

Business Briefs

Iran

Brits invest, while U.S. plays 'Great Game'

British and Canadian oil companies are investing heavily in Iran, while U.S. officials, encouraged by the British, are busy playing the British Empire's "Great Game." Anglo-Dutch Shell is heightening its profile in Iran by bidding for a contract to expand crude oil production in the Soroush oil field. The firm reportedly has already placed bids for Agha Jari and Ahwaz Bangestan oil fields (two of Iran's largest), and for the development of North Pars gas field. Shell is also heading negotiations for the fourth and fifth phase of South Pars gas field, and in December was awarded, along with Lasmo of the U.K., an \$18 million exploration contract for the Iranian sector of the Caspian Sea.

According to *Middle East Economic Digest*, Shell submitted its bid to raise the output of Soroush from 60,000 to 100-150,000 barrels per day late last year. It said that a decision may be made by the National Iranian Oil Co. in March. If it wins the contract, the heavy crude will eventually help supply Reliance Petroleum's new 550,000 barrel per day refinery at Jamnagar, on the north-west coast of India.

Meanwhile, Lasmo is working to conclude merger talks with the British exploration firm Enterprise, which in February was awarded a lucrative contract to develop the huge Belal oil field in a consortium with Canadian Bow Valley Energy. Shell is also conducting feasibility studies for the construction of a network of oil and gas pipelines along Iran's Caspian Sea coast.

Thailand

Educational holocaust follows economic crisis

An estimated 400,000 primary school students in Thailand have dropped out of school in the last academic year, even though primary education is compulsory. The rates are even higher for secondary school students; secondary school enrollment in Thailand is

one of the lowest in the region with only 37.5% of eligible students attending school, compared to 70% in China. Girl students have been the biggest victims, because if parents have to choose between educating sons or daughters, sons come first. Girls are also barred from attending any of the 380 schools run by Buddhist temples, which are highly subsidized, including free lodging.

More than 3 million Thai workers have lost their jobs since the financial crisis hit in 1997, the majority women, but another 2.1 million are underemployed or living below the poverty line, according to a UNICEF report. The head of UNICEF in Thailand, Fida Shah, says, "Assuming that each worker is supporting one child in school, there will be 5.1 million children at risk."

In primary school, there are no fees, but children must buy their own books, uniforms, lunch, and transportation. At the secondary level, fees also must be paid. Some 580,000 students are now taking advantage of a special assistance program for poorer students, but *The Nation* pointed out on March 13 that, right up until the onset of the crisis, the government was encouraging primary school graduates to go directly into the for-export manufacturing sector. In 1993, some 4.1 million children aged 13-19 were working; the figure is substantially higher today.

Banking

Bankers Trust pleads guilty to felonies

Bankers Trust Co. pleaded guilty on March 11 to three felony counts, involving the illegal diversion of \$19 million of unclaimed customer funds into a slush fund, which was used to fraudulently overstate the bank's financial performance. The bank will pay a \$60 million fine to the Federal government and a \$3.5 million fine to the State of New York, and has agreed to pay restitution to the victims. The officers and employees alleged to have been involved in the scheme have been dismissed, and face possible criminal prosecution; as part of the agreement, the bank is assisting the investigation.

Bankers Trust is no stranger to criminal

activity. In 1994, the bank was accused of violations of the Racketeering Influenced and Corrupt Organizations (RICO) statutes by Procter & Gamble, in connection with derivatives losses, and was hit with suits from Gibson Greetings and others, all of whom fell victim to its derivatives investments, described by one bank employee as a "lure 'em in and f*** 'em" operation. The bank was fined \$10 million for these escapades and effectively taken over by the government.

The bank was probably bankrupt at the time of Federal takeover, due to the losses in the derivatives markets. Its criminal activity was merely the pretext for the government to step in and rescue the derivatives markets. Today, the bank is probably technically bankrupt again, due to its losses in the so-called emerging markets, and is being sold to Deutsche Bank.

The accusations that the bank cooked its books is rich in irony, since all the big banks are cooking their books—if any of them told the truth, they would have to close their doors immediately. A \$19 million fraud pales in comparison to the trillions of dollars of fictitious derivative values and related deals the banks are carrying on their books, to give the appearance of solvency.

Infrastructure

Budget cuts blamed for German rail accidents

A series of railway accidents in Germany has been caused by irresponsible budget cuts, spokesmen for the rail workers union stated, after the 13th accident this year occurred in Erfurt on March 9, when two trains crashed into each other while moving into the main station on parallel tracks. The signals did not work properly.

Railway management is playing down the affair as allegedly "just a bad coincidence of several incidents over a short period of time," but the union charges that the policy of budget cuts and downsizing is the cause of the accidents. Of a workforce of 400,000 at the beginning of the 1990s, only 257,000 remain, and another 60,000 are slated for layoffs by the year 2003, of which 18,000

TAIWAN is facing a political crisis, over an attempt by President Lee Teng-hui to cancel the stock-transaction tax. Prime Minister Vincent Siew is firmly opposed to dropping the 0.3% tax, because of the loss of government revenue and the impact on the economy (revoking the tax would encourage speculation).

