

Business Briefs

Economic Policy

Go with List, Not Free Trade, Says Hankel

Friedrich List, not free trade "radicalism," should be the basis of a successful economic policy for developing countries, stated Economics Prof. Wilhelm Hankel, former chief economist of Germany's Kreditanstalt für Wiederaufbau (Credit Institution for Reconstruction), in an interview with the Catholic daily *Deutsche Tagespost* on Dec. 12. Hankel attacked the "fanatic" and "lethal" policies of the International Monetary Fund, such as its insistence on "absolute currency stability" and fighting inflation "by forcing through rigorous austerity programs," regardless of the consequences, such as the collapse of personal income.

Asked about global free trade, which, according to a new study by the Organization for Economic Cooperation and Development, is the basis for economic development, Hankel denounced it as "just another form of radicalism." These people, he says, should read List, "the single world-economist Germany ever produced." Free trade might be nice, however, as List emphasized, only under the precondition that all economies are at the same level of production technology. If free trade is implemented without this precondition being met, the damage to industries from free trade is much greater than any alleged advantages. Therefore, Hankel said, "we have to de facto rewrite every textbook on globalization."

Hankel is identified as economic adviser to South Korea, Jordan, Saudi Arabia, Yemen, several Ibero-American countries, and as an educator of economists at Chinese economic planning agencies.

Precious Metals

Gold Group Files Suit Against BIS, Fed, Banks

Reginald Howe of the Gold Anti-Trust Action Committee (GATA) filed suit in Federal court in Boston, Massachusetts on Dec. 7, against the Bank for International Settlements (BIS), the Federal Reserve's Alan Greenspan and William McDonough, Treasury Secretary Lawrence Summers, J.P. Morgan, Chase Manhattan, Citigroup, Goldman Sachs, and Deutsche Bank, charging them with illegally manipulating the gold market from 1994 to present. According to GATA, the "gold cartel," of which the defendants are key players, has acted illegally to depress the price of gold, and has used the gold carry trade as a vehicle to fund interventions into the U.S. stock market, keeping the speculative bubble afloat.

GATA says that the cartel uses gold derivatives to keep the price of gold down, as a way of bolstering the dollar, heading off the panic which could come from rising gold prices, and protecting the gold banks, which have leased so much gold that they would be destroyed, were they to have to pay back the borrowed gold at sharply higher prices. GATA notes that the BIS reported \$243 billion in gold derivatives outstanding at the end of 1999, which equals about ten times annual new mine production, and which approaches the \$300 billion in official gold reserves.

Thailand

Petition Drive Targets IMF's '11 Economic Laws'

A group of Thai Senators and academics met in Phuket on Dec. 9-10, to map out a campaign to gather 50,000 petition signatures, asking the next government to amend the so-called "11 economic laws," which were dictated by the International Monetary Fund (IMF) after the Royal Thai government sought an IMF bailout in August 1997. They charge that the laws favor foreign investors over Thais.

The president of the Institute of Social and Economic Policy, Phusana Preemanoch, told the meeting that the 11 laws were flawed, because the government at the time had rushed to meet the IMF's conditions without consulting those at home who would be most affected by them. He charged that the laws were copied from abroad and were designed to "appease foreign businessmen and foreign creditors, because the govern-

ment assumed that the country's economic survival depended on foreign capital."

The president of the Lawyers Association, Sak Korsaeung, said that the laws have failed to revive the economy. Local firms are still unable to raise new loans, while the bankruptcy law only helped foreign creditors, not Thai lenders. Foreigners who were brought in as planners or administrators to rehabilitate firms, he said, were not held accountable for miscalculations. He urged that laws that give foreigners the right to purchase prime land and to liquidate small local firms be amended.

Meanwhile, the Bank of Thailand announced on Dec. 19 that the third-quarter growth rate of the Thai economy was only 2.6%, rather than the expected 4%, and that the final quarter would be flat for the first time since the beginning of 1999. Contributing to the collapse were the high oil prices, severe floods, sagging farm prices, the collapsing stock market, and political instability. The Thai economy is producing at only 56% of capacity. This is the main reason that steel and cement, for example, are being sold cheaply overseas, to keep the companies afloat. The country's cement makers have the capacity to produce about three times more than the 18 million tons of cement Thailand consumes annually.

Southeast Europe

Intra-Balkans Trade Must Be Quickly Expanded

Trade within the Balkans region must be increased as quickly as possible, a Serbian think-tanker told *EIR* on Dec. 19, and building infrastructure is key to making this possible.

Because relations historically between Yugoslavia and the Warsaw Pact were strained, there is an infrastructural divide between the western and the eastern Balkans area. From Belgrade to Zagreb, there is a six-lane highway, while from Nis, Serbia to Sofia, Bulgaria, there are no good roads. Trade between Yugoslavia and Bulgaria or Romania accounts for about only 1% of overall national foreign trade volume. Therefore, he recommended building a high-

way from Nis to Sofia, as soon as possible, a project which is going to be the subject of discussions between Yugoslav President Vojislav Kostunica and Bulgarian President Petar Stoyanov.

