

Business Briefs

Trade

Thailand signs new deals with China

Thailand's Prime Minister Chavalit Yongchaiyudh signed significant new deals with China, during a four-day visit to China ending on April 5. The prime minister led a 120-member delegation of ministers and military and business leaders. Beside numerous trade deals, the trip led to the following agreements:

- collaboration on a road to be completed by the year 2000, through northern Myanmar (Shan states) into Yunnan, China, which is crucial both for Asia-wide trade and in developing infrastructure in the previously British-run Golden Triangle opium region;
- further collaboration on Mekong regional development;
- drug control, including a pledge from China to crack down on methamphetamines being produced in Yunnan and shipped into Thailand;
- major help in building up Thailand's shipping line. China will produce three types of carriers for Thailand: bulk, container, and tankers.
- military—major purchases of radar systems, armored vehicles, patrol ships, and other hardware was signed with extremely generous terms, including 10-year deferred payments. The *Bangkok Post* reported that Gen. Liu Huaqing, vice chairman of China's Central Military Commission, said China was aware of Thailand's financial difficulties, and, therefore, "ready to terminate debts the Thai military incurred from earlier weapons orders."

Banking

Swiss bank losses grow as foreign funds dry up

Swiss banks lost more than 42 billion Swiss francs (about \$29 billion) during 1991-96, according to an official report released in late April by the Swiss Banking Commission. Most of the losses came in Swiss real estate since the mid-1980s speculative bubble

burst in 1991. The commission noted that despite such huge losses, at no time was the Swiss National Bank called on to bail out a bank.

In separate reports from other European bankers, however, it is reported that in the past three to four months, since the escalation of the call for restitution by Union Bank of Switzerland and other Swiss banks for alleged Nazi gold dealings, that the banks have suffered a dramatic fall in cash inflows from abroad, as concern of possible disclosures in bank secrecy could come as a result of the pressure for disclosure on gold accounts. If these reports are accurate, the Swiss banks could be in a situation similar to the French bank *Crédit Lyonnais*, which has been given a series of bailouts to keep it afloat.

Italy

Real unemployment put at 5.5 million

Prof. Renato Guarini, dean of the Statistics Department at Rome University, published a study in a recent issue of the magazine of the Monte dei Paschi di Siena (Italy's oldest bank), in which he argued that real unemployment is well above the official rate of 12%, and may reach 20% or higher, *Il Giorno* reported on April 28.

"There are almost 2.8 million persons who have no employment, but do not show up in official statistics," said Guarini, who starts his calculations from a simple observation: Italy's "rate of activity" is largely inferior to the European average, although all other indicators are similar. The "rate of activity" is the ratio of the labor force to the working-age population. Whereas the latter is known and not falsifiable, the former is more "subjective," being the sum of those employed plus persons looking for a job. Of the two components, the number of employed persons is also certain; the second component is unclear.

Professor Guarini notices that, according to the newest calculation methods, in the "persons looking for a job" category, only those who took a concrete step in recent months to find a job are counted. Given the predominant behavior of the population, especially in southern Italy, Guarini suspects

that the accounting methods leave "an army of unemployed" out of the picture. This "army" is composed of "discouraged people," largely workers between 20 and 35 years of age, mainly women, southerners, with a school degree, who work occasionally but are looking for a permanent job, but not according to the criteria demanded by statisticians.

Professor Guarini estimates that if the difference between the Italian rate and the European average "rate of activity" is added in, then you get the real unemployment figure—5.576 million.

Infrastructure

Southeast Asia nations focus on east-west roads

The ministerial meeting of the Greater Mekong Subregion (GMS) put east-west roads on the front burner, at a meeting in Manila the week of April 14, the *Bangkok Post* reported. Thailand, Vietnam, and Laos agreed to proceed with a proposed road connecting Malamang (Myanmar), Mae Sot and Mukdahan (Thailand), Savannakhet (Laos), and Danang (Vietnam), a route that provides a quick link between the Indian and Pacific oceans. The ports at Malamang and Danang would be upgraded to international standards.

Two Japanese agencies have agreed to assist impoverished Laos in key features of the project: The Overseas Economic Cooperation Fund of Japan has agreed to a 500 million baht (\$2 million) soft loan to bridge the Mekong connecting Savannakhet and Mukdahan; Thailand will match the loan for its half of the bridge project. The Japan International Cooperation Agency has also agreed to help fund the road (Route 9) linking the Savannakhet bridge to the Vietnamese border. The World Bank and Overseas Economic Cooperation Fund will assist Vietnam with key road and tunnel improvements.

The GMS ministerial meeting also agreed to accelerate projects to improve transport links from Bangkok, Thailand to Ho Chi Minh City, Vietnam; Chiang Rai, Thailand and Yunnan Province, China; and Chiang Rai and northern Laos.

