

# Business Briefs

## Finance

### GE faces new suits on derivatives losses

The Teachers' Retirement System of Louisiana has filed to consolidate its New York State Supreme Court suit with a similar suit filed by William Schrank and other General Electric shareholders, seeking more than \$350 million for alleged lax oversight of GE's Kidder Peabody & Co. unit, the Aug. 18 *New York Post* reported.

Louisiana's complaint said GE board members violated their fiduciary duties "in failing to properly supervise certain of their management personnel and their employees." That lack of controls created losses at GE of at least \$350 million, equal to inflated losses incurred from alleged "phantom" trades made by Kidder's former chief government bond trader Joseph Jett. Federal prosecutors and the Securities and Exchange Commission are investigating because GE wrote off \$210 million in the first quarter to reflect the "false profits."

Representing the \$6 billion fund that owns 307,200 GE shares, lawyer I. Walton Butler said the consolidated suit will be filed within 45 days.

The filing with the SEC states that beyond losses incurred to charges of Jett "phantom" trading, Kidder lost \$40 million in the first half of 1994 "principally due to mortgage-backed securities market conditions." In addition, in July, Kidder lost \$56 million due mainly to managing director Michael Vranos's mortgage-backed securities trading. GE has put Vranos in charge of paring the firm's mortgage-bond portfolio which has been reduced to \$8 billion from \$16 billion earlier this year.

## Credit

### More interest rate hikes coming, says economist

Kenneth S. Curtis, Tokyo-based strategist and senior economist for Germany's Deutsche Bank, warned that more interest rate hikes are coming, in an article on the global financial situation in the Aug. 18 *International Herald*

## Tribune.

Curtis said that the Federal Reserve's mid-August decision to raise interest rates again "seems to have lulled financial and political centers in both Japan and the United States" into believing that no further rate increases will be needed for the time being. "By autumn, however," he warned, "a very different situation will emerge to trouble exchanges and trans-Pacific relations. By then, it will be clear that today's mid-summer quiet was but the calm before a mighty storm. . . ."

"Interest rates are set to climb—and much higher than is yet widely realized. The Reserve Bank of Australia raised interest rates by three-quarters of a point on [Aug. 17] for the first time in five years. That followed the move by the Federal Reserve and recent increases by several European countries. Nations with the highest levels of foreign debt have experienced the sharpest rise in interest rates this year. . . . Pressure on interest rates will intensify, especially for high-deficit economies. Such countries will then face the choice of allowing their currencies to fall or interest rates to rise further. Neither markets nor governments appear prepared for these developments."

## Labor

### More U.S. families need three jobs to survive

A new survey by the U.S. Department of Labor of multiple job holders, which was produced this year for the first time, statistically demonstrated that more families need three jobs in order to survive.

Today, 7 million Americans, or 6% of the workforce, occupy 15 million jobs. Most multiple job holders are married, and, increasingly, nearly as many are women as men. No other nation approaches the United States in the percentage of multiple job holders.

The statistics also indicate that women entering the job market do not earn the same salary for comparable work by men, nor does their added income from one job suffice to meet family needs.

## China

### People's Daily slams fake statistics

The *People's Daily*, China's official government newspaper, on Aug. 17 criticized local officials who fake statistics to gain privileges and promotion, hide their mistakes, or obtain relief funds to which they are not entitled, Reuters reported.

In a front-page editorial, the paper said that the worsening phenomenon was damaging relations between the government and the people and cutting off national leaders from reality. It said the main culprits were leaders of rural areas who falsely inflated industrial production in their district or concealed the real increases in population and the extent of capital investment.

Officials in poor areas often report lower than real incomes in order to qualify for relief money, while those in rich areas inflate incomes to earn promotion, praise, and benefits from their superiors, it said.

The editorial said that these statistics form the basis for economic policy and fake figures could lead to policy mistakes.

## Infrastructure

### Symposium on Eurasian rail held in China

An international symposium on developing cooperation for a second Eurasian "continental bridge" rail system, was held on Aug. 6 in Lanzhou, the capital of Gansu Province in northwest China, Xinhua news agency reported. More than 50 scholars from Germany, Hongkong, and 10 Chinese provinces attended.

Major topics covered development of areas along the rail bridge, development strategy, international cooperation, infrastructure construction, and opening up of trade. The bridge is to run from Lianyungang on the Pacific Ocean in East China, to Rotterdam in the Netherlands on the Atlantic.

Experts said that Lianyungang city would, as a result, attract investment from Japan, Korea, and Singapore, and that 80% of the area

## Briefly

of China and 76% of the Chinese population will be affected by the opening of the Eurasian rail link.