There are similar infrastructure proposals in relation to Hungary, but Hungary's aspirations to join the European Union will rather lead in the other direction, because Hungary would be forced to implement stiffer border controls, he said. He agreed with a proposal by Albanian Minister for Trade and Economic Cooperation Ermelinda Meksi, to eliminate all customs tariffs in the region.

In Yugoslavia, he emphasized three infrastructure corridors: the Danube River, along the Morava-Vardar rivers (Belgrade-Saloniki), and from Belgrade to the Adriatic Sea. He also emphasized a corridor running from Albania through Macedonia to the Bulgarian coast at the Black Sea.

Europe

Lafontaine Urges New Bretton Woods System

Former German Finance Minister Oskar Lafontaine called for a new Bretton Woods system, in the Swiss journal *Facts* in December. After the old Bretton Woods system collapsed, he said, the founding fathers of Europe's self-asserting impulse were German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing, with their European Monetary System in the late 1970s, the seed crystal of what later was to become the euro. Today, Europe is stuck half-way in that process, having only a single currency and a single European Central Bank, whereas any in-depth economic coordination, as called for by French Finance Minister Laurent Fabius, is opposed by U.S. Treasury Secretary Larry Summers and Federal Reserve Chairman Alan Greenspan.

Lafontaine wrote: "The European states must develop a proposal for a new world financial architecture, a new Bretton Woods. They must push through this concept, in order to allow a more stable growth of the world economy. Currency rates are not a prize, which, in the way commodities and

services are, that can be left at the disposition of the market. It is already a mistake to speak of the financial market. The term gambling casino, fits better. An initiative cannot be expected to come from the U.S.A., where policies are determined on Wall Street, nor from Great Britain, where policies are determined by the City of London. They are rather putting up resistance. The Wall Street bankers earn a lot of money from currency speculation. The Americans do not want any controls imposed on the infamous hedge funds."

Europe must not deteriorate into a free trade zone, nor must it continue to follow the IMF, he said. "The Mexico crisis, the East Asian crisis, and the Russia crisis, have shown that the United States tends to deploy the IMF for the defense of its own national interest. . . . But the money of the international taxpayers is not meant to guarantee payments to the big Wall Street firms. If it is used, it should promote wealth and social stability in the world."

China

Military Technologies Improve Civilian Economy

China has made "remarkable" progress in transferring military technologies for the development of the civilian industrial economy, and this process will be stepped up in the coming years, according to the Second Conference on the Peaceful Use of Military Technology, which concluded on Dec. 18, 2000, *People's Daily* reported.

China has made considerable achievements in transferring the technologies of the five main military industries—nuclear, space flight, aviation, shipping, and weaponry—to the civilian economy, the conference reported. China now has two functioning nuclear power plants, its rockets are used for satellite launches, and military shipbuilding now contributes 70% of China's ship exports. China's aviation manufacturing industry is also a producer for domestic use and for export of civilian airplanes.

Liu Jibin, Minister of the Commission of Science, Technology, and Industry for National Defense, said that civilian products make up 80% of the national defense sector's total output.

MYANMAR'S chamber of commerce on Dec. 18 started its first major joint project since 1988 with its Indian counterpart. The two bodies will cooperate in development of small and medium-size enterprises. Improving ties between India and Myanmar are key to building the southern route of the Eurasian Land-Bridge.

XEROX says, cut back on . . . xeroxes. Citing some indicators of the slowdown in the U.S. economy, the Dec. 24 *New York Times* reported that "Xerox, of all companies, reportedly asked its employees not to make so many photocopies."

A THAI committee has decided to support continued work on the Thai-Malaysia gas pipeline, despite strong local opposition to the project, the Thai daily *The Nation* reported on Dec. 13.

SCIENTISTS at Germany's Frankfurt University warn that pneumococci, which cause respiratory infections, are becoming increasingly resistant to antibiotics. Last Winter, 4% of cases in Germany were resistant to penicillin, 14.4% to erythromycin, and 15.5% to doxycyclin. In the U.S., 30% are said to be resistant to penicillin.

ISRAELI poverty increased by 9.8% in 1999, to 1.134 million persons, according to a report by the Israeli National Insurance Institute. The number of children living in poverty increased by 16% to 510,000. The average income of the poor is 26% below the poverty line. Arab Israelis have a rate of poverty three times higher than Jewish Israelis.

GERMAN astronaut Ulrich Walter, a former crew member on the Russian Mir space station, said that he is confident that mankind will colonize space, in an article in the January 2001 German edition of *National Geographic*. He forecast that 500 years from now, man will be able to live and move as freely on Mars as on Earth today.