

# Business Briefs

## Trade

### Russian investment in China expected to grow

Russian investment into big projects under construction in China will amount to about \$300 million worth in 1999, the Russian Trade Ministry reported on Dec. 8, 1999. China is Russia's third-biggest trading partner among countries outside the former Soviet Union; Russia's share in China's total trade is about 5%. China is getting Russian technical assistance for 12 projects in energy, metallurgy, engineering, and chemical industries. Russia had pledged to contribute about \$3 billion to these, and by Jan. 1, 2000, will have carried out operations worth \$1.5 billion.

Projects include the Yimin thermal power station, the Suizhong power plant, and the nuclear power station in Liangyungang. While direct trade is small (\$6.13 billion in 1998), the two countries also signed technological trade contracts for more than \$1.5 billion in 1998, and the level of Russian technological exports was expected to be higher in 1999, and to further rise in 2000. In 1998, exports of Russian machinery and technology jumped 16% over 1997 levels.

## Asia

### UNICEF warns: Indonesia could lose a generation

The government of Indonesian President Abdurrahman Wahid must take measures to address malnutrition and health care, and to reverse the high rate of school dropouts, or it may lose a generation, warned Stephen J. Woodhouse, UNICEF representative for Indonesia and Malaysia, the Dec. 14 *Jakarta Post* reported.

Woodhouse was in Jakarta to release the agency's "The State of the World's Children 2000" report, which urges immediate and concrete action, or Indonesia's economy will slip further behind, due to lack

of "smart, skillful and productive human resources." He pointed to the high dropout rates, particularly at the secondary level, and the poor academic achievement of students in general.

In a speech written by Indonesian Coordinating Minister for People's Welfare and Poverty Alleviation Basri Hasanuddin, and read by Health Minister Achmad Sujudi, Basri confirmed that school attendance rates fell from 90% to 60% in the past year, while the number of malnourished children rose from 30% to 35%. The Bureau of Statistics reports that there are currently 38.3 million students, including elementary to high school, of whom 25.7 million are elementary students. Clearly, high dropout rates at the secondary level, of 30% or higher, will further stunt the country's future. Woodhouse recommended higher budgetary allocation for health and education, pointing out that the 8.5% and 4%, respectively, earmarked in Indonesia are far below the 26% and 21% allotted by neighbors Malaysia, Thailand, and the Philippines.

## Finance

### Dorgan would regulate derivatives, hedge funds

On Nov. 18, U.S. Sen. Byron Dorgan (D-N.D.) introduced legislation "to amend the Federal securities laws to enhance oversight over certain derivatives dealers and hedge funds, reduce the potential for such entities to increase systemic risk in the financial markets, [and] enhance investor protections." The bill (S. 1968) would amend the Securities Exchange Act of 1934 to require that all derivatives dealers be registered with the Securities Exchange Commission. Derivatives dealers, and all brokers who are associated with derivatives dealers who are required to register, will be subject to disclosures that require that sufficient capital levels be maintained, taking into account the financial activities conducted by, and sources of capital, funding, credit risk, and aggregate leverage of the dealers. In addition, a registered securities association may

adopt and implement rules for the derivatives dealers required to register. It requires risk assessments for government securities brokers and registration and reporting requirements for hedge funds.

The repeal of the Glass-Steagall Act will lead to a greater level of concentration in the financial services industry, and this means that the government will be less likely to allow these large institutions to fail, Dorgan warned, in the Nov. 4 *Congressional Record*. "Federally insured banks in this country are trading in derivatives out of their own proprietary accounts. You could just as well put a roulette wheel in the bank lobby."

Dorgan said that he tried to amend the bill to repeal Glass-Steagall, to stop bank speculation in derivatives in their own proprietary accounts and to regulate hedge funds, but his efforts were rebuffed. "You think there is not risk here? There is dramatic risk and it is increasing. This piece of legislation acts as if it does not exist. It ignores it," he said. Citing "the \$33 trillion in derivatives held by the 25 largest banks," the junk bond failures, and the collapse of Long Term Capital Management, Dorgan said that something must be done to address the risk overhanging the banking institutions. One day, he said, the thud will wake everyone up, and they will ask how we could have thought that we would continue to exist without a massive problem for the American people and their banking system.

## Health

### Beware carcinogens in marijuana, says doctor

"The carcinogens in marijuana are much stronger than those in tobacco," stated Dr. Zuo-Feng Zhang of the Jonsson Cancer Center at the University of California at Los Angeles, Reuters reported on Dec. 17. His study was published in the journal *Cancer Epidemiology Biomarker and Prevention*.

