

# Business Briefs

## Banking

### Financial crisis in Colombia sets off alarm

Information released by Colombia's Banking Superintendent reveals that many of the nation's banks, financial corporations, and savings associations are in deep trouble because their non-performing debt has grown enormously over the past year and a half. The arrearages on debt which matures after six months in banks, commercial credit companies, savings institutions, and cooperatives grew from 215 billion pesos in December 1992 to over 350 billion at the end of 1993, an increase of 63%.

At the beginning of 1994, the Banking Superintendent reported that arrearages in the same institutions for short-term debt (under six months) grew from 350 billion to 540 billion pesos just in the period from December 1993 to March 25, 1994. The 72% annual rate of growth in arrearages is causing tremendous nervousness, particularly since it is now affecting the entire financial system.

## Middle East

### PLO, Israel discuss limited common market

Talks in Paris between the Palestine Liberation Organization and Israel on economic matters, which parallel political negotiations in Cairo, are working out a set of measures which will constitute a "common market," the April 21 French daily *Libération* reported.

The autonomous Palestinian entity will be allowed to buy oil directly from Arab states which have no relations with Israel, and sell gas at prices 15% lower than in Israel or the Occupied Territories. Most Palestinian agricultural products (except tomatoes, cucumbers, potatoes, and chicken) will circulate freely "from the Mediterranean to Jordan." However, Israel will continue to limit the number of Palestinians allowed to work there, on security grounds. PLO representative in France Laila Shahid criticized this, saying it

would further impoverish Gaza and isolate East Jerusalem.

The Israelis have agreed to lower import tariffs on basic necessities (medicine, machine tools, farm equipment, cotton), and will allow the Palestinians to trade with Jordan before the Arab boycott against Israel is lifted. In exchange, the PLO will not be given the right to issue currency, and will use the Jordanian dinar (until a central bank is set up, if that occurs). The Palestinian authority will collect income taxes and set rates; it will receive indirect tax money, but must agree to a common value-added tax of 15-17%.

Gaza will continue to receive electricity from Israel until it has its own generators, and is expected to pay Israel for the electricity which residents did not pay for during the Intifada.

However, what is not being discussed, which is of crucial importance, is a plan for overall economic development through advanced technologies. Reportedly, no discussion of advanced technologies took place in the talks on water, which instead focused on "sharing rights" in which Israel will continue to supply the settlements with water from West Bank aquifers.

During multilateral talks in Oman, the Dead Sea-Mediterranean Sea and Red Sea-Dead Sea canals and the Turkish pipeline project were all essentially discarded as "economically unfeasible." Desalination was promoted, but only for drinking and domestic use; the "alternative energy source" promoted was solar, not nuclear.

## International Finance

### Banks back Serbs against Croatia

The International Monetary Fund (IMF) and World Bank, which have long imposed economic policies on nations, are now dictating conditionalities against Croatia that are in the domain of sovereign foreign and defense policies.

The World Bank's envoy for Central Europe, Kemal Dervish, told Croatian Foreign Minister Mate Granic in Zagreb on April 11,

that his government could count on credits only if it agreed to the Serbs entering, as a fully respected partner, another round of talks about a Serbian role in already-signed agreements, including the recent accords on a confederation between Bosnians and Croats.

Promises that have been made to the Croats, in the Balkans "peace" talks in Geneva, that they would soon receive western bank loans if they signed the agreements negotiated by the U.N. and European Union mediators, have turned out to be empty: Croatia has not received any substantial funds yet, neither from international private banks, nor from German banks (Germany is thought to be close to Croatia), nor from the global financial institutions such as the IMF and World Bank.

## Trade

### China seeks new silk road to Central Asia

Chinese Prime Minister Li Peng called for establishing a new "Silk Road" to build up closer trade links between China and Central Asia, the April 20 *International Herald Tribune* reported. Li Peng, speaking from Tashkent, Uzbekistan on a tour of Central Asia, said, "In the past, the Silk Road joined China and Uzbekistan together. Now we want to build a new Silk Road."

Li Peng toured Uzbekistan, Turkmenistan, Kyrgyzstan, and Kazakhstan, in the first visit by a Chinese leader to this region, which has over 50 million people. Trade and other contacts with the former Soviet republics are regarded by Li Peng as crucial for China's poor hinterland, where activists want to end Chinese rule.

But the prospect of increasing purchases of Chinese cheap-labor products has raised complaints. "The main thing we can complain about in trade with China is the substandard goods they ship," Kazakhstan Trade Minister Oktyabr Zheltikov said in an interview with Reuters. "Of the 150 Chinese joint ventures registered in Kazakhstan only a small number are working properly. They are just doing trading business and are avoiding investing part of their profits into the economy."

