Business Briefs

China

Development of the interior emphasized

China will attract foreign investors to develop its inland provinces, by giving them preferential treatment, according to the *Shanghai Securities News* daily, the Jan. 24 Singapore *Business Times* reported. The paper said that the State Economy and Trade Commission would amend policies to encourage equal distribution of foreign investment throughout the nation, in order to comply with the industrial policy.

"Policies will be amended to improve the attractiveness of the middle and western parts of the country to foreign investors," the report said.

Investment would be encouraged for integration of agricultural development and new technology, infrastructure construction, and speeding up reform and improving technology in State-sector enterprises. Labor- and resources-based industries, and industries promoted by the State, will also be developed in the middle and western regions.

So far, foreign investment in the 18 provinces and autonomous regions in China's interior amounts to $10.42 billion, or 10% of the nationwide total.

Europe

Funding refused for Delors Plan projects

European Union ministers of economics and finance rejected a proposal for further funding for the 14 priority infrastructure projects of the Delors Plan adopted by the EU last year, in a meeting in Brussels on Jan. 22. The proposal had been put forth by European Commission President Jacques Santer, with the support of Lamberto Dini, the current head of the EU revolving presidency. They proposed to relaunch the "great trans-European networks" through the mobilization of new credits, with the aim of combatting unemployment.

Santer said that, in order to finish the Paris-Brussels-Amsterdam-London TGV high-speed rail line, and the TGV line to eastern Europe, on schedule, the Commission needs roughly $1 billion in new credits. In order to proceed with the 14 priority projects, the Commission needs to add 1.6 billion ECUs (about $2 billion) to the originally planned 1.8 billion ECUs.

The response from France, Germany, Britain, and other EU members was a flat no. "Having stated often enough that the reduction of deficits is the only guarantee of full employment, we are not going to have a spendthrift attitude with respect to the [EU] now," stated French Finance Minister Jean Arthuis. He added, "In no case will France support a program that will unbridle spending in the Community." He declared that if any more money were necessary, it had to come from within the budget.

Belgian Minister Philippe Maystadt countered that the persistent unemployment justifies the spending: "The return of growth had perhaps created the illusion that we could avoid such accompanying measures. We are undoubtedly paying the price for that."

Infrastructure

Colombia bridges, economy are crumbling

Colombia's Transport Minister Juan Gómez Martínez declared a national transport emergency, after the eighth major bridge collapse in a little over two years, according to reports in the major Colombian dailies on Jan. 19. The bridges, several of them only just completed, are in different parts of the country; the latest to fall connected the northeast with the center of the country, and the country has been left divided in two.

Some of the results of this infrastructure breakdown include: the 40-50% increase in the cost of the average family market basket in the affected parts of the country; where detours are possible, they are costing passengers and cargo an additional, on average, 12 hours of transit time per trip; gasoline costs are rising dramatically in the affected areas; the country's coffee crops are not getting to market, and farmers are running out of warehouse space for the beans.

The crisis is primarily due to cutbacks in already woefully inadequate infrastructure funding, mostly for investment and maintenance. The emergency has triggered an investigation by the Comptroller General's office into possible malfeasance. According to the Comptroller's office, the cost to the economy of the collapses is already 3 billion pesos a day, and 90% of the country's bridges are considered in critical condition.

Colombia has one of the poorest records on infrastructure in all of Ibero-America. While the Ibero-American average is 118 kilometers of roadway for every 1,000 square kilometers, Colombia's average is 96. The percentage of paved to unpaved roads in the region is 24%, while Colombia's is 8%.

Finance

Japan banks to take big hit in bailout plan

Japan's giant commercial banks said on Jan. 25 that they would now accept the Finance Ministry plan to bail out the bad loans at the *jusen* home loan companies, according to wire service reports. The banks are being told to forgive most of the $59 billion in bad loans they made to the *jusen*, and the government will buy $6.46 billion of those from the banks, using taxpayers' money. The Finance Ministry announced the week before that the *jusen* had $77.5 billion in bad loans in real estate, almost double what was previously admitted, out of $102 billion in total loans outstanding as of June.

Japanese Prime Minister Ryutaro Hashimoto, Finance Minister Wataru Kubo, and Bank of Japan head Yasuo Matsushita are saying that an early solution to the bad loan problem facing Japan's banks is urgent, in an attempt to get public support for the government's controversial plan to spend $6.7 billion to bail out the bankrupt *jusen* home loan banks. Until the United States decides to go for a global bankruptcy reorganization, Japan has no choice but to "tap dance" around the problem in this way, U.S. economist Lyndon LaRouche has stated.

