

Business Briefs

Corporate

Germany's Mittelstand hit by credit squeeze

Germany's small and medium-sized industry, called the *Mittelstand*, is threatened because of a credit squeeze by the German banking sector, the Nov. 20 *Wall Street Journal* reported.

"A record 28,000 other small to mid-size companies are expected to go bankrupt this year—over 3,000 more than the previous year's total. Nearly all are from Germany's *Mittelstand*, which comprises firms employing from 20 to 500 workers and forms the basis of the country's export powerhouse. The failures will idle hundreds of thousands more workers, exacerbating Germany's high unemployment rate of 9.3%," it said.

The reason, according to employers associations, is a toughening of lending policies by most major German banks. The director of Creditreform, Helmut Roedl, said, "It's a vicious cycle. Companies can't get credit, and they go bankrupt. Then banks pull back even more."

The *Journal* also cited medium-sized machine tool producer Herbert Walter GmbH, which over 25 years operated very successfully. "Suddenly, Deutsche Bank AG, one of the three 'house banks' that had together seen Mr. Walter through ups and downs and financed expansion, withdrew most of its credit."

Finance

Japan sets up company to buy bad loans

The Japanese Finance Ministry said on Nov. 22 that it will set up a new institution to dispose of the huge bad loans at banks and other failed financial institutions. Finance Ministry banking bureau chief Yoshimasa Nishimura said that the ministry will transform Tokyo Kyodo Bank, set up earlier to take over two failed credit unions, to dispose of bad loans over the next five years.

Nishimura said that the new institution will be set up after enactment of a bill authorizing the needed reorganization of Japan's deposit

insurance system in the next session of parliament. He said that would differ in key aspects from the U.S. Resolution Trust Corp., set up in 1989 to handle failures of savings and loan institutions in the United States. No decision has been made on whether to funnel taxpayers' money into the new body. Finance Minister Masayoshi Takemura said that such funds might be extended to a special deposit insurance account that might be set up to deal with failed financial firms.

The decision came as Japan's three long-term credit banks, Industrial Bank of Japan, Long-Term Credit Bank, and Nippon Credit, are facing a refinancing problem on about \$80 billion in five-year bonds issued in 1990, the *Frankfurter Allgemeine Zeitung* reported on Nov. 21.

The three banks were originally used by the government to direct credit toward creation of new industrial investment. In recent years, as financing has been secured from other sources, the long-term banks have increasingly gone into international speculation to earn profit, creating some of the present problems.

Russia

Medical, germ warfare labs face breakdown

Medical and germ warfare laboratories in Russia are falling apart as a result of budget cuts, creating a risk that dangerous pathogens could be released, according to a series of articles in the Russian press, the Foreign Broadcast Information Service reported on Nov. 14.

According to *Ogonyok*, there has been a 50-70% drop in funding for applied medical research. As a result, Russian biomedical science has experienced a severe brain drain. An estimated 25-50% of scientists 30-45 years old have left the country. Major research institutes have tried to become self-supporting by producing medical products, but relaxation of energy price controls combined with government regulation of pharmaceutical prices have made it a difficult endeavor.

Institutes are in constant peril of having utilities shut off by privatized companies. Institute directors emphasize that a shutdown of special air cleaning and refrigeration systems

could lead to loss of valuable strains, and release of extremely lethal microorganisms.

"This summer Vektor State Science Center director Academician Lev Sandakhchiyev successfully used these arguments to persuade the Ministry of Finance to cover the Vektor electricity bill," *Literaturnaya Gazeta* reported on June 15, 1995. In contrast, 18 months earlier, the same ministry refused to fund "normal activities" at the State Science Center for Applied Microbiology in Obolensk—despite a request from First Vice Premier Oleg Soskovets "in the name of the Russian government," *Rossiskaya Gazeta* reported on July 25, 1995. The ministry said that the nation's reserve fund is to be used only for emergencies. The Obolensk center, which reportedly does "cutting-edge" research in genetic engineering and is "equipped to handle the most dangerous organisms," continues to be threatened with having its utilities shut off for "intentional failure to pay debts."

At the same time, crucial medical breakthroughs are being suppressed. Researchers have developed antidotes and vaccines to some of the most lethal diseases known to man. For example, the Russians have had a vaccine for the deadly Venezuelan equine encephalitis for years, as well as a vaccine and an anti-serum for Ebola (the germ warfare labs apparently cultivated Ebola). Other breakthroughs include "cancer diagnostic methods and treatments, interferon, genetically engineered insulin, and soil bioremediation microorganisms, all created at the State Science Center for Applied Microbiology in Obolensk," *Rossiskaya Gazeta* reported on July 25.

Germany

Transport policy debate is skewed, says official

The ongoing debate on transport policy in Germany is ignoring fundamental characteristics of transport infrastructure, preventing an accurate assessment of transportation systems, Herbert Baum, a member of the German Transport Ministry Advisory Council and a professor at Cologne University, stated on Nov. 22 at a conference of the automobile association OICA in Munich.

