

# World Corporations: The Globalization 'Blob' Spreads Its Economic Control

by EIR Economics Staff

We now face an unprecedented degree of private global control over key sectors of industry, agriculture, energy, and raw materials, and even sovereign government functions—from military logistics to health care to roadways. Globalization is no longer in the “trend” stage. It has reached the point where nations are dependent on a narrowing base of production, under ever more privatized control. This comes about at a time of price hyperinflation, and impending crash of the monetary/financial system itself, following decades of “casino economics.” Two features of the situation must be fully understood: the nature of the globalizers; and the extent of their control.

The principal figures and networks dominating various critical sectors of economic activity and undercutting governments, trace back, literally, to the same financial circles of the 1920s and '30s cartels and trusts that backed the fascist regimes in Europe. Centered in Anglo-Dutch/French banking syndicates—and called by U.S. 1940s wartime intelligence, the “Synarchist International,” these power networks were not dismembered after World War II.<sup>1</sup> Today their successors have the same purpose as back then: To possess command control over the means of existence. The motivation is not simply greed and venality, but to destroy independent nation states. Among the most public and political faces associated with this Nazi economics over the past decades are George Shultz and Felix Rohatyn.

Lyndon LaRouche described these networks as, “the blob,” in a July 23, 2006 paper, “Stop Being a Dupe! Know Your Actual Enemy,” written to stress who stands behind fomenting wars and chaos, now worsening in Southwest Asia. He wrote, “The international financial circles which Rohatyn typifies, are currently destroying both the institutions of the sovereign nation-state itself, and also the large industrial and agricultural interests of national governments.” These circles “are the greatest potential threat to the takeover of the entire world by a kind of world government created and run by gigantic blobs of Venetian-style financier-oligarchical usury.”

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1. Among the latest of the dossiers published by *EIR* on these networks, are these: “Rohatyn’s Fascist Roots Are Showing” (*EIR*, June 30, 2006); and “Stop Being a Dupe! Know Your Actual Enemy,” by Lyndon LaRouche, with companion documentation by Jeff Steinberg, “Fact Sheet: The Enemy Is Oligarchism” (*EIR*, Aug. 4, 2006).

## Extent of Control

The package we assemble here is intended to provide summary documentation of the extent and patterns of control and wrecking operations by the financier-oligarchical “blob” in a few select areas: manufacturing—auto and steel; agriculture—grain trade and food processing; industrial metals—copper; and privatization of government infrastructure assets and services. In upcoming issues, we will feature more coverage and in-depth background of this cartelization and privatization.

Most people have a sense of the menace of the “blob” by their experience with gas price hyperinflation and blatant profiteering by “Big Oil.” Even the old days of the “Seven Sisters” is nothing compared to now. In July, it was announced that five of the world’s largest oil companies—BP Plc, Chevron Corp., ConocoPhillips, ExxonMobil Corp., and Royal Dutch Shell Plc—reported a combined profit for just the second quarter of 2006, of \$34.6 billion, up 36% from same time last year. Meantime, gasoline prices are soaring everywhere. In the United States, the price of gas at the pump has more than doubled in five years.

Bipartisan actions are active in the U.S. Senate and House of Representatives this summer, to impose windfall profits taxes. “I believe that we have allowed too many companies to get together to reduce competition,” said Sen. Arlen Specter (R-Pa.) in July.

But, Mr. Senator, the Big Picture is far more sinister.

## The Re-creation of The Steel Cartel

The same French/Anglo-Dutch Synarchist financiers who in 1926 set up an International Steel Cartel to control and regulate global steel production, and to destroy the authority of sovereign nation-states, have increased their effort to recreate a gigantic cartel, far bigger than that of 1926. The 1926 cartel was steered by Hitler-handlers Baron Kurt von Schröder and Bank of England Governor Montagu Norman. Today’s Syn-

archist cartel front man, Lakshmi Mittal and his Mittal Steel—financed by Goldman Sachs and Anglo-Dutch banks—reached tentative



agreement June 26, 2006 to purchase the Luxembourg-based Arcelor steel giant, Europe's largest steelmaker. Pooling Mittal's 2005 steel production of 63 million metric tons, with Arcelor's 2005 production of 46.7 million metric tons, the merged company, Arcelor-Mittal, has an annual steel production of 109.7 million metric tons—the first company ever to produce more than 100 million metric tons. By itself, Arcelor-Mittal represents one-tenth of world steel production.

