

Business Briefs

China

Income gap between rich and poor is widening

The gap between rich and poor is worsening in China, with the richest 20% now eight times as well off as the poorest 20%, according to the April 3 *Beijing Youth Daily*, based on a report from the national State Statistical Bureau. The top 20% accounted for 42.4% of the mainland's total income, with an average monthly income of 992 yuan (about \$125), eight times that of the bottom 20%, who earned 124 yuan a month and accounted for 6.5% of total income.

The very richest people in China have annual incomes of more than 200,000 yuan, but are a tiny percentage of the population. Media "stars," private businessmen, managers of foreign companies and state organizations, high-tech firms, economists, and lawyers make up the best-off people, while the poorest are the unemployed, the retired, and those who cannot work due to sickness.

The previous week, a report by the China Academy of Sciences stated that the income gap has been growing since 1980, with the poorest 13 cities, provinces, and regions having an average per-capita 1998 GDP which was less than 75% of the national average, while the richest seven had a per-capita GDP 150% of the average.

Shanghai is the richest city, with average per-capita GDP of 2,800 yuan (about \$350), 4.3 times the national average. Beijing and Tianjin, and the east coast provinces of Guangdong, Jiangsu, Zhejiang, and Shandong, are the wealthiest, producing more than 82% of Chinese computers and telecommunications equipment.

Poorest are Tibet, Qinghai, and Yunnan, in the Chinese far west, whose economies are based on agriculture and mineral products, whose prices are falling. Also relatively poor are the three northeast provinces, Jilin, Heilongjiang, and Liaoning, and Inner Mongolia and Jiangxi. In these provinces, state industry accounts for more than 70% of the economy, while it is less than 30% in Guangdong, Fujian, and Zhejiang.

A report in the quarterly *Viewpoint*, published by the China News Service, said that the number of unemployed in China's cities

is 16 million, about 8% of the urban workforce, and forecast that another 7 million would be laid off this year.

Petroleum

Turkish President to discuss pipeline project

President of Turkey Suleyman Demirel visited Kazakstan on April 12, for talks with President Nursultan Nazarbayev, including on the pipeline project from Baku, Azerbaijan to Ceyhan, Turkey. Although Kazakstan signed a declaration supporting the project, it has not been started, in part due to lack of financing. Turkey, which considers it a strategic project for the transport of hydrocarbon rawstuff to world markets, is eager to move it ahead. However, if only oil from Azerbaijan is transported, the expensive project is considered unprofitable. Therefore, Turkey's interest is in having Kazak oil transported as well.

Demirel earlier visited Turkmenistan in hopes of solving the project problems on that end. Specifically, there is disagreement between Azerbaijan and Turkmenistan over quotas for Azeri gas exports. The Baku government wants to use 50% of the pipeline's projected capacity of 30 billion cubic meters (bcm) of gas, of which only 5 bcm are for transit states. Turkmenistan disagrees. During his stay in Ashgabat, Kazakstan, Demirel pledged to intervene, supporting Turkmenistan's position vis-à-vis Azerbaijan. He also discussed financing with Turkmen President Saparmurad Niyazov.

Turkmenistan, meanwhile, is pursuing a broader policy. President Niyazov said on March 29 that his nation would continue to negotiate gas sales to Russia, Iran, and other nations, despite its commitment to the Baku-Ceyhan Caspian pipeline project. Russia has applied to import 50 bcm of Turkmen gas per year, and Iran wants to increase its import of Turkmen gas, from 5 bcm to 13 bcm. Turkmenistan plans to raise gas output to 120 bcm in 2010, of which 100 bcm are slated for export. "So there will be enough gas for all," Niyazov said.

Finance

Malaysia's controls worked, says World Bank

In its "Global Development Finance" report released in early April, the World Bank conceded the positive effect of Malaysia's limited capital controls, imposed in September 1998. Led by Malaysian Prime Minister Dr. Mahathir bin Mohamad, Malaysia acted to protect itself from the global financial crisis which broke out in Asia in the summer of 1997, triggered by attacks on Asian currencies by global speculator George Soros and other hedge fund operators. Mahathir has been vehemently attacked by the financial oligarchy's spokesmen ever since.

"Two and a half years after the onset of the East Asian crisis, it is evident that the fall in Malaysian output was less than in the other crisis countries and that some earlier predictions of massive costs have not been borne out," the report said. "The possibility of useful temporary controls on capital outflows has, however, been revived following their use by Malaysia in the recent crisis."

The Malaysian news agency Bernama commented: "Malaysia's comprehensive design of the controls and their strict implementation did succeed in closing all loopholes, making implementation more effective, the report said."

