Business Briefs

Water Resources

Brownsville To Get Desalination Project

The Texas Water Development Board approved a pilot seawater-desalination plant on the Brownsville Ship Channel on April 17, according to the *Brownsville Herald.* Three sites had been under consideration since 2002: Brownsville, Corpus Christi, and Freeport. Freeport had been in the lead, but the board finally settled on Brownsville, because it is the most vulnerable to drought. (Freeport was the site of one of the first U.S. desalination sites, run by Dow Chemical, and officially opened by President Kennedy in 1961. It was a one-million-gallon- per-day vertical distillation plant.)

The state awarded a $1.3 million grant to the Brownsville Public Utilities Board for the initial project, which should be desalinating seawater by August. It will initially process just 100,000 gallons per day, for a year, to test the system. Eventually it will produce up to 25 million gallons a day.

Brownsville opened a brackish water desalination plant in 2004, which can desalt 7.5 million gallons a day.

Transportation

Panama Plans Historic Expansion of Canal

Evoking the memory of his father, Gen. Omar Torrijos, the highly popular nationalist President, who in 1977 re-established Panamanian ownership of the Canal, the current Panamanian President, Martin Torrijos, gave an April 26 nationally-televised address in which he proposed a $5.3 billion widening of the huge 50-mile waterway, to enable it to handle the giant container ships that are becoming increasingly common in today's global trade, according to press accounts. The project, which will be put to a national referendum later this year, will provide thousands of new jobs, and will "define our future and give reality to Omar Torrijos' dream," he said.

The Canal, which currently handles 5% of world trade, much of it between Asia and the United States, is facing competition from other trade routes, said President Torrijos, who stressed that "it would be unforgiveable" if Panama did not step up and meet the challenge. The plan is to build a new set of giant locks, more than 50 meters wide, which would create a third lane of traffic capable of handling the larger ships.

While the Torrijos proposal addresses the immediate need for expanding cargo transport through the Canal, it does not obviate the need to build an entirely new interoceanic canal across the isthmus, to supplement the existing Canal.

Public Health

World Bank Accused Of Medical Malpractice

A group of public health experts published a report in the online edition of the British medical journal *Lancet* April 25, accusing the World Bank of failing to follow through on its 1998 pledge to combat malaria in Africa.

The article was timed to coincide with World Malaria Day. Between 300 million and 500 million people contract malaria, which is transmitted by mosquito, each year, and more than a million of them, mainly children, die of malaria. It kills one child in Africa every 30 seconds.

The World Bank, in reply to the charges by the public health experts, conceded that its malaria programs were understaffed and underfinanced, but claimed that over the past year it has revitalized them.

In 1998, the Bank pledged to provide $500 million to combat malaria. The stated goal of the Bank's Roll Back Malaria campaign, was to cut the number of malaria deaths in half in a decade. But as of 2005 it had *no* staff working on the programs.

The public health experts have called for the Bank to relinquish its anti-malaria funds to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

The World Bank contends that it has spent somewhere between $100 million and $450 million to combat malaria since 1998.

"That the Bank's management tolerates such vague accounting when serving its clients, the African states to whom it pledged an increase in malaria control funds, is extraordinary," the health experts wrote.

They also accused the Bank of medical malpractice for spending about $1.8 million to buy more than 100 million tablets of chloroquine for India, even though a deadly species of malaria had developed resistance to the medication.

Investment Banking

Morgan Stanley Banker: Time To Change System

Stephen Roach, the chief economist at Morgan Stanley, writes that we have reached the "time for a new global architecture." He has been a self-proclaimed bear for much of the past two years. In his April 24 report for the Morgan Stanley investment newsletter, he warns that the growing "global imbalances" threaten to cause a "dire outcome." Despite some politically-correct obeisance to globalization, his comments reflect a recognition that Lyndon LaRouche's April 20 warning, that the present hyperinflationary phase, is on the mark, and that *something* must be done. Some relevant quotes from his piece follow.

"The world has avoided a major financial crisis for more than seven years. This is due more to luck than design. With oil prices surging, central banks leaning against the upside of a liquidity cycle, and global imbalances mounting, that luck may be running out. . . . With the odds of a disruptive rebalancing high and rising, the world can ill afford to gamble with a piecemeal approach to architectural reform."

