

Business Briefs

Finance

Leuschel smells market crash like in 1987

Huge injections of liquidity have kept the markets booming, but the smell of another 1987-type stock market crash is in the air, Roland Leuschel, of the Banque Bruxelles Lambert, wrote in an op-ed in the German daily *Frankfurter Allgemeine Zeitung* on March 8.

The lowering of interest rates and the ensuing supply of fresh liquidity, Leuschel wrote, have created a boom in which there is potential for the Dow Jones to reach 10,000 points. The German stock market is in an unprecedented boom as well, and this at a time of 6 million jobless. But the question is: For how much longer?

Leuschel revealed that he is writing a book on the crash, which he hopes to finish before the crash occurs. He said he would prefer the crash to hold off until October 1996, but it could come tonight.

One catalyst for a crash could be an economic recovery in Japan, he said. The Bank of Japan would have to raise interest rates significantly, and the cheap and abundant supply of money would come to an abrupt end—to the chagrin of the speculators, who have taken advantage of low Japanese interest rates for “investments” abroad.

Dope, Inc.

China reportedly lifts ban on Jardine Matheson

China has lifted its secret ban on Jardine Matheson, and Chinese firms can now do business with the British group, a part of the rotten core of British colonialism in Asia, the Feb. 22 Singapore *Business Times* reported. The ban has been confidential, reportedly set up years ago by China's Trade Ministry.

The lifting of the ban suggests a shift in British-Chinese relations, which have been tense since Hongkong Gov. Chris Patten, who backed Jardine on the “Terminal 9” projects, suddenly started to push democracy in Hongkong. Beijing has pledged to dismantle all of Hongkong's elected councils after it

takes over the British colony in 1997.

A source close to Jardine told the *South China Morning Post* that Beijing's Ministry of Foreign Economic Relations and Trade, at the height of tensions between the company and Beijing, had issued a circular saying that Chinese companies should not do business with the firm. But, the source said, China's top envoy to Hongkong, Zhou Nan, has given direct assurances to Jardine executives that they would not be excluded from Hongkong's port development projects.

Economic Policy

Mozambique labor group attacks privatization

Soares Nhaca, the general secretary of Mozambique's trade union federation (OTM), has denounced the government's privatization policy, Radio Maputo reported, according to the Foreign Broadcast Information Service on Feb. 28.

The OTM has reacted with particular anger to the International Monetary Fund's (IMF) interference in wage bargaining. Nhaca remarked that just as the government did not properly define what should be taken under full State control in the 1970s, it has now failed to define what should, and what should not, be privatized, or who should be the new owners. The government, he said, is “selling off everything at a run.” Why this “very great haste in privatizing companies?” he asked. Nhaca said the OTM was trying, through the International Confederation of Free Trade Unions, to pressure the IMF to moderate its insistence on privatization.

Banking

British banks out to soak up ‘Islamic’ funds

London's merchant banks have mounted a campaign to attract funds from the Islamic world by launching a number of investment funds that tie in with Islamic law on finance and money, the *Asian Age* reported on Feb. 22.

Financial products aimed specifically at

Muslims have grown by an annual 10-15%, to \$50-100 billion, according to Adel Ahmad, the head of Muslim financial services at ANZ Grindlays Bank. Robert Flemings Bank has introduced a formula to open up the stock exchange to Muslims who are eager not to overshoot guidelines laid out in Koranic law. It is the first bank to facilitate the uptake of stocks and shares by Muslim investors. Such funds do not allow shares to be held in companies that produce alcoholic drinks or are involved in gambling, for example.

London is the center for Islamic financial transactions, especially for the Gulf States, ahead of New York and Bahrain.

South Africa

Thatcherite plan called a ‘recipe for disaster’

South Africa's Labor Minister Tito Mboweni, a member of the African National Congress executive committee, said that the ANC believed there were major flaws in “Growth For All,” a strategy document drawn up by the South Africa Foundation, which groups about 60 of the country's largest companies, wire services reported on March 9. The plan, released in February, said that major economic reform would be needed if the government was to meet a target of 6% annual growth.

The report was put together by economists employed by Anglo-American Corp., Old Mutual, and Standard Bank. The South Africa Foundation is dominated by the boards of British corporations that have a presence in South Africa.

The document “runs the risk of pushing our country backwards in a number of respects, and the policy proposals contained therein could be a recipe for disaster, and if they were ever to be adopted, would interrupt government,” Mboweni said. He rejected proposals for brisk privatization of State assets. “They are saying that we should move swiftly to privatization which means that . . . the whole of the government would be limited to zero almost immediately. . . . A brief privatization program sounds almost like a kind of Thatcherite program. . . . We would not be supportive of the overall thrust of this

document. . . . We say this could cause major social dislocation."