At the moment there is a lot of talk by environmentalist institutions about the so-called "external costs" of transport infrastructure, i.e., environmental damage, land use, and pollution. The idea is that these "external costs" should be paid by the "consumer of transport services," thereby making them much more expensive. The European Commission is working on a Green Paper on "external costs" of transport infrastructure, and the German Federal Statistical Office is planning to release figures periodically on the "Ecological Social Product," in order to contrast it to the usual Gross National Product.

Baum noted that 50% of the productivity increase of the German economy during 1960 through 1990 is a consequence of the improvement of the transport system, allowing for much higher transport volumes. He said that he has calculated that a 10% increase in road infrastructure would lead to a 2% increase in GDP.

Economic Policy

Bosnia, Croatia warned of IMF, Soros danger

The government of Croatia is being warned not to adopt International Monetary Fund (IMF) policies, nor to listen to speculator George Soros.

The Bosnian magazine *Ljiljan* recently featured Faris Nanic, the secretary general of the ruling Bosnian Democratic Action Party in Croatia and secretary of the International Parliamentarians Against Genocide In Bosnia. Nanic warned the government against accepting the promises and conditionalities of the IMF and World Bank. The point is not just to receive some money from these institutions, Nanic said, but to establish who will be in charge of the funds and how they will be invested, i.e., in the real economy, or to create a debt that will deliver Bosnia into the hands of "creditors." In 1992, *Ljiljan* interviewed Lyndon LaRouche.

Recently, an IMF and World Bank team visited Sarajevo, promising minimal funds in exchange for adoption of "privatization" and

"free market" policies, and the establishment of an "independent" central bank.

The Catholic Church has been giving similar warnings. "We are having a lot of talks with the government concerning the danger of the IMF and Soros for Croatia," a source close to the church told *EIR* on Nov. 20. So far, the contacts have been private, but voices may soon be raised publicly against the attempt of Soros and company to take over the financial institutions of the country. The Catholic leadership is well aware of the danger of the usurious policies of the IMF and World Bank, and, in particular, of the role played by Soros. "You don't know how much Soros did to disrupt relationships inside Croatia," the source said.

The Catholic Church in Croatia has been shocked by the results of the Polish elections. "Cardinal Glemp called for voting for Walesa and you saw what happened. The root of that defeat is in the penetration of these usurious economic programs. These are absolutely opposite to the social doctrine of the church," the source said.

Eastern Europe

IMF blamed for return of command economy

If there is a resurrection of Soviet command economics, the International Monetary Fund (IMF) and World Bank are to blame, declared Belarus President Aleksandr Lukashenko, in an interview with the German financial daily *Handelsblatt* on Nov. 21. These, and other, western financial institutions intend to "ruin the economies of Belarus, Ukraine, and also Russia," and the three victims of this policy might be forced to join in the defense of their national interests, he said.

With the exception of Germany, Lukashenko charged, western nations are closing off their markets to Belarus products. This left Belarus no choice but to form a customs union with Russia, to seek trade preferences. He added that close economic and political relations between Belarus and Russia is also related to the fact that 2.5 million out of the 10 million citizens of Belarus are ethnic Russians.

● **GERMANY** will see 2 million more jobs "phased out" in the next few years, because of job rationalization, the "recession," and outsourcing, according to a forecast by the Roland Berger consulting firm. The firm is a partner of Deutsche Bank, which has recently abandoned traditional industrial banking for British banking methods.

● **ARCHER Daniels Midland** is buying up 30% of the stock of Mexico's Grupo Maseca, the national monopoly for production, processing, and marketing of corn meal. *Reforma* reported on Nov. 23. The daily noted that ADM is accused of "predatory" practices.

● **LLOYD'S** of London insurance syndicate will reach total cumulative losses since 1988 of \$17.73 billion by next spring, according to a report released in November by a Lloyd's advisory committee. In mid-November, chief executive Peter Middleton resigned, as a growing number of "Names" are suing Lloyd's over their open-ended liability.

● **CHINA** will cut tariffs on two-thirds of imports by 30% next year, President Jiang Zemin said at the APEC meeting in Japan on Nov. 19, the *International Herald Tribune* reported. The cuts will bring down tariffs to 24-25%, still higher than developing nations' average of 15%.

● **INDIAN** Prime Minister Narasimha Rao called for an Indian Ocean economic bloc, at a three-day conference in New Delhi, according to wire reports on Nov. 20. It would include India, South Africa, Australia, Malaysia, Mauritius, Oman, and Singapore.

● **BAD HARVESTS** in other parts of the world are to the benefit of Europe, declared John Bensted-Smith, senior aide to European Union Agriculture Commissioner Franz Fischler, in Vienna on Nov. 20. EU grain reserves have dropped from 33 million tons to 5-6 million tons in only a few years, but he said that it is now possible to get better prices.