growing.

La Opinión on Oct. 29 pointed out that specialists recognize that except for the flow of remittances, there would be social violence in many of these communities, over the brutal poverty in which people are living.

Nigeria

Mass Strike To Resume November 16

The Nigeria Labour Congress (NLC) leadership announced on Oct. 31, after a meeting of its National Executive Committee, that the mass strike it has been leading will resume Nov. 16 and will continue indefinitely. In this phase, the production and export of oil will not be exempted as it was in the first, Oct. 11-14 phase.

According to BBC Oct. 31, "Union leaders accused the Anglo-Dutch oil giant Shell of being 'the enemy of the Nigerian people,' and called for action against the firm. Shell accounts for about half of [Nigeria's] daily exports of 2.5 million barrels." BBC goes on to quote NLC President Adams Oshiomhole: "Shell has decided to side with the government to oppress our people and to mix themselves into Nigerian internal politics." He accused Shell of taking legal action to prevent a white-collar oil union from joining the strike.

In the period since the first phase of the strike, Oshiomhole hinted to President Obasanjo that the two of them need not be adversaries, saying publicly that Obasanjo was a hostage of the multinational oil companies and their agents and needed help in "navigating his way out," according to *The Champion* Oct. 25. He also "berated the array of the president's advisers and assistants for their alleged shallow way of thinking," according to *The Champion.* These suggestions do not seem to have produced any resonance at Aso Rock, the Presidential villa.

Instead, the government announced on Oct. 29 a variety of grants, tax reductions, and loans to transport owners and operators to cushion the recent 23% increase in fuel prices. The NLC demanded a repeal of this latest increase.

Iran

Huge Oil Deal With India Concluded

In its biggest-ever investment abroad, Indian Oil Corporation (IOC) has clinched a $3 billion deal to develop a gas block in the gigantic South Pars gas field of Iran and sell Liquified Natural Gas (LNG) from it, according to *Hindustan Times* on Nov. 2. IOC will be a partner to Iran's Petropars in bringing to production one of the 30 phases planned to develop the 500 square mile South Pars field, estimated to hold 436 trillion cubic feet of gas reserves, officials said. The two will also put up a liquefaction plant in south Iran, which is designed to make available 9 million tons per annum of LNG to be exported to India and other countries.

"The deal will be formally signed after it is approved by the Iranian authorities," an official said, adding that IOC director for business development Naresh K. Nayar and Petropars chairman Akbar Torkan are tying up loose ends. The Indian company will have a 40% stake in the upstream development, with the remaining part being with Petropars. In the liquefaction plant, IOC would have 60% stake and the marketing rights to sell the entire 9 million tons of LNG. Petropars is a subsidiary of National Iranian Oil Co. The NIOC has a 60% stake in Petropars, while Iran's IDRO (Industrial Development and Renovation Organization) Pension Fund has the remainder. The South Pars gas block is near the Yadavaran oilfield, in which Tehran has offered a 20% stake to New Delhi in lieu of India buying 5 million tons per annum of LNG. Yadavaran oil field is said to have a potential to produce 300,000 barrels per day.

India and Iran are also working on a pipeline from Iran to India, via Pakistan, for natural gas.

High-Speed Rail

Bush Family Defeats Florida Bullet Train

Florida Governor Jeb Bush used his muscle, along with that of fellow Republican, Florida chief financial officer Tom Gallagher, to defeat the plans to build a bullet train in Florida, in a referendum vote on Nov. 2.

The pro-high-speed-rail forces had been organizing to construct such a train for more than a quarter of a century. In 2000, they had succeeded in passing a constitutional amendment requiring the state to commit to high-speed rail. They created the Florida High Speed Rail Authority, a state entity, and proceeded to line up a consortium of companies—Montreal-based Bombardier, Flour Corp., and Virgin Group PLC—to build the first phase of the system from Tampa to the Orlando International Airport, a stretch of 90 miles. The proposal provided

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for future electrification and a full double track on a new rail line dedicated just to high-speed rail. High-speed rail is any rail that travels above 125 miles per hour, but the Florida bullet train sponsors were hoping to achieve speeds in the range of the French TGV, of 186 mph (300 kilometers per hour). Following the building of the Tampa-Orlando section, construction of the system would continue northward up the Florida coast.