Now, the Synarchists are upping the ante. On Aug. 3, 2006, in a commentary for the *Wall Street Journal*, prominently displayed on the editorial page and entitled, "Big Steel," Lakshmi Mittal laid out the marching orders for cartelization, which he politely called "consolidation." He stated that Mittal Steel's takeover of Arcelor points to "the benefits of consolidation and globalization." He boasted that he first called for consolidation in 1998, when the steel industry consisted of smaller companies, and "was still highly nationalized." But during the past eight years, "Considerable consolidation has taken place, mostly in Europe, the U.S., and Japan. A number of multinational companies have been created." Pronouncing the death of steel companies that are loyal to nation states, Mittal propounded that within less than 10 years, the industry will consist of behemoths producing 150-200 million metric tons per annum each. Small to medium-sized firms, that are the backbone of nations' manufacturing, will be swallowed up or squashed.

This gets to the nub of the matter. There are in fact two steel communities in the world. The first is that of China and India, and it is growing, with China producing 349 million metric tons of steel in 2005, three times America's output. On the other side, in the second community, there are the steel industries of the formerly industrial nations, and some of the developing sector. Between 1990 and 2005, world steel production as a whole rose from 733 million metric tons to 1.106 billion metric tons, an increase of 374 million metric tons. But China and India accounted for four-fifths of that period's increase. In fact, without the production of China, India, and a few other countries, predominantly in Asia, world steel production collapsed over those 15 years.

The predatory merger and acquisition process has been most intense within the former industrial countries, where production is contracting, and within some developing nations. To get an accurate picture of the cartelization process, leave out China's steel output for the moment. In 1995, the world's 15 largest steel companies owned 29.0% of world crude steel production (not counting China's production); by 2005, the 15 largest steel concerns owned and dominated 47.5% of world crude steel production, outside China). Over ten years, their share exploded from less than a third of the

world, to nearly half.

Among the major plundering steel firms are Mittal-Arcelor, Corus (the result of a 1999 merger of the largest steel firms in Britain and Netherlands, forming an Anglo-Dutch pirate), and U.S. Steel.

Moreover, the Synarchy's marauding steel concerns are casting a hungry eye on China, the epicenter of world steel capacity growth, seeking takeovers. This has Chinese officials concerned. In the first quarter of 2006, Lazard investment bank's New York branch—of the global Lazard firm that is at the heart of Synarchy, and has been involved in steel takeovers—opened up an office in China, to facilitate such takeovers in general.

*The Davignon Plan.* The Synarchists formed the first *Rohstahlgemeinschaft*—the International Steel Cartel—in 1926. The initial participating members were Germany, France, Belgium, Luxembourg, and the Saar; eventually steel companies from Great Britain and the United States joined. This cartel played a pivotal role in producing for Hitler's war machine, and other evils. Some of the most important elements of the steel cartel were kept intact after World War II, despite U.S. officials' heated efforts at the time to block it from being reassembled.

In 1977, Count Etienne Davignon, as Commissioner of Internal Markets for the European Economic Community, introduced the Davignon Plan for the steel industry. It launched the plan to recreate the cartel, with provisions for cartelization, and for smashing up steel capacity. This was instituted in stages.

Representative of what happened, from the mid-1970s, 50 million tons of steelmaking capacity in the United States was eliminated; the American steel sector's work force was slashed from above 500,000 workers down to fewer than 150,000. The Davignon Plan subjected the steel industry in Europe, and some other countries to the same devastation.

