

Business Briefs

Middle East

Israel and Jordan sign energy accord

Jordan signed an accord with Israel on Aug. 20 to allow joint research into energy resources, according to wire service reports. The accord will include joint studies on exploiting oil shale for commercial use. Jordan has 40 billion tons of oil shale deposits.

The accord spells out joint geophysical and geological research in the Jordan Rift Valley, stretching south of the Dead Sea to Aqaba along the two countries' border. Work has started on an electricity link between Aqaba in Jordan and nearby Eilat in Israel.

Jordan and Israel will also begin an exchange of ideas on extending oil pipelines across their territories. Israel has discussed importing gas from Qatar and Egypt.

Investment

Investors leaving derivatives, says BIS

Investors are pulling back from investing in derivatives, highly speculative financial instruments, according to press accounts of a report released in August by the Basel, Switzerland-based Bank for International Settlements (BIS) on the global financial situation. The French daily *Le Monde* on Aug. 20 headlined its coverage of the report, "A Pulling Back from the Markets in Financial Derivatives."

The main thrust of the BIS report, as presented by *Le Monde* and the German daily *Frankfurter Allgemeine Zeitung*, gives an eerily rosy picture of the global financial situation, with various factors ostensibly pointing to "an amelioration of the global financial landscape in the second trimester of 1995." But on derivatives, the BIS picture is gloomy. This would tend to confirm what *EIR* has been reporting, that "smart money" is moving into hoarding of hard commodities and raw materials.

The troubles in the derivatives market may reflect "the Barings effect," the paper commented. "The users of these instruments may have been incited to a certain caution. On the

organized markets, the number of negotiated contracts declined by 9%, to the level of 276.9 million. The decline of activity has been particularly noticed in the month of April, and this affected the three principal types of products: interest rates, currencies, and stock exchange indexes."

Aerospace

German industry faces shutdown, say unionists

The trade union leaders of Daimler-Benz Aerospace (DASA) warned that the aerospace industry in Germany could shut down completely, once the so-called Dolores (dollar low rescue) restructuring package were realized, in a press conference in Hamburg on Aug. 15. The Dolores program would cancel another 15,000 out of the remaining 40,000 jobs in DASA, closing down several facilities in Germany, and in general shifting jobs abroad toward Indonesia, India, and Taiwan.

Repeating the pattern of recent "automobile summits," there will be an emergency "aerospace summit" on Sept. 25 in Munich with managers and trade union leaders of DASA, and the governors of the states of Baden-Württemberg, Bremen, Hamburg, Lower Saxony, and Schleswig-Holstein, in order to discuss possible state intervention.

Meanwhile, the Netherlands aerospace group Fokker, which was bought up by DASA last year, reported a new record loss of DM 586 million (\$365 million) for the first half of 1995, which led to a sharp fall of Daimler-Benz stocks on Aug. 17 and to the exclusion of Fokker stocks from trading on Netherlands stock exchanges. DASA and the Netherlands government are in talks for an urgent liquidity injection of up to DM 2 billion to prevent Fokker from collapsing.

Alfred Herrhausen, who was murdered in November 1989, was supervisory board chairman of Daimler-Benz, Germany's biggest industrial group, as well as the head of Deutsche Bank. The July 31 issue of the weekly *Der Spiegel* indicated that Herrhausen's death had even more consequences for Daimler-Benz than for Deutsche Bank. He had been very active in shaping Daimler policies and had fights

with Daimler managers Reuter and Niefer. From 1985 on, Daimler was buying up many traditional German high-tech companies, such as AEG, MTU, Dornier, and MBB, which are all in big trouble today. In particular, in the case of MBB, Herrhausen opposed the takeover plans offered by then-West German Economics Minister Bangemann and then-Bavarian state governor Franz-Josef Strauss.

Trade

Turkey's Ciller to focus on ties to Asia

Turkish Prime Minister Tansu Ciller embarked on a five-day trip to Central Asia in mid-August, her second in two months, Agence France Presse reported on Aug. 16. She was accompanied by a team of 50 businessmen, the energy minister, and other officials. "We are planning to develop our relations with Central Asia, to progress rapidly," said Nurettin Nurkan, a Foreign Ministry spokesman.

Turkish trade with Central Asia dropped somewhat last year after initial credits, investment, and trade worth more than \$2 billion were achieved in 1992. Kazakhstan, Uzbekistan, and Azerbaijan, the biggest and most economically viable of the states in the region, rose to \$250 million each in credit, which was funnelled through Turkey's Export-Import Bank. Less than \$200 million went to Turkmenistan and Kyrgyzstan.

Banking

South Korean bad bank debt shoots up

The bad debt of 25 of South Korea's commercial banks has shot up 42% just in the first six months of this year, to \$3.59 billion, while banks' earnings fell sharply, according to a report issued on Aug. 17 by the Korean Bank Supervisory Board, the *International Herald Tribune* reported.

