

Business Briefs

Banking

Deutsche Bank subject of ongoing investigation

Teams of investigators from the German equivalent of the U.S. Internal Revenue Service searched Deutsche Bank's headquarters in Frankfurt and several branches on June 15, as part of an ongoing investigation into organized capital flight and tax evasion from Germany to Luxembourg, Switzerland, Liechtenstein, and other tax havens. Similar searches have been carried out at Dresdner Bank and Commerzbank.

Deutsche Bank is suspected of being the biggest player in these activities. Recent media reports have suggested that the bank has played a key role in flight capital of 800 billion deutschemarks (roughly \$500 billion) over the last 8-10 years, an estimate drawn from an official report of the German Ministry of Finance.

The investigation is not welcome at the board of Deutsche Bank: When surprise searches against Dresdner Bank and Commerzbank began about two years ago, then-Deutsche Bank chairman Hilmar Kopper complained that "they are treating us like [Baader Meinhof] terrorists."

Commodities

Depression prices near, if current trends go on

A major price collapse is expected in many commodities, if current "declines in price go much further," the chief commodities strategist for a major Swiss bank told *EIR* on June 16. "The CRB commodity price index is at its lowest level since just before the 1990 Gulf War. Copper prices are now at 75¢ a pound. Just prior to the Sumitomo copper scandal it was \$1.40. Oil, by far the largest commodity in terms of market size, has collapsed 49% since last October. Oil prices today are at the level of August 1986 when there was a total price collapse," he said.

He continued: "In March-April, markets saw what I called at the time a 'dead tiger

bounce,' when optimism held that the worst was over in Asia. That optimism has now completely turned to pessimism and pension funds and others who had held on to a share of commodities as long-term investment are unloading, fearing the demand will fall further. It's everything from base metals to platinum to oil and gold, which is why the South African rand is under such pressure of late.

"The only curious commodity is gold, where instead of collapsing further as I would expect, given that Asians are dishoarding gold, it has actually strengthened from the January lows of \$276 to about \$287 today. The market rumor is that the Japanese have been buying about 400 tons or some \$4 billion of gold to back their case that the yen should become a larger world reserve currency. This I haven't been able to confirm."

Economic Policy

Brazil's Ricupero blasts 'arrogant speculators'

Rubens Ricupero, a prominent member of the Brazilian diplomatic corps and Secretary General of the UN Conference on Trade and Development, wrote that it is "time to face reality," and to stop letting "arrogant speculators" decide Brazil's future, in a column in *Folha de São Paulo* on June 13. On May 30, Ricupero, who has had a reputation as an advocate of globalization, shocked Brazil's elite with a column proposing that Brazil ignore British free trade, and instead look to Alexander Hamilton of 1791 and China of today for policy direction.

Ricupero reminded readers of how the International Monetary Fund projected "a rose-colored future" for the world economy in the spring of 1997, and then, in September 1997, assured everyone that the Asian crisis would not get out of hand. Yet today, Asian economies are projected to collapse 4-12.5%. Charging that short-term financial flows are a major cause of this crisis, which shows no signs of dissipating, he asked:

"Is it not time to reexamine the premise of such high dependence on these resources. . . ? Is it not better, therefore, to begin to rectify our direction, discuss alter-

natives, explain the costs, compare the benefits? . . . The time has come to confront the truth. This process begins, to my way of thinking, through the gradual reconstruction of a space in which we can affirm our relative autonomy. We cannot continue to tolerate having the fate, the well-being, and the employment of 160 million Brazilians, above all the least protected, lie in the hands of arrogant and superficial speculators, avid and pretentious owners of a supposedly orthodox truth which barely masks . . . 'an austere . . . and vile sadness.'" The starting point for self-confidence, he said, is to follow John Maynard Keynes's admonition, that one should prefer anything to "the best opinion" of Wall Street!

Middle East

Palestinian Authority adopts casino plan

The desperately impoverished Palestinian Authority has agreed to a plan to build a \$150 million casino named the "Oasis," just outside Jericho, the June 17 London *Times* reported. The decision comes in the wake of British, International Monetary Fund, and World Bank sabotage of serious economic development in the region, as envisioned by the Oslo Accords.

The operating company for the "Oasis," Casinos Austria, is 33% owned by the Austrian Mint. It will open in the autumn. Palestinian youths are already being trained to deal blackjack and spin roulette wheels. Also planned as part of the gambling complex are three hotels, a convention center, a golf course, and tennis courts.

Hamas and Jewish fundamentalist groups have condemned the casino as a provocation. Gambling is illegal in Israel, and Jewish fundamentalist groups have repeatedly blocked efforts to make it legal. It would seem the PA's casinos are in part modelled on set-ups similar to those on impoverished Indian reservations in the United States.

