

Business Briefs

Pakistan

Economic situation is disastrous; default looms

Pakistan's foreign exchange cash reserves were reported at only \$1.46 billion as of Oct. 9, and "bankers said a halt in inflows could lead to an imminent default," *China Daily* reported on Oct. 15. Pakistan, with a feudal agricultural economy, imports almost all basics of life, such as cooking oil, for its close to 120 million people.

Sanctions imposed on Pakistan after its nuclear test last May devastated what remained of the economy. The International Monetary Fund (IMF), which has already withheld a tranche from a \$1.56 billion loan program, has been demanding that Pakistan broaden its tax base, privatize key government institutions, and resolve a two-year dispute with independent power producers that has killed foreign investment. Pakistan has a foreign debt of \$32 billion.

On Oct. 13, Central Bank Governor Muhammad Yaqub said that all of Pakistan's debt payments would be made and that Pakistan was still on the IMF program. On the same day, a senior Finance Ministry official said, "It is the state bank which has assumed a central role of economic decision-making."

Trade

Iran invites Malaysian role in five-year plan

First Vice Speaker of Iran's Consultative Assembly Dr. Hassan Rouhani reported that he had conveyed an invitation to Malaysian Prime Minister Dr. Mahathir bin Mohamad for his nation to take an active role in Iran's third five-year economic plan, which will be ratified soon by the Assembly, at a press conference on Oct. 15 at the conclusion of a week-long visit to Kuala Lumpur, Malaysia's capital. Dr. Hassan said that both countries had agreed to increase cooperation in the gas and oil industries, not only in their respective countries, but in other countries in the region as well. Malaysia's Petronas is currently involved in a joint venture with

France's Total and Russia's Gazprom in Iran's South Pars gas field.

Dr. Hassan said that he also discussed increased cooperation in the areas of education, culture, and architecture, and in enhancing discussions in the Islamic world. The crises in the Balkans and in East Timor were also discussed. Dr. Hassan said that he was impressed by the architecture of Malaysia's new administrative capital, Putrajaya, which, he said, had been inspired by the Iranian city Isfahan, the sister city of Kuala Lumpur.

Dr. Hassan also met with Speaker of the upper house of Parliament Tun Mohamed Zahir Ismail, Deputy Prime Minister Abdullah Ahmad Badawi, and Foreign Minister Syed Hamid Albar, and visited the Economic Planning Unit and the Multimedia Super Corridor. Dr. Hassan said that he was impressed by Malaysia's success in overcoming the economic crisis without International Monetary Fund assistance.

Biological Holocaust

WHO has made a radical change of approach

A World Health Organization representative told *EIR* on Oct. 16 that the global health situation is so alarming, that the objective presentation of facts and "pure science" no longer works, and therefore, the WHO's approach is now to ring the alarm as loud as possible to alert the public and to mobilize governments to spend the money needed to fight and prevent epidemics.

An example of this new approach is the recent WHO study on infectious diseases, "Removing Obstacles To Healthy Development." WHO dramatically insisted in this paper that increased drug resistance and the emergence of new bacteria and viruses could make the control of infectious diseases both scientifically and economically unlikely in the future, that whatever progress can be made today "might not be possible a decade from now," and "that the cost of failure will be high."

When asked if WHO had any particular danger in mind, the spokesman said that no one can foresee what exactly will happen,

but the overall tendency is clear and foreseeable. Reemerging old diseases, new diseases, the drug resistance problem, increasing virus transfers from animals to humans (a poorly understood mechanism)—all contribute to the danger. If we don't control the diseases we know about and are able to control, then we might very soon run into trouble, she said. Smallpox provides a very striking example: If this disease had not been eradicated in 1977, the world might be paying a heavy price today, because of the unexpected emergence of HIV-AIDS. Smallpox immunization—the vaccine is made from a live, weakened virus—would now be fatal for many people whose immune system is impaired by HIV.

China

Exports, capital inflow face mounting pressures

While Chinese exports grew 20.2% in September compared to September a year ago, "China's exports and overseas capital inflow . . . still face mounting pressures," according to a commentary by an official of China's trade ministry, MOFTEC, in *China Daily* on Oct. 14.

Since the second quarter of 1998, China's exports and overseas investment have been stagnating, or even declining, in the wake of the lingering Asian financial crisis, the official said. The crisis in China's Asian export markets—Japan, South Korea, and the Association of Southeast Asian Nations (ASEAN)—caused a slide in exports, and overall export volume rose only 0.5%. "The situation this year seemed to be less optimistic. . . . China's total export volume and used overseas investment fell in the first half of the year."

Export volume totalled \$83 billion in the first half of this year, down 4.6% from the same period last year. Exports to Hong Kong experienced the biggest decline, 27.1%. Exports to the United States and the European Union saw an increase of 8.4% and 0.6%, respectively. Although trade with East Asia is starting to return to its former level, sales to Ibero-America and Africa have slid by a considerable margin.

