

# Business Briefs

## *Dirty Money*

### **London is the center of money laundering**

The City of London, i.e., the financial district, is “the best place to launder money in the world,” the London *Guardian* said on Aug. 22, in an article on the Russia organized crime money-laundering scheme run through banks in London and New York centered around Russian mob figure Semyon Mogilevich.

The *Guardian* cited author Jeffrey Robinson, author of *The Merger*, as saying that organized crime leaders such as Mogilevich are enjoying massive success using Harvard Business School techniques.

“Mogilevich typifies the new global criminal,” says Robinson. “These men don’t rob banks, they buy them. They take full advantage of globalization, ill-equipped law enforcement, and lax money-laundering laws — especially in Britain — using the City of London as their onshore gateway to the offshore world.”

Robinson says, “This case is the tip of the iceberg. The City is an absolute cesspool and it will remain a cesspool because the people in charge don’t care. Mogilevich is not the only one, the Bank of New York is not the only place. London is the best place to launder money in the world. Since the money-laundering regulations were introduced in this country four years ago, there have been thousands of reports but only one successful prosecution.”

## *Finance*

### **Japan, S. Korea, China to monitor capital flow**

Japan, South Korea, and China have set up a working group composed of their Vice Finance Ministers for International Finance, to exchange information about hedge funds and flight capital, Nikkei reported on Aug. 23, citing Japanese government sources. The working group will analyze the investment patterns followed by foreign sharks such as hedge funds, leading up to and during the

global financial crisis which broke out in Asia in summer 1997.

Information to be exchanged includes amounts owed by Japanese, South Korean, and Chinese domestic companies to foreign banks, as well as levels of short- and long-term debts and data on the ratio of securities holdings by foreign investors in their markets.

The group will also discuss reforms of the International Monetary Fund, and hold seminars sponsored by government research institutes, at least once a year, aimed at preventing currency or financial crises. The next seminar is to be held in Japan by spring 2000.

## *Banking*

### **Sakakibara: Japan could become financial colony**

More mergers among major Japanese banks, such as that of Fuji, Dai-Ichi Kangyo, and Industrial Bank of Japan, which will form a \$1.3 trillion bank next year, will be forthcoming, said Japanese former Deputy Finance Minister Eisuke Sakakibara, in an interview with Nikkei on Aug. 20. Otherwise, “Japan will become a financial colony” of the Western mega-banks. The current top four banks worldwide are Deutsche Bank, Union Bank of Switzerland, Citigroup, and Bank of America, with \$611 billion to \$735 billion in assets.

In several interviews with Nikkei, Sakakibara criticized what he calls “market fundamentalism.” He said that he opposes excessive deregulation in Japan. “I think the limits and errors of neo-classical economics are becoming more and more noticeable as the revolution of information technology proceeds in the 1990s. The financial crises that hit the world last year provided evidence of this,” he said.

Sakakibara makes clear that the Japanese Ministry of Finance is behind the pending merger of the three Japanese banks. Shortly after the merger was announced, Moody’s Investors Service put the long-term credit ratings of the three banks on review for a possible upgrade.

Japanese Finance Minister Kiichi Miyazawa told NHK-TV on Aug. 22 that the Fuji

group’s proposed alliance means a reemergence of Japanese banks on the world stage, Nikkei reported.

The next merger may be between Tokai Bank Ltd. and Asahi Bank, which have been in talks on forming a joint holding company and integrating their offices. The new bank would have combined assets of \$527 billion, which would make it the seventh-largest financial institution in the world. Sanwa Bank and Sakura Bank, Japan’s fourth- and fifth-largest banks, are also seeking merger partners. Analysts say any combination is possible, even Bank of Tokyo-Mitsubishi and Sumitomo Bank, until recently Japan’s first- and third-largest banks; combined they would have \$1.2 trillion in assets.

## *Mental Health*

### **Psychiatrists focus on speculation psychosis**

The Eleventh World Congress of Psychiatry took up the mass psychosis among Western populations who are engaging in stock market speculation, day trading, and compulsive casino gambling. At the Congress, held in Hamburg, Germany on Aug. 6-11, German economics professor Wilhelm Hankel spoke on the “irrational” structure of global stock market operations; and Prof. Peter A. Henning elaborated on stock gambling fever as a new kind of “cultish” behavior. Several U.S. psychiatric specialists presented new medications for gambling addicts.

The program was organized by Prof. Iver Hand, head of the psychiatric department of the Hamburg-Eppendorf University Clinic. Hand stated that his clinic is filled with patients who have developed their “little magic philosophy,” and have discovered a “perfect system” for their gambling strategies. The only reason for their losses, these patients believe, is that they have “not yet fully mastered” their perfect systems. Hand emphasized that casino gambling and stock market speculation, are pathologically “twin sisters.”

