

Business Briefs

Africa

Interpol attacks role of 'economic liberalism'

Bjorn Erickson, International Police Organization (Interpol) president and Sweden's police commissioner, told a conference in Lusaka, Zambia that the drug barons in Africa have taken advantage of "economic liberalization," and used \$100 billion to set up banks for the purpose of laundering drug money, Reuters reported on June 2. The conference was attended by 26 African countries and 10 observer nations.

Erickson also told the conference that the drug business in Africa has reached \$400 billion. And, "by exploiting the liberalized market economy, they have managed to put themselves in high business positions. This makes it easy for them to associate with politicians and influence decisionmaking," he said.

The estimate of a \$400 billion per year drug business in Africa alone, is high for a police agency, but consistent with estimates made by *EIR*. The reference to liberal economics is unprecedented for a police agency.

Ukraine

Protection of IMF to be put to voters

Ukraine President Leonid Kuchma on May 31 ordered a plebiscite to be held on June 28, with the aim of ending Parliament's ability to block or supersede International Monetary Fund (IMF) so-called "reform" policies, according to television reports monitored in Ukraine. As stated by Kuchma, voters will be asked which branch of government they want to exercise sole control over economic policy and the "implementation of economic reforms," the President and cabinet, or the Parliament.

According to Ukrainian sources, Kuchma is confident that he will win the plebiscite—a defeat would be a major humiliation. His confidence is based in part on the result of the May 14 referendum in Belarus, in which, out of desperation, people voted for increased executive

powers, leaving Parliament in the cold, in the hope that "strong man" rule can start to bring stability and end the collapse of the economy and living standards.

Kuchma has selected a weekday for the vote, thus ensuring a high urban turnout. In late June, and into the summer, holding the vote on a Sunday, as is normally done, would ensure a low turnout, because most city dwellers are at work in their rural cottage gardens, fighting to ensure that the family has enough potatoes, vegetables, and fruit preserves to survive the coming winter.

Insurance

Kissinger crony comes to Lloyd's rescue

The American-based AIG insurance group, chaired by Hank Greenberg, is about to give crucial backing to the troubled Lloyd's of London insurance market, according to the June 2 *London Times*. Former U.S. Secretary of State Henry Kissinger, a self-admitted British agent of influence, sits on the advisory board of AIG. AIG also owns about 40% of Kroll Associates, a firm which has played a key role in the policy turn toward economic and financial warfare against allies of the United States announced by then-CIA head William Webster in 1990.

According to the reports, AIG will provide "errors and omissions" cover to Lloyd's for the first time. The reports of the move coincided with the announcement in late May by Lloyd's of a proposed rescue plan, in which old liabilities of some \$4.5 billion will be off-loaded into a new company, Equitas—a legally separate "garbage can" for claims for policies written in 1992 or earlier, most of which relate to outstanding liability claims resulting from U.S. asbestos suits. The AIG offer to provide the special insurance cover would be critical to success of the Equitas plan.

In unveiling the plan, which claims to limit or cap the potential future liability of Lloyd's Names (wealthy investors), chairman David Rowland admitted it had "considered it an attractive scenario to walk away from old-year liability, particularly in the [United] States," but had decided not to do so because that would

likely have forced it to stop underwriting in the United States, from which it gets a major part of its revenue.

Until now, no other major world insurer has been willing to extend the troubled Lloyd's group such cover, leading to speculation that AIG is doing it out of political considerations.

Banking

Banker: Derivatives are against Islamic morals

Dr. Saleh Al Malaika, chief executive officer of the Dalla Al Baraka Banking Group, found a lot of support for his attack on the use of financial derivatives from other Arab attendees at the international forum on Arab banking in Berlin in late May, the German business daily *Handelsblatt* reported on May 29.

"Instruments like futures, options, and swaps are undoubtedly a form of gambling" that involves many risks, Al Malaika said. Trading with derivatives runs into open conflict with the ethics of Islamic banking that oblige bankers to protect clients from risks and to not allow them being divided into winners and losers, he said.

Al Malaika called on all in the world of finance to return to principles of sound banking practices for the sake of market stability. "If we don't sell what we do not have, actually, there will be no further earthquakes like the crash of '87 and the debacle at Barings," he said.

China

National focus put on science, technology

China's leaders convened the largest, highest-level national conference on science, education, and technology that it has held since 1978 in Beijing on May 26, *China Daily* reported. The meeting, attended by almost all top national leaders, military commanders, ministers, national heads of corporations, scientists, and

provincial and municipal leaders, was addressed by both President Jiang Zemin and Prime Minister Li Peng. President Jiang said that the Communist Party and government leadership have recently decided to accelerate scientific and technological progress.

