

# Business Briefs

## China

### Energy production drop threatens five-year plan

China may fail to reach the goals of its 1981-85 five-year plan because energy production is not increasing as fast as had been projected, due to lack of capital and delays in development of existing sources, according to Jiji press.

The plan set the goal for production of coal—China's main energy source—at 700 million tons by 1985. Actual production, which totalled 646 million tons in 1979, fell to 632 in 1981. A 7 percent increase in coal production over the previous year in 1982 was offset by the stagnation of oil production at only 100 million tons, as low as in 1978, and of natural gas production.

The low oil and gas output has kept energy development down to 1.6 percent per year since 1978. It had been 12 percent in 1949-77.

Coal is used for 67 percent of China's energy, oil for 22 percent and gas 2.4 percent. With oil output at the main fields peaking, China will be forced to shift even more to coal. Output from the Bohai offshore fields, expected for 1985, will not ready until later in the decade.

It will be difficult for China to produce more coal, however, because recent increases came mainly from the small- and medium-sized mines, which cannot increase their output. Infrastructural bottlenecks such as lack of transport from the larger mines are also curtailing production.

The sixth plan had set growth at 4 percent per year and energy consumption increases at 1.4 percent. The Chinese government's plan to meet the economic growth rate is to attempt to cut energy consumption by 2.6 to 3.5 percent.

## Development Policy

### Thai press on Kra Canal proposal

The *Economic Times* of Bangkok ran a

prominent piece in its Nov. 3-9 issue entitled, "Canal Issue Gaining Interesting Momentum." The article, discussing the Kra Canal project, cited "Lyndon LaRouche, a Democratic presidential primary election candidate for next year and president of the *Executive Intelligence Review*" as the architect of a policy to build the Kra Canal as one way to "safeguard the interests of the United States in the Indian-Pacific Ocean Basins, or in other words, on a global basis." The paper quotes LaRouche's statements that building the canal will help "make the combined Indian and Pacific Oceans' basin the center of the world's economy."

## Argentina

### Raul Prebisch takes economic policy control

Elderly British agent Raul Prebisch, named as the "roving ambassador" for debt issues for the new Argentine government, has established himself in control of economic policy in Buenos Aires even before President Raul Alfonsin has taken power. The man said to be responsible for putting Prebisch in this position is the new finance minister, Bernardo Grinspun.

When he arrived in Buenos Aires shortly after the Alfonsin victory, Prebisch insisted that he would serve only as a humble and patriotic adviser. But in only a few days he had made several visits to his nephew—central bank president Julio González del Solar, who was jailed by Argentine judge Federico Pinto Kramer for violating national sovereignty on the debt issue—and to outgoing finance minister Jorge Wehbe.

Prebisch has made a point of being seen entering private financial meetings at the Plaza Hotel, roaming around the "restricted area" of the central bank, and appearing in other public places where he was certain to be noticed by the press. The Buenos Aires daily *Clarín* stated Nov. 14 that Prebisch will enjoy "the honorific title of éminence grise of the economic program to be applied by the Radical government."

The unabashed manner in which Prebisch has moved in to control economic pol-

icy, including his plan to carry out what one paper calls "his old dream of presenting a new model of the 'standby' loan to the International Monetary Fund," has angered some members of the Alfonsin economic team who have their own ideas about economic policy.

For advisers who insist that Alfonsin's policies will reverse the disaster of recent years and focus on growth and production, Prebisch's public statements absolving monetarists González del Solar and Wehbe of any blame in wrecking the economy has been hard to swallow.

## International Finance

### Knives drawn in Germany and Britain

A battle is shaping up for control of England's Eagle Star insurance company, the country's sixth largest, between the Munich-based Allianz Versicherung, Germany's largest, and the Eagle Star management-allied British American Tobacco. Whoever wins the \$1.5 billion battle of bids and counter-bids for takeover of Eagle Star, a major redistribution of power will have occurred.

Allianz is the insurance arm of the South German aristocratic financiers; controlled by the Merck, Finck private bank, once closely identified with Nazi finances and later with Bernie Cornfeld's and Robert Vesco's IOS. Merck, Finck is the private banking arm of one of the world's largest fortunes, that of the former royal family of Bavaria, the Wittelsbachs. Numerous allegations have been made over the years concerning the bank's links with organized crime.

Eagle Star, in turn, is associated with the top drug-linked Bronfman financier family of Canada. Control over Eagle Star would give the Munich families, such as the immensely rich family of Thurn und Taxis, a break into the Far East on-site control over illegal drug money.

British Prime Minister Margaret Thatcher has declined to use her discretionary powers to refer the takeover battle to the British Monopolies Commission, the chan-

## Briefly

nel which is usually activated to stalemate unwanted takeover bids.