Stock markets are becoming more and more controlled by speculators, whose reasoning no longer has any connection to the real economy, and who just make “psycho-

**NIGERIAN** President Olusegun Obasanjo attacked globalization, in a speech in Abuja, wire services reported on Aug. 19. "Poverty alleviation and eradication is a difficult task if policies are entirely based on market forces and macroeconomic stability [is seen] as an end to itself. Globalization with a human face cannot be a substitute for a solid national foundation based on good governance and human-centered development," he said.

**KAZAKHSTAN** and India agreed in New Delhi on Aug. 18 to work to improve cooperation in the field of oil and natural gas exploration. On Aug. 17, two agreements were signed providing legal assistance to each other on criminal matters and setting up a visa-free regime, and discussed prospects of joint production and processing of oil and gas.

**KYRGYZSTAN** and China discussed joint infrastructure projects, including in the spheres of transport, communications, trade, and the construction of railways, and the opening of an air corridor, in Bishkek, the capital of Kyrgyzstan, Kyrgyzstan's Kabar news agency reported on Aug. 26.

**ICO GLOBAL** Communications, which aimed to provide global phone service through a network of 12 satellites that would be sent into orbit, filed for Chapter 11 bankruptcy protection on Aug. 27. The London-based firm failed to gain \$600 million in financing that it was seeking. ICO ran into resistance from its bondholders in its efforts to raise funds through "strategic investors."

**TURKMENISTAN** and Iran officials discussed hurdles in the way of expanding transit of goods and road transportation, and agreed to boost transport cooperation, in talks in Ashkhabad on Aug. 25. They also discussed construction of a rail line connecting Ashkhabad, Sarakh, and Mashhad, and agreed that the heads of their rail systems would meet together with their Uzbekistan and Kazakhstan counterparts by year-end.

logical guesses" about the future actions of other speculators, Hand said. The stock markets have been turned into an "ideal playground for emotionalism." And, entire national economies have become dependent on them. He warned that the long-term stability of nations is threatened when the commonly perceived value of labor becomes downgraded, while personal wealth is being turned into a question of "good luck or bad luck." If world stock markets are not "regulated by reason," there will brew, among the population, "extreme fears for the future and, as a consequence, dangerous aggressions."

## China

### Let finance serve scientific progress

An agreement for "comprehensive cooperation" was announced in late August, between the Bank of China and Qinghua University, where the top elite of China's scientists and engineers are trained, to place finance at the service of scientific progress. This decision indicates that the Chinese government means business with the policy announced by President Jiang Zemin and Prime Minister Zhu Rongji, emphasizing scientific and technological progress. Here are excerpts from coverage in the Aug. 27 *Guang Ming Daily*:

"A three-year agreement was signed, according to which the Bank of China will provide direct support to Qinghua University to improve education and create new high-technology industries, providing financial services, information and counselling appropriate to a world-class university in the 21st century, supporting development of the university campus facilities, granting student loans, providing financial support and loans for development of the advanced science and technology industrial park belonging to the university. Up to the year 2002, the Bank of China promises to provide to Qinghua University support in the amount of 1 billion RMB [renminbi, China's currency]. The Bank of China will also exploit the superiority of an investment bank to give financial support, counselling, fund management, risk capital and other services to promote rapid commercialization of scientific and techno-

logical achievements made at Qinghua University, and to launch, incubate and mature new, small-sized high-technology industries.

"For its part, Qinghua University will recommend outstanding graduates for positions in the Bank of China, and provide talent training and continuous education to high-level officers and employees of the Bank. At the same time, the University will give advice, resources and technological cooperation to the Bank in fields such as information technology, economics and financial research, research on industrial development, etc.

"Some specialists believe that this new type of cooperative relationship represents a new creative attempt toward forging a synthesis of financial and intellectual capital in our country."

## Telecommunications

### Iran bolsters ties, cooperation with China

Iran is increasing cooperation with China in the telecommunications arena. Meeting with Iranian Minister of Post, Telegraph and Telephone Mohammad Reza Aref, who was in China to participate in the 22nd World Congress on Post, Chinese Minister of Post and Telecommunications Wu Jichaun called for development of Iran-China cooperation in postal, telecommunications, and software industries, the Iranian News Agency reported on Aug. 26.

Wu Jichaun welcomed promotion of technical cooperation between the two countries, especially in regional markets. He stressed that technical development and globalization of the economy require research cooperation among different countries.

Aref said that the two countries' leaderships favor bolstering ties. Referring to their ample capabilities, he said that Iran and China can establish favorable cooperation in production and export of technical services and telecommunications equipment to regional countries. Aref added that Iran is determined to launch the Zohreh satellite, and will cooperate with China.