

Business Briefs

Agriculture

German minister attacks EC for 'currency war'

German Minister of Agriculture Jochen Borchert described as "outrageous" the announcement of plans by the European Commission to cut payments to farmers which compensate for foreign exchange turbulence. This is "currency warfare" against farmers of countries with strong currencies, he said.

Over the last four months, the European Union has been more and more unable to maintain its currency compensation payments to farmers. In the case of Germany, Borchert said, foreign exchange turbulence has reached the point that it is threatening the very existence of farmers. Exports of milk and meat, especially, have collapsed in only four months.

Borchert warned that if the EC were to implement the cuts, this would mean "dynamite for social peace in the countryside and for the capability of farmers to survive." He rejected the plans as "politically irresponsible" and "completely unacceptable."

Aerospace

German sector headed for collapse, say councilmen

The German aerospace and defense industry is heading for an "uncontrolled collapse," according to the WLR, a newly formed working committee of factory councilmen in the defense and aerospace sector in Munich. The WLR warned that jobs in this sector have already been cut from 280,000 to 140,000 since 1990, and that 40,000 more cuts could follow soon. This would forever destroy Germany's technological capacity in this area, which had been built up over a long period of time by huge state investments.

The WLR initiators emphasize that the WLR is the first-ever union of factory councilmen in the aerospace and defense sector in German history, and was set up without any direct trade union support.

WLR Chairman Peter Meinck noted that "many of our highly qualified engineers and

technicians have been dismissed," and that this was accompanied by a "dramatic reduction" of students in engineering areas.

One bright spot is that German-Chinese cooperation is intensifying. In early May, representatives of Daimler-Benz Aerospace (DASA) and Chinese authorities signed in Beijing an agreement on two projects. In the first, DASA, Aviation Industries of China, and the South Korean Samsung Aerospace Industries Ltd. will develop a common civilian jet for 100 to 120 passengers. Only recently, British Aerospace, French Aerospatiale, and the Italian Alenia had formed a joint venture for the same purpose.

The agreement also involves the Xichang Satellite Launch Center putting a German communications satellite into orbit in 1997, using the Chinese "Long March" rocket. The satellite deal was described by DASA chairman Jürgen Schrempf as a "world premier of high importance," and is a setback for the European Ariane launch system.

Debt

Algeria given bailout by London Club banks

The so-called London Club of banks holding Algerian commercial debt has agreed to reschedule \$3.2 billion of that debt, Reuters reported on May 13. The agreement would give Algeria up to 15 years to pay back loans originally due in March 1994 to December 1997. The deal is a significant boost to the Algerian regime at a time when it has been under pressure from the Clinton administration and other governments to negotiate with the opposition Islamic Salvation Front.

The banks leading the negotiations with the Algerian Central Bank are Chase Manhattan, the Arab Banking Foundation, Long Term Credit Bank of Japan, Japan Leasing Corp., the French-Arab Banking Union, and Sakura Bank. The group is headed by the French bank Société Générale. It is estimated that the Japanese banks hold two-thirds of the Algerian debt.

Meanwhile, the International Monetary Fund is expected to approve another \$1.8 billion loan for the next three years, in addition

to the \$1 billion they approved last spring. The Paris Club for foreign debt held by governments is expected to approve the rescheduling of \$5 billion in debt. Despite the fact that the Algerian military-backed government refuses to hold elections, it is apparently still considered an "economic model" by the international financial community.

Labor

USAir mechanics accept 13% wage cut

Mechanics at USAir Group, Inc. have agreed to a 13% wage cut, which will save the airline \$1 billion in annual costs, according to Dennis Hitchcock, a spokesman for the International Association of Machinists, which represents about one-third of USAir's 45,000 workers, Associated Press reported on May 8. The highest paid of the 8,000 USAir mechanics will lose about \$4 an hour from their current \$23-an-hour wage. Some 6,500 flight service workers also represented by IAM will have their wages cut about 10%. In addition, paid lunch breaks are eliminated, and the airline will be allowed to use more non-union mechanics.

In exchange for these concessions, the employees will be given a 20% stake in USAir, as well as \$400 million in preferred stock and \$12 million in stock options. The company's three biggest unions each will get to nominate a director to the company's board, and non-union employees also will get to name a director.

The agreement with the machinists follows a tentative agreement with the pilots union that cuts the average income (\$129,500) of USAir's 5,200 pilots by an average 22%.

USAir has lost more than \$2.6 billion since 1988, including nearly \$700 million last year. Analysts say that the airline's costs are the highest in the U.S. airline industry. Warren Buffett's Berkshire Hathaway, which owns a large chunk of USAir, has extracted hundreds of millions of dollars through its holdings of preferred stock, which have paid out a dividend rate of over 10% despite the airline's losses.

