In this file photo, McDonald's CEO Steve Easterbrook is interviewed at the New York Stock Exchange. (AP)

McDonald's sues ousted CEO, alleging employee relationships

McDonald's says it's suing Stephen Easterbrook, the CEO it ousted last year over an inappropriate relationship with an employee, alleging Monday that he covered up relationships with three other employees and destroyed evidence.

The company now wants to reclaim hundreds of thousands of dollars in compensation paid to Easterbrook on his departure.

"McDonald's does not tolerate behavior from employees that does not reflect our values," said McDonald's President and CEO Chris Kempczinski, who was promoted following Easterbrook's departure, in a message to employees Monday.

McDonald's fired Easterbrook last November after he acknowledged exchanging videos and text messages in a non-physical, consensual relationship with an employee. Easterbrook told the company that there were no other similar instances. Easterbrook and his wife divorced in 2015, the same year he became McDonald's CEO.

Based on what the company knew at the time, McDonald's board approved a separation agreement "without cause" that allowed Easterbrook to keep nearly $42 million in stock-based benefits, according to Equilar, which tracks executive compensation. Easterbrook also collected 26 weeks of pay, amounting to compensation of about $670,000.

McDonald's says in a lawsuit that in July, it received an anonymous tip that Easterbrook had engaged in a sexual relationship with another employee. (AP)

Business Plus

US unlikely to pull world economy out of its rut as it did in past downturns

Virus surge makes US weak link in global economic recovery

In this file photo, model Arizona Muse (left), is flanked by designer and Officina del Poggio owner Allison Hoeltzel Savini as they present a creation of the Officina del Poggio women's Fall-Winter 2019-2020 collection in Milan, Italy. The United States' fumbling response to the pandemic is casting doubt on its economic prospects and making it one of the chief risks that could undermine the rebound. Officina del Poggio sells 60% its vintage motorcycle-inspired satchels to US customers. (AP)

By David McHugh, Paul Wiseman and **Joe McDonald**

People in China are back to buying German luxury cars. Europe's assembly lines are accelerating. Now the global economy is waiting for the United States to get its coronavirus outbreak under control and boost the recovery, but there's little sign of that.

The United States' fumbling response to the pandemic is casting doubt on its economic prospects and making it one of the chief risks to a global rebound.

After springtime restrictions, many US states prematurely declared victory over the virus and began to reopen their economies, leading to a resurgence in COVID-19 cases. Confirmed infections are rising in most states, and many businesses have had to scale back or even cancel plans to reopen. And while it does not dominate global commerce like it did 20 years ago, America is still by far the biggest economy – accounting for 22% of total economic output, versus 14% for No. 2 China, according to the World Bank.

That makes its handling of the pandemic and its economy crucial for companies like Officina del Poggio, a producer of luxury handbags in Bologna, Italy, that sells 60% its vintage motorcycle-inspired satchels to US customers.

Company owner Allison Hoeltzel Savini said retail sales dried up during the spring. She had already suffered a blow when Barneys, her main client, went bankrupt and didn't pay for the spring-summer collection that had shipped.

Hoeltzel Savini said she has had to hold off on new hires, and hasn't been able to do her usual sales trip to the United States. She got some orders by trying to find consumers directly through newsletters and social media, but remains cautious about the future, as she sees the US market for her goods continuing to slow down.

"I am really concerned for the next season, if wholesale clients will be placing orders," she said.

Same for of Shenzhen Aung Crown Industrial Ltd, which makes baseball hats. The company usually sells about 60% of its output to the United States. "We can't afford to lose the US market," said general manager Kailyn Weng. "It is difficult to find other markets that could digest such a great amount of high-quality hats ... We have no alternative but to focus on the US market."

The United States is unlikely to pull the world economy out of its rut as it did in past downturns such as after the Asian financial crisis of the late 1990s.

"The US won't be the locomotive," said Nariman Behravesh, chief economist at IHS Markit.

The American economy shrank at an annual pace of 32.9% from April through June, by far the worst quarter on record. The numbers are expected to bounce back strongly in the second half but to leave the US economy well short of where it stood at the beginning of 2020.

The European Union, which has reduced the number of contagions more effectively than the US, shrank at a similar pace but is forecast to grow more quickly next year and government support for workers has contained the rise in unemployment for now. China, meanwhile, was the first major economy to resume growth since the pandemic struck, recording a 3.2% expansion during the April-June period from the quarter before.

If the US had done a better job managing the outbreak, "the rebound would have been stronger," Behravesh said. "There's no doubt in my mind about that."

Hopes for a strong and quick recovery have largely been dashed by the country's inability to bring the virus under control.

The United States' diminished ability to drive global growth isn't just related to its coronavirus response. Its share of global economic output – and growth – has been eroding.

China's economy has consistently grown faster than America's and has steadily narrowed the gap between them. From 2009 through 2019, China accounted for almost 28% of global economic growth; the United States, just 17%.

