

# Business Briefs

## Banking

### Imminent collapse in Peru is feared

Fears that a banking collapse is imminent in Peru are widespread, after a report that the earnings of Credicorp, the bank holding company led by one of Peru's most important banks, Banco de Crédito, had declined 93.4% in the first quarter compared to the same quarter of 1998. According to the daily *El Comercio*, the worst banking crisis in years is now imminent.

Sources at the Foreign Trade Society (Comex) told *El Comercio* that by June, the loan default rate is expected to reach 13%—it was 7% at the end of 1998—which will place the banking sector “in a situation similar to 1992 when the financial system confronted the worst situation in years.” Comex sources warned that “if the banking system collapses, it will drag all other activities with it.” They called on the government to come to the banks' aid. Former Finance Minister Silva Ruete, a rabid monetarist, complained that the government has only offered \$1 billion in aid to banks, when financial entities related to the fishing industry, alone require \$1.2 billion.

## Industry

### Machine-tool decline is accelerating

U.S. machine tool consumption, at \$1.2 billion for the first quarter of 1999, declined 45% compared to the first-quarter of 1998, according to the Association for Manufacturing Technology and the American Machine Tool Distributors. Thus, the fall in consumption, which started in late summer of last year, has now been in the range of nearly 50% for the first three months of this year. The level of U.S. machine-tool production closely follows (with a slight time-lag) the level of U.S. machine-tool consumption.

Japan's machine-tool orders fell 30% in April 1999, compared to April 1998, it was announced on May 19. Germany's ma-

chine-tool association announced on May 10 that during the first quarter of 1999, Germany's foreign machine-tool orders had decline by 30%, compared to the same quarter in 1998.

The machine-tool sector is the most critical sector of any economy. When humanity develops a new, fundamental scientific discovery, the idea is incorporated as a design in a machine tool. The machine tool utilizes that new scientific idea in the design of other machines, increasing productive capability. The fall of machine-tool output by such large magnitudes in the core economies of Japan, Germany, and the United States is a devastating commentary on the state of the world physical economy.

## Infrastructure

### China outlines key construction projects

The Chinese government State Development Planning Commission has published a list of 102 key construction projects planned for this year. *China Daily* reported on May 18. Eleven new projects in water management, rail, hydropower, and urban construction have so far been approved by the commission. The remaining 91 projects are already under construction. The state will be the primary financier of these initiatives.

Renovation and construction of China's rural electric power grid is included, to improve the functioning of the nationwide grid, reduce problems in electricity transmission, and cut power prices in rural areas, which is generally more expensive than that in cities.

The transportation network project in Shanghai, and the subway construction in Shenzhen, are among the projects. China invested 10.9 billion yuan (\$1.3 billion) in rail construction over the first four months of 1999, the Ministry of Railways said on May 17.

Railway builders laid 310.3 kilometers of new lines, double-tracked 267.2 km of existing lines, and 181.6 km of double-tracked lines were put into operation.

China plans to spend at least 55 billion yuan (\$6.6 billion) this year to finish laying track for 1,320 km of new lines and double-

tracking 970 km of existing lines. Around 1,000 km of track for new lines and 1,250 km of additional track for existing lines are scheduled to be put into operation by the end of the year. Another 730 km of electrified track will also be built this year.

## Speculation

### Britain rules the bets, BIS data show

The latest “Central Bank Survey of Foreign Exchange and Derivatives Market Activity 1998,” compiled by the Bank for International Settlements (BIS), illustrates that London dominates the speculative markets. In April 1998, the daily foreign exchange turnover in London reached \$637.3 billion, which is much more than that of the United States (\$350.9 billion) and Japan (\$148.6 billion) combined. Number four worldwide in foreign exchange trading is Singapore, with \$139 billion daily turnover, followed by Germany (\$94.3 billion), Switzerland (\$81.7 billion), Hong Kong (\$78.6 billion), and France (\$71.9 billion). London's share in global foreign exchange activity has permanently increased in recent years, from 26% in 1989 to 32% in 1998.

The BIS report notes: “Once again, London strengthened its position as the foremost global center. U.K. foreign exchange trading is so substantial that a larger share of turnover in both the U.S. dollar (32%) and the deutschemark (34%) takes place in the United Kingdom than in either the U.S. (18%) or Germany (10%).” The BIS report singles out Singapore and London as the two major markets which are to a very high degree (87% in Singapore, 82% in London) specialized in “fully non-domestic currency transactions.”

The hegemony of London is even bigger in the field of over-the-counter derivatives activity, where the daily turnover—again in April 1998—amounted to \$591.2 in Britain, double the U.S. turnover of \$293.8 billion. Following in daily OTC derivatives turnover are Japan (\$123.3 billion), France (\$98.5 billion), Singapore (\$90.7 billion), Germany (\$86.7 billion), Switzerland (\$63.0 billion), and Hong Kong (\$51.4 billion).

