

# Business Briefs

## Philippines

### Mining interests grab for precious metals

The London *Financial Times* reported on Sept. 19 that it has received a copy of a legal filing, prepared on behalf of 20 of the world's leading mining companies, demanding that the government of Philippines President Fidel Ramos ignore pressure from environmental groups and enforce the revised mining act, which allows 100% foreign ownership and repatriation of profits.

The legal action, which was to be submitted in late September in Manila, is in response to the government's move to freeze all but 2 of 70 foreign exploration applications, following an incident earlier this year in which a local copper company, 40% owned by Canada's Placer Dome, leaked toxic tailings into the Boac River, south of Manila. The incident triggered a debate on the advisability of allowing 100% foreign ownership.

At stake is the enormous potential wealth to the Philippines or to foreign owners, including the seventh-largest gold reserves and tenth-largest copper reserves in the world. Leading the pack of 20 firms are Newmont Mining (U.S.) and Western Mining Corp. (Australia). Their argument (or threat) is that to backtrack now on privatization will "derail" foreign investment and "stall" progress.

## Finance

### London moves to improve contacts with China

Sir John Chalstrey, the lord mayor of London, led a delegation of businessmen on a 12-day visit to China and Hongkong beginning on Sept. 2, *China Daily* reported Sept. 18. Representing the Corporation of London, the local authority for the "Square Mile," London's City financial district, the British delegation's objectives were to "promote the City of London as the world's largest financial center; a center of excellence for all forms of financial expertise; the

gateway to financial dealings anywhere in Europe and from Europe to China."

In Beijing, the delegation attended a financial seminar hosted by the People's Bank of China (the central bank), and Chatham House Task Force on China. "The City of London provides a gateway between China and the financial markets of Europe which are centered in London and is committed to continued links with Hongkong's financiers after the hand-over of Hongkong to China in July 1997," states the official release of the Corporation of London. (The Corporation is one of Britain's oldest institutions, even older than Parliament, and "a keen supporter of the financial services industry.")

On Sept. 4, Chalstrey signed a "ground-breaking protocol" with Shanghai, to improve cooperation on business, trade, and commercial links. On Sept. 9, Beijing Mayor Li Qiyuan called for closer links in finance, industry, and commerce, during a meeting with the delegation. The paper wrote that "Beijing wants to expand its cooperation with the City of London, the heart of Britain's financial world."

## Economic Policy

### Russian economist cites LaRouche on FDR, IMF

Doctor of Economic Sciences Vladimir Maslennikov cited Lyndon LaRouche and John Kenneth Galbraith, among American economists who oppose radical "free market" notions and the International Monetary Fund (IMF), in the Sept. 17 *Sovetskaya Rossiya*, a Russian opposition paper linked to the Communist Party of the Russian Federation.

In support of his estimate that well over a hundred countries have been weakened by dependence on the IMF, he quotes "the American economist Lyndon LaRouche," that "today the Anglo-Americans are looting a large part of the planet, using the murderous, bloodthirsty practices of the IMF." Galbraith is quoted on how people who want a return to Adam Smith suffer from a "clinical psychological deviation."

Maslennikov's main point is that it took the economic dirigism of Franklin Delano Roosevelt, to lift the U.S. economy out of the

Great Depression. "F. Roosevelt led the U.S. economy out of the economic crisis according to a well-conceived program, which provided for redistribution of the national wealth for the purpose of increasing the purchasing power of members of society and the general interest in an acceleration of economic development," he wrote. "F. Roosevelt understood that the state should increase its influence in the economy, rather than withdrawing from it. Therefore, he instituted comprehensive state regulation of economic processes . . . [and] undertook energetic measures to strengthen the state financial system. This goal was achieved mainly by increasing the output of goods, i.e., by the growth of newly created property, and strict economy of resources. The President banned the export of gold or silver, and forbade taking foreign credits."

## Metals

### Sumitomo copper crisis triggered by the British

Daniel Rappaport, chairman of the New York Mercantile Exchange (NYMEX), identified the London Metal Exchange (LME) and British regulators as responsible for the Sumitomo copper-trading crisis in 1995, in testimony before the U.S. House Banking Committee Sept. 18. The LME opened a metals storage warehouse in Long Beach, California in April 1995. By means of practices that Rappaport said were unprecedented (the LME waived any fee for depositing copper at its warehouse, but imposed an 0.8¢ a pound charge for withdrawing it), the warehouse soon held 80% of all deliverable copper in the United States.

As a result, a severe "backwardation" developed in the copper futures markets during the second half of 1995. That is, copper for immediate delivery cost more than copper futures prices for delivery a few months later. Normally, futures prices are higher, reflecting the cost of holding and storing the commodity.

In November 1995, the NYMEX sent a letter to the U.S. Commodities and Futures Trading Commission, formally requesting some regulatory action. However, the origi-

nal Commodities and Exchange Act, establishing the CFTC, prohibits the CFTC from adopting any regulation that "governs in any way rule or contract term or action of any foreign board of trade." Thus, because the Long Beach copper was traded in London, the CFTC could not do anything, even though the London market had tied up 80% of the U.S. copper supply.

