

# Business Briefs

## *'Europe 1992'*

### **EC demands Italy shut southern steel plant**

On Dec. 23, the European Community demanded that Italy close the Bagnoli steel smelting plant by June 30, 1989, as part of the deindustrialization of southern Italy foreseen under the "Europe 1992" plan.

Bagnoli is the third largest employer in Naples, after the Alfasud autoworks and the city itself; nearly 10,000 jobs depend on it directly or indirectly. Ironically, the plant is running in the black right now, although the "experts" predict that it will be running a deficit by the end of the year. If Bagnoli closes, Italy would only have the Taranto rolling-mill left.

The EC bureaucracy insists that Europe produces too much steel.

Backing the shutdown is an odd alliance between the right-wing Liberal Party, which wants to close it as an "anti-waste" measure, and the Greens and Radical Party, who cite environmental reasons and the region's potential for tourism.

Closing Bagnoli will strengthen the oldest local "industry," the Camorra, the Naples criminal organization. Perhaps not by chance, Radical Party leader Marco Pannella is campaigning for full legalization of all drugs, with the line that cocaine is safer than wine. The Camorra controls coca traffic between Italy and South America.

## *Corporate Strategy*

### **Defense industry takeover blocked**

A hotly contested attempt to reorganize the European electronics and defense industry has been blocked for the moment.

The British General Electric Company (no relation to the U.S. firm) and West Germany's Siemens Co. have been engaged in a hostile takeover attempt against Britain's Plessey PLC. But the \$3 billion takeover,

which would create one of the world's most formidable electronics and defense conglomerates, has been temporarily blocked by the regulatory authorities of Britain and the European Community in Brussels.

GEC-Siemens currently holds 15% of Plessey PLC.

Investment bankers Lazard Brothers of London has launched a counterattack against the GEC-Siemens group by financing a consortium including Plessey in an attempt to takeover GEC itself.

In Brussels, the new EC Commissioner for Competition, Thatcher appointee Sir Leon Brittan, has stated that the Plessey takeover bid by GEC-Siemens warranted a full investigation of violations of EC competition rules under the Treaty of Rome.

## *Banking*

### **Warn of thrift institution 'meltdown'**

The assessment that the nation's savings and loans are in a "meltdown" is "essentially correct," Sen. Don Riegle (D-Mich.), incoming chairman of the Senate Banking Committee, said on the "Meet the Press" television program Jan. 15.

Riegle argued that there must be some "basic structural changes" in the S&L system so that a bailout today doesn't lead to a greater problem five years from now. He said that the system's "primary focus should be home mortgage lending" to "protect housing development."

Riegle said that it "could be the case" that the public was robbed blind in the wave of S&L takeovers during December. His requests for information on the takeovers was not provided, and he has therefore asked the General Accounting Office to do an audit, the results of which will be reported to his committee's hearing on Feb. 2.

Federal Deposit Insurance Corporation chairman William Seidman said the cost of the S&L problem is now projected at \$85-\$105 billion, \$30-\$40 billion being required up front to deal with S&Ls which are now losing about \$13 billion a year. The other

problem S&Ls, he said, can be dealt with in the following two years.

## *North Africa*

### **France opens credit line to Algiers**

The French government has opened up a 700 million franc credit line (about \$115 million) to Algeria under an agreement signed Jan. 10 between the two governments. The credit line, aimed at helping Algeria overcome its social and economic crisis, is part of a package which also ends several years of dispute over the issue of Algerian gas, which French industrialists have thought overpriced.

Nonetheless, because of the Algerian situation, a high price has been agreed upon, though this may mean less gas purchased by France. To make up for it, Paris is reportedly negotiating to buy Iranian gas, whose export—through the Soviet Union—is expected to be resumed soon.

According to French officials quoted in the media, the bulk of the Franco-Algerian credit is aimed at getting the Algerians to buy French agricultural products and "end Algerian dependency on American wheat." The United States has been Algeria's main grain supplier for the past decade.

## *Industry*

### **Foreign investment declines in Korea**

Foreigners invested \$595 million in 222 Korean firms during the first 10 months of 1988, the South Korea's Trade and Industry Ministry has announced.

The figures represent a 19% decline in investment money and a 14.2% drop in the number of firms compared with the same period last year.

