

Business Briefs

Middle East

Syria, Jordan sign pact on dam project

Jordan and Syria signed a draft agreement on restarting the Yarmuk Dam project on the Yarmuk River, the Israeli daily *Ha'aretz* reported on May 20. The 40 kilometer river runs along the Jordanian-Syrian border and flows into the Sea of Galilee, in Israel.

The project had been started in the early 1980s, but was halted in 1986 when Israel threatened to bomb it, which caused the World Bank to refuse to finance it. It is now expected to be financed by Arab sources.

The \$420 million project would provide Jordan with 120 million cubic meters of water, and Syria with 70% of its electricity needs.

National Economy

Mahathir says, better not to rely on the IMF

Malaysian Prime Minister Dr. Mahathir bin Mohamad said that Malaysia "prefers to face poverty and rebuild its own economy rather than accept the IMF," the Egyptian daily *Al-Ahram* reported on May 10. His comments came in a lecture to the Egyptian Chamber of Commerce, during the G-15 summit in Cairo.

Mahathir described the devastation left by the financial crisis in East Asia. "More than \$1 trillion of purchasing power has been lost, banks and businesses of all kinds went bankrupt, and more than 30 million workers faced unemployment," he said. "Then the governments were blamed for not being open and not following the method of transparency. But these governments themselves were the ones which developed their poor, agrarian nations into industrial tigers." He added, "Malaysia could not avoid the catastrophe which descended on the East Asian states. The value of the currency fell by 50%, and [we] became poorer, turning 25 years backwards. We did not resort to the IMF, and preferred to live in poverty and rebuild our economy."

Mahathir emphasized that "the solution

to our problems is industrialization. Agriculture can achieve only a limited wealth, but industry can achieve an endless wealth and create more opportunities for work."

Agreements were signed to base trade between the two nations on their own currencies. Also, Egyptian TV reported that Mahathir had pointed to the need to create "a new financial order."

Meanwhile, Malaysia is establishing a special agency to "identify companies with assets that are of national interest, and therefore should be rescued," *Business Day* reported on May 8. Like President Franklin Roosevelt's war-time policy of extending credit to industries and farms according to their importance to the national economy, Mahathir is reported to have said that all transactions would be transparent, acting like a "national economic intensive care unit."

Germany

Dramatic decline of tax revenue continues

On May 20, the latest semi-annual official estimates on German tax revenues were announced in Bonn. The estimates reflect the accelerating decline in the German economy.

The Social Democratic Party spokesman on financial matters, Joachim Poss, outlined the results before the official announcement, in a discussion with the German economic daily *Handelsblatt*. Poss emphasized that the most important factor in the huge tax shortfalls, is the collapse of overall economic activity.

For example, the Gross Domestic Product in 1998 will be 309 billion deutsche-marks (about \$18 billion) lower, and 1999 GDP will be DM 377 billion lower, than projected three years ago. As a result, 1998 tax revenue will be DM 145 billion lower, and 1999 tax income DM 167 billion lower, than the official estimates of three years ago. Compared to the estimates of November 1997, the new tax projections will have to be lower again, according to Poss, by DM 4.5 billion for 1998, DM 35 billion for 1999, DM 44.5 billion for 2000, and DM 49 billion for 2001.

Trade

Asian crisis will hit U.S., says economist

Sung Won Sohn, chief economist and senior vice president of the Minneapolis-based Norwest Corp., and a former senior economist on the President's Council of Economic Advisers, warned that the Asian crisis will intensify and continue for as long as ten years, and that it will hit the Seattle-area economy very hard, in a speech near Seattle on May 21, the *Seattle Post-Intelligencer* reported.

Sung singled out aerospace and agriculture as the two export areas that are already feeling severe impacts. Boeing 747s "are lined up like a row of ducks" at airports in Korea, Hong Kong, and Singapore, he said.

On agriculture, in 1996, of the \$64 billion in U.S. agricultural exports, \$48 billion went to Asia. From the U.S. Northwest, he said, more than \$3.1 billion in products were exported from Washington state, much of it to Asia.

The ripple effects of a slowdown of agricultural exports can be seen in Seattle and Tacoma. Both ports are major centers for shipment of not only Northwest products, but also Midwest grain. Grain terminal operators report that Asian purchases have plunged, resulting in operational cutbacks threatening hundreds of jobs.

Thailand

Fight intensifies against IMF policies

"It's time to stand up and get the nation back," proclaimed a banner at an anti-IMF rally outside Bangkok's City Hall on May 24, the *Bangkok Post* and *The Nation* reported. The non-governmental organizations involved in the demonstration demanded that the full details of Thailand's fourth letter of intent with the IMF be disclosed. This group, which is associated with the newly created "Free Thai" movement, opposes the sale of state-sector firms, such as Bangchak Petroleum, to foreigners.

