

Business Briefs

Sabotage

German research facility hit by arson

A research facility of AEG Telefunken in Frankfurt, one of Germany's largest electronic firms, was hit by arson the weekend of June 7.

There is speculation that AEG Telefunken was targeted for sabotage because of its cooperation on projects related to President Reagan's Strategic Defense Initiative with the West German aerospace firm Dornier. Both firms are now owned by the Stuttgart-based Mercedes Benz company.

Two buildings within the research compound were set on fire; a hole was cut in the security fence around the compound, and the two buildings, separated by 15 feet of grass, were attacked separately. Material damage is estimated between 5 and 10 million deutschemarks. The actual losses may be higher, since an entire computer data bank for AEG's basic research was destroyed.

International Credit

Poland joins IMF; gets reprieve from banks

The International Monetary Fund announced on May 28 that IMF membership for Poland has been approved. The United States abstained from the vote because of uncertainty about whether Poland would be able to meet the requirements for loans under U.S. law.

Polish government spokesman Jerzy Urban said on May 30 that Poland welcomed its admission to the IMF: "We are aware that it only starts a long procedure of cooperation which may bear fruit after a rather long period of time," Urban told Reuter. Asked if he expected an early granting of IMF credits to Poland, Urban replied, "No."

Asked if Poland was prepared to cooperate with IMF programs and what was the Polish stand on possible IMF conditions, Urban stated, "If some conditions emerge, they will be given detailed consideration."

Poland, which owes more than \$30 bil-

lion to foreign banks and governments, was almost immediately granted breathing room by its commercial creditors. Praising the "very great cooperation of the banks in these negotiations," chief Polish negotiator Jerzy Malec, vice-president of the Bank Handlowy, announced on June 12 he had agreed to a four-year delay with a working party of Warsaw's commercial bank creditors on repayments of 95% of \$1.62 billion of principal due this year and next.

The agreement, reached in talks on June 11, was not linked to new credits, which would be negotiated separately.

Malec said that Poland was keeping up with its current interest payments. He said a \$231 million repayment of principal due on June 10 had been delayed for technical reasons, but was being paid. It was the first principal repayment due under a 1981 rescheduling agreement.

Banking

Record bank failures projected for 1986

Between 140 and 160 federally insured banks will fail this year, according to a forecast by William Seidman, chairman of the Federal Deposit Insurance Corp., given in an address on June 12 to the U.S. League of Savings Institutions. This would be the most failures in any one year since the FDIC first offered federally guaranteed insurance for bank deposits in 1933. The previous record was 120 banks, in 1985.

Seidman stated that the FDIC's list of problem banks had grown to more than 1,300—up by 150 banks since the first of the year. So far this year, the FDIC has handled 55 cases in which an insured bank failed or was sold to a healthy bank to avoid failure.

Seidman said the FDIC's bank examiner staff was now able to examine marginal and problem banks only once every 20 months in some parts of the country, and if Gramm-Rudman budget cuts force more layoffs, "The net effect . . . will be higher insurance costs and less stability in the financial system."

Great Projects

Egypt works out development plan

An Egyptian Foreign Ministry Special Task Force was reportedly deployed in early June to work out the details of Foreign Minister Abdel Meguid's proposal for a \$30 billion Middle East development program.

The main focus of such a plan, according to sources, is the integrated development of both Egypt and Sudan, both for economic and political reasons. Egyptian reports say that the rationale behind the "Meguid plan" is that Israel's Prime Minister Shimon Peres's "Marshall Plan" proposal is considered "unacceptable" on a propaganda level because it is an Israeli proposal.

However, high-level discussions have recently taken place between Egyptian President Hosni Mubarak and Prime Minister Peres on such development schemes, since it is obvious that the Peres Plan and the Meguid Proposal are similar in substance. Most of the work is currently being done on a non-official level.

The Great Recovery

Productive employment decreases again

Unemployment jumped two-tenths of a percentage point to 7.3% in May, with the loss of another 40,000 manufacturing jobs in a single month, the Labor Department reported on June 6. In addition, 30,000 oil and gas jobs disappeared in May, the government said.

In May, the number of Americans without a job rose by 210,000—to a total of almost 8.6 million officially unemployed, which fails to include the underemployed and other categories the government neglects to count. In manufacturing, the loss of 40,000 jobs in May brought the decline in this sector to almost 100,000 since January.