The board reported that bad loans increased from 0.9% to 1.2% of the banks' total

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loans this year. The day before, the banks reported a 90% drop in combined earnings for the first six months of 1995, due to huge losses in stock investments and the need to cover bad debts. While interest incomes of these commercial banks have been steadily growing, non-interest income, especially from the Seoul stock market, is fluctuating wildly. The "index" of the Seoul stock market, which ballooned 20% last year, has already fallen over 10% this year. The Korean government had ordered all the banks to write off their bad debts by 1998.

South Korea has also been troubled by a series of infrastructure and building disasters in recent months, including the collapse of a newly built bridge in Seoul, the collapse of a department store, and explosions at construction sites, all of which have caused many deaths. Poor construction has been cited as the cause.

Finance

Chile a recycling center for foreign capital

Chile, one of Britain's bases of operation in Ibero-America, is becoming a "recycling center for foreign capital," according to a study issued earlier this year by the U.N. Economic Commission on Latin America and the Caribbean (ECLAC). A significant quantity of foreign capital attracted by Chilean companies, through placement of American Depository Receipts (ADRs) in the Santiago stock market, "has surpassed the local economy's capacity for absorption," the Peruvian daily *Gestión* reported on March 10, citing the ECLAC study. Therefore, much of that capital is turned around, and channeled into investments abroad.

Chile has always functioned as a front for the British in Ibero-America, and a good portion of its capital has gone into Peru and Argentina, the *Latin America Weekly Report* reported on Nov. 17, 1994. Chilean investment in countries which are potential competitors, is what government officials call the "internationalization of Chile's economy." Peru and Argentina accounted for 76% of total Chilean capital invested abroad over the last four years.

Much of these funds have gone into buying up privatized firms, in the areas of energy generation and minerals.

Sir Evelyn Rothschild, in an interview in the Argentine weekly *Somos* in September 1993, said that he hoped to use the experience of Smith Newcourt (of which Rothschild is the main shareholder) in Chilean financial services and banking as the launching pad for entry into Argentina. Smith Newcourt owns Banco BICE in Chile, and, together with Chile's Matte group, set up the Biceconsult-Argentina company, whose primary purpose, according to the Sept. 8, 1993 Peruvian daily *La Prensa*, "will be to channel foreign investments into different [Argentine] projects, such as privatized areas." Rothschild said, "We can collaborate with companies and with the Argentine government in future privatizations and financing of projects, as we have done in Chile."

According to wire reports, Argentine Finance Minister Domingo Cavallo recently said that he hoped Chilean banks would bid for Argentina's provincial banks, which are slated for privatization.

Europe

Six million jobs lost in last four years

The economies of the 12 European Union member-states lost 6 million jobs between 1991 and 1995, the annual report of the EU Commission in Brussels released in August documents. The report lists 18 million jobless by the end of the statistical year 1994. This report does not include the figures for the three states (Austria, Sweden, and Finland) that joined the EU at the beginning of this year.

The biggest single national destruction of jobs, notably in the productive sectors of industry, but also in banking, insurance, and the public administrative sector, occurred in Italy, with 1.7 million new unemployed during 1991-94.

Great Britain is next on the list, with 900,000 jobless; 800,000 lost their jobs in Spain; and 600,000 (mostly in eastern Germany) became jobless in the supposedly stable German economy.

● **THE PHILIPPINES** is facing severe food shortages, which have been aggravated by a dry spell. Prices have soared for rice, the staple food, and sugar, and the government has begun to import both commodities.

● **THE PAKISTANI** government seized sugar valued at \$32 million from warehouses and 16 sugar mills in the third week in August, to sell to consumers at 41¢ per kilogram, 25% below the current retail price, according to wire reports.

● **THE BRITISH** have pulled out of nearly all banking activity in Ibero-America, with the exception of the Anglo-Colombian Bank, which is linked to Barclays, a source in Bogotá, Colombia told *EIR*. The British are only investing now, according to this source, in oil, raw materials, and food.

● **THE NIGERIAN** government has pledged to pursue tested options that will lead to rapid economic development, and believes that industrialization is "the surest way to take our rightful place among the community of economically viable nations," head of state Gen. Sani Abacha said in a message to the National Council on Industry in Jos, Nigerian radio reported on Aug. 10.

● **THE BANK OF CHINA** reportedly lost up to \$5 billion in currency derivatives speculation, according to reports in Tokyo and the City of London. On Aug. 2, speculator George Soros is reported to have made \$1 billion, the day before the Bank of Japan and U.S. Federal Reserve made a surprise, coordinated intervention to push the yen lower. Soros reportedly acted on inside information.

● **SWISS** officials are investigating Zug-based companies for criminal raw materials looting of Russia, particularly when it blossomed in 1991-93, an investigating judge told *EIR* on Aug. 16. The probe is part of an overall review of such practices, he said.