THE TAIWAN *Business Weekly* announced in May that it will publish a weekly column based upon news updates from *EIR's Strategic Alert*. *Business Weekly* said that it took the decision because of the escalating international financial crisis.

SINGAPORE is facing unprecedented unemployment, the *Straits Times* said on May 23. Trade union head Lim Boon Heng said in a radio broadcast on May 22, that 20,000 workers could lose their jobs this year, double last year's rate. (The population of Singapore is 3 million.) Manufacturing accounted for 75% of the 7,000 jobs lost in the first quarter.

THE BANK of New York announced on May 20 that it is withdrawing its \$22 billion hostile takeover bid for Mellon Bank. Meanwhile, the effects of First Union's takeover of CoreStates Financial are beginning to be felt in Philadelphia, where First Union will close 156 branches, eliminating some 1,400 jobs. The bank is also selling 95 branches.

MARGARET THATCHER, former British Prime Minister, has joined the 10-member advisory board of the New York-based Tiger Management LLC, the hedge fund run by Julian Robertson. The \$18 billion Tiger is the world's second-largest hedge fund, after the \$20 billion Soros Fund Management.

PAKISTAN'S Army Chief Gen. Jahangir Karamat warned that the poor health of the Pakistani economy is a greater threat to the security of the nation than any external threat. He called for stringent measures to revive the economy.

JAPANESE exports to other Asian nations in April dropped 18.1%, compared to April 1997, according to data released by the Finance Ministry. In the same time period, Japanese imports from Asia on average fell 14.5%, and imports from Indonesia 34%, despite the collapse in value of the Indonesian rupiah.

In Thailand's northeast, 11 farmers organizations staged demonstrations that drew 20,000 people in Khon Kaen on May 24. They demanded that, if the government can bail out the financial sector, it can help farmers with their debts, too. The groups, spearheaded by the Forum of the Poor and the Assembly of Small-Scale Northeastern Farmers, are demanding that the government issue an executive decree to raise 500 billion baht in loans to help the farm sector, and grant a five-year moratorium on their debt to the Bank for Agriculture and Agricultural Cooperatives. These demands have been submitted to Deputy Prime Minister Sovit Khunkitti. The farmers warned that they will hold a mass rally outside Parliament House on June 24.

The protests are intersecting the worst unemployment in 50 years. Early on in the current crisis, the government warned that unemployment would double, from 1 million to 2 million, during 1998. The figure as of March was already 2.8 million.

Shipping

Indonesia crisis worries industry

The shipping industry is worried about the consequences of the turmoil in Indonesia, the May 19 *Wall Street Journal* reported. One-third of world commerce, including 80% of Japan's oil, travels through the searoutes near the 17,000 islands that make up Indonesia.

The Indonesian island of Sumatra forms one side of the Malacca Strait, through which about 400 ships per week pass on their way to north Asia. There have already been incidents of pirates boarding fuel tankers to confiscate and resell the oil. But, more serious than pirates, the article said, would be a nation split apart, where political instability could close these shipping routes. Bilveer Singh from the National University of Singapore warned that "the moment there is an explosion on land, the possibility of sea traffic being disrupted is very high." If rogue elements from the military become involved in the piracy, that would be "a whole different story," he said.

Noel Choong, head of the Regional Piracy Center in Kuala Lumpur, Malaysia, said that there have been three ship hijackings so far this year. "We believe that the prolonged crisis in Southeast Asian countries will increase the rate of pirate attacks," he said.

Commodities

World prices fall, as consumption drops

World commodity prices are falling, led by the world financial disintegration in Asia, which has drastically reduced consumption, *Barron's* magazine reported on May 25. The CRB/Bridge Futures Price Index, which covers many commodities, from metals to grains, oil, and livestock, has fallen from 262 in the second quarter of 1996, to 219 on May 22, or 16%. Among the leading categories, over the past 12 months the index of industrial raw materials (metals, etc.), has fallen from 271 to 211, down 22%; the price of livestock has fallen from 282 to 233, down 17%. The fall in prices hits hardest those countries that are producers of primary commodities.

The unraveling of the Asian economies is contributing to the fall: Because Asian meat consumption (cattle, hogs, poultry) had increased, Asia had become a large purchaser of soybeans, as a high-protein animal feedgrain. Soybean prices surged to a 14-year high in 1997, to \$9.04 per bushel. Now, Asian nations are cutting back or eliminating meat consumption. In the recent past, many nations in the Western Hemisphere had increased planting for soybean production. Now, with demand falling, the United States and Brazil, which were exporting 10.5 million bushels of soybeans per year to Asia, will likely only export 8 million bushels this year, a 24% decline. Prices have fallen to \$6.30 per bushel, and *Barron's* says that they could fall to \$5 per bushel.

China, which had been a large importer of copper, is, according to recent reports, selling it, which will depress its price. Asia's import of oil, similarly, has fallen from 9.6 million barrels per day, to 9 million.