### Spain

#### Government presents water development plan

The government of Spain presented the biggest national water development plan ever in August, with investments totaling 67 billion pesetas (roughly \$50 billion) over the next 15 years. The plan, which altogether comprises 1,143 single projects, and is to be completed by the year 2010, envisions the construction of 200 new dams within various water basins, desalination plants for sea water, and pipelines for the transport of water from Spain's northern regions to the south.

The project includes the transformation of 600,000 hectares of desert regions into green, forested, or arable lands, in addition to securing the water supply for the already existing agricultural regions of Alicante, Valencia, and Murcia which have suffered from very severe droughts during past years and especially this season.

The government decided to launch the long-overdue project, because water scarcity has led to social tensions and political protests, including road and highway blockades by enraged farmers in the south and in central Spain.

### Nuclear Energy

#### China announces two more new nuclear plants

China said on Aug. 13 it has given the go-ahead for two more nuclear power plants in Guangdong province, ignoring anti-nuclear sentiment in Hongkong. The State Council (cabinet) approved plans for a nuclear power plant in Liangao and another near the Yangjiang River, the *People's Daily* reported.

The Liangao plant will have four 1-megawatt generators, and the Yangjiang plant six similar generators, Wang Quanguo, chairman

of the Guangdong Nuclear Power Group Co., said. Construction of the Liangao plant will begin in 1997 and it will go into operation in the year 2002. The Yangjiang plant will begin construction in 1999.

The Daya Bay nuclear plant near Liangao, built with French generators outputting 1.8 MW and which is opposed by Hongkong greenies, went commercial this year. China says the \$4 billion station will enable it to triple nuclear power generation this year, to 8-10 MW, up from 2.49 MW last year when nuclear power accounted for only 0.3% of total power production.

### Health

#### Russia confronts cholera epidemic

Russia is struggling against a cholera epidemic and, as of Aug. 20, at least 16 people have died in southern Russia, Interfax news agency reported on Aug. 15. On Aug. 19, Yevgeny Belyaev, chairman of the State Committee for Sanitary and Epidemiological Control and Chief State Sanitary Expert of Russia, said that there is no reason for panic. Rumors of cholera in Altai are groundless, and rumors of cholera in St. Petersburg and other cities of Russia are just rumors, he said. "We don't have anything of the kind today."

Belyaev said that "553 people have had cholera or are having cholera" and "81 populated localities in Dagestan are affected. But I draw your attention . . . to the fact that 22 localities have had the earlier introduced restrictions lifted." The Russian government has sent in 79 specialists and two epidemiology teams from the anti-epidemic institutes in Stavropol and Rostov, with a third unit to be deployed from Saratov. He said that strict travel restrictions are being enforced, with departure "permitted only after laboratory studies and medical check-ups. . . . Where there have been cases of cholera, residents are subject to five-day medical observations."

Belyaev emphasized, "Let us stop using the 'cholera card' in political games. The health of people should not be played with." The situation in Dagestan, he said, does not require that troops be sent in, but it is being closely monitored and "small advances" are being made "toward stabilization."

● **JAPAN** will provide \$15 billion in new loans to China, the Aug. 6 *China Daily* reported. Since 1979, Japan has extended \$16.8 billion in loans, used primarily in transport, energy, and other infrastructure. Japan has become China's leading trading partner (\$19.23 billion in the first half of 1994), surpassing Hongkong.

● **A 'CREEPING kind of crash'** is being witnessed on monetary markets, the weekly financial market review in the Aug. 20 German daily *Frankfurter Allgemeine Zeitung* said.

● **GEORGE SOROS**, the speculator, has bought up 9% of Banco de Colombia, one of Colombia's biggest banks, from the Bancol company that controls the bank, for an estimated \$62.5 million, Reuters reported on Aug. 20. Bancol refused to provide any further details on the transaction.

● **DESALINATION** plant sales increased 73% in 1993-94, compared with the previous year, the July/August issue of *International Desalination Association News* reported. The biggest suppliers were Korea Heavy Industry, Italmimpianti, Hitachi-Zosen, Ionics U.S.A., Weir Westgarth G.B., and Mitsubishi. About 55% were multi-stage flash evaporation plants and 33% were reverse osmosis plants.

● **CANADIAN** regulators seized Confederation Life Insurance Ltd., with \$14 billion in assets, in mid-August, making it the largest insurance failure in North American history. The company incurred huge real estate-related losses over the past two years.

● **BELL ATLANTIC** Corp., which provides phone service for the U.S. mid-Atlantic states, will cut 5,600 jobs through 1997 as part of a restructuring effort to reduce costs. The Communications Workers of America estimated that 800 to 1,000 of the jobs to be cut will be in Virginia, the Aug. 16 *Richmond Times-Dispatch* reported.