

# Business Briefs

## ***Ibero-American Debt***

### **Peru dismisses second IMF sympathizer**

The government of Peruvian President Fernando Belaunde Terry forced Prime Minister and Foreign Minister Fernando Schwalb to step down April 10, prompting the International Monetary Fund to announce the "indefinite postponement" of a \$250 million loan to Peru until the economic policies of Peru's new ministers become clear.

Finance Minister Rodríguez Pastoras left office at the end of last month because of popular opposition to the IMF's austerity dictates.

## ***Africa***

### **Governments make urgent call for food aid**

The government of Somalia is now desperately calling for aid because it has only 10% of the cereals it needs to feed its population this year.

In Mozambique, infant mortality has reached 240 per thousand, meaning that one quarter of all children die before reaching the age of one. The U.N. children's organization Unicef issued a press release March 19 announcing a program of aid to 15,000 people in Mozambique, mostly women and children, suffering from "severe protein deficiency. . . . Many of these children are in need of round-the-clock feeding, and many are so weak they will have to be spoon fed with special foods."

The government of Mali is calling for 330,000 tons of cereals to feed its population affected by drought, and it is organizing the rapid sale of many of the cattle owned by nomads in the Sahel, in an attempt to prevent the herds from dying slowly of starvation.

After a two-day meeting with the finance ministers of several African nations, French Finance Minister Jacques Delors stated April 10 that the "sometimes" draconian measures

demanding by the International Monetary Fund in exchange for loans could lead to the "political and social destabilization" of African nations. Delors stressed that Africa was going through "a terrible period."

The African finance ministers called for aid to Africa, to prevent its becoming "a continent forgotten by development." The U.N. Food and Agriculture Organization issued its fourth report April 8, stressing that the crisis now hitting Africa "risks reaching even more dramatic dimensions that the drought in the Sahel in 1973 and 1984," which killed at least 100,000 people.

The Club of Life has calculated that at least 43 million tons of grain are necessary to save the lives of millions of Africans threatened by famine this year. One million tons are needed before the end of April, especially in southern Africa, where there will be no harvest this spring.

## ***Steel***

### **Japan contract rejected by Brock and Draper**

One month after Special Trade Representative William Brock and Eximbank chief William Draper III rejected financing for \$100 million worth of steelmaking equipment to the Pohang Steel Company of Korea, Japan and West Germany have filled the order.

The consortium, organized by Japan's Mitsui and Company, received an \$80 million contract from the Pohang Steel Company to construct a continuous casting mill. Korean Heavy Industries Construction Company and West Germany's Mannesman-Demag are also participating in the contract. The plant will be built at the Kwangyang integrated steel facility, to be completed by 1987. The new mill will put out 2.7 million tons of crude steel when operating at top capacity.

The swift action by Brock and Draper to block the export of steelmaking equipment cost the United States an estimated 11,000 jobs in the metalworking and heavy electrical industries.

## ***European Labor***

### **West Germany facing strike wave**

Talks between employers and West Germany's biggest trade union, the metalworkers of IG Metal, broke down April 7, making it very likely that the country will shortly be faced with a strike wave. The disputed issue is the demand of the IG Metal leadership for a 35-hour week, the union's proposal to deal with Germany's severe unemployment problem.

Leaders of the 160,000-member printers union said the week of April 9 that they would call strike ballots "at certain companies" after talks with management on the 35-hour week also collapsed. Already an unprecedented wave of brief "warning" strikes at engineering companies in the southern state of Baden-Württemberg have taken place.

Leaders of the German peace and environmentalist movements have boasted to investigators recently that their coming offensive would surpass all previous ones, because it would have the support of the trade unions. Various union leaders have issued statements to the effect that the trade-union movement has the duty to expand its concerns to involve "peace" issues.

## ***Gold***

### **Investors predict price rise as dollar collapses**

The spring issue of the *U.S. Economic-Gold Outlook* newsletter predicts a year-end rise in gold prices to some \$525-\$550 an ounce and higher prices in 1985 as the dollar collapses and inflation re-accelerates.

The newsletter calls the political environment increasingly uncertain as President Reagan's serious foreign policy mistakes hamper his chances for re-election, and as the voting population becomes far less sanguine on the question of the expansion of

the economy "part [of which] can be attributed to inflationary expectations"—with "present prosperity setting into motion forces that will bring the expansion to its end."

