

# Business Briefs

## Finance

### Taiwan removes taxes on derivatives

Taiwan will "remove business taxes on derivatives trading as part of its effort to expand its monetary market," CNA news agency reported on March 3. The move comes as the international financial system is disintegrating, led by the collapse of the derivatives bubble.

This will "help boost derivative trading here . . . and attract foreign institutions to set up branches in Taipei, which will in turn help expand Taiwan's financial market and improve its prospects of becoming a regional financial hub in the Asia-Pacific," said Vice Finance Minister Li Chung-ying. He added that Taiwan "cannot avoid derivatives trading even though such dealings are risky." Taiwan is also planning to drastically drop transaction taxes on corporate bonds and taxes on new insurance programs.

The Kuomintang business management committee has also pulled together a group of banks and sent a delegation to London to consider buying Barings. They include the Core Pacific, Rurentex, and China Trust groups.

## Infrastructure

### EU okays funding for private projects

The European Union finance ministers finally approved a plan to co-fund private-initiative infrastructure projects out of the regular EU budget, at a meeting in Brussels on March 20. The projects will complement the public infrastructure development planned in the Trans-European Nets (TEN) program.

The funding issue has been debated by the EU since the Corfu summit last spring, because of the finance ministers' refusal, on grounds of "private sector" preferences, to release funds from the budget for any projects.

The Essen EU summit in December 1994 agreed to a plan that the European Investment Bank would co-fund projects, but otherwise issued a statement of intent that regular budget-

ary funding would be discussed during the course of 1995. The Brussels decision, which involves, for the time being, a volume of Ecu 2.35 billion for the next four years, means that the TEN program will be slightly accelerated.

The Austrian government welcomed the decision as "going in the direction of Austria's views." Johannes Ditz, EU envoy of the Austrian government, said in Brussels on March 20 that his government now sees good prospects for the realization of the Lower Inntal high-speed rail project between Innsbruck and Germany, via Kufstein, and will apply for EU co-funding. The rail project is the extension northward of the already envisioned Alps rail tunnel through the Brenner pass, which will connect Italy with northern Europe.

## Economic Policy

### Put human beings before usury, says Frondizi aide

"Human Beings Come Before Usury," was the headline of an article by Carlos González, political secretary to former Argentine President Arturo Frondizi, in the March 17 weekly *El Informador*. González charged that an "excess of arrogance on the part of Argentina's economic leadership further complicated the situation and exposed the fragility of the model applied. . . . Reality continues to be the same: The foreign debt is unpayable, not only for Argentina but for all of Ibero-America."

González quoted economist John Kenneth Galbraith warning that conditionalities imposed on countries by the International Monetary Fund (IMF) are very dangerous, and noted how Argentina's foreign debt grew from \$4 billion in 1976 to almost \$100 billion today. "Are there not reasons for questioning Argentina's leaders?" he asked.

González addressed a conference of the International Caucus of Labor Committees and Schiller Institute in Northern Virginia on Feb. 20 (see *EIR*, March 3, p. 44). President Frondizi has taken a prominent role in the international effort to exonerate Lyndon LaRouche.

## Africa

### Optical fiber network planned by AT&T

AT&T is seeking investors for a planned project that will encircle Africa with a \$1.9 billion optical fiber information highway.

William Carter, the president of AT&T Submarine Systems, said that "Africa One," a 33,600-kilometer fiber-optic cable which will provide the backbone for communications with, and within, the continent, would create a sophisticated telecommunications infrastructure that would boost Africa's economy.

The plan would have "landing points" in 41 African countries, as well as Italy and Saudi Arabia. Africa currently has 2% of the world's telephone lines, but 12% of the population. The project could be completed by 1999.

## Turkey

### IMF austerity leads to outbreak of unrest

The application of International Monetary Fund (IMF) austerity programs, which has been backed by Turkish Prime Minister Tansu Ciller, has led to the outbreak of social unrest in Turkey. Ciller was installed as prime minister with the backing of her mentor, former British Prime Minister Margaret Thatcher.

A recent provocation against the Alawite community in Istanbul led to riots which have resulted in 15 deaths so far, and on March 14, violent protests spread to Ankara, the capital. The Alawites are members of the Shiite Islamic grouping, and have been under repeated attack by the Saudi-funded Sunni Refah party.

"Economic factors lie behind all these dangerous events," economist Selami Sengul told the press.

Turkey's economy shrank by over 5% last year and per-capita income fell by about \$800 to around \$2,100. Over 600,000 people lost their jobs in 1994, and more layoffs are expected due to government privatization policies. Turkey has also lost close to \$10 billion because of the U. N. sanctions on Iraq.