In less than two years, 300,000 manufacturing jobs have disappeared from Amer-

ica. Particularly hard-hit in May were the durables industries, particularly the five major metals and metal-using industries, the government said. Some 15,000 jobs in motor vehicles and equipment also were lost in May—meaning 50,000 of these workers have lost their jobs since early 1985. The average manufacturing work week also dropped by 0.1 hour, to 40.6 hours—still high by historical standards.

'Magic of the Market Place'

France about to increase privatization

"The Chirac government up to now has made what we feel is a big mistake, namely, trying to go into privatization in a step-by-step fashion," an adviser to French banks told *EIR* in early June. "But, this has now been corrected, and you can expect the full-scale privatization process will go ahead in the next two months, as soon as certain details are finalized."

The source emphasized that major state assets such as Thompson, Matra, Pechiney, Renault, Banque Indo-Suez, Crédit Agricole, and others will be put on the private stock market.

"There will be chaos, it will be difficult to manage. You cannot regulate it. The 'Merrill Lynch' with big international market positions will be able to take advantage of this brief transition period because of their superior global communications networks."

Heavily involved in the privatization project is the Kissinger-linked Italian financial figure Carlo de Benedetti. According to the source, De Benedetti, Olivetti chairman and member of the European Industrialists' Roundtable of Sweden's Pehr Gyllenhamer, has ties into French finance ministry circles, and has hired a former finance ministry official to head his new Paris-based Ceres holding company. De Benedetti announced in April that he would target major stock-market takeovers in France, in anticipation of government sales of state holdings, and stated his intention of building an industrial empire in France, modeled on his

Italian operations.

According to a report in the London *Financial Times* on June 12, French Industry a report in the London *Financial Times* on June 12, French Industry Minister Alain Madelin will end aid to four of France's five remaining shipyards. Madelin, an avowed disciple of free-enterprise ideologue Milton Friedman, calls this a crucial test of whether the Chirac government is willing to risk unpopularity to pursue free-market principles. "We've got the chance to end 40 years of state intervention," Madelin declared in a recent interview.

International Trade

Economic growth slowing in Japan

The Japanese economy has continued to grow, but its pace of expansion is slowing down, due mainly to the upsurge in value of the yen and its effect on small to medium-sized firms, according to a government report issued on May 20.

The Economic Planning Agency (EPA) said in its monthly report that the yen's appreciation has driven down exports, hurting Japan's mining and manufacturing production and shipments.

"Economic growth seems to have been mixed even to the point of slow-down, despite steady improvement in domestic demand," the report on the Japanese economy said. The report, submitted by EPA Director-General Wataru Hiraizumi to a meeting of cabinet ministers in charge of economic affairs, expressed concern about the signs of deteriorating employment and business failures.

The report said that the volume of exports rose 5.8% in April from a 2.4% drop in March, due apparently to an increase in car shipments to the United States in April, the first month of Japan's fiscal year. But exports sagged 2.1% in March and 0.3% in April in comparison with 1985. Imports climbed 12.7% in April over the previous month and 7% over the year before due mainly to increases in manufactured and crude oil imports.

Briefly

● **'HISTORY** is moving in the direction of a Latin American common front. It is only a question of time," Peru's President Alan García told the West German weekly *Der Spiegel* in an interview published in early June. When *Spiegel* suggested that García was not really willing to break with the IMF, García answered, "That break has been there for some time. We are not going to ask the IMF for a single cent."

● **MOSHE MANDELBAUM**, head of the Bank of Israel, has resigned, effective June 3. Mandelbaum was one of those most harshly condemned by Israel's Bejski Commission for his part in the October 1983 Israeli banking crisis.

● **BLACKS** in the industrial heartland of South Africa oppose economic sanctions against the country by an over two-thirds majority, and believe that blacks would suffer most from such sanctions, according to a recent survey by the Human Sciences Research Council.

● **TENNESSEE** Gov. Lamar Alexander launched into a week-long round of talks with Japanese companies in early June, in hopes of encouraging them to set up branches in his state. Spokesman Bill Boozer did not identify the companies, but said the governor was meeting Japanese companies in Tokyo and Osaka.

● **THE LESOTHO** government in early June denounced sanctions against South Africa as being disastrous to the economies in the southern African region. The head of Lesotho's government, Mr. Metsing Lekhanya, said, "Sanctions would hit all countries in southern africa."

● **SUDDEN DEATH** Syndrome has hit the soybean crop in eight states. Nothing is known of the cause or cure for the disease, which can reduce soybean yields by 50%. It hit 3-5% of fields in Missouri last year, and is now found in Indiana, Illinois, Kentucky, Tennessee, Louisiana, Arkansas, and Minnesota.