

Business Briefs

Taiwan

Speculators may get control of major funds

Taiwan may be preparing to turn over both its foreign reserves and its pension funds to international speculators, as part of its drive to become a "regional financial center," a carrot held out to everyone in the region by the British, with Hongkong's return to the People's Republic of China coming up next year. A government spokesman said Taiwan will consider allowing banks, including foreign banks, to manage the \$86 billion foreign exchange reserve, the *Asia Times* reported Oct. 16.

James Ho, director of the Asia-Pacific Regional Operations Center, which is "marketing" Taiwan as a financial hub, said the plan is intended to entice foreign banks to set up branches in Taipei. He said that the government is looking at turning the pension funds (no dollar amount was given) over to "fund managers," a decision that would be aptly termed the "piratization" of pensions.

Finance

Worldwide crash about to hit, London Times admits

The *London Times* admitted on Oct. 29 that a "worldwide financial explosion" is about to hit, in a column by Anatole Kaletsky entitled "Watch Out for the Explosion." This will put the past period's "bull market" in "mortal danger," he wrote. "You have been warned." Kaletsky often speaks for the interests behind speculator George Soros. Whatever their bizarre explanations for, or "solutions" to, the crisis, they acknowledge the reality of Lyndon LaRouche's view, that we are heading into a decisive new phase in the process of financial disintegration.

"The lunatics have taken over the asylum. The Fat Lady has hit high C. It's all over, bar the shouting. Add or subtract clichés at will: You can grasp my meaning," Kaletsky said. "Bonds round the world and Anglo-Saxon currencies have entered the kind of wild speculative period, when even

aggressive investors may be well advised to stand aside—and stock markets cannot ignore a shock in bonds and currencies."

Kaletsky is sure the bull market "is due for a nasty shock." Why? "Because there are signs of wild speculation and rumblings of alarming policy changes that most of the pundits have chosen to ignore." Primarily, what worries him is the wild "speculative behavior" on the bond markets in Italy and Spain, which has been going on while "the experts have been looking to Wall Street" for such speculative behavior. This betrays an "overconfidence in Club Med markets," which is "absurd," in view of the recent warnings from the Bundesbank, that Italy, Spain, and other Mediterranean countries are not eligible for the European Monetary Union.

Infrastructure

South Korea active in China 'Silk Road' port

Lianyungang, China, the major Pacific port terminus of the Eurasian land-bridge, or the ancient Silk Road, "has given the go-ahead to 14 projects this year, with investment from the Republic of Korea (R.O.K.), in China's economic and technological development zone. Local officials say that the newly approved R.O.K.-funded enterprises involve a combined investment of \$100 million," Xinhua news agency reported on Oct. 17. "The city has already approved the establishment of 10 other R.O.K.-funded enterprises. So far, R.O.K.-funded enterprises in the city make up one-third of the city's total number of foreign-funded businesses."

South Korea now sends large volumes of consumer and industrial goods exports to Europe via Vladivostok on the Russian Trans-Siberian Railway, but officials have told *EIR* that they are looking to shift some of the volume to Lianyungang and the Trans-China Railway.

"Local officials attribute the increased R.O.K. investment in the development zone to increasingly frequent trade activities between the two countries," Xinhua reported. "Lianyungang held a series of investment promotion events to attract more investors from the R.O.K., and the events have pro-

duced positive results. Lianyungang, situated in the middle of the Chinese coast, and at the eastern end of the Eurasia continental bridge, is only 514 nautical miles away from Pusan City in the R.O.K. From January to September this year, a regular container marine route from Lianyungang to Pusan transported 4,888 standard containers from the R.O.K., accounting for 90% of the total number of containers shipped to China from R.O.K.

"In its 'Outline of the Ninth Five-Year Plan (1996-2000) for National Economic and Social Development and Long-Term Goals for the Year 2000,' the Chinese government wants to see a plan calling for the establishment of an economic belt along the new Eurasia continental bridge, and lists Lianyungang in a priority plan... which will greatly promote the development of Lianyungang City."

Industry

German firms oppose 'radical' free market

The German chemical industry association, BAVC, representing 1,800 companies with 600,000 employees, including Bayer, Hoechst, and BASF, protested over the weekend of Oct. 19-20 against the assault on the welfare state by some of their colleagues in other industrial sectors.

In view of the mass protests in France and Belgium, the 10-point "Rheingau manifesto" states that "the pursuit of radical economic concepts is unrealistic." In respect to the threatened disintegration of traditional wage contracts, the BAVC emphasized, "Changes in social entitlements have to be achieved with as much social consensus as possible in a highly developed welfare state such as the Federal Republic. Only strong social partners, capable of reforming themselves, are in the position to bring about the necessary balance of interests."

The rhetoric of some industry associations is creating a "distorted picture" of Germany, in particular in "English-speaking countries," which has negative effects for the German economy, says the declaration.

