

Business Briefs

Continental Integration

Africa to create an Economic Community

A summit meeting of the Organization of African Unity (OAU) concluded at the beginning of August with a resolution to create an African Economic Community. "To bring about an accelerated and equitable socio-economic development in our region, the founding of such a community is, indeed, crucial," said Ethiopian President Mengistu Haile Mariam.

A summary of the steering committee's work, presented by outgoing Secretary General Ide Oumarow to a closed-door session of the summit, said, according to Reuters: "The concept of such a community implies the existence of a unified monetary system and that the economic, social, and cultural policies of the member states have been harmonized."

"Time is not on Africa's side," said Adedayo Adedeji, executive secretary of the U.N. Economic Commission for Africa. "The real losers in the 1990s and beyond are those areas, especially Africa, where the process of economic integration is yet to be fully consolidated." African states hope that integration and cooperation in transport, communications, industry, energy, agriculture, and other projects would ease pressures on national coffers as they pool their resources.

Finance

Vatican bank is reorganized

The first meeting of the new Council of Superintendency for the Istituto per le Opere di Religione (IOR) was held in the Vatican during mid-July, the first meeting of the newly reorganized Vatican bank.

The new IOR is governed by a Commission of Cardinals, made up of five cardinals named directly by the Pope, who will remain in office for five years. They are Secretary of State Agostino Casaroli, Spanish Cardinal Eduardo Martínez Somalo, Amer-

ican Cardinal John O'Connor, Brazilian Cardinal Angelo Rossi, and African Cardinal Bernardin Gantin.

The Commission of Cardinals is responsible for naming the Council of Superintendency, equivalent to the administrative board in a stock company. The council is composed of five lay members, all bankers. Among them, Angelo Caloia, president of Mediocredito Lombardo and a university professor, was nominated chairman of the council, and Philippe De Weck, ex-president of the Union Bank of Switzerland, was chosen as vice president. De Weck, who is currently the president of Nestlé, is the confidant of Cardinal Agostino Casaroli. In 1982, he was a member of the commission of "wise men" named to investigate the IOR's activities, in the aftermath of the bankruptcy of Roberto Calvi's Banco Ambrosiano.

IOR officials Monsignor Paul Marcinkus, Dr. Luigi Mennini, and Pellegrino De Strobel, all drawn into the scandal surrounding the crash of Banco Ambrosiano, lost their posts. The only person remaining in office from the old guard is Monsignor Donato De Bonis, who will be the liaison between the commission and the council. He has been the secretary of the Vatican bank for almost two decades.

What is IOR's future? It's too early to make forecasts; but it is important to note that the large European representation with respect to the U.S. component establishes a certain distance of Vatican finances from that heavy Masonic embrace represented by Anglo-American high finance.

Markets

U.S. pressure on Japan risks catastrophe

The United States will be risking financial catastrophe if it promotes further Japanese political instability, economist David Hale observes in his weekly financial letter Aug. 1.

In an analysis of the potential financial implications if the ruling Liberal Democratic Party (LDP) is further destabilized and the Socialists become part of the Japanese government, Hale warns that such "reforms" in Japan "could weaken the ability

of Japan's elite civil service to guide capital flows during periods of crisis, [and] provide financial assistance for the Brady debt relief program."

"Japan has been a very stabilizing influence on the international economy during the 1980s precisely because its high savings rate, austere fiscal policy and low interest rates provided a useful global offset to America's large budget deficit and volatile monetary policy," Hale writes. A weak Japanese government will threaten the continued "enlightened" policy of the Japanese Ministry of Finance toward support of the U.S. financial markets, he writes.

Environmentalism

Four top companies cut back CFC use

Four large corporations that do business in the United States have announced plans to drastically cut the use of chlorofluorocarbons, allegedly due to consumer and governmental pressure. CFCs include some of the most useful chemicals ever invented; they are used, for example, as refrigerants, coolants, solvents, foaming agents, and for sterilizing medical equipment. Although some environmentalists claim they are dangerous, this magazine has exposed this as a fraud (*EIR*, June 9, 1989, "CFCs are not depleting the ozone layer").

General Motors said that by 1991, it would require its 10,000 car dealers to recycle CFCs purged from automobile air conditioners undergoing service. Nissan said it would end the use of CFCs entirely in its air conditioners by 1993, replacing the coolant with an alternative that supposedly does not destroy ozone. AT&T, which uses CFC solvents and coolants in hundreds of manufacturing processes, said it would cut their use by 50% by 1991 and eliminate them by 1994. General Electric agreed to offset the release of 300,000 pounds of CFCs from its refrigerator repair program by cutting back elsewhere.