After attacking recent pronouncements by financial leaders of the industrialized countries as "increasingly vacuous," he writes that "the four institutional pillars of the global financial and economic architecture—the IMF, the World Bank, the WTO, and the OECD—have lost their way." While the prescriptions he offers are equally vacuous—for example, he writes that there should be twice-annual statements from one global organization, with some form of global enforcement mechanisms—his conclusion indicates the deep concern of relatively well-informed people on Wall Street with the present cascading crisis.

"I worry that globalization is occurring at such lightning speed that the world's antiquated policy architecture will be incapable of dealing with the inevitable next strain of global problems. The financial crisis of 1997-98, with a currency contagion that spread around the world like wildfire, was but one example of an unprepared world. Unfortunately, as evidenced by the extraordinary compression of emerging market debt spreads, these lessons are now all but forgotten. Meanwhile, oil prices are at levels that were unimaginable just a few years ago, and one nation is running a current account deficit that hit an annual $900 billion in the fourth quarter of 2005. . . ."

After a final blast at the "ever-myopic financial markets," he concludes: "With oil prices surging, the liquidity cycle turning, and global imbalances mounting, the risks of a disruptive adjustment to the global economy are rising. Sadly, no one is in charge to prevent what could be a dire outcome—or to suggest how to pick up the pieces."

Privatization

World Bank Demands Philippines Suicide

A report released by the World Bank, as reported by the *Philippines Inquirer,* April 24, leaves no doubt that World Bank head Paul Wolfowitz is dedicated to killing more people through the Bank than he did when he was at the Pentagon. The already collapsing Philippine economy and increasingly hungry population has been told to:

- "end the National Food Authority's costly subsidy program";
- "immediately sell the power-generating assets of the Power Sector Assets and Liabilities Management Corp. (PSALM) this year, to further improve the government's financial position";
- rapidly increase the "pace of pension fund reforms," through "a carefully planned and phased-in increase in contribution rates and rationalization of benefit payouts," and investment of pensions in "alternative investment options. . . to obtain better returns," meaning hedge funds.

Power

China, India To Increase Oil-Refining Capacity

Petrochina's Vice President Duan Wende told reporters that China plans to spend $22.5 billion in the oil refining and petrochemical sector in the next five years, according to press accounts. During this period, China plans to commission five 10-million-ton oil refining bases; two aromatic hydrocarbon production bases, four chemical fertilizer plants, and six large ethylene production facilities. China plans to increase its oil refining capacity by over 45 million tons to reach 170 million tons capacity by the year 2010.

Simultaneously, two Indian private sector companies, Reliance Petroleum Limited and the Gulf Oil Corp., have decided to set up refineries in India for both crude and base oil. Gulf Oil plans to set up a 12-million-tons-a-year refinery at the estimated cost of $1.8-2.5 billon, and a 300,000 tons-a-year base oil refinery, for petrochemical feedstock, at the cost of about $250,000.

Reliance Petroleum has announced its plans to spend $6.1 billion, which would almost double India's refining capacity by 2008. It would add a 580,000 barrel-per-day (bpd) plant to its existing 660,000 bpd facility in the state of Gujarat. The refining complex will become the world's largest at a single site.

Briefly

ARGENTINE PRESIDENT Néstor Kirchner said the IMF and Argentina "are like black and white; We think differently. . . . Things went so badly for us with the Fund, I'd be worried were we to think alike!" Speaking April 21 at the Casa Rosada, he was responding to reports that IMF Managing Director Rodrigo Rato complained to Finance Minister Felisa Miceli in Washington about the government's economic policy.

BRAZIL FINANCE Minister Guido Mantega told the press, upon arriving in Washington, D.C. April 21, for his first IMF annual meeting as Finance Minister: "I don't know if it's the place of the Fund to carry out closer monitoring" of national exchange rate policies. "It is worth remembering that in the past, the Fund . . . supported what happened in Argentina, whose negative results we all know. That's why I don't know if the Fund should be an advisor on exchange policies."

WAL-MART has been ordered to pay a $1.5 million fine to settle claims of pricing violations in Michigan. The fine is for "massive failure" to individually price items as required by Michigan law, according to the office of Atty. Gen. Mike Cox. It is the largest penalty of its kind in state history.

THE FEDERAL Reserve Board has accused the Bank of New York of failing to tighten controls against money laundering, as it had promised to do in 2000, in a case that resulted in the bank being taxed $38 million for some $7 billion the bank laundered. In a statement April 24, the bank said it had already completed some of the mandated actions and that others were under way—six years later. "We plan to fulfill the expectations of the agreement in a timely manner," said Thomas Renyi, the bank's chairman and chief executive. JPMorganChase is in negotiations to purchase Bank of New York.