

Business Briefs

Public Health

Los Angeles County Slashes Medical Care

Los Angeles County, in a scramble to cut costs, is planning to close 11 of 18 health clinics, the six clinics in Los Angeles schools, and is carrying out significant cuts in inpatient services at the High Desert Hospital, the *Los Angeles Times* reported on June 18. The county also plans to reduce its contracts with private clinics by 25%. In all, the proposed cuts are in facilities which handle 350,000 patient visits annually; they will entail the loss of at least 4,600 jobs.

The cuts are part of a plan presented to the County Board of Supervisors by the Health Department, and are based on the expectation of an \$800 million deficit by 2005. A similar plan was presented in 1995, but the cuts were prevented by a \$1 billion bailout by the Clinton Administration. With both Federal and state deficits growing, there is no possibility of another bailout this time around.

According to Dr. Thomas Garthwaite, the new health director for the county, "The exercise we're going through here is to try and balance a budget, not meet the health care needs that exist in Los Angeles County. . . . It's not like we're meeting those already."

Globalization

Export Collapse Hits Singapore Job Market

Singapore's exports declined by 6.8% in May, compared to a year ago, the Singapore *Straits Times* reported on June 18. Exports of Singapore-made goods, excluding oil, fell to \$7.99 billion for the month—much worse than the 1.5% drop analysts expected.

Exports to the United States were down 3.8%, to the European Union down 33%, to Malaysia down 2%, and to Japan down 21%. The only bright spot was a 47% jump in goods to China.

As a result of the declining global economy, Singapore has lost 42,464 jobs in the

last five years, many from the disk-drive, home electronics, and computer sectors, with no expectation of a comeback. The total population in the city-state is only about 3 million. The National Trade Union Congress issued a report, which says the higher cost of labor and land has led to those jobs going elsewhere in the region, with China as the top destination, followed by Indonesia, Malaysia, and Thailand.

The report collated information from unions at 18 companies that had conducted large retrenchments between Jan. 1, 1997, and May 31, 2002. Half the companies had closed their Singapore operations; the others had relocated all or part of their production facilities to other countries.

Hardest hit was the disk-drive sector, which accounted for 9,000 lost jobs, or 21% of jobs lost in the five-year period.

Corporate Reform

Lying Lizards! Rohatyn Offers Plan

Former Lazard Frères Managing Director Felix Rohatyn added his voice to the call for "corporate reform," in an op-ed in the *Wall Street Journal* on June 24. Asserting the need for "independent" corporate directors, Rohatyn calls for the establishment of "a cadre of truly independent directors—selected from a list of qualified former executives and academics." Major institutional investors, he says, should insist that corporations put at least one member of the pool on each board.

Rohatyn also calls for prohibiting public accountants from doing consulting work. While saying "we have gone too far in a deregulatory direction," Rohatyn asserts that "re-enacting Glass-Steagall is a non-starter," and settles instead for the policing of investment banks and their securities analysts to prevent abuses. Finally, Rohatyn calls for the reform of the stock-option process, suggesting that stock grants replace stock options, so that the recipients' "interests would be aligned with the shareholders" from the day of the grant.

Implicit in Rohatyn's proposal is the assertion that the current scandals are the result of failures in "corporate governance," which

require more professionalism and a tweaking of the rules to protect shareholder values. In fact, as *EIR* has shown, it is the looting which occurs under the euphemism of "shareholder values" that is the problem. The problem is not bad management, but the Dope, Inc. takeover and bust-out of the U.S. economy, something well known to Felix and his "fixer" friends. (See Lyndon H. LaRouche, Jr., "Rohatyn Must Not Duck the Issue," *EIR*, Aug. 31, 2001.)

National Economy

Winds of Change Blowing In Kenya?

"Abandoned by Donors, Kenya Learns To Think," was the title of an article in the Nairobi *East African* on June 17, reporting on Finance Minister Chris Obure's budget, which did not assume any donor funds from the "international community." It is being acknowledged to be a "survival budget." Included in the budget is the highest deficit since Independence (\$405 million) "to plug the giant hole in the budget left by the donors."

Kenyan Vice President George Saitoti, a former Finance Minister, joined Members of Parliament in praising the move, and said that the "historic" move was in the right direction, "that donor dependency will not help us."

In parliamentary discussion of the budget, Water Development Minister Kipn'geno arap Ngeny called for the government to emulate the United States and the European Union, by protecting domestic industries. He insisted that opening up the markets to multinational companies had proven disastrous to local industries. When he was challenged to explain why, as a minister, he was challenging government policy, he said, "I am giving advice, not criticizing."

The Kenyan government announced on June 19 that it is committed to saving the textile industry from collapse. Trade and Industry Minister Nicholas Biwott called for a halt to the import of cheap materials that are depriving local producers of a market for their goods.