Slicing up and bankrupting the steel sector was the precondition for cartelization, so that there was little resistance. The merger and acquisition frenzy of steel companies started in the mid-1980s; from 1992 onward, it gained great force. As examples: in just four years ending in 2005, Rothschild banker Wilbur Ross, who had no steel experience, built his International Steel Group (ISG) from zero production to 16 million metric tons of capacity, by snatching up firms like the bankrupt Bethlehem Steel of America. This same Ross is in the midst of the destruction of the auto industry today. Likewise, under Synarchist direction, from 1992-2006, Mittal built his company from less than 2.5 million metric tons production, to 67 million metric tons production annually, by acquiring other steel firms. Now Mittal has acquired Arcelor, creating the first 100 million metric tons producing company. The same Synarchist financier forces that had created the International Steel Cartel in 1926, but were blocked from accomplishing their complete objective, are recreating it today. —Richard Freeman

## A New GM: 'Global Motors'

At present, only six companies produce close to two-thirds of the world's entire automobile output. In 2005, of the 65.319 million motor vehicles produced worldwide, 40.531 million were produced by General Motors, Toyota, Ford, Renault-Nissan, Volkswagen, and DaimlerChrysler, out of a total of some 40 companies globally. This stands in sharp contrast to earlier decades, when world auto production came substantially from dozens of companies, many of them considered core national industrial assets, and some even directly owned, whole or in part, by their respective governments.

Over the past 10-15 years, the Top Six have carried out a frenzied process of takeovers, jettisoning skilled workers and capacity at each step of the way. Almost the entire auto industries of Sweden, the Czech Republic, Britain, and Australia have been swallowed up, along with important sub-sectors of Japan, South Korea, Spain, Germany, and the United States. Right now, the Proton auto complex in Malaysia, always protected by the state for the national interest, is under threat from duty-free imports by the globalizers.

During this process of cartelization, Lazard shows up prominently as advisor and consultant, along with a few other outfits, part of the international Synarchy. For example, in 1995, Francois de Combret, the managing director of Lazard's Paris office, arranged for then-government owned Renault, to be privatized. In 1999, Lazard spearheaded Renault's taking a commanding 37% stake in Japan's Nissan, since increased to 44%.



Now two of the Big Six—General Motors, the world's largest (14% of world output), and Renault-Nissan, fourth largest (9.5% of world output)—are in talks on merging to form a one-world auto mega-company. Lazard figures directly in their globalizing strategy; in 2005, Lazard, and also Felix Rohatyn personally, were consultants to Delphi, GM's parts supplier, spun-off from GM in 2000, and now proceeding in a radical down-scaling since declaring bankruptcy in October 2005. In July, Delphi hired Rothschild Inc.—Rohatyn is a director—to advise on how to sell off its 23 auto plants in the United States.

—Richard Freeman, Paul Gallagher

## Copper Monopolization And Hyperinflation

The copper mining and smelting industry may be on the verge of a super-merger, capping a decade of escalating mergers and five years of hyperinflating prices; one which would create a dominant Western Hemisphere mega-company controlling about 25% of world copper production. The intensifying concentration of control of copper since 1995 has already seen the emergence of five global copper producers with 56% of the world market for mined copper among them.

These five are Codelco of Chile; Grupo Mexico; Arizona-headquartered Phelps Dodge; the Australia-headquartered British Crown mining giant BHP Billiton (which, along with its twin tower Rio Tinto, also controls half of the world's iron ore production); and Australia-headquartered Broken Hill Mining.

Phelps Dodge has been at the center of a furious merger drive over the past few months, capping ten years in which at least one major international combination of copper mining and smelting companies has occurred every year. In March, Inco of Canada started a bid to take over Falconbridge of Canada, which had just merged with another Canadian, Noranda. While this was going on, Phelps Dodge in June moved to buy the entire Canadian combination. As of July, it appeared that Noranda/Falconbridge's key stockholder groups were instead selling the company to Swiss-based Xstrata Minerals Corp., leaving Phelps Dodge to take over Inco (although another recent Canadian merger, Tiek-Cominco, is also still bidding for Inco). Then in late July, reports surfaced that Grupo Mexico—the global number three miner, which has recently acquired U.S.-based mining companies ASARCO and Southern Copper, and has just crushed a strike and a miners' union in Mexico—had hired U.S. investment bank advisors for a takeover bid for Phelps Dodge—the global number two and expanding. And in August, into this escalating copper merger mania are likely to step the world's two biggest overall mining companies, Rio Tinto and Brazil's CVRD.

The hemispheric monster that emerges from this fray is likely to control a quarter or more of world copper mining, and create a situation—approaching the super-concentration in the oil industry, or in iron ore production—in which just four copper mining companies would control 60% of the world market.

