Business Briefs

Debt

Stop 'strangling' nations, says cardinal

Mexico's Cardinal Juan Sandoval Iñiguez said that international financial institutions must stop "strangling" nations, in a sermon at the Basilica of Guadalupe, Mexico's national shrine, the daily *El Sol* reported on April 19. Citing Pope John Paul II's Apostolic Letter "Toward the Second Jubilee," Cardinal Sandoval underlined "the necessity that the large creditor countries of the Mexican nation forgive the foreign debts of Mexico, or, at least, reduce the enormous interest on the foreign debt, which constantly bleeds the scarce resources of the nation."

"It would be good," he said, "if the powerful nations and the international financial organizations were to relent, and stop strangling the poor countries. Taking as an example what happened in the Old Testament, in this year of 2000 which is the Great Jubilee, there should be forgiveness of debts, of the enormous debts which individuals hold over families and society, subjecting them to ever greater ruin."

The cardinal reminded the 2,000 pilgrims that Pope Paul VI had warned of "the culture of death . . . [which] is claiming its victims from among the population," with the economic crises, injustice, unemployment, corruption, hunger, and other ills.

Mexican television news programs reported that the cardinal was speaking of the debts held by domestic banks.

Germany

Jobs lost to currency turbulence, outsourcing

Currency turbulence has killed 1 million jobs since 1989, said Hans-Olaf Henkel, president of the industrial employers organization BDI, in a speech at the industrial fair in Leipzig on April 11. He said currency turbulence was the main job killer for the German export sector, which led to a significant loss of the German share in international trade. About 600,000 industrial jobs and another 400,000 in services have been wiped out.

Representatives of the German Machine Producers Association said that damage caused by the foreign exchange volatility will not be ameliorated by the European currency union. The main competitors of German machine producers, which export 60% of their product, are countries in Asia, the United States, Italy, and Switzerland, none of which will be members of the currency union.

Meanwhile, German companies will have created 260,000 jobs abroad since 1990, by the end of this year, a survey published in Cologne on April 15 by the German Congress of Industry and Commerce (DIHT) documented. There is also a marked increase in outsourcing: During 1990-94, German investors created 210,000 jobs abroad; over 1994-97, it is estimated that another 250,000 jobs will have been created outside of Germany. The ratio of investments abroad, against those in Germany, was 4 to 1 already at the end of 1995, and the tendency is increasing. The DIHT survey, which portrays this development as a "success story," was compiled by analysts of the Institute of German Industry, based in C

Banking

Swiss bank fights off 'shareholder value' crowd

Union Bank of Switzerland, the largest and one of the country's most conservative banks, has fought off, for the moment, an attempt by "Anglo-Saxon shareholder value" advocates to take over the bank, in its annual shareholders meeting in mid-April, the German business daily *Handelsblatt* reported. With more than 6,000 people in attendance, CEO Robert Studer was reelected chairman with 62% of the vote, defeating the efforts of major shareholder Martin Ebner, a devotee of the British "shareholder value" corporate revolution, to force drastic restructuring. (See last week's *EIR*, p. 4, for an analysis of the "shareholder value" concept.)

Ebner accused Studer and UBS management of "failing to maximize shareholder value during his eight years" as head of Switzerland's strongest and most profitable bank. Ebner had proposed drastic jobs cuts and rationalization in order to maximize dividend payout to shareholders.

Ebner boasts that he was the first to introduce stock index derivatives in Swiss finance in the 1980s. Ebner, head of BZ Bank Group, proposes a new bank board committed to slashing costs, personnel, and to dumping the traditional major cross-share holdings of UBS in the main industrial companies of Switzerland.

Lyndon LaRouche commented on the fight in an interview with "EIR Talks" on April 17. Originally, he said, experts around the bank were enthusiastic about derivatives, and "defended them against our criticisms quite vehemently. Then, a year or so ago, they changed their tune and said that of course we had been right. . . . In financial circles in Europe, and openly so on the continent, it's recognized that derivatives are lunacy, and that the bubble of derivatives speculation is about to pop."

Economic Policy

Bankers prepare to enforce bolder looting

Charles Dallara, managing director of the Institute of International Finance, representing the biggest British Empire, U.S., Japanese, Swiss, and allied bankers, said that there is now a "consensus" that in the next big financial crisis, there should be no financial bailout, such as there was in the Mexican crisis, but a "market-based strategy." He spoke at a press conference in Washington, D.C. on April 18 on the eve of the meetings of the International Monetary Fund (IMF) and the Group of 10 finance ministers. Dallara's view represents a more aggressive looting policy.

The government of the country in which the crisis occurs should undertake "bold adjustment policies," i.e., drastic free-market liberalization of the subject national economy, and ripping down "structural rigidities" such as tariff and labor protection.

Dallara said that if such action is "combined with asset price movements," i.e., lowering the price of national assets for sale to foreign financiers, the crisis can be solved by enticing "the flow of new capital" by private investors into the stricken country. He pointed to Argentina as a model for successful looting of the recommended type.