Dr. Zhang studied 173 patients diagnosed with head and neck cancer, and compared them to 176 cancer-free patients. He found that those who said they "habitually

**NEWBRIDGE** Capital Ltd. officially took over Korea First Bank in December 1999, the first foreign takeover of a Korean commercial bank. Newbridge signed an agreement for a 51% stake in the bank for \$441 million (500 billion won), plus the promise to inject an additional \$176 million into the bank in the next two years. Selling the bank was one of the International Monetary Fund's conditions for South Korea to receive a bailout package.

**JAPAN'S** homeless population rose 26% since March 1999, reaching 20,451 in November, the Japanese Health Ministry said, *Yomiuri Shimbun* reported on Dec. 28. In 1999, suburban areas began to see homeless people, who were previously confined to major cities. The homeless are leaving the cities as work in urban areas becomes increasingly scarce.

**TURKMENISTAN** started to supply natural gas to Russia from the Daryalyk measuring point on the Turkmen-Uzbek border on Dec. 28, in accordance with an agreement signed on Dec. 17. Turkmenistan has agreed to supply Russia with 20 billion cubic meters of gas in 2000, and to consider purchase of 50 bcm in 2001, on condition that the deliveries are paid in full. Lack of payment has interrupted supplies in the past.

**DEUTSCHE BANK** former board member Wilhelm F. Christians called for defense of German industry against hostile takeovers, in an interview with *Bildzeitung* on Dec. 23. He appealed to shareholders: "Not short-term speculative gains from share sales should decide [takeovers], but the long-term strategy with its better growth potential; otherwise everyone will be the loser!"

**GENERAL MOTORS** has agreed to buy 20% of Japan's Fuji Heavy Industries, maker of Subaru vehicles, for \$976 million, according to the *Nihon Keizai* newspaper, Bloomberg reported on Dec. 8, 1999. General Motors already owns 49% of Isuzu Motors and 10% of Suzuki Motors.

smoked marijuana were more likely to be in the group with head and neck cancers."

Dr. Zhang said that in the 1960s, there were a lot of people in their 20s smoking marijuana, and "these people are just now getting to the ages" where they will develop this type of cancer which is also common in cigarette smokers and heavy drinkers. "Many people think that marijuana is harmless, but it's not. The big message here is that marijuana . . . can cause cancer," he said.

## Colonialism

### Globalization is replacing military hegemony

"A new economic hegemony, replacing the traditional military hegemony, poses a great threat to the national security of less developed countries," the *China Economic Times* warned in an article in December 1999. It called on poor countries to be wary of the globalized new world order.

"Because the current trend of globalization develops from the old and irrational economic order, the developed countries . . . have reaped the lion's share of gains from such a process," the article said. "The richest one-fifth of the world population commands 86% of the world's GDP, 82% of the world's gross export market, and 68% of the world's total foreign direct investment. In sharp contrast, the poorest one-fifth of the world's population possesses a mere 1% of these." This is creating a "dangerous polarization," and the "inequitable effects of globalization . . . are . . . touching all aspects of human life."

"When the world entered the 1990s, financial hegemony, an extension of military hegemony and economic hegemony, became the Western countries' main tool for exploitation," the article stated. It warned that many developing countries "still lack the experience to cope with mercurial international financial markets."

Globalization is not just an economic process. Its influence "has brought changes to traditional cultural identities. . . . Western countries try to advertise their own ideol-

ogy, consumption patterns, and value orientations through the most accessible means, the Internet, posing overwhelming threats to the cultural sovereignty of developing nations."

The military "resurrection of the old Cold War mentality," as demonstrated in the war against Yugoslavia, "is closely related to the new imbalance of world economic power," it said.

## Eco-fascism

### Prince Charles condemns world to starvation

Prof. John Beringer, a British professor of molecular genetics and Dean of Sciences at Bristol University, denounced Prince Charles's campaign against genetically modified foods, because it "condemns the world to starve," the Dec. 23, 1999 London *Times* reported.

Beringer, speaking at a winter meeting of the British Ecological Society, said that such foods could increase yields of crops; for example, rice, from three to eight tons per hectare. He said that organic farming and "spreading around a bit of manure," as Prince Charles and other so-called environmentalists propose, are not going to save the planet, feed the hungry, or conserve wildlife.

Beringer said that if he could sit down with Prince Charles, he would tell him that "in an overfed country, where you can import food from other people, you can afford to reduce yields and satisfy your whims. But in a real, hungry world there are no solutions other than technological ones. I think it is outrageous and disgusting that people are condemned to starve for what is dogma. One and a half billion people already go to bed hungry every night, and it is going to get worse over the coming decades."

Beringer showed the audience headlines which he described as "royal warrants" against genetically modified crops. He said that there is not a shred of evidence to support the environmentalists' dogma.