

Business Briefs

Mexico

Government 'Of, By And For the Banks'

The Fox government has used the windfall profits from the soaring price of oil to bail out the banks. Between January and August, the national oil company, Pemex, received \$3.6 billion more than what was projected in the 2004 budget, due to the oil price increase. Such windfalls in Mexico are channeled into a special reserve fund, which the government uses as it sees fit.

The windfall was used, according to an exposé published in *La Jornada* Sept. 20, by the Central Bank auctioning off those dollars—and \$1.75 billion more—to the private banks in Mexico, at a price 9% below what the banks are required to sell them at to the public. The result, by *La Jornada's* calculations, was a \$444 million profit for the banks.

The Central Bank adopted the policy of selling foreign exchange to the banks in May 2003, officially explained as a measure to slow the rate of accumulation of foreign exchange. In reality, the Central Bank's sale of dollars has kept up the value of the peso, and kept domestic interest rates down, while providing a juicy stream of income to the banks—which are more than 80% foreign-owned, as *EIR's* July 2, 2004 study demonstrated. Since the banks in Mexico have not made loans to Mexican companies or individuals since the 1995 blow-out, in effect the Mexican Central Bank has been channeling Pemex's windfall profits into capital flight out of Mexico.

Monetary System

UNCTAD Chief Economist Wants 'New Bretton Woods'

In an interview with the German edition of the London *Financial Times*, United Nations Conference for Trade and Development (UNCTAD) chief economist Heiner Flassbeck, Deputy of former German Finance Minister Oskar Lafontaine, notes: "It's becoming ever more obvious that we need a new Bretton Woods system." He added: "A

globalized economy cannot function without either a global currency or a global fixing of foreign exchange relations." He pointed to the huge imbalances in the world economy where, contrary to all the textbooks, countries in the developing sector are channelling a net \$200 billion each year into the richer countries, just in order to stabilize the foreign exchange values of their currencies.

Flassbeck lists all the recent financial and monetary crises: Asia, 1997; Argentina, 2001; and Brazil, 2002. But if the richer countries fail to implement a new fixed exchange rate system, he says, they themselves will also have to suffer great damage. There is a real danger of a system crash, warns Flassbeck. And in particular for the export-dependent German economy, the implications would be disastrous.

Transport

Indian Railways Going High-Speed

Indian Railways is developing a five-year integrated modernization plan, focussing on development of high-speed trains and tracks, train sets (locomotive and coach), and signalling mechanisms, according to the daily *Business Standard*. The Railways Ministry has asked all directorates to provide inputs on areas they consider eligible for inclusion in the modernization plan.

The Plan will be implemented between 2005 and 2010. The proposed high-speed network will have trains running at an average speed of over 150 miles per hour on dedicated high-speed tracks. The tracks will be fully fenced and isolated from road traffic and the trains will have enhanced safety features and signal warning system.

Manufacturing

Japan To Build New Indian Steel Plant

Mitsui and Co. has expressed keen interest to set up a 5-million-ton steel plant in the Indian state of Orissa. "We are now explor-

ing the possibilities and gathering information on the prospects of putting up" the plant, Mitsui Chairman Takao Miyachi told the press Sept. 9. He pointed out that the most significant aspect of the proposed venture is that for the first time in India, it will use the high-tech (not based on coking-coal) steel production developed by a Mitsui subsidiary. This technology is expected to overcome the crisis faced by many steel producers due to a shortfall in supply of coking coal.

If Mitsui goes ahead with its plan, it will be the third steel plant to be set up in Orissa in the coming years. Tata Steel has already announced a plan to set up a 6-million-ton steel plant in the state, and the Vedanata Resources—a holding company of Sterlite Industries of India—has also announced an investment of almost \$2.8 billion to set up a 1-million-ton steel plant in Orissa.

Brazil

President Lula wants TVA-Style Project

"I want to do in the semi-arid Northeast, what Roosevelt did in the Tennessee Valley," Brazilian President Lula da Silva stated during a ceremony to inaugurate a refinery on Sept. 14. Lula has been personally campaigning for his biggest investment project planned for 2005: the centuries-old plan to divert the waters in the São Francisco River basin to irrigate four of Brazil's poorest states in the Northeast, which suffer constant droughts. The modern version of the São Francisco project, which includes 500 km of canals, was drafted decades ago, after direct study of FDR's TVA.

Despite opposition by parochial interests, Lula said on Sept. 2, that this project must be carried out, because it will "revolutionize" the Northeast over the next 5-10 years. The President—who grew up in extreme poverty in that area—called it an "historic error" that the project had never been implemented. "Those who criticize . . . the project didn't drink dirty water as my brothers and sisters and I did when we were growing up in the Northeast. We drank the same water as the cattle, and this must end," he told an audience on Sept. 14.