

Business Briefs

Middle East

EU fails to end Israeli blockade of Palestinians

European Commission President Jacques Santer failed to convince Israel to lift the blockade of the Palestinian Authority, the Feb. 16 *International Herald Tribune* reported. Although the EU has given financial aid to the Palestinians, much of which has been allotted for infrastructure and other economic projects aimed at generating income for the Palestinian economy, he said, the money is being used to pay administrative costs and the projects have not been able to go forward.

The most outrageous case is the Gaza Airport, which has been completed but sits idle. "Everything is in place, everything," Santer said, but the Israelis keep coming up with reasons for keeping the airport closed. The Israelis have even forced the Palestinians to pay storage fees for German-supplied electronic equipment for the airport.

Santer said that the Europeans are ready to start construction of the Gaza port, but are still waiting for Israeli approval. "They [the Israelis] demand more security, but they do not allow the Palestinians to increase the number of their security forces," he said. The EU is "totally powerless" to change Israeli policy, he said, given that the EU has a substantial trade surplus with Israel.

Mining

Big projects shut down across Ibero-America

In the wake of collapsing commodity prices and Asian markets, mining operations are being shut down throughout the South American continent. In the week of Feb. 23, the following were announced:

Cambior, a Canadian company, froze development of the La Granja copper mine in Peru (\$2.2 billion projected investment), and the El Pachon site in Argentina (\$900 million to \$1 billion). Anglo American Minorco Corp.'s suspended a planned feasibility study for a \$750 million copper project in Quellaveco, Peru. And, Hyundai cancelled a

copper refining and smelting project in Chile, as did the Finnish company Outokumpu, which had a project for Mejillones. Chile will now be short 1 million tons of refining capacity, officials say.

In Peru, the sixth-largest copper producer in the world, which accounts for 20% of its export earnings, the cancellations spell the death of the government's economic strategy. The government had planned to bring in \$3.5 billion in mining investment from 1997 to 2002, primarily from three projects: Quellaveco, Cambior, and Anatamina, a project of two Canadian companies, Rio Algom and Inmet Mining. Peruvian media forecast that the latter will also be suspended soon. In January, the fourth- and fifth-largest copper companies in the country had suspended operations.

China

Bank recapitalization plan announced

China will float a \$32.5 billion domestic bond issue to recapitalize its four major state-owned commercial banks, which are key to maintaining China's development thrust, the National People's Congress said in a statement on Feb. 28. "The bond issue is very necessary to raise the credibility of state-owned commercial banks and their ability to compete in international financial markets," it read. The banks are: the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, and Construction Bank of China.

However, according to the March 1 *Washington Post*, so-called foreign "analysts" are not content with the move, and are screaming for a change in China's lending practices, away from what are dubbed "political considerations" (i.e., development needs), to "financial risk" considerations.

The World Bank, in its fall 1997 "China 2020" report, said that the four banks, which together account for more than 90% of China's bank assets, are bankrupt. Most of these assets, however, were credit allocations under China's centralized banking system and were never meant to be repaid on commercial terms.

Meanwhile, Chen Jinhua, chairman of

the State Planning Commission, said in Beijing on Feb. 23, that China's investment in the next three years will total almost \$1 trillion. (During the past two years of the Ninth Five-Year Plan, investment has been nearly \$625 billion.) China will rely mainly on its huge savings deposits and internal accumulation for these investments, he said, but will also seek foreign investment. Infrastructure, urban housing, and high-tech industries will be the key areas for investment.

Labor

Financial crisis will end 5 million jobs

The International Labor Organization (ILO) warned that the world financial crisis will kill at least 5 million jobs in Asia by the end of 1998, in a report released on Feb. 21-22 in the context of the Group of Seven finance ministers' meeting in London. The losses include 3 million jobs in Indonesia, up to 1.8 million jobs in Thailand, and 400,000 jobs in South Korea.

But these estimates are part of the "optimistic" scenario, based on the assumption that the worst of the crisis is over, and that the Asian economies will stabilize at a zero-growth level.

The scenarios that are far less optimistic, are based on drops in growth of 3-5%. Such drops would almost double the loss of jobs, the ILO report warns: Indonesia alone could lose 5 million jobs by the end of this year. For Asia, this could mean the loss of up to 10 million jobs overall.

Science

Australian coral study shows Earth is cooling

A team from the Australian National University in Canberra and James Cook University at Townsville has discovered, by studying core samples from ancient corals on the Great Barrier Reef, that ocean temperatures have fallen 1°C in the last 6,000 years, suggesting a trend toward another ice age. By

measuring the ratios of different isotopes of oxygen, and the ratios of strontium and calcium from coral core samples, they derived ocean temperatures, evaporation, and rainfall during different periods to within 0.3%, close to the accuracy of conventional thermometers.