Space

Japanese spacecraft to land on the Moon

This summer, Japan's Institute of Space and Astronautical Science (ISAS) will launch the first Japanese spacecraft to land on the Moon. The unmanned craft will be the first to land on the lunar surface since the last Apollo mission in 1972. The Lunar-A spacecraft will orbit the Moon, and fire three penetrators below its surface, to take seismology and heat-flow readings. Japan has plans to follow Lunar-A with the Selene mission, perhaps in 1998, and eventually, to land people on the Moon. Japanese industry has been studying, designing, and testing technology for lunar industry for more than a decade.

In a series of articles on "The History of the Relationship between the Moon and the Human Race," the April issue of the newsletter produced by ISAS's sister agency, the National Space Development Agency, outlines the history of observations as well as folklore of the Moon. "It can be said that the Moon has always played an important role as a close associate of the human race of Earth," it said, because "looking up at a nocturnal sky, man always found the Moon floating there!" Similarly, the late space pioneer Krafft Ehrlicke would frequently say: "If God wanted man to explore space, he would have given him a Moon."

Debt

Push in Southeast Asia for 'debt securitization'

Peddled as the solution to the collapse of the hot-money bubbles in nearly every member country of the Association of Southeast Asian Nations, a drive for so-called "asset-backed securities," i.e., debt securitization, is gaining momentum across Southeast Asia. The schemes are intended to intensify looting to prop up the global speculative bubble.

Such "asset-backed securities" are being pushed by David P. Goldman and his cohorts at the Bangkok-based *Asia Times*, and that

magazine is flush with reports on the recent rush to self-destruction. In Thailand, the proposed set-up of "special purpose vehicles" (SPVs) within the bankrupt financial institutions is ready to go. The SPVs will buy the mortgages from the parent finance company and sell bonds based on the supposed future income flow. The Ministry of Finance is also proposing a waiver of corporate taxes and of transaction fees for this scam, and exempting them from the jurisdiction of Thailand's civil and commercial courts! In the past, such colonial policies were called "extra territoriality." The *Asia Times* says that this will "provide investors with relatively risk-free securities."

The real estate bubbles in both Malaysia and the Philippines are also ready to pop, and similar measures are being pushed by International Monetary Fund assets there.

Finance

German state warned against derivatives

The State Accounting Office of the northern German state of Schleswig-Holstein has put out a special report, warning the state's Finance Ministry about the extent of its involvement in derivatives, the German daily *Handelsblatt* reported on May 2.

The report notes that it was Schleswig-Holstein's Finance Ministry which, in 1992, became the front-runner of all the German states with regard to its level of derivatives transactions. The utilization of all kinds of derivatives instruments, including interest rate swaps and interest rate options, has become normal practice in the state's debt management, says the report.

So far, everything has worked well, but this has been during a phase of sharply falling interest rates, which may have come to an end. Therefore, the report warns, there are no grounds for euphoria, nor for any tendency toward greater risk-taking at the Finance Ministry. It notes that none of the standard risk management measures that virtually every private bank has in operation in conjunction with their derivatives business, exists in the states' finance ministries.

IRAN'S parliament ratified a transit agreement among Iran, India, and Turkmenistan on April 28, the Iranian daily *Ettela'at* reported. The agreement is an important step in the creation of increased capacities for transfers of commodities between Iran, Central Asia, and India.

VOLKSWAGEN lost DM 1.3 billion (\$815 million) in 1996 in foreign exchange derivatives contracts, the weekly *Der Spiegel* reported. Volkswagen confirmed the story, but emphasized that the amount is not "losses," but "reduced profits."

JAPANESE Prime Minister Ryutaro Hashimoto has urged Australia to keep its tariffs on imports. The Mont Pelerin Society's Productivity Commission has ordered auto tariffs cut 5-15% by the year 2004. The tariffs protect billions of dollars of Japanese investment in Australian car-manufacturing plants operated by Toyota and Mitsubishi.

THE DUKE OF KENT led a high-level British business delegation to South Africa in late April, with the idea of forging stronger trade links between the two countries. But the Duke's role also shows the central involvement of the British monarchy in determining policy toward South Africa, and also indicates who the beneficiary is to be.

WESTERN AUSTRALIA'S entire union movement and others struck for 24 hours on April 30, to protest the state's fascist new industrial relations laws. The laws mandate compulsory secret ballots before strikes, and make it illegal for union officials to enter workplaces and to make political donations.

BRIAN MULRONEY, the former Canadian prime minister on the board of Barrick Gold, was named by HFS, Inc., the world's largest franchiser, to its board on April 30. HFS has completed its \$1.7-billion acquisition of PHH Corp., one of the largest U.S. auto fleet managers which bought Avis in 1996 for \$800 million.