

Business Briefs

Europe

Germans warn: Maastricht will cause a depression

The Maastricht agenda will throw Europe into a 1930s-style depression, warned Wilhelm Hankel, a former German banker who is now a financial consultant to Russian banks and enterprises in the Tyumen region, in an interview with the Sunday tabloid *Welt am Sonntag* on Dec. 29. Hankel forecast that the so-called "stability pact" signed at the European Union summit in Dublin on Dec. 5, will not bring stability, but, just the opposite, will add an intra-European globalization to the international process of globalization and its effects on the labor markets in the EU.

Hankel warned, "With the method of [Finance Minister] Theo Waigel applied, all of Europe will stumble into a crisis of the kind there was in 1930-31. With that, he has made the euro into a depression currency."

Hankel attacked the European Central Bank as an institution that only serves the monetary realm, and no longer assists European governments in their fight against unemployment and to maintain the social welfare system.

Similarly, André Kostolany, a financial market specialist, warned in an interview with Deutsche Presse Agentur published in Munich on Jan. 1, that the "highly nonsensical" Maastricht Treaty means more joblessness, turbulence, and massive outflow of capital. He estimates that Maastricht will trigger a flight of capital from Germany in the range of 300-400 billion marks (\$190-250 billion).

South Asia

Bhutan joins regional water-sharing project

The king of Bhutan has agreed to join a regional plan for sharing river water and power with India and Bangladesh, Indian External Affairs Minister I.K. Gujral said, the *Times of India* reported on Dec. 16, 1996.

Under the plan, it is envisaged that Bhutan will divert 12,000 cubic feet per second

of water from the Sankosh River, discharging it into the Tista River, and from the Tista into the Ganga (Ganges) River at Farakka, to be shared by India and Bangladesh, which have just concluded a treaty on sharing of the Ganga water. The Sankosh River water will ease the situation at Farakka, because the treaty provides for equitable sharing of water, particularly during the dry season when it is difficult to prevent the port of Calcutta from filling with silt, and will irrigate parts of Bangladesh.

The plan also envisages India purchasing power from Bhutan. Four thousand megawatts are proposed to be added to the national grid for the benefit of the northeastern region.

Bhutan, Bangladesh, and the Indian northeast form a single geophysical entity and, thus, a trade zone. Once accepted by Bhutan, the regional plan would become an integral part of the Indian Ninth Plan, said Gujral.

Germany

Budget cutting is bad policy, says Späth

Lothar Späth, the head of the Carl Zeiss Jena optical manufacturing firm and former governor of the German state of Baden-Württemberg, attacked the cost-cutting mania and called for investment in new technologies to create jobs, in a commentary in the daily *Hamburger Abendblatt* on Dec. 21.

Späth, unlike most top German managers, politicians, and economists, sharply attacked cost-cutting as the wrong policy to overcome the present crisis. Our situation is like being on a ship that has been severely damaged in a storm, Späth said. There are two options: We could bring together our most skilled and experienced people, find out what went wrong, and repair the damage. Or, just to throw everything overboard, again and again, thereby hoping to survive by good luck.

German managers and politicians today favor the second option. "Cutting budgets has become the remedy for all economic problems in Germany," he said. Each week, another budget-cutting measure is announced for the health care system. The de-

bate on cutting labor costs has become a "virtual reality discussion." But the problems in the pension system cannot be solved by cutting expenditures, he warned.

Minor corrections, such as cutting costs, could perhaps "buy some time," but they cannot "win the war," he said. "We can only win the war by regaining something that we seem to have lost: a power, that once had been so prevalent in Germany during the last century, that we surpassed England as the leading technology nation, that is, by innovations and creativity. To recover this strength is the only way we can go." Späth called on Germans to become "more aggressive" against the anti-technology propaganda, such as that against the Transrapid maglev rail system and nuclear technology.

Ibero-America

British to compete, not cooperate with U.S.

British Chancellor of the Exchequer Kenneth Clarke arrived in Mexico with a delegation of top officials on Jan. 1, and announced that Great Britain intends to compete, not coordinate, with the United States in Ibero-America, the *Journal of Commerce* reported. "Historically the British had strong connections in Latin America, but in modern times we have made the mistake of regarding this as a kind of United States-dominated part of the world. That is a mistake," Clarke told a news conference.

Clarke made a point of emphasizing that he had "singled out Mexico as a country of particular interest" to visit, on what will be his last foreign trip before new British elections, and blabbered that Mexico "seems to be taking off again. It could be one of the big success stories in the global economy." The ongoing wave of British-sponsored terrorism did not impress this shark; Clarke said violence and a kidnapping epidemic have "not shaken international investor confidence in Mexico."

Travelling with Clarke was the head of Britain's privatization program, Harry Bush, who plans "to preach" the success of Britain's program (which, in fact, has been an economic disaster), and a contingent of potential investors, mostly from the banking

and finance sector.