Major commercial banks are expected to revise earnings forecasts for fiscal 1995-96, ending on March 31, taking account the write-offs of loans to the *jusen,* Yukiko Ohara, a financial analyst at the Swiss Bank UBS Securities Ltd., said. Fuji Bank Ltd. and Hokkaido Takushoku Bank Ltd. have already said they will post losses for the fiscal year. Sanwa Bank Ltd., Sakura Bank Ltd., and three long-term-credit banks are expected to make similar announcements.

The Finance Ministry said that the government will cover half of any future losses stemming from the bad loans, and would consider arranging for the government-backed Deposit Insurance Corp. of Japan to guarantee low-interest loans to buy some of the bad debt and put it in "bad loan" bailout banks. Japan's tax authorities will also allow banks to make tax write-offs on the loan losses.

South Africa

British blackmail over privatization

Anglo-American Corp. of South Africa, the British-controlled mining giant, threatened the South African government on Jan. 18, that unless its profitability from its Freegold mine, the world's largest gold mine, is drastically increased in the next three months, it will eliminate 10,000 jobs. The threat comes as union opposition to the government's policy of privatization of State assets, which is being pushed most strongly by the Anglo-American Corp.-controlled Democratic Party in South Africa, is increasing.

South Africa's Labor Minister Tito Mboweni said that the threat, if carried out, would be a tragedy "too much to bear. . . . The negative impact on our society and others in southern Africa will be too grave. This will be a tragedy of enormous political, economic, and social proportions."

Anglo-American Corp. is moving big time into other African countries, including several in West Africa, in which labor unions—and the governments themselves—have been rendered powerless.

It is possible that President Nelson Mandela might be won over to the more dirigist position held by factions of the various union movements. In his African National Congress anniversary statement on Jan. 7, he said: "It is vitally important to ensure that the machinery of State and the assets which the State disposes of, are properly geared to serve the interests of the South African people as a whole. . . . We must expect that vested interests will wage an ideological struggle that argues that matters should be left to the 'market,' with minimal State intervention. The reality, however, is that this market, left to its own devices, can only work in a manner that further perpetuates the structural problems that limit growth, equity, innovation, diversification, and competitiveness."

France

Crises rack banking, real estate sectors

Crédit Foncier de France, a French real estate group, is urgently looking to find a "large single shareholder to inject capital and shore it up from collapse," the Jan. 25 London *Financial Times* reported. Despite an emergency loan of 25 billion francs ($5 billion) the week before from the State entity Caisse des Dépôts, designed to keep the institution from insolvency over the coming 14 months, nothing has been resolved. At present, in the quasi-State real estate lending agency, UBS Bank of Switzerland is the largest outside shareowner with 6%, but the directors of Crédit Foncier reportedly are trying to get the State-run Postal Savings Bank, which has huge assets, to rescue it.

According to the British bank Barclays, several French banks will have difficulty making it through 1996. In January, the Dumesnil-Lebl bank collapsed.

There is also fear that the public administrations of the regions, which have recently become heavily indebted, might not be able to meet their debt obligations. Massive revenue shortfalls, due to unemployment and bankruptcies, are the main causes of the indebtedness.

Briefly

GERMAN government, industry, and labor representatives signed an "alliance for jobs" in Bonn on Jan. 23, to "cut the jobless rate by one-half" by the year 2000. Whether this refers to the official figure of 4 million jobless, or the real figure of 6-7 million, is not clear, but observers have been left asking, who will create those jobs?

THAILAND lost almost 50,000 people in 1995 due to AIDS, and disasters on a similar scale are building in Burma (Myanmar) and India, the Jan. 22 *International Herald Tribune* reported. The World Health Organization is predicting that the number of infected people will rise from 3.5 million to 12 million by the year 2000.

BELGIAN airline workers planned to begin another round of strikes against Sabena airline in February, to protest the government's refusal to discuss alternatives to budget cuts, layoffs, privatizations, and outsourcing of airline servicing and maintenance functions. Sabena has been the target of repeated strikes in recent months.

AUSTRALIAN insurance and pension funds have been given guidelines by the Insurance and Superannuation Commission, to ensure that they invest "prudently" in derivatives, the Australian *Financial Review* reported on Jan. 26. The ISC seems particularly worried about a pension fund pool worth $200 billion, about two-thirds of Australia's GDP.

RUSSIA will reorient foreign trade for the next 10 years toward Asia and the Pacific, particularly China, Oleg Davydov, vice prime minister for foreign trade, said in Singapore, the Jan. 25 *Business Times* reported.

DENMARK will begin offering jobs to foreign doctors and medical specialists, because many of its hospitals have only 50% of the required staff. Over 2,000 jobs for German doctors have recently been created in the United States and Britain. Most of these doctors have been laid off because of budget cuts.