The LME declined to testify before the committee. "Who is here today to testify on behalf of the LME to respond to your questions? No one. Gentlemen . . . the LME doesn't care what you think. They don't feel responsible to you as regulators or to the U.S. Congress," Rappaport said. Rep. Charles Schumer (D-N.Y.), and Sens. Richard Lugar (R-Ind.) and Patrick Leahy (D-Vt.), have introduced bills to extend CFTC authority over commodities that have delivery points in the United States.

## Thailand

### Government tries to rescue its economy

The Thai government has taken steps "to save the country's embattled economy," Xinhua news agency reported Sept. 10. The measures include tax cuts for the shipping industry, in an attempt to allievate Thailand's near-total reliance on foreign fleets for international freight transport, which takes a huge part of the nation's budget. Import tariffs on some raw materials and goods for Thai food and textile production were also cut by 20-30%. However, analysts said that the measures were too little, too late.

Out-of-control money laundering may be behind the crisis. Thailand's "black economy" equalled approximately \$43.3-87.7 billion in 1995, or 30-58% of Thailand's 1995 GDP, according to reports from a task force at Bangkok's Chulalongkorn University. The task force estimates that total illicit money flows in the Thai economy surpassed the total annual budget by \$1.4 billion. Coverage of the report in August unleashed a brawl over evidence of extensive corruption, forcing Prime Minister Banharn Silpa-Archa to referee between the researchers and representatives of the Bangkok metropoli-

tan police.

The report estimated *annual* illicit money flows as the following: prostitution, \$17.7-20 billion; narcotics, \$3.9 billion; labor export brokerage fees, \$2.4-3.2 billion; weapons trafficking, \$512 million; oil smuggling, \$334 million; casinos, \$3.9-\$39.4 billion; underground lotteries, \$11.81 billion; soccer gambling, \$2 billion.

The most politically controversial areas are casinos, underground lotteries, and soccer gambling, which account for as much as \$35.4 billion, or almost 20% of Thailand's 1995 GDP. The report estimates that Bangkok police stations receive \$23.6-31.5 million *annually* from gambling dens.

## Agriculture

### Efforts needed to solve world food crisis

Chinese Congressman He Kang, a former agriculture minister, proposed to the 96th International Congressional Union (ICU) Conference in Beijing that technology and capital input from the developed countries to developing countries is the way to ensure world food security, the New York-based *China Press Daily* reported Sept. 20.

In a discussion session, He Kang said that while freer trade on agricultural production is part of the solution to end the world food crisis, it brings "unfavorable influences to developing countries." Implementation of Uruguay Round treaties had encouraged many countries to reduce food export subsidies, which caused food price hikes that, in turn, require more capital for importing food to the developing countries, thus worsening their financial burden.

He Kang also told the delegates that international cooperation is an effective means of dealing with the world food crisis. ICU members, especially those from developed countries, will have to take "international responsibility" to provide technological and financial help, as well as food aid, to the developing countries, he said.

Meanwhile, China has delivered the first capital investment installment for a food self-reliance project, that is to secure China's food supplies by 2000.

## Briefly

**BULGARIA'S** state-owned banks, except Bulbank, are to be offered for privatization, the Bank Consolidation Co. decided Sept. 18. The Dutch AMRO, the European Bank for Reconstruction and Development, South Korea's Daewoo, and the Dutch ING Bank (which took over Barings' Bank after its collapse) all have designs on different banks.

**MALAYSIA'S** "Silicon Valley," on the island of Penang, is being downsized. At least six foreign-owned firms, among the 350 located there, will shut down; others have stopped hiring, ended overtime, and are restructuring. In 1995, semiconductors and electronic components accounted for 52% of Malaysia's exports.

**PAKISTAN** has rejected an Iranian proposal to lay a gas pipeline to India through its territorial waters in the Arabian Sea, Agence France Presse reported. Pakistan has said that it would not object to an overland pipeline from Iran to transport gas to India.

**KAZAKHSTAN** is facing the threat of famine, said Leonid Solomin, head of the confederation of independent trade unions, Agence France Presse reported Sept. 13. The areas most stricken are Karaganda, and the towns of Janatas, Kentau, and Tekeli in the south.

**CHINA** plans to invest \$13 billion in transport infrastructure by 2000, according to the Ninth Five Year Plan, the German daily *Süddeutsche Zeitung* reported Sept. 17. This includes 11,000 kilometers of rail lines, subway lines in 14 cities, construction of 12,000 kilometers of roads, 100 airports, and an equal number of sea- and river ports.

**THE SWISS** Banking Corp. announced that, as a consequence of the recession and the collapse of the real estate market, it is heading for a "unique technical loss" of 1.9 billion Swiss francs (\$1.6 billion), *Neue Zürcher Zeitung* reported Sept. 19. It will cut 1,700 jobs and close 80 out of 325 offices.