Communications

Murdoch wants to buy up Berlusconi media empire

Australian-born media magnate Rupert Murdoch has formally offered to buy Silvio Berlusconi's television stations for \$2.8 billion, the financial daily *Il Sole 24 Ore* reported, according to Reuters on May 12. Berlusconi was prime minister of Italy for seven months until losing power in December 1994.

The newspaper said that the proposed deal with Murdoch's News Corp. would also include the television advertising agency operated by Berlusconi's Fininvest media group. Officials of Fininvest, which is 100% owned by Berlusconi, said they could not immediately comment on the report.

Berlusconi has repeatedly said that he would be willing to sell his television stations at the right price to end controversy over the conflict of interest with his political activities. The media magnate is leader of the center-right Freedom Alliance, which hopes to return to power when elections are held, possibly in October.

According to *Il Sole*, Murdoch was offering to buy 51% outright at an agreed price, with the value of the remaining stake to be set after a June 11 referendum on television ownership. In the referendum, backed by Berlusconi's political opponents, Italians will be asked to limit to one the number of national television stations that may be owned by one private sector company or individual.

Finance

Markets, not nations, have power, banker says

The governor of the Bank of Spain, Luis Angel Rojo, warned that financial power is now in the hands of the markets, not governments, at the ceremony investing him *Doctor honoris Causa* of Alcala University, the Spanish daily *El Pais* reported on May 11.

"Power has moved from the hands of governments to the markets. The markets condition national monetary policies, make ex-

change rates explode, spread tensions. How should governments deal with this? There are no easy solutions. . . . The markets are characterized by their enormous potential, their unease, their greater efficiency and competitiveness, all qualities which imply enormous advantages but of course, problems of instability," he said.

The Ramon Areces Foundation, the Ortega y Gasset Foundation, and L. A. Rojo have invited Bank of England Gov. Eddie George to speak in late May on "A British Perspective for European Recovery."

Banking

In Italy, Cuccia's banker commits suicide

Ludwig von Hackwitz, director general of Fondiaria Assicurazioni, the second largest Italian insurance company, committed suicide on May 7, jumping from the 21st floor of a skyscraper in Milan where he lived. Hackwitz had recently been called in by Fondiaria's new president, Luigi Amato Molinari, a former Generali manager who was appointed to Fondiaria by Mediobanca's Enrico Cuccia.

The official explanation for the suicide is that Hackwitz was ordered against his will to implement draconian budget cuts, including layoffs of 400 employees, because of Fondiaria official losses of a half-trillion liras. But there may be bigger losses which are not yet known publicly, due to derivatives and other speculative ventures in which Hackwitz was apparently involved. Investigators found two sealed letters written by Hackwitz, which will be opened in front of a notary.

Fondiaria belongs to the group that controls Assicurazioni Generali, together with Euralux (Lazard-Fiat) and Mediobanca. This group holds 15% of Generali, deposited at Mediobanca, whose 90-year-old chairman, Enrico Cuccia, is still the mastermind of the cartel. Fondiaria is connected to Italian freemasonry. Its headquarters in Florence is in a district built by pro-British masons soon after Florence was declared the capital of Italy in 1860.

● **THE TARIM** Petrochemical Exploration and Development Bureau in Korla, a city in western China on the Silk Road, will raise \$3 billion to build an oil refinery, a power station, and plants to manufacture chemical fertilizer, ethylene, and methane, Reuters reported on May 12.

● **NIGER** has resumed talks with the International Monetary Fund to win new loans, Finance and Planning Minister Almoustapha Soumaila said on May 14, Reuters reported. The previous government proved unable to satisfy the IMF by raising taxes and cutting wages.

● **MITSUBISHI** Estate Co., which bought 80% of Rockefeller Group Inc. in 1989 for \$1.4 billion and has suffered around \$500 million in losses since, is threatening to force a bankruptcy filing if Rockefeller Center Properties Inc., which holds the \$1.3 billion mortgage, does not sell out to Mitsubishi, the May 11 *Wall Street Journal* reported.

● **THE WEALTH** of the 500 richest Britons slid 16% to £55 billion (\$86 billion), largely because of falling stock markets, according to the May 14 London *Sunday Times*.

● **KAZAKHSTAN** President Nursultan Nazarbayev left for South Korea on May 15, Reuters reported. "They have good technology, we have a lot of raw materials, and we are interested in technology transfers," a presidential spokesman said. Imports from South Korea jumped 66% to \$27 million last year and exports rose 131% to \$61 million.

● **ITALY** is impoverished, according to figures in the latest state report, *Corriere della Sera* reported on May 13. In 1994, some 6.5 million Italian families were below the official poverty level, youth unemployment reached a national average of 32.4%, and only 19.7 million Italians were employed, while 20.1 million lived from pensions, social welfare, or jobless support.