**TREASURY** Secretary Robert Rubin said that “we have a very unhealthy situation in the world economy, in that the United States is really the only major part of the global economy with a robust growth,” in an interview with Sam Donaldson of ABC News about his reasons for leaving the Treasury, on May 16.

**THE BRITISH** colonial flagship P&O’s Australian subsidiary, P&O Australia, is leading the charge to grab Indonesia’s state-owned assets that are being privatized. The company has bought the management rights to the Surabaya port, in Indonesia’s second-largest city, for \$175 million. P&O has reportedly agreed to invest \$300-400 million over five years to upgrade the facilities.

**GEORGE SOROS** told Reuters on May 22 that the next crisis is going to come from the United States, resulting from “a rise in interest rates or a decline in Wall Street.” The Queen’s speculator was attending a conference of the Chicago Federal Reserve on the “Global Financial Crisis and Economic Development.”

**THE ITALIAN** company Italferr signed a memorandum of understanding with the Iranian New Towns Development Co. to extend the Tehran-Karaj rail line to Hashtgerd, thus linking the capital with the new town built there for 500,000 people.

**AUSTRALIAN** homelessness jumped 10% in 1998, increasing from 100,920 in 1996-97 to 110,260 in 1997-98, according to the Australian Institute of Health and Family Welfare. This is more than 0.5% of the total population, and yet another physical indicator of the true state of the Australian economy.

**THE BRITISH** Catholic Bishops’ Catholic Fund for Overseas Development attacked the International Monetary Fund for mishandling the Asian financial crisis and undoing decades of development progress, in its report on “Human Development and the Asia Crisis,” released on April 20.

## Nigeria

### President-elect Obasanjo defends sovereignty

President-elect of Nigeria Gen. Olusegun Obasanjo is asking for relief on Nigeria’s \$34 billion debt, but says he will not hand over Nigeria’s sovereignty to the International Monetary Fund (IMF) and the World Bank, according to Nigeria’s *Guardian News* of May 20. “Once you owe money, you lose an element of sovereignty. But I want to make it clear that they cannot tell [us] what to do in Nigeria,” he said in response to British Chancellor Gordon Brown, who offered support to Nigeria in return for an IMF representative in Nigeria’s Finance Ministry. “I have stuck my neck out. You want openness, I’ll open up. You want transparency, I’ll give you transparency. After that, what else is the West asking me to do? Cut my neck? Bleed Nigeria to death?” Obasanjo asked.

These remarks reflect the backfire potential of IMF-financial oligarchy policy toward Nigeria, and the fluidity of the global financial collapse.

General Obasanjo is scheduled to be sworn into office in Abuja, Nigeria’s capital, on May 29, as the country’s first civilian President in almost 20 years.

## Thailand

### Government reneges on privatization pledge

The Thai government’s concession to the World Bank to privatize its newest power plant, explicitly reneges on a signed pledge to the labor union not to sell any plant without union consent. The completed but not yet opened Ratchaburi plant will produce 20% of the Electricity Generating Authority of Thailand’s (EGAT) current total capacity. Suthaporn Maneerat, president of the EGAT State Enterprise Employee Association (Egat-SEEA), signed the agreement last year with the Prime Minister’s office, but the cabinet now claims the sale is the only way to avoid raising prices of energy.

Bangkok’s *The Nation* pointed out that

EGAT is one of the few profitable companies in Thailand, and that energy demand is not falling significantly. It therefore asks: “Is this the result of a well-designed plan to force privatization?” EGAT’s recent \$300 million bond issue won World Bank guarantees by promising the privatization.

Demonstrations against the Thai government’s privatization of the Ratchaburi power plant directly targeted the bailout of banks as the real purpose for the privatization. Somsak Kosiasuk, Secretary General of the State Enterprise Workers Relations Confederation, told demonstrators that half the proceeds of the privatization would go to paying public sector debt, and would lead to the lay-off of 150,000 workers. The demonstrators in Bangkok paid tribute to King Rama V (Chulalongkorn), who introduced public utilities a century ago.

## Middle East

### Peres reiterates call for economic development

Shimon Peres, who has offered himself for a ministerial post in the new Israeli government, repeated his call for high-technology, capital-intensive development of the Middle East, in a commentary in the May 21 *Washington Times*. “There is no doubt that Benjamin Netanyahu brought his crushing downfall on himself. And in some strange manner, his astonishing ascent and overwhelming defeat indirectly contributed to the peace process. Now, it is clear there is no alternative to Oslo,” he wrote.

In the course of a broad review of the Mideast crisis, Peres said, “Peace in the Middle East can bring real prosperity to its peoples. A cohesive plan for the distribution of water and the production of new water (through desalination), developing an energy-distribution program, and promoting the production of new sources of energy, science-based industry and services, and improving the educational system—all these will save the Middle East from dependency on oil and poverty. . . .

“By their vote, the Israeli electorate created an entrance card to this new era of peace.”