The breadth of the battle may be indicated by the fact that John Burke, deputy chairman of the Royal Bank of Scotland, which the Dope Inc. piggybank Hongkong & Shanghai vainly attempted to take over last year, died mysteriously in a mountain accident in mid-November. And the ancient London merchant bank of Singer & Friedlander is going to be sold off by shareholder European Ferries, whose chairman, Conservative MP Keith Wickenden, died in an air crash last summer.

### European Industry

#### Financiers shutting down German producers

Munich sources indicate that that city's Allianz Versicherung, Germany's largest insurance company, is involved in shutting down heavy German industry and buying up the remains. Allianz, with its interlocks with Deutsche Bank, is at the center of West German finance. The Allianz strategists consider Krupp the "number-one marginal company in Germany for the last five years."

This month Allianz took over Gutehoffnungshütte (GHH), the big engineering group, and its principal subsidiary, Maschinenfabrik Augsburg-Nürnberg (MAN), which produces trucks and diesel engines. Dr. Manfred Lennings, the head of the company, was tossed out on Nov. 8, and Klaus Haniel, a member of one of GHH's founding families, resigned as head of the supervisory board "in a gesture of sympathy." For the first time in 110 years, GHH does not have a member of the founding families at its head.

The sacking reportedly came at the insistence of the Regina Verwaltungsgesellschaft, a holding company owned by Allianz, the closely related Munich Reinsurance, and the Commerzbank. The new head of GHH is Klaus Goette, a senior functionary for the Allianz group.

The London *Financial Times* pointed to "a shift in the regional balance of power within GHH—in a country where regional differences at times play an important

role. . . . Dr. Lennings was born in and identified with the old industrial heartland of northern Germany where the ironworks which developed into GHH emerged in the 18th century. Dr. Goette is more associated with Bavaria, where the MAN subsidiary also has its power centres."

Reportedly, GHH was in very bad shape, and at a certain point banks stopped lending to GHH and MAN (last year, MAN ran a DM 300 million operating deficit).

Sources say that Goette is the representative who bought Fidelity Union Life Insurance Company of Dallas for Allianz in 1979.

### Federal Reserve

#### Wall Street weekly covers EIR report on fake stats

The prestigious economic weekly *Bondweek* reported on *EIR*'s detailed accounting of how the Federal Reserve is putting out a fraudulent Consumer Price Index. *Bondweek*'s Nov. 14 issue quoted from *EIR* economic analyst Richard Freeman's article on the Fed's gross overstatement of the extent of the recovery—and his attribution of this to Paul Volcker's political aim of ensuring the discrediting and defeat of Ronald Reagan in 1984.

The *Bondweek* article cites the *EIR* exposé of the Bureau of Labor Statistics's "Quality Adjustment Factor," which excludes price increases due to increased "quality" from its inflation figures.

A Fed spokesman contacted by *Bondweek* stated he had "no comment on *EIR*'s charges, 'past, present, or future.'"

The *Bondweek* piece then describes Freeman's analysis of why Volcker was perpetrating the fraud: to set up an "overstated recession in 1984" after interest rates rise, bursting the "consumer bubble now pushing the economy." The economic reversal will force out Reagan in 1984, replacing him with one of the "moderate Democrats" who would "scuttle Reagan's 'Star Wars' [beam weapons] technology and any ability to rebuild smokestack industry with the technological revolution inherent in the new weapons system."

● **BOLIVIA'S** President Hernán Siles Zuazo was forced to put the nation's army on alert on Nov. 17, in order to carry out an 150 percent devaluation of the peso. The value of the peso fell from 200 to the dollar to 500. As a result, food prices jumped on the average by 70 percent. Officially controlled prices for milk, bread, and pasta rose by 100 percent and gasoline prices by 200 percent. State employees were staging strikes and slowdowns before the devaluation and peasants have been blocking roads to protest low prices for their produce.

● **SHINTARO ABE**, Japan's foreign minister, told EC Commission Vice-President Etienne Davignon when the count was in Tokyo Nov. 16 that Japan would have to continue voluntary restraints on exports to the EC next year, but called the restraints undesirable for free trade. Restraints include videotape recorders, machine tools, cars, and seven other items. Abe called on the EC to avoid protectionism, something agreed upon at the Williamsburg OECD summit in May.

● **NEW ORDERS** to Japanese shipbuilders in the first half of 1983 were up to 391—three times greater than year-before levels—the Japanese transport ministry announced Nov. 16. Orders for bulk carriers were particularly high—eight times above last year. The Japanese industry's backlog is up 31 percent over last year. Lloyd's statistics stated that shipbuilding orders for the first half of 1983 were up 49.2 percent over last year, of which 55 percent were the orders placed with Japanese builders. But the industry overall is in serious condition, as few new orders for bulk carriers have been placed during the second half of the year and the marine transport market is stagnant.