"We're in a multi-polar world in which there are multiple locomotives – China, Europe" as well as the United States, Behravesh said.

Germany's carmakers, who dominate the global market for expensive cars, are already seeing their sales buoyed by China. BMW saw car sales in China rise 17% in the second quarter, compared with a year earlier – before anyone had heard the term "COVID-19". Competitor Daimler's revenues in China rose 15% during the same period from a year earlier while they sagged 36% in the US.

Economist Philipp Hauber at the Kiel Institute for the World Economy said that "in fact China has been the locomotive of the global economy in recent years. That does not mean that the development of the economy in the US is inconsequential. Both economies are about the same size, depending on how one measures ... and the two of them are the biggest trading partners for the eurozone."

He said that a weak US economic rebound is the greatest risk to the eurozone and world economy, along with a second wave of coronavirus contagions.

Chinese exporters already were looking for alternatives to the US market after President Donald Trump raised tariffs on their goods in 2018. That has helped Chinese exports grow faster than the world average, taking away market share from other developing countries. But markets in Asia, Europe and Latin America usually buy lower-priced, less profitable goods.

The ruling Communist Party has been trying for a decade to reduce the country's reliance on exports and to encourage economic growth based on consumer spending at home.

Businesses around the globe are hoping America gets its act together, and soon.

The general manager of Yiwu Sinohood Bags Factory, which makes canvas tote bags, said it usually exports 40% to the United States, but sales in America have dropped to zero.

"We tried to develop the European market, but Europe has also been hit hard by the epidemic," said the manager, David Hu. "The US market is important for us, and I am not confident about finding a replacement." (AP)

> 'We're in a multi-polar world in which there are multiple locomotives – China, Europe as well as the United States'

FCA calls GM's bribery allegations 'preposterous'

DETROIT, Aug 11, (AP): Allegations by General Motors that Fiat Chrysler Automobiles bribed union officials are "preposterous" and read like a script from a "third-rate spy movie," FCA lawyers wrote in court documents filed Monday.

GM, in a motion last week, alleged that Fiat Chrysler used foreign bank accounts to bribe union officials so they would stick GM with higher labor costs.

But in a response, the Italian-American automaker fired back, calling GM's claims "defamatory and baseless."

GM alleged in its motion that FCA spent millions on bribes by stashing the money in foreign accounts. The assertion that there is new evidence came as GM asked a federal judge to reconsider his July dismissal of a federal racketeering lawsuit against Fiat Chrysler.

In trying to revive the lawsuit, GM alleged that bribes were paid to two former United Auto Workers presidents, as well as a former union vice president and at least one former GM employee.

This file photo shows the Fiat Chrysler Automobiles world headquarters in Auburn Hills, Michigan. (AP)

In its response, Fiat Chrysler said the judge should deny GM's motion. GM, FCA said, has to know that the prospect of getting the judge to overturn the dismissal is slim to none. "So this motion is apparently a vehicle to make more defamatory and baseless accusations about a competitor that is winning in the marketplace."

FCA denied allegations by GM that FCA paid two "moles" to infiltrate GM and send inside information. The company also denied that foreign bank accounts were involved. "That GM has extended its attacks to individual FCA officers and employees, making wild allegations against them without a shred of factual support, is despicable," FCA lawyers wrote.

GM's claims are based on the alleged existence of foreign bank accounts, which are legal, Fiat Chrysler wrote. "There is not one well-pled allegation in the proposed amended complaint (by GM) that these foreign bank accounts were used to pay bribes or facilitate any other illegal conduct," FCA's response said.

GM contends that bribes were paid to former United Auto Workers Presidents Dennis Williams and Ron Gettelfinger, as well as Vice President Joe Ashton. It also alleges money was paid to GM employees including Al Iacobelli, a former FCA labor negotiator who was hired and later released by GM.

GM alleges that payments were made so the officials would saddle GM with more than $1 billion in additional labor costs.

Gettelfinger, whose name had not come up previously in a wide-ranging federal probe of UAW corruption, vehemently denied the allegations in a statement and said he had no foreign accounts. Williams' California home was raided by federal agents but he has not been charged. Iacobelli, who is awaiting sentencing in the probe, also denied the claims.

In July, U.S. District Judge Paul Borman in Detroit tossed out GM's lawsuit that alleged that Fiat Chrysler paid off union leaders to get better contract terms than GM.

He wrote that GM's alleged injuries were not caused by FCA violating federal racketeering laws, and that the people harmed by the bribery scheme were Fiat Chrysler workers.

GM's motion contended that payments were made to accounts in places like Switzerland, Luxembourg, Italy, Singapore and the Cayman Islands. The accounts were set up to avoid detection in the federal criminal probe, according to the motion. The accounts were discovered recently by private investigators working on GM's behalf, according to court records.

> 'So this motion is apparently a vehicle to make more defamatory and baseless accusations about a competitor that is winning in the marketplace'