The results, published in the Feb. 13 issue of the U.S. journal *Science*, showed that after the last ice age, which peaked about 18,000 years ago, the planet gradually warmed, with an accompanying rise in sea level, reaching its current level around 6,000 years ago. According to a report on the findings in the Feb. 14 *Canberra Times*, the Earth has since been locked into a long-term natural cooling trend which could culminate in an ice age. At the temperature peak, when global-warming theorists would assume there should have been more evaporation and, thus, more rainfall, the research showed that northeastern Australia received less rainfall. Team leader Michael Gagan explained: "The beginning of this interglacial period was warmer than now. There's [since] been a long-term cooling trend. Most . . . models show that we're getting higher [tropical] rainfall because of the increased evaporation from the ocean. Yet 6,000 years ago—when the ocean was warmer—it looks like it was drier. The water vapor was going somewhere else—possibly to higher latitudes. It was not coming down in northern Australia."

Poland

Coal mining is on the chopping block

Polish mines sold only 4.9 million tons of coal in January, compared with more than 10 million tons in January 1997, the daily *Wyborcza Gazeta* reported on Feb. 17. The drop in production comes as free traders are drastically downsizing the industry.

Polish coal miners are competing with cheap coal imports from Ukraine and Russia. According to Krzysztof Młodzik, chairman of the Mining and Energy Branch of Solidarity Trade Union, the price of Russian imported coal may be as low as just a few dollars per ton. There is also an increase in imports of Russian gas used for heating.

According to the plan presented by Andrzej Karbownik, head of the State Agency for the Restructuring of Coal Mining, the goal of the coal mining reforms is to reduce employment by more than 80,000 people and output by over 10 million tons between 1998 and 2002, as demanded by the European Commission. The plan envisions that every year, more than 10,000 people will stop working in mining, and not all of them through retirement. In 2002, only 150,000 people would still be working in mines (today there are 232,000), and several mines will be closed down.

Banking

British make killing off Asian forex speculation

Results for financial year 1997 released by British banks in London on Feb. 27, showed that profits from foreign exchange speculation well outweighed losses these banks are reporting in stocks and other investments in Asia. Hongkong and Shanghai Bank and Standard Chartered Bank, the old Opium War pirates, made the most money; they have the largest British operations in the region.

Hongshang announced that its foreign exchange profits leapt 72% in 1997, to \$1 billion. Standard Chartered's forex profits rose 84%, to \$600 million. National Westminster Bank's forex profits rose 41%, to \$700 million, although the rest of NatWest's reported profits collapsed.

How? Asian businessmen very simply were in a corner and could be fleeced for as much as one dared, Standard Chartered chief executive Malcolm Williamson said on Feb. 25. Businessmen needed to hedge their exposure to currencies, such as the Thai baht and the Indonesian rupiah, which had no bottom, and foreign exchange spreads and margins widened.

"You had many people burnt and going out of the market and very few people prepared to offer a bid in times of high volatility," Williamson said. "By very straightforward spot dealing, you can make a lot of money when that sort of situation appertains, purely because you have the local knowledge and you have been there so long."

BRITAIN'S trade deficit of £4.2 billion for the final quarter of 1997, was an eight-year record high, the Feb. 27 London *Guardian* reported. Industry leaders warned that "exporters are set for a bumpy ride this year as the Asian crisis hinders the British economy."

THE RAIL LINK from Vientiane, Laos to Nong Khai, Thailand, crossing the Friendship Bridge over the Mekong River, has been scrapped because of the financial crisis, the Malaysian *Straits Times* reported on Feb. 10. It was to be part of a 1,000 km rail network through Laos, and a branch of the Eurasian Land-Bridge.

OPEC President Ida Bagus Sudjana said on Feb. 27 that he may seek an emergency meeting of OPEC ministers to discuss the fall of the crude oil price, a lowering of OPEC's 27.5 million barrel per day quota to stabilize the price, and the impact such a move will have on Iraq's quota, increased under the recent agreement with the UN.

VIETNAM was attacked by the free traders at the *Far Eastern Economic Review* on Feb. 12, for refusing to follow the disastrous "Asian Tiger" model. A recent Communist Party document "shows no sign of relinquishing its commitment to state-led development," they complained.

GEORGIA and China are expected to broaden cooperation in transportation. The latter projects would presumably take place within the framework of the Traceca project to develop rail, road, and ferry links from China via Central Asia and the Caucasus to Europe.

SHORTAGES of medicine and improper use of antibiotics are facilitating the spread of tuberculosis in Russia, especially its drug-resistant form, officials of international medical organizations warned on Feb. 18, Radio Free Europe reported. Some 22,000 Russian citizens died of TB last year, and 2.2 million are believed infected, *Rossiiskaya Gazeta* reported Feb. 13.