The re-acceleration of inflation and the weight of the budget deficit in relation to the overall size of the economy are making the dollar "a less attractive investment vehicle," the newsletter continues, and warns of the risk of a sharp deterioration in the value of the dollar as foreign investments decline—something that "of course would be destabilizing. But it could happen."

A cutoff of foreign investment funds will force the burden of financing the budget deficit entirely on domestic money markets, and force up interest rates—an "economic scenario which carries with it the hazard of credit failures on the part of less developed countries," and "severe repercussions to the American financial system. Policy makers would then have to resort to inflationary measures to stave off credit failures and the collapse of major commercial banks," the newsletter asserts.

It is in this context that the International Gold Corporation Limited predicts its rising gold prices, assured that institutional investors and money managers are "merely awaiting a greater sense of certainty that inflation is re-emerging and gold will be an appropriate investment."

### **Black Economy**

## **D'Amato to move dope trade 'onshore'?**

New York Senator Alfonse D'Amato (R) has announced his intention to introduce the "Drug Money Seizure Act," in an effort to shut down offshore drug-money-laundering operations.

But D'Amato's belated move to "break the back of the drug czars" can be read as a gambit by the New York financial interests who control him to facilitate a reorganization of dirty-money capabilities from offshore to "onshore."

D'Amato's call coincides with the

merger of American Express with the Lehman Brothers Kuhn Loeb investment firm.

Senator D'Amato has suddenly discovered that "drug dealers in the United States conceal billions of dollars in countries like the Bahamas, Cayman Islands, and others, where lax banking laws prevent scrutiny. These offshore bank accounts are the glue holding the major criminal operations together."

D'Amato's legislation, introduced on April 12, will strengthen the hand of the Treasury Department by 1) providing for a central subpoena power in the Department, enabling Treasury to review all suspicious cash, check, wire, and other transfers to offshore banks; 2) raising the civil penalty of only \$1,000 against financial institutions willfully violating the reporting requirements of the Bank Secrecy Act to the full amount of the overseas transaction involved; and 3) providing for the first time a civil penalty against individuals.

The provisions, laudable in themselves, would have little effect on the process of de facto deregulation which is turning large sections of the "legitimate" U.S. financial structure into a money-laundering operation.

### **International Credit**

## **Brazilian finance minister: U.S. 'playing with fire'**

Brazilian Finance Minister Ernane Galvêas warned the United States that it is "playing with fire" by permitting international interest rates to rise on the heels of U.S. interest rate hikes. Galvêas's statement was made over the April 7-8 weekend.

Economists estimate that the increase over the last few weeks has added nearly \$700 million to the \$11.5 billion debt service Brazil must pay this year.

Commenting on the implications of the rate hikes, the daily *Jornal do Brasil* editorialized that "the austerity programs demand much of the population. The underdeveloped economies are supporting, or in some cases financing, the recovery of the rich nations."

## **Briefly**

● **BRAVO AGUILERA**, Mexico's Foreign Commerce Deputy Secretary, declared in a press conference April 13 that a Regional Generalized Tariff System for Mexico, Brazil, and Argentina will be created in June of this year. The system will reduce tariffs by 60%.

● **MIGUEL GONZÁLEZ Avelar**, head of the Mexican Senate, told the Mexican Congress April 12: "Nowhere have we talked about a moratorium. The state's will is to pay off its international commitment, but there is no doubt that foreign debt service could result in grave and sometimes unpredictable results for those countries. If the high floating interest rates . . . go up unrestrainedly, there is no way to pay, even though that is the intention."

● **RAUL ALFONSÍN**, the president of Argentina, characterized the world financial system as "quite perverse" in an interview with the Mexican daily *Novedades* on April 12.

● **PAKDEE TANAPURA**, EIR bureau chief in Bangkok, discussed the feasibility of a sea-level Kra Canal at a seminar of Thai military and business leaders the first week in April. A senior army commander who had called the canal too expensive and politically dangerous because it would divide northern and southern Thailand agreed to review his evaluation. Sources report that Malaysian Foreign Minister Ghazali Shafi recently devoted several paragraphs of a speech to urging Thailand to reopen an economic feasibility study of the Kra project, which would benefit all of Southeast Asia.

● **HARUO MAEKAWA**, governor of the Bank of Japan, said that central bankers at the April 2 monthly meeting of the BIS reacted calmly to the recent increase in the Fed's discount rate. At an April 11 press conference at IMF headquarters in Washington D.C., Maekawa said the rise will not adversely affect the world economy.