Bilateral trade between Britain and Mexico is about \$1 billion per year, and Britain is the second-largest investor in Mexico, with a \$4 billion portfolio, according to the British embassy.

South Korea

IMF, OECD globalists provoke strike wave

"Free trade globalization demands by the IMF [International Monetary Fund] and the OECD [Organization for Cooperation and Development] are behind the harsh new labor laws which workers are protesting in South Korea," a South Korean source told *EIR* on Dec. 30, concerning the strikes which erupted in December. "Ever since President Kim Young-sam rammed through South Korea's participation in the OECD last fall, measures such as this new labor law have been part of IMF-OECD conditions."

The new law, which President Kim Young-sam rammed through Parliament, allows mass layoffs for the first time in the postwar period; "flexible" work hours, meaning workers must accept less than a week's work; and scabbing, i.e., it gives employers the right to replace striking workers with scabs.

President Kim's ruling New Korea Party chairman, Lee Hong-koo, said on Dec. 28 that Korea's labor law needed to be overhauled "to meet the demands of globalization and an information-driven society." Prime Minister Lee Soo-sung, in a televised speech on Dec. 30, said that the law was the only way to keep Korean export prices competitive with global slave labor wages. "We chose the law to prevent our offspring from falling behind developing countries," Lee said. "We could not watch companies go bankrupt and corporations move offshore, causing major job losses."

"The new labor act will have a very positive impact on the economy," crowed Tae Chung, economist for Jardine Fleming Securities branch in Seoul, a firm which is part of Britain's Dope, Inc.

Some 375,000 workers have so far responded to strikes by Korean trade unions, which together claim membership of 1.7

million. "We will take our strikes to a higher level and prolong them, starting in the new year," said Kwon Young-kil, head of the outlawed Korean Confederation of Trade Unions. The much larger Federation of Korean Trade Unions, which called its 1.2 million members out on strike until the end of the year, was planning "an escalated second stage which would include the public sector."

Energy

India moves to tap potential in northeast

India's Prime Minister Deve Gowda has initiated steps to tap the hydroelectric power potential in India's northeastern region, estimated to be around 40,000 megawatts. So far, less than 2% of that potential has been developed, the *Asian Age* reported in early January.

The Central Electricity Authority has been asked by the Power Ministry, on the initiative of the prime minister, who also holds the power portfolio, to identify projects to be taken up by state-sector firms, including the National Hydel Power Corp. and North Eastern Electric Power Corp., for development and execution, according to Power Ministry sources. These utilities have been shortlisted to execute and develop hydroelectric power projects in the region. A power grid will be set up to transport the generated power.

"The electricity boards of the seven states are facing a severe financial crunch, and will not be able to take up the projects on their own. Therefore, the Power Ministry has asked central power utilities with experience in the hydroelectric power sector to take up these projects," one source said.

On Jan. 2, India was hit by a 16-hour power failure, affecting hundreds of millions of people, caused by the breakdown of one power facility. It was the fourth failure within a month. On Dec. 21, a power failure also brought normal life in the five northern states of India to a standstill, when the power grid collapsed. A potential crippling of the Rajasthan Atomic Power station was barely averted.

Briefly

CHINA has signed a deal to build turbines for Iran's hydroelectric plants, the Dec. 22 *Teheran Times* reported. In 1996, Iran and China signed contracts worth millions of dollars for projects including mining and transport.

THE POLISH government announced price hikes for natural gas, electricity, and heat by 18%, 17%, and 10%, respectively, as of Jan. 1. The hikes were a condition to join the European Union. The head of the Solidarnosc trade union warned that the hikes will lead to social unrest.

RUSSIA'S population continued to decline in 1996, dropping another 430,000, to 147.5 million, according to data released by Goskomstat, the State Statistics Committee. The difference between deaths and births was 661,600, but the net inflow of migrants partially offset the loss. The death rate fell from 15.0 to 14.4 per 1,000, but the birth rate dropped from 9.5 to 9.0 per 1,000.

ISRAEL is faced with labor strikes, which began on Dec. 26 against budget cuts and subsidies to Jewish settlements in the Occupied Territories, Reuters reported. Histadrut labor federation leader Amir Peretz charged that the tax increases and budget cuts would cost workers between \$750 and \$918 a year.

PAKISTAN has been told by the International Monetary Fund to reduce the number of its Haj pilgrims, according to the Rawalpindi *Nawa-i-Waqt*. "We hardly spend a few million on Haj, and the IMF is trying to stop even that. This kind of pressure from these organizations can neither be accepted nor approved."

FRANCE'S privatization of state assets is proving to be a total flop, the Austrian daily *Die Presse* reported Dec. 27. Some firms aren't selling, and investments are not being made to put others into shape for sale. Others, such as Thomson, are absorbing any funds from sales into their cash flow.