Meanwhile, the Asian crisis and the collapse of the peace process are hitting the Israeli economy, which is heading toward an official "recession," if not an unofficial de-

A PORTUGUESE edition of Lyndon LaRouche's book *The Science of Christian Economy* was released in Brazil the week of June 15.

THAILAND, Laos, and China have agreed to build a road from Thailand's Nan province, through Laos, to China, the *Bangkok Post* reported on June 5. Thai Foreign Minister Surin Pitsuwan called it "an important gateway to northern Laos and China."

BARRICK GOLD'S loot in Haut-Zaire is now being taken out of the country through Uganda, as per the British Commonwealth's plan, with Yoweri Museveni getting a cut, according to sources. Nothing is being paid to any government, and the region is effectively being administered through Museveni.

THE WORLD BANK'S Dr. Pirouz Hamidian-Rad, who had been kicked out of Papua New Guinea by former Prime Minister Julius Chan because his monetary demands threatened national sovereignty, was made chief economic adviser to Prime Minister Bill Skate and the National Executive Council, as a "private citizen," on May 22.

POLISH engineers halted 50% of passenger and 70% of freight rail service on June 18, as part of an ongoing strike. The government plans to eliminate 7,000 km of track and lay off 70,000 workers to "restructure" Polish railroads according to demands of the World Bank. The Polish State Railways has threatened to sack strikers and demand compensation from them if their strike is declared illegal by a Warsaw court.

CENTRAL BANK presidents of the Mercosur nations (Argentina, Brazil, Uruguay, and Paraguay) met in Iguazu, Argentina on June 16, to discuss sharing information to prevent speculative attacks on their currencies. The idea is to have "top-notch information for as long as the financial crisis lasts," *Ambito Financiero* reported.

pression, the daily *Ha'aretz* reported on June 16. For the first quarter of 1998, Gross Domestic Product grew 0.3%, which follows a 0.4% rise in the last quarter of 1997. In 1997, the economy grew 1.7%, compared to 4.6% during 1996, prior to Prime Minister Benjamin Netanyahu's coming to power. The official forecast for growth this year is 1.5%. Unemployment is at 8.4%, well above the pre-Netanyahu figure. Netanyahu's radical free market policies, including privatization of public companies, and the collapse of the peace process, which has kept tourists and potential investors away, are also blamed for the collapse.

Venezuela

National emergency may be declared

The Venezuelan government is considering declaring a national emergency, because of the dire economic situation the country faces. The possibility was discussed on June 18, at a meeting of the Council of Ministers, which analyzed the impact of the oil price drop on the national economy. Sources have told *EIR* that the proposal was also discussed at a meeting of the National Economics Council. The current budget can only be implemented if the oil price rises, something not likely to occur. The budget has been calculated based on an oil price of \$13 per barrel.

There is also discussion of raising consumption and sales taxes, although the Finance Commission of the Congress is proposing to negotiate these, and to allow exemptions for certain categories, including food and medicine.

In the midst of this, rumors are circulating that the government may devalue the national currency, the bolivar, which the International Monetary Fund claims is overvalued by 35%. According to the daily *El Nacional* on June 19, Finance Minister Freddy Rojas told the Council of Ministers' meeting that U.S. and British representatives at the IMF are criticizing Venezuela's austerity plan. While Rojas didn't specify what the criticisms were, he implied that Vene-

zuela might have problems if it tried to get foreign loans, unless it applied more stringent austerity. Venezuela must borrow \$800 million to plug up its fiscal hole, either from the Inter-American Development Bank, or some other foreign lending agency, or consider floating bonds from PdVsa, the national oil company.

India

Russia breaks with nuclear blockade

On June 22, Russia signed an agreement with India to build an atomic power station at Koodankulam, in Tamil Nadu, the *Hindu* reported, citing highly placed sources. New Delhi and Moscow concluded the \$2.6 billion reactor deal after nearly 10 years of protracted negotiations. The deal breaks the western nuclear technology blockade against India.

This will be the first deal by India involving full-scale import of nuclear reactors since the 1960s, when it imported the reactor for the Trombay power station from the United States, and had an active nuclear power cooperation agreement with Canada. The import of the Russian reactors will dovetail with India's plans to generate 20,000 megawatts of nuclear power by 2020.

The *Hindu* reported that Indian sources attach great significance to the timing of the contract, which follows the nuclear tests by India. "The contract reinforces the point that the atomic tests will not come in the way of Indo-Russian bilateral cooperation even in the most sensitive areas," a source said.

Meanwhile, U.S. Assistant Secretary of State for South Asian Affairs Karl Inderfurth told a U.S. Congressional subcommittee on June 18, that being forced to implement the mandatory U.S. sanctions against India and Pakistan resulted in the realization that the sanctions were designed merely as a "deterrent." He said that the United States had hoped that sanctions "would never have to be implemented." The Eximbank estimates that \$500 million in U.S. exports to India in pending commitments, and \$3.5 billion in projected exports, will be affected.