Bush helped form a group, "Derail the Bullet Train (DEBT)," which portrayed the project as "unwanted government spending," claiming that the project would swallow up $25 to $30 billion, when its first phase would cost only $2.4 billion, most of it absorbed by the private sector, and would cost Florida's state government only $417 million over the first ten years. The Bush clan blocked a chance for rail modernization, of national importance.

Dollar

Former IMF Economist On Potential Collapse

In a report written for the National Bureau of Economic Research, posted on the NBER website on Nov. 4, former IMF chief economist Kenneth Rogoff and Maurice Obstfeld warned that the widening U.S. current account deficit may prompt a much steeper decline in the dollar than they had anticipated four years ago. They noted: "When U.S. current-account adjustment comes, the exchange rate effects may be massive. The potential collapse of the dollar becomes considerably larger—more than 50% larger—than our previous estimates."

The week before, the New York Federal Reserve put out a detailed report on the exploding volume of foreign dollar holdings, headlined "Reserve Accumulation: Implications for Global Capital Flows and Financial Markets." It states that foreign exchange reserves, most of them being U.S. government bonds or U.S. agency (Fannie Mae, Freddie Mac) bonds, "reached $3.0 trillion at the end of 2003, up roughly $600 billion from 2002 and more than double their level in 1995." Dollar reserve purchases by foreign central banks alone amounted to $441 billion last year, accounting for 83% of the U.S. current account deficit. "Central banks in Asia were by far the biggest buyers of U.S. assets, financing some 71 percent of the 2003 U.S. current account deficit." While these central banks themselves would therefore suffer from any dollar decline, continued large U.S. current account deficits nevertheless could at some point lead to a combination of "lower U.S. asset prices, higher U.S. interest rates, and a weaker dollar," concludes the report in carefully measured language.

On Nov. 5, the dollar fell to its lowest level against the euro, and was falling steadily against all other major currencies. London's *Financial Times* noted that the gold price measured in U.S. dollars is up 60% since George W. Bush's first term and 70% since April 2001. The recent 42-month rally of gold is the "second-longest since bullion was freely floated in 1971 after the collapse of the Bretton Woods agreement."

Oil

Soaring Prices Harm Asian Economies

The soaring cost of oil, which is still above $50 per barrel, has gouged the national economies and treasuries of several Asian nations, some of which are the least able to afford it, reported DailyBulletin.com on Oct. 31. Though an oil producer, Indonesia also provides fuel subsidies to hold down the price of oil to the equivalent of 76¢ (U.S.) to the gallon. Struggling to subsidize its citizens' oil costs, the Indonesian government has quadrupled its allocations for fuel subsidies, to $6.5 billion. Malaysia plans to spend $3.7 billion on such subsidies over the next 12 months, which is substantially more than it normally spends.

In India, which imports three-fourths of the oil it uses, the state-owned oil company estimates it will spend $27 billion for oil imports, up 50% from $18 billion it spent in 2003.

Briefly

HOUSE PRICES in Britain fell 1.1% in October, according to Britain's biggest mortgage lender Halifax. The overall fall in property prices from July to October was 0.4%. Nationwide, the second biggest lender, also reported a fall in prices in October of 0.4%. Over the past year, house prices had risen 18.5%, with the annual rate of house price inflation now below 20% for the first time in six months. Halifax chief economist Martin Ellis said: "Recent price movements confirm that the Bank of England's rate hikes have taken impetus away from housing demand" and that first-time buyers can't afford the prices.

AUTO SALES of General Motors and Ford fell in October, as the two largest U.S. automakers stopped offering long-term interest-free loans that had boosted sales in the last week of September. Chrysler posted a 2% gain in sales. General Motors said sales fell 5%. Ford said U.S. sales dropped 5.3%, as car sales plunged 20% while truck sales rose 2.5%.

INFLUENZA losses could top $40 billion. David Cutler, formerly on President Clinton's Council of Economic Advisors, reported that losses to employers from the flu vaccine disaster could be double the average of $15-20 billion. Losses come in the form of lost productivity and sick pay. He notes that these figures could be worse if the season is particularly virulent.

OIL CARTELS racked up record profits in the third quarter of 2004: Exxon/Mobil profits jumped to $5.68 billion, an increase of 56% from the level of the comparable quarter of 2003; Shell Oil, an Anglo-Dutch asset, reported third-quarter profits reached $4.4 billion; a 70% rise from the comparable quarter of 2003; British Petroleum unveiled profits of $3.9 billion, an approximate 50% rise.