The decline of foreign investment in the

manufacturing sector was attributed to wage increases following labor disputes and the sharp rise in the Korean currency's value, according to the ministry's analysis. Another major factor was the improved technology of Korean manufacturing firms.

Investments went into 38 chemical firms, compared with 43 a year earlier, 55 electronics and electrical firms, compared with 77 last year, and 77 machinery and metal firms, compared with 85 last year.

However, foreign investment rose sharply in the non-manufacturing sector, such as hotels, insurance firms, transportation firms, and restaurants. Foreign investment rose 52.9% in 52 firms, and in terms of money invested, rose 293.7% to \$539 million.

## Israel

### Is political move behind Koor liquidation?

A rapid collapse of Israel's economy, which saw a devaluation of the shekel at the end of December, severe capital flight, and a harsh austerity program instituted on Jan. 7, is being aggravated by American banks' attack on Koor Industries.

Bankers Trust and others are seeking the liquidation of Israel's largest industrial concern, owned by the Histadrut trade union federation, which employs 30,000 workers. Given a respite from creditors' demands for a few weeks, Koor is now expected to be liquidated in February.

Israeli sources report that the drive of the American banks is straightforward political blackmail by the U.S. administration to keep Israel under political control. Ultimately, the aim is to force the privatization of most Israeli government- and trade union-owned industrial concerns. However, these Israeli sources also stress that Washington is fully aware that it is playing a very dangerous game.

The layoff of 30,000 workers would create an unprecedented social and political crisis in the country, exactly the kind of crisis which could lead any government to war.

Not to be overlooked either is the way Israel will be affected by the crisis in Mexico, created with the arrests of the oil workers union leadership, a prelude to privatization of Mexico's oil industry. In 1988, Mexico exported up to \$6 billion worth of oil to Israel.

## U.S. Budget

### Darman admits plan to gouge defense

Richard Darman, President-elect George Bush's nominee for director of the Office of Management and Budget, admitted before confirmation hearings Jan. 19 that he was an advocate of a Gramm-Rudman sequestration of funds to lower the budget deficit, even if this would, as he conceded, have a disastrous effect on defense outlays.

He said this course of action would be preferred over congressional action to alter the Gramm-Rudman target, because, he said, the latter course "would have a very negative effect on the financial markets."

Just prior to his testimony, Darman was seen reading in its entirety of the testimony submitted to the Senate Governmental Affairs Committee by the National Democratic Policy Committee, representing the LaRouche wing of the Democratic Party, urging that it reject him here today. Darman was facing his first day of confirmation hearings before the Comhis nomination be rejected. Copies were distributed on the press tables in the hearing room. Reporters snatched up the copies immediately, seeing that they were "from LaRouche."

As soon as Darman appeared in the room, one reporter ran up to him with the NDPC statement, and asked him to comment. Darman stood at the witness table and took a few minutes to read it, before folding it and putting it in his briefcase, and making an inaudible comment.

The testimony charged him with exactly that which he admitted in his subsequent testimony, that his policies would have a disastrous effect on the U.S. defense budget and military preparedness.

● **THE U.S. FEDERAL** Reserve has decided to allow commercial banks to underwrite a certain amount of corporate debt, thus adding to those banks' already-burgeoning "off-balance-sheet liabilities." However, the Fed has a deferred for a year a decision to let banks fully encroach on the securities business by underwriting stocks.

● **JAPAN'S** global trade surplus grew to a record level in December 1988, and although its trade surplus with the United States fell 8.8% for the year, in December it registered a second consecutive month of growth. A Foreign Ministry official said of the figures, "What we have done" to reduce the surplus "is on the right track, and hopefully other countries won't resort to protectionist measures."

● **ROCKWELL** International agreed to plead guilty to charges, including one of conspiracy and one of contempt, relating to a double-billing of the Air Force on one of its contracts. The company could face a \$500,000 fine on the conspiracy count, and an unlimited fine on the contempt count.

● **OIL PRODUCTION** in the United States hit a 24-year low in 1988, averaging about 8.1 million barrels per day. Imports, meanwhile, accounted for about 7.2 million barrels per day, almost half of total consumption.

● **DEFENSE** and Overseas Development Assistance will be the main growth items in the Japanese government's budget for the new fiscal year beginning April 1, 1989. The budget was announced on Jan. 18. Defense spending will increase 6% and development assistance 7% over current outlays. This will make Japan the world's largest foreign aid donor and second only to the United States in defense spending among non-communist nations.