Meanwhile, unnamed "experts of both

the Justice Ministry and the Interior Ministry" say that additional cuts in unemployment benefits would be "unconstitutional," the financial daily *Handelsblatt* reported Oct. 21. The Christian Democratic economics council and the Free Democrats have proposed an additional 3% cut in benefits, and also a one week delay in benefits after an individual has been laid off. Bavarian Gov. Edmund Stoiber, in an interview with the Lower Saxony daily *Neue Presse*, rejected these proposals as a "serious injury to the social state."

China

Coordinated development to help western regions

In what is believed to be the "first large-scale economic coordination" of its kind, Chinese authorities have recently begun to expand large-scale economic cooperation between the country's economically developed and backward regions, the Hongkong *Ming Pao* daily reported Oct. 14. The State Council (cabinet) has issued a circular identifying the provinces and cities which should offer "support-the-poor coordination," to 10 provinces and poorer cities. It rejected the "theory of gradient development," that held that China's development should gradually shift from the east to the west.

A source said that the State Council transmitted to all provinces and cities a report submitted by the State Council's Support-the-Poor Leading Group, which called for "supporting-the-poor coordination" between the economically developed and underdeveloped regions. The regions in the "coordination" effort include 3 municipalities, 16 provinces and autonomous regions, 3 coastal open cities, and a special economic zone, which covers more than half the country.

This is the first time in more than 40 years that Beijing has applied administrative means to organize such large-scale economic coordination. In recent years, the Chinese authorities have made arrangements for all localities to support Tibet, and some localities to support the Three Gorges Dam area, but the scope of the effort has been lim-

ited. Despite China's high economic and social growth since the introduction of reform and opening up in the 1980s, development between various regions has been uneven.

Reportedly, Beijing is to support Inner Mongolia; Tianjin is to support Gansu; Shanghai, Yunnan; Guangdong, Guangxi; Jiangxi, Shaanxi; Zhejiang, Sichuan; Shandong, Xinjiang; Liaoning, Qinghai; Fujian, Ningxia; and the four cities of Dalian, Qingdao, Shenzhen, and Ningbo are to support Guizhou.

Philippines

Sugar producers warn: Invest, or face uprising

Manual Lamati, president of one of the largest sugar associations, a group which calls itself the "Don Quixotes," is warning that without improvement in rural infrastructure and cheaper credit, the industry faces widespread bankruptcy as the Philippines, and the rest of Southeast Asia, move to slash import tariffs to zero in the next 10-15 years under the Uruguay Round of the General Agreement on Tariffs and Trade, the Oct. 22 London *Financial Times* reported. Otherwise, Lamati says, growing incidents of rural banditry could lead to a Zapatista-style rebellion.

The Philippines was the second-largest exporter of sugar in the 1970s, but today is a net importer, bringing in almost 1 million tons of cheaper Thai sugar every year.

Nearly half the Filipino workforce is employed in agriculture, yet agriculture accounts for less than 25% of Gross National Product, and that share is falling. David Nellor, International Monetary Fund representative in Manila, says that agriculture is the anchor slowing the growth of the economy, but given the Ramos government's IMF-dictated privatization and liberalization program, little change is expected. The governor of the "sugar island" of Negros says that Thai sugar is significantly cheaper because Thai producers are charged only 6% interest, and capital goods imports are duty free. In the Philippines, capital goods imports are prohibitively expensive, and interest rates are at 20%.

Briefly

BRIDGING the Malacca Straits was discussed by Malaysia's Prime Minister Mahathir Mohamad and Indonesia's President Suharto, in their meeting in Kuala Lumpur on Oct. 7. They agreed it was "a good idea," and set further plans in motion. Indonesia is also planning to bridge the Sunda Strait between Sumatra and Java. The two projects would extend the Eurasian land-bridge to Bali.

A KOREA-CHINA 25-year car-parts joint venture, worth almost \$1 billion, is proceeding smoothly, according to Gen. Kong Fanshu of the Chinese company, Xinhua reported Oct. 17. The project will sell some of the products on the Chinese market for the first 15 years, and then all products will be exported to Korea.

SINGAPORE'S non-oil exports were down 6.2% in September over levels one year ago. The drop is mainly due to the collapse of electronics exports, especially telecommunications, which was down 23.7%. Electronics and related sectors account for 60% its non-oil exports.

CHINA and other member countries of the Consultative Commission of the Tumen River economic development program, have agreed to invite Japan to become an official, full member of the commission, Xinhua reported Oct. 22.

HILMAR KOPPER resigned as chairman of Deutsche Bank, effective May 1997, German radio reported Oct. 30. Rolf E. Breuer, the bank's top expert on futures and derivatives, activities which have added to the bank's problems in recent years, replaces him.

IRAN has an historical opportunity to help reconstruct Africa, President Hashemi Rafsanjani said Oct. 19, in his report on his six-nation African tour. "Africa, in view of its vast territory, abundant water resources, and cheap and hardworking manpower, has all the potential for economic development," he said.