ECUADOR'S President Jamil Mahuad threatened on Oct. 9, that unless Congress passed a balanced budget for next year, including a 50% increase in the value added tax and other austerity measures, there would be no money forthcoming from the International Monetary Fund.

RUSSIAN officials warned that tuberculosis is spreading so fast in the Primorye region, which includes the port city of Vladivostok, that it could soon become epidemic. The number of TB cases has risen 8-10% each year since 1992, the regional administration press center said, ITAR-Tass reported. TB incidence among teenagers has increased 47% in the last two years.

SYDNEY, Australia's business district was blacked out for 2.5 hours on Oct. 13. The Electrical Trades Union blamed the government's cost-cutting policies for the failure.

U.S. FARM STATE Senators, including Tom Harkin (D-Iowa) and Byron Dorgan (D-N.D.), have proposed an 18-month moratorium on agro-business mergers. Specifically targeted is the takeover by Virginia-based Smithfield Foods Inc., the number-one U.S. hog producer and processor (now bigger than IBP), of number-two hog producer Murphy Family Farms of Rose Hill, North Carolina.

WORLD POPULATION reached 6 billion on Oct. 12, according to United Nations estimates. UN Secretary General Kofi Annan welcomed the first baby born after midnight in Sarajevo, Bosnia, as symbolically the 6 billionth person.

THE RAINY SEASON is contributing to deteriorating health conditions in East Timor for an estimated 271,000 refugees (mostly pro-integration people). So far, 115 refugees have died, 90% of them children, from respiratory and intestinal problems. West Timor Gov. Piet Tallo has urged faster repatriation. Only 2,000 have been repatriated.

Except for exports of electro-mechanical products, which grew 9.9%, other exports decreased. Exports of textile products and clothes suffered a loss of more than \$4 billion. The increase of exports by South Korea, Taiwan, and ASEAN "posed a grave challenge to China," the official said. Some 40% of Chinese exports target the same market as these countries, which have devalued their currencies.

Overseas investment also fell. During the first half of this year, contracted overseas investment was down 19.9%, to \$19.39 billion, compared to the same period last year. Growth of investment flowing to developing nations is slowing down, and the focus is being shifted to Ibero-America and central and eastern Europe.

Banking

Future brighter for Thai banks?

So say a bunch of foreign analysts. A study by Capital Nomura, in collaboration with Agence France Press, came up with the following rosy picture: The Bank of Thailand reported at the end of June that non-performing loans had "peaked" at 47.47% of loans, or 2.65 trillion baht (\$66 billion), down from 2.73 trillion baht the month before. The study estimates that non-performing loans will fall to a mere 39.1% by the end of the year (1.86 trillion baht).

Hongkong and Shanghai Bank's senior Asian securities representative, David Gambill, said that Thai banks would emerge strongly—in three years. He bragged that by the end of 1999, "six of the 13 banks will be foreign-owned, [but] this does not mean the banking sector is going to be foreign dominated, as they represent about 19% of total branches and 13% of total assets." However, these foreign-owned banks will outpace the locals with services and products.

Gambill said that the top three Thai banks (Bangkok Bank, Thai Farmers, and Siam Commercial) account for 40% of bank assets, while the six foreign-owned banks account for another 20%. In the next three years, these nine banks will control 70-80% of bank assets.

Meanwhile, privatization of Thai banks is continuing. In August, Standard Chartered signed an agreement to take a 75% stake in the 12th-largest bank (and second-oldest Thai family bank), Nakornthon Bank. On Oct. 6, Singapore's United Overseas Bank signed a deal for a 75% stake in the private Radanasin Bank. And, Hongkong and Shanghai Banking Corp. still has its eye on some acquisitions, perhaps Bangkok Metropolitan, the eighth-largest bank in terms of assets. The analysis estimates that another \$13.4 billion is needed to recapitalize the bank sector, adding up to a total cost of nearly \$33 billion.

Debt

Mexico's Senate backs call for forgiveness

On Oct. 12, Senators from all of Mexico's political parties (PRI, PAN, PRD) unanimously voted up a resolution which states that debt service cannot be paid "at the cost of asphyxiating a country's economy, nor can the Mexican people be asked to suffer privation incompatible with national dignity." The Senate action explicitly supports the Mexican Bishops Conference which, a day earlier, had called on all international financial agencies to forgive Mexico's foreign debt, as part of the Vatican's Jubilee 2000 debt forgiveness initiative, because "broad zones of extreme poverty" exist in the country. Although Mexico isn't considered to be a poor country, Bishop Jacinto Guerrero Torres said, nonetheless, the burden of its foreign debt "overwhelms" millions of Mexicans.

In motivating the vote in the Senate, PAN Senator Francisco Xavier Salazar Saenz argued that the sum of money paid to service Mexico's domestic and foreign debt between December 1994 and March 1999 is larger than the public funds allocated to combat poverty or modernize the oil industry, and is five times as large as funds allocated for investment in the electricity sector. The resolution passed by the Senators underscores that Pope John Paul II's Jubilee 2000 is a unique opportunity to "restore fairness and justice" throughout the world.