

Business Briefs

Australia

Rate of children living in poverty soars

Research conducted by the Center for Population and Urban Research at Monash University, Melbourne, has revealed that 43% of all children in Australia now live in poverty, *The Australian* reported on Sept. 22. Many of these are in families of the "working poor," and a growing number come from one-parent families.

Bob Birrell and Virginia Rapson, who did the study, attributed the cause of poverty more to factors such as family breakdowns and one-parent families, than to unemployment and the rising number of low-paid, part-time jobs. The data revealed that twice as many families received Additional Family Payment on the grounds that they were sole parent pensioners (still able to work part-time), compared with those receiving the payment on the basis of unemployment benefits. During 1991-96, the number of employed increased by 637,000, with women taking almost 60% of these new jobs; yet, during the same period, the number of families receiving the Additional Family Payment rose from 638,787 to 895,185.

"Poor families are shouldering the major part of the burden of raising Australia's children," the study concluded.

Infrastructure

Taiwan set to award contract for rail line

The winner of the contract to build Taiwan's biggest infrastructure project, a \$10.4 billion high-speed railway between Taipei and the southern port of Kao-hsiung, is expected to be announced within two months, the Sept. 26 *Australian Financial Review* reported. When complete, the new line will shorten the journey to 90 minutes, travelling at speeds of about 300 kilometers an hour.

Intense lobbying by leading high-speed railway companies has been reported by Minister for Transportation and Communications Tsay Jaw-yang, including by TGV of France, Japan's Shinkansen (or "bullet"

train), and ICE of Germany. The *Review* mentions the line being built by TGV between Seoul and Pusan in South Korea, and says that demand in Asia for high-speed rail technology has become a "battleground," with interest from several countries, including China.

According to the German business daily *Handelsblatt* on Sept. 30, the Franco-German group GEC-Alsthom/Siemens has received "best applicant" status from the Taiwanese government. The group wants to build a combination of the German ICE locomotive and French TGV passenger rail car, specially designed for that track, with a production value of about \$1 billion. The group has a joint venture, Taiwan High-Speed Rail Consortium, with five Taiwanese rail-technology producers.

But, Transrapid International, the German industrial group that produces the maglev system Transrapid, has also made an offer. Siemens is also part of that group. In talks with government officials in Taipei on Sept. 29, German Economics Minister Günter Rexrodt endorsed the maglev technology.

The Taipei/Kao-hsiung project will require investments of about \$4 billion, and is to be completed by the year 2003. It is a mixed state-private project, with a 40% share held by private industry. The financial amortization of the investments is laid out for a period of 35 years.

Economic Policy

France prepares for economic warfare

The French Defense Ministry has created a "private" management school to develop techniques of economic warfare directed against "the American and Asian threat," the German business daily *Handelsblatt* reported on Oct. 1. The new Economic Warfare School is to be an elite training center for 29 graduate students who are French nationals. They reportedly will be trained in all aspects of economic warfare, including techniques (offensive and defensive) of computer hacking, data theft, techniques of "manipulation of the consumer," and other areas of "information warfare."

The Economic Warfare School, nominally an expensive private elite school, was created by the French Ministry of Defense through Intelco, a subsidiary of Defense Conseil International, a consulting firm to the ministry. The initiator and head of the new school is Jean Pichot-Duclos, a French Army general who headed the Secret Intelligence School of the French Special Forces in Strasbourg.

Alain J. Joseph, the head of the group that oversees the school, commented, "The government is concerned about the American [trade] offensive, such as indicated by the merger of Boeing and McDonnell-Douglas. But naturally, they cannot openly speak of an 'economic war.'"

President Jacques Chirac, who has recently warned against American "unilateralism," reportedly backs the project. His concept of a united Europe with the power of a single currency, the euro, is seen by Chirac's backers in the French establishment as creating an "economic counterpole" to American power.

Banking

Foreign takeover of Ibero-America continues

The rapid takeover of the banking systems of nations in Ibero-America which began about five years ago (see *EIR*, Aug. 22, "Britain's 'Invisible' Empire Unleashes the Dogs of War," p. 48), is accelerating, with major new developments in Brazil and Mexico in September.

During the International Monetary Fund meeting in Hongkong, the head of Brazil's central bank approved a bid by Spain's Banco Bilbao Vizcaya (BBV) to buy out 51% of Brazil's Banco de Credito Nacional, the sixth-largest private bank in the country, and the ninth overall. The BBV is a front for British financial interests. Its Brazilian bank will now be the largest foreign bank in the country, according to *Gazeta Mercantil*, leap-frogging ahead of London's Hongkong and Shanghai Banking Corp. (HongShang) (which took over Bamerindus in March 1997) and Spain's Santander (which bought out Banco Geral do Comercio and Banco

Noroeste over the summer of 1997).

EIR estimates that, with this BBV move, foreign banks now control 17% of the total assets in Brazil's banking system, up from 14% only six months ago.