There is also strong ferment from local

RUSSIAN SCIENTISTS marched on Moscow to protest “the desperate state of affairs in Russian science,” the BBC reported on June 24. Some 150 people set off on a three-day trip on foot, from a research center 62 miles to the south of Moscow, and held a rally at the Russian government on June 27. “Russia’s budgetary spending on science has decreased twofold in the past six years, and is now less than a budget of a single major Western university, the organizers of the scientists’ protest say,” according to BBC.

IBERO-AMERICA will have zero growth for 2002, according to the Economic Commission of Latin America and the Caribbean, an agency of the United Nations. ECLAC’s Secretary General José Antonio Ocampo warned of the “contagion” of the Argentine crisis. His agency places Brazil’s 2002 growth at 1.8%, and Chile’s at 2.5% to 3%, but mistakenly portrays Mexico’s economy as being on a more “optimistic” track.

ENERGY PIRATES walk the plank: AES Corp. announced on June 19 that co-founder Dennis Bakke, 55, has resigned. AES lost \$313 million in the first quarter. On the same day, Dynegy, Inc. announced the resignation of Chief Financial Officer Rob Doty. This is the second top departure at Dynegy, as former CEO Chuck Watson left the firm in May.

WAL-MART is facing lawsuits for forcing employees to work off the clock, without pay, the *New York Times* reported on June 25. Class-action and individual lawsuits have been filed by current and former workers in 28 states.

THE ELECTRIC Power Research Institute (EPRI), the R&D center of the U.S. electric utility industry, says in a report that the country’s nuclear plants are safe from any terrorist attack involving the crash of a large commercial transport plane. They say the aircraft could not penetrate the concrete containment structure.

players in the Kenyan shipping industry for immediate government action to protect that industry. The Association of Clearing, Warehousing, and Freight Forwarders of Kenya and the Kenya Ship Contractors Association are among the bodies up in arms over the fact that in recent months there has been a complete takeover by international shipping companies operating at the port of Mombasa. KSCA Chairman Zakayo Cheruiyot accused executives representing international shipping lines at the Mombasa port, of forming cartels aimed at controlling shipping activities.

A column in the daily Kenyan paper *The Nation* on June 18, by Noelina Nabwire, notes that “President [Daniel arap] Moi’s Madaraka Day statement that Kenyans should go back to the drawing board and re-think liberalization policies could not have come at a better time.” In this June 3 speech, Moi said it was clear that Western countries and their multinational corporations are incapable of discerning the plight of the poor countries, and that it is essential that there be independent discussion among African countries on how to develop their economies. In light of the fact that the “agricultural sector remains the backbone of most of our economy, and the majority of our people depend on it for our livelihood,” President Moi said, “we need to go back to the drawing board, and come up with ways and means of salvaging our agricultural sector; it may be necessary for us to take a few steps backwards to protect our agricultural sector.”

Energy

Italy Suffers Result of Nuclear Power Ban

With an unusually hot Spring and Summer putting a high demand on electricity for air-conditioning, Italy faces the possibility of power blackouts, due to its foolish political rejection of nuclear energy. On June 18, electricity consumption reached a peak of more than 50,000 megawatts. During the World Cup soccer championship game that day, an increase of 4,000 MW consumption was recorded, requiring the national supplier to deploy the full power available.

Italy depends heavily on oil and gas imports to produce its electricity, since it renounced nuclear power in 1987 through a popular referendum. This results in a heavy load on the balance of trade (50% of Italy’s import bill is oil and gas). But Italy’s production capacity is also insufficient, and therefore, ironically, the country is forced to import 20% of its electricity from its neighbors, including nuclear-produced electricity from France.

The Italian government has sped up procedures to build new conventional power stations to avoid a blackout crisis in the near future, and some sections of the coalition government are boldly suggesting a review of the anti-nuclear decision. Industry Minister Antonio Marzano, however, said recently that public opinion has not yet matured, and it would take another ten years for people to accept nuclear energy.

Argentina

It’s Not ‘Contagion,’ Says Finance Minister

Argentine Finance Minister Roberto Lavagna said that the crisis now ripping apart most of Ibero-America’s economies is mischaracterized as “contagion,” since the real problem is a global systemic one. Speaking before 200 businessmen from the Grupo Brasil, the influential group of Brazilian companies operating in Argentina, he said that what it is really due to, is the “non-functioning of the international financial system, which, since the decade of the 1990s, has provoked a series of crises, including in developed countries.” So, “to speak of contagion [from the Argentine crisis], is the wrong way to describe the situation.”

Lavagna explained that “the problem generating this crisis, is that there has been no differentiation between fixed or direct foreign investment, and speculative investment, which enters a country for the purpose of making quick profits.” Lavagna, who was about to depart for Washington for negotiations with the International Monetary Fund, said that “bubbles at the country, sector, and company level . . . lead to big destruction of economic value.”