## Technology

### Food irradiation expertise sought

Twelve nations, mostly from the developing sector, have requested food irradiation technological cooperation programs with the International Atomic Energy Agency for 1995-96, according to *IAEA Newsbriefs* in April. The countries are Brazil, Chile, China, Ecuador, Indonesia, Jordan, Mexico, Morocco, Nigeria, Saudi Arabia, Syria, and Uganda.

Mexico and China already have irradiation projects and have completed feasibility studies for installing irradiation facilities. The Chinese government has allocated \$1.1 million to build a semi-commercial irradiation facility in Beijing for treating rice and other foodstuffs. Mexico's initial irradiation project included spices, fruits, and vegetables.

## Indonesia

### Shock therapy will not be used, says minister

Saleh Affif, Indonesia's coordinating minister for economy, finance, and development supervision, insisted on March 22 following a meeting with World Bank President Lewis Preston, that under no circumstances would Indonesia implement "shock therapy," the Indonesian daily *Republika* reported. "I say that the Indonesian government will not resort to shock therapy, nor will we adopt a TMP [tight money policy] again," the minister said.

The Indonesians are known to be particularly worried about their \$90 billion foreign debt, as well as the economic competition for markets that will be generated by the United States lifting the embargo against Vietnam.

Meanwhile, labor unrest in Indonesia is being stoked from the U.S. Project Democracy and allied Portuguese and British operations, and has increased in importance after the East Timor crisis, aimed at destabilizing the government, was largely defused. Protests began on April 14 when up to 40,000 workers

took to the streets demanding higher wages and an investigation into the death of a colleague arrested in March.

Wire service reports are insisting that labor disturbances in the north Sumatran city of Medan turned into race riots and "ethnically charged rioting" against ethnic Chinese. Up to 150 shops and three banks were reportedly damaged by looters on April 15, and one Chinese factory owner was killed.

## Asia

### Australia pushes for new free trade zone

Australian Prime Minister Paul Keating, speaking in Bangkok in early April, said that he and Thai Prime Minister Chuan Leekpai "had agreed to explore the prospects of a link between ASEAN [Association of Southeast Asian Nations] Free Trade Agreement members and the Closer Economic Relations pact of Australia and New Zealand."

Australia and New Zealand already have a free-trade market, and this, it is proposed, will be extended to include the ASEAN nations of Thailand, Indonesia, Malaysia, the Philippines, Singapore, and Brunei. The trade bloc proposal was first raised publicly by Thailand last November, and Australia has been discussing the issue for at least six months. The free trade zone, its advocates claim, would create an economic force worth more than \$1,000 billion.

The initiative may indicate that there is a hitch in recent attempts to develop free trade under the auspices of the other Australian initiative known as the Asia Pacific Economic Community (APEC). The creation of an ASEAN-CER free-trade tie is an attempt to absorb ASEAN into a trade association under the leadership of Australia. The April 8 Australian *Financial Review* claimed that "the formation of a southern Asian trade zone, may give greater bargaining power to the region in its dealings with an expanding North American Free Trade Agreement."

● **CHINA** has reached an agreement with Crestone Energy to explore the Spratly Islands, claimed by both China and Vietnam, the company announced April 19. Vietnam accused Crestone of a "grave" violation of its sovereignty, but Crestone plans to dig exploratory wells with protection from the Chinese Navy.

● **ISRAEL** attended a water conference in Oman in April, the first time Israel was officially invited to a conference held in an Arab country other than Egypt. Oman announced that it is setting up a research center to cheapen the cost of desalination.

● **GATT** director Peter Sutherland foresees the world economy being organized like the Roman Empire, the German daily *Frankfurter Rundschau* reported. A "triumvirate" of the General Agreement on Tariffs and Trade, World Bank, and the International Monetary Fund "will be a very powerful mechanism with real sanctions," he said.

● **429 NUCLEAR** power plants were operating worldwide in 1993, and another 67 plants were under construction, the International Atomic Energy Agency reports. Eight new reactors went on line in 1993. The U.S. has the largest number of reactors (109), while France has the largest percentage (75%) of its electricity supplied by nuclear power.

● **KIDDER PEABODY** fired its 36-year-old managing director of government securities trading, after discovering that he had been running a scam involving \$350 million in phantom trades over the past year.

● **BRITISH FIRMS** are not penalized by China because of a row over Hongkong. Lord Young, executive chairman of Cable and Wireless PLC, told Reuters April 18, after signing a \$27 million joint venture for international submarine cables. He said China was separating business from politics.