However, Dallara warned, "officials have been considering standstills on payments to foreign lenders and investors . . . as well as formal international bankruptcy mechanisms. . . . Authorities seem to be intrigued by stepping in and declaring a standstill." He declined to say which "authorities" were thinking along these lines, but he scornfully rejected debt relief for countries that have "shown themselves to be such poor performers."

Dallara repeatedly jabbed at democratic elections, in India, in Ibero-America, eastern Europe, and even in the United States, as an impediment to the needed drastic economic "reforms."

According to an IMF official who remained anonymous, the Fund is not prepared to deal with another Mexico-style shock, the Austrian daily *Die Presse* reported on April 16.

Petroleum

Skyrocketing prices not due to shortages

An analyst in the U.S. Department of Energy's Analysis Division presented evidence on April 18 that there is not a shortage of oil production worldwide which would account for the sharp increase in oil prices. The price of a contract for a barrel of crude on the New York Mercantile Exchange sold on April 17 for $24.47, up 24% from its level of $19.83 on Jan. 1. Accordingly, prices have skyrocketed at the gasoline pump. It would appear that the increase in oil prices is being manufactured by the British-controlled energy cartel, led by Royal Dutch Shell, for geopolitical reasons, most likely including a desire to politically damage President Clinton.

The DOE's "Short-Term Energy Outlook" reported worldwide oil supply to be at 67.5 million barrels per day for 1994, and 67.1 mbd supply; 69.6 mbd demand for 1995, and 69.7 mbd supply; and projected demand of 71.4 mbd for 1996, and projected supply of 71.4 mbd.

Were there a shortage of oil, production capacity could be increased in several places in the world to immediately increase output. In fact, if the oil companies were advancing their own interests, they would normally increase output to take advantage of the higher prices; but the Six Sisters (Chevron bought Gulf Oil in 1984) are deployed for the purposes of the British Empire.

For 1996, not factoring in the potential of increased Iraqi oil production, according to the analyst, the DOE had forecast that production would be so strong that oil prices would fall.

Oil could also be quickly imported. It takes 30-40 days to get oil from Saudi Arabia to the U.S. southwest (which imports 64% of the oil imported into the United States), down to six days from Venezuela, to three days from Mexico.

Europe

Laissez-faire will kill rail commodity transport

A continuation of laissez-faire policies will kill commodity transport by rail in Europe by early next century, the 15 European Union transport ministers concluded at a conference in Rome on April 13.

In 1970, some 32% of all commodity transport in western Europe went by rail, as compared to 49% by road. Today, it is down to 16% by rail, compared to 70% by road; and it is estimated that it will drop to 5% by rail and 80% by road by 2010, if present trends continue. The meeting concluded that the 14 authorized EU Trans-European Nets (TENs) infrastructure projects are not proceeding fast enough to halt the overall trend of decreasing transport by rail.

Because of the fiscal conservatism of the 15 EU finance ministers that convened in Verona at the same time, the transport ministers did not come out in favor of a bigger role for the state to help overcome the financial bottlenecks of the TENs. Instead, they resolved to establish yet another "expert group" to work out private-sector alternatives to state funds for the projects. This, however, is exactly the approach that has failed under the laissez-faire policy of the EU.

Briefly

ONE-THIRD of all rubber gloves used in medicine do not provide reliable protection against bacteria and AIDS-related viruses, scientists at the Medical College in Milwaukee, Wisconsin have discovered, the German daily *Die Welt* reported on March 27. An infectious agent, similar in size to an AIDS virus, had no difficulty reaching the hand.

FOREIGN INVESTMENT in the Philippines rose 27.5% in 1995, led by the U.K. and Hongkong, according to Central Bank statistics. Authorities credit the rise to the Fidel Ramos government's liberalization of the banking sector and deregulation of public transport, *Business World* reported in March. But direct investment in local industries declined 7.6%.

A DESALINATION plant is being tested in Western Australia, the April 9 *Canberra Times* reported. The test is to involve conventional pre-treatment of seawater, reverse osmosis filtration, and micro-filtration technology, and is expected to cost less than $100,000.

ARGENTINA'S heavy water plant at Arroyitos has been shut down, thanks to the Menem government's economic program. The plant was opened in 1994, the only such plant in Ibero-America. Because of budget cuts, and shortage of personnel, it was only able to produce 16 of 30 tons of heavy water sold to South Korea, the daily *Clarín* reported April 15.

THE LAOTIAN government is building 23 dams to produce electricity, but its proposed Nam Theun 2 dam, which would generate 1,500 megawatts, and $1 billion over 25 years, is being held up by the World Bank and Green organizations, the Paris daily *Libération* reported on April 10.

BCA FORETRENDS, of the Bank Credit Analyst Group, in an April investment advisory, wrote of the U.S. market: "With bond yields rising, speculation high, and the profit boom cooling, the unthinkable—another crash—could erupt."