

Business Briefs

Industry

Increasing defects plague automakers

Ever more defects in automobile assembly are hitting the world's biggest automobile producers, the London *Financial Times* reported on July 17.

Among recent incidents, on July 16, Ford confirmed plans to recall up to 200,000 of its new "Focus" cars, after discovering component faults. The recall involves all production from the start of the new line in September 1998, to March 1999. All the cars were made at Saarlouis in Germany and Valencia in Spain. The defective part, which allows water to leak into the electrical system, was produced by an outside supplier.

In June, BMW recalled 250,000 of its three-series models, because of faulty air-bag sensors.

Earlier in July, a California jury awarded \$4.9 billion in damages against General Motors, following a fuel tank explosion in one of its Chevrolet models.

Italy

IMF a 'useless agency,' trade unionists say

The International Monetary Fund (IMF) has once again interfered in Italy's affairs, calling for an urgent pension reform (i.e., privatization). The IMF intervention followed a clumsy attempt by the government to raise the issue in early July, but it withdrew its proposal after 24 hours, because the trade unions had threatened a general strike.

After IMF fiscal department head Vito Tanzi released a statement accusing the trade unions of "creating problems for Italy," all major trade union leaders openly attacked the IMF. The boldest statement came from Adriano Musi, number two of UIL (one of the three major trade union federations). Musi called the IMF a "useless agency," a word-play on a term used in Italian politics. For several decades, "useless agencies" has been the term used by the IMF and other mar-

ket privateers to characterize enterprises, mainly state-owned, to be sold or dissolved because of their alleged unprofitability. "The IMF," said Musi, "ceased its function in 1971, with the [failure of the] Bretton Woods agreement. There is nothing worse than useless agencies. Furthermore, in this case, it is an agency that has always made wrong predictions. If any country wants to save itself, it should not follow IMF prescriptions."

Musi told *EIR* on July 17 that his judgment is broadly shared by the unions, even if not everyone has the courage to speak out openly. He stressed the duplicity of IMF officials, who "love to travel and, when they visit us, they agree that the budget is under control. But then, they talk behind our backs. It is regrettable: We had even translated our papers into English, so that they could not hide behind translation mistakes. This is intellectual dishonesty."

Africa

Mbeki urges economic community be formed

South African President Thabo Mbeki called for an African Economic Community, in a speech to the Organization of African Unity summit in Algiers on July 13. Mbeki proposed that African leaders implement the Abuja Treaty of 1991, which called for six implementation stages: "higher rates of economic growth and development; sustained increases in the standards of living of our people; higher and sustained rates of investment; the modernization of our economies; a cumulative process of integration of the African economy; and a beneficial integration of the African economy into the global economy."

Mbeki went through statistics and subjective factors, including George Soros's lack of discussion of Africa in his book *Crisis of Capitalism*, to show the way in which Africa has been impoverished and marginalized in the world economy. African nations must "activate" their intelligentsia, Mbeki said. (Of course, in many African nations, the intelligentsia have been driven out of their countries.)

Mbeki appears to oppose the notion in the OAU summit accord that indicated that globalization poses "serious threats to our sovereignty, cultural and historical identities as well as gravely undermining our development threats." He said, "Mere moral appeals from the have-nots to the haves are not likely to take us very far. Such is the degree of comfort among the haves, even in our own societies, that their ears are closed to the correct warnings we give repeatedly, that the worsening relative and absolute poverty of the many can never serve as assurance that the prosperity of the few is guaranteed for all time. We must again become our liberators."

The speech is equivocal, but maybe that is the best that someone whose country is owned by Anglo American Corp. and whose military is not under his control can do at the moment.

Banking

IMF demands Indonesian government bailout

Indonesia's House of Representatives is putting up stiff opposition to a proposed bank recapitalization plan, on the basis that bankers' past sins should not be bailed out. However, International Monetary Fund Asia Pacific director Hubert Neiss has warned: no bailout, no banks, no economy.

Indonesia's Finance Minister Bambang Subianto estimates that recapitalization will cost \$83 billion (550 trillion rupiahs), or roughly half of the current GDP.

Neiss's recommendation is to maximize loan recovery and asset sales to offset the cost, and, once the social safety net is sufficiently developed, to lift subsidies. In line with that, the chairman of the Indonesian Bank Restructuring Agency (IBRA), Glenn S. Yusuf, said on July 15 that the agency plans to launch a public offering in December or early next year in the country's largest private bank, Bank Central Asia, the jewel of the Salim Group's holdings, in an effort to recoup \$2.71 billion. However, before roughly 30% of shares go on the block, BCA's capital adequacy ratio will be doubled to 8%, at a cost of \$4.29 billion.

On July 14, Finance Minister Bambang Subianto said the government would float \$52.97 billion in bonds, with estimated interest of \$5.13 billion, to be split between IBRA and the state budget.