Jiang said that the meeting will have a crucial impact on China's economic and social development, and called on "the whole nation to join the drive of 'invigorating China through science and education,' symbolizing the country's decisive shift toward a science-oriented course of development," the paper wrote. Jiang called science and technology the "number one productive force" (a quote from Deng Xiaoping), which must be further intensified.

Prime Minister Li Peng emphasized the urgent problem of quickly translating technological achievement into agricultural and industrial productivity. Both announced that China will increase its investment in research and development from the current 0.5% of Gross National Product, to 1.5% by 2000.

On May 26, *China Daily* editorially called the conference a "milestone," and emphasized its national importance by referring back to a science conference convened by Mao Zedong in 1956, and one by Deng Xiaoping in 1978, both turning-points for China. The State Council has now released a policy statement on accelerating progress in science and technology, and a strategy was announced that national prosperity be brought about through science and education.

Trade

British make big push into Ibero-America

British Vice Minister of Trade Richard Needham is pushing British interests in Peru and Colombia, the latest of an unusual number of visits by British officials to Ibero-America. Needham is talking up the area, telling everyone that the British government seeks to promote British investments in Argentina, Brazil, Colombia, and Peru, the daily *Sintesis* reported on May 31.

Needham came out of a one-hour meeting with Peru's President Alberto Fujimori on

May 30, talking as if his government were an ally of the Peruvians: "There is a tremendous opportunity if the Peruvians and we, the British government, can sell to British investors the idea that a real opportunity exists, in the stability of the political and economic climate here," he told Reuters. He specified that British businessmen (20 accompanied him on this trip) are eyeing Peru's energy, mining, and agro-industrial sectors. He cited Rio Tinto Zinc's interest in buying out the state mining corporation Centromin, and Royal Dutch Shell's detailed plans to exploit the large Camisea natural gas find.

Needham and his entourage arrived in Colombia on May 31, just as British Petroleum announced yet another oil find, named Florena, in Colombia, of undetermined size but high quality.

Italy

Bishops urge investment, less speculation

In a "Decalogue" issued by the Labor Committee of the Italian Bishops Conference in late May, Italian bishops are urging that increased funds flow into investment, and less into speculation, the Milan daily *Il Giornale* reported on May 26.

Businessmen are given rules in order to respect both profit and human dignity. Among others, rule number five says, "Reinvest gained money," while rule number ten says, "Do not speculate."

Illustrating the content of the Decalogue, outgoing president of the Labor Committee Msgr. Bartolomeo Sante Quadri explained, "Since new technologies lead to the reduction of working places, one must try to reinvest in order to create more work opportunities." Quadri added that "creating more jobs does not mean to exploit more people. . . . We will never stop telling the banks that they should not demand very high interest [rates] from troubled companies." Monsignor Quadri's advice on unemployment is that "to fight it, one should have more courage, invest more, and speculate less."

● **THE BRITISH** Securities and Futures Authority announced on May 30 that it had levied its largest-ever fine of £240,000 (\$383,000) against Morgan Stanley International in London, after an investigation found that the firm had made unauthorized derivatives trades for five private clients three years ago, Reuters reported.

● **IRAN'S** Vice President Hamid Mirzadeh said that economic agreements worth more than \$2 billion were signed during his recent visit to China, Teheran radio reported, according to Reuters on May 31. The accords included a subway contract; oil deals; cement, glass, zinc, copper, and steel plants; a hydroelectric plant; and shipbuilding and fisheries projects.

● **CHINA** cut back spending on important projects because of a \$720 million shortfall in 1995 investment funds, *China Daily* reported, according to Reuters on May 31. The central government had planned to invest 30.7 billion yuan (\$3.69 billion) in railways in 1995, but has so far provided 24.72 billion yuan.

● **UNILEVER** Chemical is benefitting from Greenpeace's campaign against the production of chlorine-paraffin at Hoechst Chemical, which has ended production in Germany and cost 6,000 jobs. The British firm is now expected to export the same product to Germany and take over Hoechst's world market share.

● **DUSTMEN** are better forecasters than finance ministers, according to the results of a London *Economist* survey which in 1984 asked CEOs, ex-finance ministers, students from Oxford University, and dustmen to predict world economic trends for the next 10 years.

● **ANDERSEN** Consulting S.A. of Paris and Price Waterhouse Ltd. of London are recommending a 300-400 (20%) personnel cut in the European Space Agency, the May 29-June 4 *Space News* reported.