The economic collapse led to a Refah candidate becoming mayor of Istanbul last year, something previously considered a political impossibility. Escalating conflict between the Alawites and Sunni Islamic fundamentalists, and national tensions resulting from the British-sponsored Kurdish rebellion, are also increasing the danger of a coup, according to Ankara sources. In fact, Thatcher associate and former U.S. Undersecretary of Defense Richard Perle has been among those demanding a coup to deal with these problems. The situation is not unrelated to developments in neighboring Azerbaijan and Chechnya. The former Azeri regime of Elcibey was armed and funded by Turkey. Chechens have also received Turkish arms, particularly from the Pan-Turk party of Gen. Arpsalan Turkes, who has been pushing for a showdown with the Kurds.

## Health

### New cholera agent 0139 has been decoded

Microbiologists in the Netherlands have decoded the secret of the new cholera agent 0139, which has caused thousands of deaths since 1992, especially in India.

Frits Mool and his colleagues at the National Institute for Health in Bilthoven have found that the cholera agent 01, which was the only infectious one before the emergence of 0139, got some genes from one of the many harmless other related agents. This process of conjugation is common among monocellulars, because this enables them to react more rapidly to changes in environment.

The new genes are responsible for the set-up of sugar molecules on the cell coating of the bacteria. The human immune system uses the sugar molecules for recognition, in order to differentiate between harmless and dangerous bacteria. This especially made the new cholera agent 0139 dangerous: Its inside is as dangerous as the cholera agent 01, but its outside characteristics look to the immune system like those of the harmless related agents. This highly aggressive masked agent

therefore at first didn't provoke any immune response. Only now, after some years, have the immune systems of people in India started to react.

## Debt

### Cadillac Fairview files new plan

The Canadian real estate holding company Cadillac Fairview, which was sold by the Bronfmans to about 40 U.S. pension funds in a 1987 leveraged buyout, filed a new plan for bankruptcy reorganization in an Ontario court, the March 21 *Wall Street Journal* reported. The plan will be at the expense of subordinated bondholders.

The new plan allows senior debt holders to choose between a cash payout of 93.5% of the debt held, or a stock payout in the newly reorganized company equal to 104% of the debt held. Subordinated debt holders, which are mostly vulture funds that bought Cadillac Fairview debt for about 20¢ on the dollar, will get 10% of the stock of the new company, which would be equal to about 6.5% of the face value of the debt, meaning the vulture funds would lose about half their original investment.

According to *Barron's*, the vulture funds were originally attracted to Cadillac Fairview to "play the turnaround in North American commercial real estate in the afterglow of the North American Free Trade Agreement."

Cadillac Fairview was forced into bankruptcy by Whitehall Street Real Estate, one of the vulture funds run by Goldman Sachs. The other vulture funds are screaming that Whitehall is attempting to squeeze them out and come up with sole control. Leading the opposition to Whitehall is Blackstone Partners, Peter Peterson's operation.

Some of the vulture and pension funds (there are 7 or 8 left) are reportedly so angered by Whitehall's behavior, that they are shifting their brokerage business from Goldman to other investment banks. The California Public Employees Retirement System is reportedly shifting *all* its brokerage business away from Goldman Sachs.

## Briefly

● **MANUFACTURING** in the United States is becoming more import-dependent, Jack Hervey, a researcher at the Federal Reserve Bank of Chicago, reports in a recent study. In 1960, the U.S. exported 8% of its manufacturing output; today it is 24%. But the import share of total manufactured goods rose from 6% to 28%.

● **SINGAPORE'S** cable TV company, Singapore CableVision, signed a deal with Rupert Murdoch's Star TV satellite network on March 22 for eight channels. Star's CEO Gary Davey called it "a landmark process for the whole region."

● **THE ITALIAN** banking system is experiencing a growth in bad loans. In December, bad loans increased by 2.6% overall, the Banca d'Italia reported, whereas loans increased by 2.4%. At the same time, employment in larger companies (more than 500 workers) dropped by 5.6% in December 1994 compared to December 1993, the biggest drop in history.

● **THAILAND** has had a 300% increase in its population infected with the human immunodeficiency virus (the virus which causes AIDS) since 1991, researcher Luc Montagnier said in Bangkok on March 22. The estimates are 750,000 infected, up from 250,000 in 1991. The nation's population is about 60 million.

● **LAND O'LAKES**, a U.S.-based cartel company, has set up a phone recording informing callers that it has no bulk butter for export and does "not know of another U.S. source." The recording was set up due to the volume of inquiries, especially for Russia and eastern Europe, where there is a butter shortage.

● **OBSERVATIONS** from the Hubble Space Telescope have led scientists to believe that Mars is cooler, clearer, and drier than when the Viking spacecraft visited the red planet in the mid-1970s. "Being able to predict the weather will be critical prior to human exploration of the planet," NASA said.