Economic Policy

South African challenges globalization's reign

Congress of South African Trade Unions General Secretary Zwelinzima Vavi attacked globalization, at the International Congress of Free Trade Unions 17th World Congress in Durban, South Africa in early April. "Many African statesmen and women are championing the cause of an African Renaissance," he said. "This dream will not be realized unless and until the world economic order is fundamentally restructured."

Vavi warned that "the new global order threatens to plunge our world backwards

PAKISTAN has been asked by the International Monetary Fund to implement measures which will further cripple its economy, including abolishing its wheat subsidy, halting intervention in the market to protect cotton growers, and privatizing its energy sector. Islamabad has said that it would abolish the wheat subsidy by the year 2002.

BRITAIN'S possible entry into the North American Free Trade Agreement was the subject of hearings by the U.S. International Trade Commission on April 11. Among those scheduled to testify were Canadian citizen Conrad Black, whose Hollinger Corp. owns the London *Daily Telegraph*, which recently editorially endorsed the legalization of cannabis.

THE ALLIANZ German insurance group "is the big loser" in the collapse of the merger between Dresdner Bank and Deutsche Bank, a London financial source told *EIR* on April 5. "This is a major blow, and Deutsche Bank has suffered a huge loss of face. Dresdner is now vulnerable to takeover, and one possibility is France's Société Générale bank. Whoever captures Dresdner will be the winner in this."

RUSSIAN cosmonauts have returned to the Mir space station. The April 4 launch was made possible by \$20 million in private investments organized by MirCorp, a private company that is leasing the station from NPO Energia, which built and operates it. The plan is to have the cosmonauts repair the station and make it habitable on a long-term basis for space experiments, manufacturing, tourism, and on-orbit advertising.

U.S. NUCLEAR power plants generated more electricity in 1999 than in any previous year, surpassing 700 billion kilowatt-hours for the first time. The total generation of 727.9 billion kWh was an increase of 8% over 1998, despite the decline in the number of operable U.S. nuclear plants to 104 reactors, from a peak of 112 in 1990.

into an epoch of social disintegration, and the destruction of nations, on a scale which matches the depredations of primitive colonialism over the last two millennia. Globalization, far from being a powerful instrument of progress, is deepening existing inequalities—which often take on a racial and gender face—within nations and between rich and poor nations."

Globalization can only continue, Vavi said, "if we ourselves believe that operation of a system, which progressively impoverishes the majority of the world's population, is inevitable and *unchallengeable*. We should not shrink from asserting our values in the face of the amoral tyranny of the tiny minority, supported as they are by their ideologues in the media, as well as sycophants in the intellectual community."

Vavi called for development of an alternative platform for a new trade and financial world order, and building a social movement both in the South and the North which begins to articulate a new development path. "There is a mood of resistance to the current world order, which is beginning to emerge. This creates an historical opportunity to challenge the 'globalization paralysis' which has gripped the world over the last decade," he said.

Banking

EC is attacking savings institutions

The European Commission (EC) has turned into an instrument of the private banks against the savings banks, Dietrich Hoppenstedt, chairman of the Association of German Savings Banks, charged at a press conference in Brussels on April 6.

Hoppenstedt said that the "competition" issue raised against savings banks—because public banks grant loans at lower interest than private banks—is a phony argument designed to give the private banks leverage to take control of the entire market. The EC, he charged, has jumped on the issue because it offers a way of introducing free-market liberalism in the German financial sector.

The savings banks will fight, he said,

adding that the arrogance of the private banks is not supported by the broad population. During a parliamentary debate in Berlin on April 6, German Chancellor Gerhard Schröder and opposition speaker Friedrich Merz both stressed that the savings banks structure will be defended against the EC bureaucracy.

Thailand

New alliance formed to block foreign takeovers

An alliance of business leaders and academics has been formed to stop the sale of Thai banks and businesses to foreign interests. Called the Thai Club for National Revenue, the group is initially targeting the planned sale of Bangkok Metropolitan Bank and Siam City Bank.

Headed by Nasong Chokwatana, CEO of the Pan Group, the organization has accused the government of offering excessive discounts and government guarantees to foreigners, although potential Thai purchasers are not offered the same benefits, all due to "a misguided policy prescribed by the IMF [International Monetary Fund], which will lead to foreigners taking control of Thailand." The IMF demand that "yield maintenance" and "loss sharing" be offered to foreigners is exposed: "Yield maintenance" means the government will "pay the interest on the bad debt at the average deposit rate plus one percentage point for at least five years"; "loss-sharing" means that in five years, the government will pay the foreign banks 85% of the total bad debt outstanding. For the two banks in question, these two policies will net the foreign purchasers \$4.5 billion in government payoffs.

The group threatens to use procedures in the new Constitution to sue the government to stop the sales. They also want the government to reveal the secret contracts in the previous sales of Nakornthon Bank (to Standard Chartered) and Radanasin Bank (to United Overseas Bank of Singapore), and give details on the privatization of other state-sector enterprises.