The foundation proposes: Government jobs should be cut by 300,000 over 10 years, out of the estimated 1.52 million existing in 1995; corporate taxes should be cut, and the additional 25% tax on declared dividends scrapped; the value-added tax should be raised by a couple of percentage points, "although this would be unpopular"; privatization should be accelerated, starting by selling non-controversial holdings in commercial companies such as Iscor, Sasol, and Alusaf, which is managed by Gencor, which could raise about \$5.2 billion; and create a two-tier labor market, with low-wage, flexible-entry jobs.

Health

WHO sounds alarm on infectious diseases

The World Health Organization called for immediate international cooperation to reverse the spread of infectious diseases from eastern Europe and the former Soviet Union, wire services reported on March 7. "What we are seeing today is an incredible reemergence of infectious diseases that we thought we had conquered," said Jo Asvall, regional director of the WHO in Europe. A vaccination program would cost only about \$20 million, but Europe and the world are not waking up to the threat, he said.

Cholera, diphtheria, tuberculosis, and sexually transmitted diseases such as syphilis are all on the increase following the economic and political upheavals after the collapse of communism. "The health care systems were State-funded," and the upheavals "led to a collapse of the preventive services, which were not bad in the Soviet Union," he said. These diseases are now crossing into western Europe.

Diphtheria (a deadly respiratory disease) had been virtually wiped out by the end of the 1980s. But with the collapse of the Soviet Union, it skyrocketed to 45,000 cases in 1994. The WHO had predicted up to 200,000 cases in 1995 (and more than 1,500 people died, and 30 cases were exported to Finland, Norway, Germany, Mongolia, and the United States), but a vaccination program

cut the rate to about 60,000 new cases.

A similar program has slashed rates of polio infection, except in Chechnya, where fighting has hindered vaccination programs. "This means we can do something," Asvall said. But unless the programs continue, the diseases will quickly soar again.

Over 1993-95, Europe had 2,600 cases of cholera, a disease once restricted to the tropics and underdeveloped areas. A small investment in water-improvement programs would stop this, Asvall said.

The biggest threat comes from tuberculosis, which is on the increase around the world. "Tuberculosis in the next 10 years worldwide will infect 300 million people," Asvall said. "Thirty million people will die of TB in the next 10 years—more than from AIDS, malaria, and tropical diseases together."

WHO recommends establishing a network of laboratories to coordinate detection of emerging diseases.

Insurance

Lloyd's hires enforcers to get 'names' to pay up

Lloyd's of London, in a bid to recover \$100 million of outstanding debt from 280 Australian and New Zealand "names," prominent people who backed Lloyd's by pledging their assets to fund insurance risks and who now have to carry \$16 billion in losses Lloyd's has incurred in the past few years, has hired "Australia's toughest and most prominent insolvency practitioners," Ferrier Hodgson, to assist in their debt recovery effort, the *Australian* reported on March 7.

The list of "names" in Australia includes former Prime Minister Malcolm Fraser, now head of the aid group Care Australia; former Liberal Party MP Julian Beale; Tony Berg, managing director of BORAL (recently convicted of price fixing); and Alan Goldberg, the Queen's Counsel who cleared Jewish community leaders Mark Leibler and Solomon Lew of wrongdoing in Australia's biggest corporate scandal, the Yannon Affair.

"Names" who do not pay up by the end of July will receive British court writs for debt judgments, "to be enforced in Australian courts."

FRENCH BANKS "have by no means resolved their bad-debt problems," a source told *EIR* on March 5. "Today they still have an estimated FF 140 billion [\$28 billion] in bad real estate debt on their books. This is 150% of the total of the banks' combined equity. . . . French banks as a group today are in worse shape than Japanese banks."

RUSSIA AND INDIA are planning to sign a \$3.5 billion arms deal, said Stanislav Filin, deputy head of the arms export company Rosvooruzheniye, the *Hindu* reported on Feb. 20. The package will include five major contracts and meet India's weapons systems requirements for the Air Force, Navy, and Army.

PAKISTAN signed 24 memoranda of understanding for trade and investment deals worth \$1.6 billion with Indonesia, during Prime Minister Benazir Bhutto's three-day trip to Jakarta, wire services reported on March 8. The deals include \$400 million in investment, and the balance in trade, which totaled \$200 million between the two nations in 1995.

A BRITISH consortium headed by Powergen International, has negotiated with the Victoria state government in Australia, through CS First Boston, to buy the Yallourn power station for \$2.4 billion, Australia's *Financial Review* reported March 7.

SINGAPORE is the beneficiary of billions of dollars in funds from Taiwan, because of the tension between Beijing and Taipei, the *Business Times* reported on March 4. Estimates are that as much \$10 billion has arrived over the last six months. The banking sector and stock market have been the main recipients.

GERMANY has granted a bank loan to Russia, German media reported on March 7. Some \$2.2 billion will be available at the end of March for the "support of the reform process," and \$700 million for "long-term projects that are in the common interest" of the two nations.