In Mexico, another major bank, Monterrey's Banca Confia, whose Cayman Islands derivatives speculation went sour, has gone belly-up. As is now habitual, the Mexican government came to the rescue, pumped in close to \$1 billion to buy up Confia's bad debt, and then sold the cleaned up remains to Citibank, for a pittance.

In September, the Mexican government, after its earlier bailout of Banca Serfin, bought out another \$650 million of its bad debt. Serfin, the third-largest bank in the country, was taken over by HongShang earlier this year, when it purchased 20% of the Mexican bank, with an option for another 20%. With the second bailout, HongShang has exercised that option, and now owns upwards of 40% of Serfin.

With these two September bailouts, the total amount spent by the government agency Fobaproa since the December 1994 Mexican crash, to bail out Mexican banks before selling them to foreigners, is about \$30.5 billion—about 9% of the country's total GNP in 1996. According to the daily *El Financiero*, Fobaproa has now bought up 23% of the total loan portfolio of the banking system, as of the time of the peso devaluation of December 1994—i.e., the government has effectively *re-nationalized* one-quarter of the *privatized* banking system, only this time it has been handed over to foreigners.

Mining

India grants Rio Tinto an exploration license

Rio Tinto, a firm of the British oligarchy, was granted a 1,916 km² prospecting license by India, for copper, lead, zinc, gold, and silver, in the northern state of Rajasthan, the *Asian Journal of Mining* reported in its July-August issue. This is the first exploration license India has granted to a foreign company.

The decision comes in the wake of recommendations by a task force of the Madhya Pradesh government that entry be given to

multinationals to mine diamonds. Members of the task force who made the recommendations include Gopi Arora, India's representative to the International Monetary Fund, and former mining secretary P.K. Lahiri. If the Madhya Pradesh government accepts the report, the states of Orissa and Karnataka are set to follow. So far, eight multinationals have lined up on the government's short list: Ashton Mining Ltd. (Australia), Australian Kimberley Diamonds Ltd., Cluff Resources Pacific, Golden Tiger Resources, Empire Gold Mines, Dun Dee Bancorp Inc., Stockdale Prospecting Ltd., and International Business Development Ltd.

Laos

World Bank to pull plug on dam project?

World Bank President James Wolfensohn may halt the building of the \$1.5 billion Nam Theun 2 dam in Laos, one of the bigger infrastructure projects in Asia, the Sept. 30 *Australian Financial Review* reported. The paper claims that Wolfensohn is under pressure from budget cutters, non-governmental organizations, and environmentalists to do so.

Although considered the "best option" for hydro-electric development in 1991, the World Bank now wants to transfer the financial risks of the project from the dam's private sector backers to the Laos government—a way of killing the project. The *Review* says that many critics are wondering why the World Bank is guaranteeing the interests of the private developers and foreign banks, while providing no assurances to Laos that the project will deliver the benefits promised. Under the plan, Laos will hold a 25% equity stake in the project.

Transfield, an Australian construction firm, has already spent \$30 million on the build, own, operate, transfer project. It had planned to sell the electricity to Thailand, but with the ongoing financial collapse, it is now making "drastic downward revisions in projections of Thai economic growth and power demand," and expects it will be left without a buyer for the power, or that the price will not cover construction costs.

'DIAMOND JOE' Gutnick's companies, Quantum Resources and Astro Mining, are buying China's Wafangdian diamond mine and Mengyin diamond mine. Wafangdian produces 100,000 carats of gem-quality diamonds annually, about 50% of China's current production.

TURKMENISTAN and Iran are proceeding to step up cooperation in the gas and oil fields. Iranian Deputy Foreign Minister for Euro-American Affairs Morteza Sarmadi said that Afghanistan is one area where a joint effort should be made. Another, he said, is the Caspian Sea, where the two nations share "identical views."

TOGO President Gnassingbe Eyadema said on Sept. 29 that African nations should form a common market. He said that if the 16-nation Economic Community of West African States and the 14-nation Southern African Development Community pooled their resources, it would aid development on the continent.

JAPAN extended a \$3 billion loan to Thailand for infrastructure, not as part of a financial bailout. The interest rate was less than 2%, and repayment was extended from 20 to 25 years. It will finance energy distribution systems, an airport, a subway, an industrial ring road around Bangkok, a bridge over the Chao Phraya River, and other projects.

THE GOLD PRICE jumped to \$337 per ounce in late September, after falling to a low of \$312 in June on news that the Reserve Bank of Australia had sold two-thirds of its reserves. London sources claim it has been triggered in a "suspicious manner" by derivatives dealing involving "one major Wall Street firm and Newmont gold." *EIR* had warned that the drop in price was to force small investors out of the market, before prices rose again.

IRAN has built its first desalination plant, with a daily capacity of 1,000 m³. It is to be installed on Kharg Island, IRNA reported.