Euroland

Single-currency project threatened, says bank

A confidential report by the European Central Bank acknowledges that there is an immediate threat to the European Monetary Union (EMU) single-currency project, according to the July 15 London *Times*.

Under the front-page headline "Bankers Predict Gloom in Euroland," the paper states, "European governments are in danger of fatally undermining the single currency by failing to take action to curb their huge budget deficits, a confidential report from the European Central Bank has warned. The leaked report, which was presented to European finance ministers on [July 12], argues that unless Euroland governments make radical reforms to reduce social security spending, a number of countries risk breaking the rules governing EMU 'at the start of the next century.' The Central Bank claims this would spark panic in the financial markets, testing political commitment to the single currency project to the limit."

The *Times* notes that the report contrasts sharply with the optimistic public statements of the ECB. On July 14, economics professor Horst Siebert, one of the "Five Wise Men" advising the German government, said he would not be surprised to see the euro worth \$0.90 in the coming months.

"Don't burn the deutschemark, we might need it," said German economics professor Wilhelm Hankel, former chief economist of the Kreditanstalt für Wiederaufbau, the German Reconstruction Bank, in an interview with the July 14 London *Daily Telegraph*. "We predicted the euro's weakness, and it's going to go on getting weaker," he said.

Hankel called on the German government to cancel the existing conversion timetable, by which all the national currencies left in circulation in the EMU member coun-

tries would turn into useless paper at the start of the year 2002. If governments stick to this timetable, Hankel warned, "capital flight from the euro will grow. The mark should be kept indefinitely as a parallel currency. We must keep the door open for a return to the mark." The *Daily Telegraph* commented, "There is little doubt that the majority of the German public agree with Professor Hankel."

Trade

Iran expands economic cooperation with Europe

The Iran-Italy Chamber of Commerce, Industries, and Mines was inaugurated in Rome on July 6, in the presence of Italian industrialists and the Iranian Ambassador to Italy, Ali Ahani. The Italian head of the organization is Deputy Prime Minister Gian Claudio Bressa. Both he and Ahani stressed the importance of the initiative, which bears witness to the excellent relations and growing trade between the two. Italy has become Iran's leading European trade partner, at \$2.3 billion. Ahani also emphasized that cooperation should not be limited to trade, but that the "chamber of commerce should explore the capacity of Iranian and Italian economies to carry out joint investment projects in Iran, Central Asia, and the Persian Gulf," reported the Iranian daily *Ettela'at*.

At the same time, a high-level Iranian delegation, headed by Industries Minister Gholamreza Shafei, visited Greece. In meetings with government representatives, including Greek President Constantine Stephanopoulos, the two sides stressed their interest in expanding economic cooperation and trade, as well as in exploring the "dialogue of civilizations" launched by Iranian President Seyyed Mohammad Khatami.

Meanwhile, the ambassadors to Iran from Georgia, Azerbaijan, Belarus, and Ukraine called for expanding relations with Iran, especially in industry, during a visit to the Technical and Occupational Educational Organization center in Karaj, west of Tehran, on July 6. The Ukrainian ambassador focussed on the airplane-manufacturing industry.

JAPAN'S Financial Supervisory Agency has recommended that the banking license of Crédit Suisse Financial Products be revoked, and that Crédit Suisse operations in Japan be stopped. The firm considers itself a scapegoat, the *Daily Telegraph* said, because it "had been actively encouraged by the Ministry of Finance to engage in 'financial engineering,'" by helping Japanese companies "defer losses."

THE PHILIPPINES and China agreed on July 12 to activate a joint commission to study development of fisheries and marine resources in the disputed Spratly Islands. China also offered to help the Philippines develop hybrid rice, to increase yield from 2.9 tons per hectare to 7-15 tons.

NIGERIA and South Africa plan to set up a joint commission for economic cooperation. The commission will be chaired by the two Deputy Presidents, and will focus especially on energy and industrial needs. South African Trade and Industry Minister Alec Erwin visited Nigeria in July with a trade delegation.

IRELAND has the second-highest poverty level among Western nations, after the United States (16.5%), at 15.3%, a UN Human Development Report says. Ireland has been touted as the model economy, since it met Maastricht criteria. The United Kingdom (15.1%) is the most unequal of societies, where wealth of the richest 20% is almost 10 times that of the poorest 20%.

KAZAKSTAN approved the launch of a Progress supply ship to the MIR space station on July 14. Russian Space Agency launches had been suspended from the Baikonur launch facility after a Proton rocket exploded.

HARNISCHFEGER Industries, which makes huge paper-mill, mining, and earth-moving machines, filed for Chapter 11 bankruptcy on July 7. The firm, based in a Milwaukee suburb, said it was hit hard by the Asian crisis.