Three characteristics dominate this process: copper production has shifted overwhelmingly into Chile during the era since General Pinochet's coup; world production of copper

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has been brought to stagnation in the 21st Century; and prices have been hyperinflated by the way shareholding interests engineer the costs of mergers.

A glance at statistics from the International Copper Study Group shows the first characteristic (mmt is million metric tons, kmt is thousand metric tons):

Country	1970	2003
United States	1.6 mmt	1.3 mmt
Zambia	750 kmt	400 kmt
Chile	750 kmt	5.1 mmt
Canada	650 kmt	600 kmt

Indonesia has, over that time, joined the United States in the second rank of producing country-sites; Australia and Peru have joined Canada in the third rank, where Europe and Russia have remained. But Chile's dominance has become overwhelming—about 37% of world production—and shows the magnet-swing of globalization to low wages. Despite the same technical level, a Chilean union miner earns less than half as much as an Arizona miner, and the big Chilean mining complexes are full of “subcontract workers” who make half as much as the Chilean unionists. All the largest global copper companies have increasingly bought into Chilean production, with a key turning point having been Pinochet Chile's 1982-3 debt crisis and its “debt for equity swaps solution” to it. The top five global producers now control 90% of Chilean production.

Meanwhile, world copper production growth slowed to 2.2%/year in the 1990s, and then to only 2.0%/year since 2000; world mines production actually fell in 2005 and may just recover to the 2004 level of about 15.4 mmt in 2006. And since 2000, there has been a four-and-a-half-fold increase in the commodity price, from about \$1,800 per metric ton to about \$7,500 now. No significant new capacity additions internationally are expected by “analysts” until 2010; the United States has seen none for more than three decades.

The global concentration effects both the production slowdown and the potential for hyperinflationary speculation in futures. An example: measures of “producer discipline” (consisting of taking mines out of production and of cutbacks at mines in production, totalled 470,000 mt dropped in 2002; but in 2003 and 2004 it was over 600,000 mt both years, and in 2005 reached 740,000. Worldwide capacity utilization fell during 2000-05 from 93% to 85%.

As the corporate mergers have accelerated, the hundreds of millions paid for an acquisition in the late 1990s, became several billions after 2000, and have jumped to \$10-20 billion mergers now. The acquired companies are larger; but also, banks and shareholder groups are *setting a much higher price on the same, stagnating copper production and reserves*. This sets the target higher and higher for the hedge funds speculating on the futures markets. Phelps Dodge, which is in the center of the current moves toward a dominating global giant,

has two dominant stockholders, both British. Barclay's Bank owns 8.8% of Phelps Dodge stock, and Atticus Partners (run by Baron Nathan Rothschild) owns 6.1%.

—Paul Gallagher

## ‘Global Sourcing’ Means Food Cartels

The domination today of worldwide agriculture commodity trade, food processing and distribution, and even seedstocks, by a small number of transnational corporations, is extreme. Cargill, the private multi-national headquartered in Minnesota, and Archer Daniels Midland (ADM), account for over 75% of all the 244 million grain tonnage traded between nations each year, on average. Cargill alone accounts for more than half. Cargill, ADM, and Bunge account for 70% of the soybean processing in Brazil and Argentina.

A tight circle of joint ventures also controls bio-engineered seeds, involving Cargill/Monsanto, and DuPont/Pioneer Hi-Bred.



Cargill and others in the meat cartel, including Smithfield, Swift/ConAgra, Tyson, and Pilgrim's Pride, dominate global meat processing, accounting in the United States for from 60% to over 80% of meat products. Dairy processing is concentrated globally in a cartel of Unilever, Nestles, Kraft, and Danone.

In the United States, the fluid milk supply has come to be dominated by Dean Foods/Suiza, headquartered in Texas, formed from a dazzling series of buy-outs since the 1990s. In New England, for example, fully 70% of milk processed for fluid consumption is now done by Dean Foods.

The small circle of food retailers globally is headed by Wal-Mart, then France-based Carrefour—the number one food retailer in Brazil and Argentina.

The origins of Cargill, and other infamous cartel names present and past—including Continental Grain (acquired by Cargill), Louis Dreyfus, and Bunge, trace back over the past century and a half, linking directly to the legendary “merchants of grain” wing of international Synarchy.