AT&T Vice President for Engineering Dave Chittink, however, expressed doubts about how the company's aim can be achieved. "Frankly, we are not sure how we

are going to get to 1994," he said. "Inventing our way out of this is going to be an enormous task."

Even some ecologists are unenthused. In an interview published by syndicated columnist Alston Chase, Robert Waston, who purports to have discovered an ozone hole over Antarctica, states that "probably more people would die from food poisoning as a consequence of inadequate refrigeration than would die from depleting ozone."

Housing

Up to 18 million homeless in the U.S.

On any given night, there are between 655,000 and 4 million homeless people either on the streets or in shelters, and an additional 10-14 million "hidden homeless" who are doubling up with family or friends, according to a study released Aug. 8 by the American Affordable Housing Institute of Rutgers University. This hidden homeless figure compares with previous estimates of up to 3 million people.

Study authors David Schwartz and John Glascock say that preventing homelessness is less costly than providing shelters and emergency aid.

"Homelessness in America is not only preventable, it is treatable and curable," said Schwartz. "After years of eliminating and severely cutting back federal housing programs for the poor we now need a tourniquet to staunch the flow of people falling through the social safety net and becoming homeless."

Energy

Blackout nightmare looms over Italy

Italy's national power company, ENEL, has announced programmed blackouts in four southern regions—Abruzzo, Molise, the Marches, and Apulia—following the shutdown of the 1,300 megawatt North Brindisi

power plant.

The gap, just over 1,000 megawatts, could be covered by restarting the nuclear plants in Caorso and Trino Vercellese, but given the prevailing political control of the environmentalist movement, the solution chosen was to increase imports of electrical energy from France—which never halted its nuclear program. Italy now imports 18% of its electricity, the maximum existing power lines can carry.

Starting Aug. 1, ENEL is authorized to buy electricity from other companies. This opens a loophole in the monopoly set up when electricity was nationalized in the early 1960s. The big multinationals are set to move in, such as Fiat, which already produces almost 80% of its own energy needs.

Mercantilism

South Korea's success due to heritage of List

The South Korean economy owes its success to the mercantilist theories of 19th-century German economist Friedrich List and not to free market economic theory and the World Bank. This is the conclusion of a British Korean specialist, Aidan Forster-Carter, writing in the *Far Eastern Economic Review* the first week in August.

List was the subject of an article in *EIR* on June 23, 1989 ("Patriots for Germany conference honors economist Friederich List").

Forster-Carter writes: "Economic nationalism has all along been the political and cultural driving force of South Korea's development, which has always owed far more to the continental tradition of Friedrich List, who advocated tariff protection to stimulate industrialization, than the free-trader Ricardian theories of comparative advantage. Former President Park Chung Hee wanted a militarily strong South Korea which could stand up to the initially more dynamic North. Strong meant industrial. Industrializing, in the half of Korea which largely lacked minerals, meant buying from and selling to world markets, in the first instance. But the aim, and the result, was always to build up the country's 'productive powers' (to use List's phrase)."

Briefly

● **COCAINE** consumption is rising in Europe. *La Croix-l'Événement* reports that five tons were seized last year; while 10 years ago, the amount of cocaine seized in Europe would barely have filled a suitcase, today's haul would fill a freight container.

● **THE UNIVERSITY** of Maryland has signed an agricultural research pact with the Timiryazev Agricultural Academy in Moscow, reported the *Delmarva Farmer* on July 11.

● **PERU'S PRESIDENT** Alan García on Aug. 3 asked former Finance Minister Abel Salinas to seek a 50-70% reduction in the country's \$17 billion foreign debt, on the model of the U.S. agreement with Mexico. He noted that no country can pay 5% of the value of its production for debt service.

● **THE UNITED STATES** spends \$85 billion a year to comply with environmental regulations, according to a top administrator with the Environmental Protection Agency. Even this figure does not include all expenditures, since it only covers the cost of complying with the Clean Air and Clean Water acts.

● **THE SOVIET** Committee to Fight AIDS has appealed to citizens for hard currency donations to purchase disposable syringes and other equipment abroad. Recently 81 infants in two hospitals were infected with the deadly virus because there were no disposable needles. The appeal was carried in *Pravda* on Aug. 7.

● **EASTERN AIRLINES** pilots voted overwhelmingly on Aug. 8 to continue their five-month-long strike against union-buster Frank Lorenzo, rejecting the recommendations of their leadership to return to work. "Almost everyone realizes we have nothing to lose," said a spokesman for the pilots, who vowed never again to work for Lorenzo.