VEHICLE sales in Thailand, the Philippines, Malaysia, Indonesia, and Singapore fell from 1.329 million units in 1997 to 480,657 units in 1998, according to data released by Asian Honda Motor Co. in Bangkok.

CATERPILLAR Inc., the world's largest maker of construction machinery, said on March 12 that its first-quarter profit will be half that estimated, due to slow sales (primarily in Ibero-America), and slack demand in mining, agricultural, and oil and gas industries. The firm expects to cut jobs and shut plants in the U.S., Ibero-America, and Europe.

RUSSIAN businessmen from Novosibirsk exhibiting laser appliances, electric machinery, optical electronics, and other products at the 1999 Tianjin, China import-export fair, held talks with Chinese representatives on March 9, focussing on high-technology cooperation. Tianjin has opened air links with Novosibirsk, and trade volume between Tianjin and Russia is up to \$100 million.

CHINESE exports fell sharply 10.5% year-on-year in the first two months of 1999, while imports rose 4.7%, Foreign Trade Minister Shi Guangshen stated on March 12. Export growth to Europe and the United States has been slowing. Exports to the U.S. grew at a rate of 6.2%, down from the 16% increase for 1998.

THE AUSTRALIAN House of Representatives Standing Committee on Economics, Finance, and Public Administration has asked the Reserve Bank and the Australian Prudential Regulation Authority to conduct an inquiry into hedge funds, with a view to increasing regulation.

will be fired this year.

The union is demanding that the downsizing be halted, and that more funding and increased manpower be given to critical sectors including safety, materials research and development, and maintenance.

A union spokesman pointed to the bad examples of Britain and the United States, where downsizing policies have caused a drastic drop in safety and on-time functioning, and in many cases even the collapse of standard services. In Britain, he told *EIR*, it has become a daily pattern for passengers to wait for trains that never arrive.

Finance

U.S. bubble could burst, paper warns

USA Today warned on March 11 that the United States is not immune to the global financial crisis, in an article entitled, "U.S. Economy: A Bubble Waiting to Burst." On the jump page, the headline read, "Triple Threat Could Trigger Recession." Citing disasters in Europe (Germany's contracting growth), Ibero-America (Ecuador crisis), and Asia ("struggling economies"), the article quoted U.S. Treasury Secretary Robert Rubin. "While the overall [U.S.] economy has been doing well, there is a risk associated with what is going on outside our borders," Rubin said. "This is not a long-term healthy situation."

One expert cited said that there is a 25-30% chance of global and U.S. recession. Economist Nariman Behravesh at Standard and Poor's DRI economic group is quoted, "There is a triple bubble developing in the U.S. economy."

Three bubbles are discussed in a "Rising risk for USA" section: 1) a rising trade deficit; 2) an inflated stock market—Behravesh reported that the value of all stocks listed on the New York Stock Exchange now amounts to more than 125% of GDP, whereas in 1929, just before the crash, it equalled 87% of GDP; 3) large consumer borrowing—in January, U.S. households increased their consumer borrowing by \$14.7 billion. David Wyss, also at Standard and Poor's DRI economic group, asserted, "People are living too

far beyond their means."

The *USA Today* article said, "One thing experts do agree on: the bigger the bubbles, the greater the risks for the economy." Sections then follow with details on Asia, Europe, and Ibero-America, under the rhetorical heading "Year of Recovery?" The policymakers hoped so, "But it hasn't turned out that way." Selected facts make the point: Sony announced a 10% cut in its workforce on March 9. Brazil's currency has plummeted more than 35%.

However, the collapse of the U.S. physical economy is not reported.

Southeast Asia

Thailand, Laos agree to plan for development

Laos and Thailand agreed to a master plan for economic development, during Laotian Prime Minister Sisavath Keobounphanh's state visit to Thailand on March 3-4. The two countries declared that "the 21st century should be a century in which both countries will not have any conflicts. We propose that all previous conflicts be left behind so that we can start the new century with cooperative minds," said Laotian Deputy Prime Minister Somsavat Lengsavad.

The two nations agreed to draw up a master plan for electricity, telecommunications, agro-industries, and investment, which will be completed next year. Laos proposed to speed up the commissioning of 1,600 megawatts of electricity provided to Thailand from the Nam Theun II dam from 2008 to 2006. Thailand had contracted for 3,000 MW from the dam last year, but the economic collapse has slowed down usage.

The two nations also confirmed that 375 kilometers of their 702-km border have been successfully marked. Thailand asked Laos to repatriate 13,000 Hmong hill tribe refugees in Thailand. Vientiane views the Hmong as part of an anti-communist movement that has plagued Thai-Lao relations for decades. Laos requested Thailand suspend navy patrols on the Mekong River, which Thailand says are used for drug suppression, but which have led to serious clashes.