—Marcia Merry Baker

## 'PPP'/Privatization Eliminates Nation-States

Internationally, there are now thousands of cities and other localities of all kinds, as well as states and nations, selling off ownership or letting long-term leases on public works—water systems, highways, housing, hospitals, etc., or otherwise privatizing their government operations—from prisons and paperwork, to even basic military functions. Some quantification of this process is given in the yearly reports by the Reason Foundation, set up in 1978 to promote and keep score on the takedown of government (See box). A few examples from its *Annual Privatization Report 2006*, released in July:

- **Transportation.** Today, 40 nations have privatized their air traffic control systems, beginning with New Zealand in 1987. Over 100 medium-sized or major airports worldwide are leased or owned commercially. In the United States these include Indianapolis, Orlando-Sanford, in Florida, and Burbank, California.

In Europe: Bristol and Luton, England. In Germany: Luebeck, Frankfurt and other airports. The Copenhagen Airport in Denmark. In Australia, the Sydney Airport.

In Mexico, in February 2006, the Federal government held an initial stock offering for its remaining stake in one of three privatized airport companies, the GAP—Grupo Aeroportuario del Pacifico.

- **Municipal services.** The average American city today has privatized 23 of its 65 basic city services—trash collection, road upkeep, water/sewer treatment, etc. An estimated 1,000 U.S. cities have privatized all or part of their water systems. Of 1,400 cities and counties surveyed in 1997, 90% of the governments said they had contracted out services that, as of five years earlier, were still performed by the governments, according to the International City/County Management Association. Internationally, the United Kingdom leads the way. Since the mid-1990s, 130 “government” hospitals and more than 100 schools have been turned into private institutions.

- In 120 developing nations, there were 7,860 privatization transactions carried out, of all kinds, between 1990 and 2003, involving some \$410 billion, according to a 2005 estimate by the World Bank, a major enforcer of privatization over the past 40 years. Under the Congress Party in India, some \$30 billion of privatized projects, once strictly government-run, are now approved.

The pitch involved is simple: cash upfront, in exchange for ending sovereignty. Among the leading companies active are Lazard, Lehman Brothers, GoldmanSachs, Macquarie,

Vivendi, Suez, Veolia, Bechtel, Cintra, and Halliburton. Hot hedge fund flows are going into formerly government infrastructure, positioned for looting from tolls, rates, and vital services.

The leading promoter of this sell-off process is Felix Rohatyn, senior officer of Lazard Frères from the 1960s to the 1990s. In February 2006, Lazard Asset Management formed its own Lazard Global Listed Infrastructure entity, focussing on making a killing off “North American infrastructure stocks,” coming available through privatization of public works.

Lazard (with three partnerships) works closely with Macquarie Infrastructure Fund, that as of March 31, 2006, had funds in 95 projects in 23 countries.

**Toll Road Takeovers.** The hottest takeover targets at the moment are toll highways. In North America in 2005-2006, toll facilities privatized include: the Chicago Skyway (\$1.83 billion, for a 99-year lease); the northern Indiana Toll Road (\$3.85 billion for a 75-year lease); the Dulles Greenway Toll Road (\$620 million for a lease over 50 years). All of these were sold to consortia involving Macquarie Infrastructure Group, which already owns the Detroit-Windsor Tunnel.

In Europe, this process is more advanced. During 2005, France sold off 4,360 miles of motorway. Now Macquarie is lined up with a syndicate to acquire the Channel Tunnel, originally an Anglo-French venture. In Britain, Macquarie already owns part of the M-6 Motorway, and many other toll roads.

In Brazil, there are more than 9,000 miles of tollway run privately, under 36 concessions.

Dozens more public highways are sought for privatizing worldwide. Some are takeovers of public assets for cash; and others are DBFOs, meaning, Design-Build-Finance-Operate, in which the government grants rights to privatizers. For example, in 2005, British Columbia granted the Macquarie/Kiewit team a concession for the \$C1.5 billion “Sea-to-Sky” roadway project.

The decade of the 1980s gave major impetus to this international assault on local and national government, by the Thatcher government’s deregulation and privatization “model,” and by initiatives during the Reagan Administration (1981-1989). Under Thatcher (1979-1990), government assets were carved up and sold-off in whole or part, including British Steel, British Coal, British Airways, Britoil, British Leyland—the auto complex, and also systems for electricity, gas, water, telephone, and seaports, and airports. Thousands



of jobs were eliminated. In addition, radical deregulation was implemented across the board; for example, in the livestock feed- and food-processing sector, with changes that directly contributed to the outbreak and spread of Mad Cow disease.

In the United States, significant deregulation had already been pushed through in the 1970s—rail, trucking, HMOs—but added effect came in 1987, with President Ronald Reagan’s Executive Order 12607 of Sept. 2, establishing his Commission on Privatization. Prison systems were the most sweeping U.S. privatizations in the 1980s, especially after the Federal government in 1984 gave approval for prison-labor produced goods to cross state lines in 20 states.

Then in 1992, President George Bush signed Executive Order 12803 on April 30, for an at-large “Privatization Initiative.” The same year, Defense Secretary Dick Cheney com-

missioned a study by Halliburton—still classified—on how to proceed to privatize functions of the military. Considered too radical at the time, it later came into effect, resulting today in the whole swarm of PMCs (Private Military Corporations) now infamous in Iraq. (Within 18 months after leaving office, Cheney went to work for Halliburton).

Among the strategic U.S. assets sold off during the 1990s were the Elk Hills Naval Petroleum Reserves (\$3.6 billion), the U.S. Enrichment Corp. (\$3.1 billion) and dozens of military base functions. “Re-inventing government” was the cover-story for this process, whose point person was Vice President Al Gore.

Today, the preferred jargon for the subversion of nation-states is: “public-private partnerships”—PPPs.

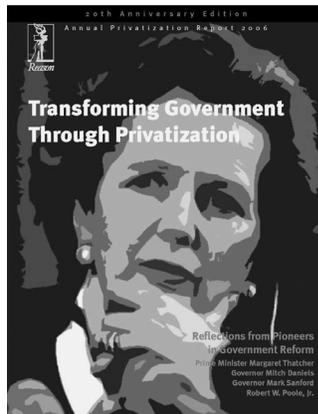
—*Marcia Merry Baker*

## Financiers’ Foundation: Privatize P.O. and TVA

The Reason Foundation was set up in 1978 in the United States by a network of financial syndicates out to undercut nation-states. In 1985, for example, in parallel with the Thatcher government’s radical deregulation in Britain, the Reason Foundation was instrumental in holding a privatization conference for Reagan Administration officials. In 1987, Reagan signed an Executive Order setting up a Commission on Privatization; also that year, the U.S. government sold off its share in Conrail—marking a new era in the privatization of U.S. government assets and functions. In turn, these 1980s Transatlantic privatizations gave impetus to the worldwide push for global government sell-offs, and cartelizations of industry, agriculture, natural resources, and infrastructure.

For 20 years, the Reason Foundation has issued yearly status reports on this process. Its latest one came out in July, the “Annual Privatization 2006.” This year’s 230-page report notes that, “recent decades of privatization” have been successful, but before that things were bad. Wrote editor Leonard Gilroy:

For much of the 20th Century, the trend was clearly in the opposite direction. This period saw the rapid



expansion of state control over the lives of citizens. Prominent political ideologies like socialism and communism spread the belief that society’s needs and problems are best addressed through government intervention. Statism even spread to capitalist economies; for example, the British government nationalized its coal, gas, rail, shipbuilding, and steel industries, and the United States nationalized the facilities of the Tennessee Valley Authority and adopted a number of government-run social welfare programs (such as Social Security, Medicare, and Medicaid) under the New Deal and Great Society Programs. As governments grew, they increasingly constrained commerce and free enterprise, consumed an ever greater share of personal and business income, and restricted private property rights and personal freedoms.

The tide began to turn in the latter half of the century as the folly of this approach became apparent. . . . The concept of privatization began to flourish.

Also from that same *Annual Privatization Report 2006*, in E.S. Savas, “Privatization: Past, Present, Future”:

[There are still many choice U.S. targets for privatization.] “At the federal level, the greatest opportunities lie in continuing the A-76 competitions [outside bidding for takeover of government], activities deemed commercial, and even more important, privatizing the numerous federal corporations: Amtrak, the United States Postal Service, the Tennessee Valley Authority (TVA), and the power marketing administrations (PMAs) are the most attractive candidates.