

Business Briefs

Energy

Shell game in Colombia

Shell oil has offered to buy the Colombian government's share of the fabulous El Cerrejon coal pit on Colombia's north coast, Colombia's mines minister confirmed July 8. By dumping its North Sea crude oil, Royal Dutch Shell has driven down oil and coal prices to the point that Colombia's current partner in El Cerrejon, Exxon, forced the pit to close. Now Shell is offering to help Colombia out of its bankruptcy by taking the closed mine out of its hands.

But the Colombian Comptroller General, Rodolfo Gonzalez, protested that "foreign companies are taking their profits back to America, and [Occidental Petroleum's] Armand Hammer is borrowing millions in Colombia's name, selling Colombian pipe, and handing out contracts" for his company's joint ventures with the Colombian government. Those contracts go to Bechtel, George Shultz's company. Gonzalez said such multinationals are corrupting public officials into putting the public's money in "private purses."

Mideast

Israel bows to Shultz's economics

On July 1, the Israeli cabinet approved emergency economic measures that Premier Shimon Peres reported will "be rather heavy on our people." The year-long plan includes:

- A three-month "state of economic emergency," in which the government would cut salaries, budgets, income, and profits.

- A devaluation of the shekel by 19-20%.

- Increase of prices by 12%.

A \$450 million cut in subsidies on basic food and transportation, which is expected to increase the price of bread by 75%, of milk by 65%, of frozen meat and poultry by 45%, of gasoline by 27%.

The total package will cut the living standards of Israelis by 12%, on top of the previous three years of harsh austerity, which has driven approximately 1 million Israelis

out of the country.

U.S. Secretary of State George Shultz has made the "harsh austerity budget" the precondition for U.S. extension of \$1.5 billion in emergency funds Peres requested during his visit to Washington in 1984, and takes credit for imposing this destruction of the economy on Israel.

Comecon

East bloc gets new multimillion-\$ loans

A consortium of 85 Western banks negotiated a \$600 million loan with East Germany on July 9. The consortium is led by First Chicago Bank, Arab Banking Corporation, Japan Industrial Bank, Dresdner and Commerzbank.

Western banks have already given \$1.2 billion to the East Germans, up from \$900 million in 1984. On Wednesday, July 10, Bulgaria got its first credit from the West since 1979: National Westminster Bank of London loaned \$250 million. Rumors have it that Romania and the Soviets are about to receive multimillion dollar loans, as well.

Oil

Mexico breaks with OPEC pricing system

Mexico announced its second oil price reduction in a month, and will let the spot market determine its prices, according to a government statement release July 10. "The new system of price setting will permit more flexible adaptation to rises and falls in the markets and avoid using irregular trade practices such as discounts, barter or refining deals," reads the statement. Mexico's new system will sell oil at cheaper prices to Europe and the Far East than to the Americas.

In June, Mexico moved 800,000 barrels of crude oil per day, just over half of its 1.5 million barrel export target. In May, France, Spain, and Japan stopped taking Mexican oil. On July 7, at the time of the OPEC meeting, Canada openly announced it was breaking its agreement to buy Mexican oil.

Mexico will earn an estimated \$1 billion less, because of the oil price drop, but analysts around the State Department dismiss the possibility that this will cause it to declare a debt moratorium. Mexico will, however, burn down its foreign reserves, and analysts there believe the government will impose increased austerity and further reduce domestic consumption.

Conditionalities

Argentine strike wave erupts against IMF

Argentina's CGT labor federation, run by the Peronist party, has called for protest actions "with great vigor . . . to resist all efforts which affect sources of employment." The CGT has appealed to the Congress to issue a bill "prohibiting factory shutdowns and layoffs and firings, for as long as official recessionary measures remain in effect."

The call comes in response to the "shock" program imposed on June 14 by President Raul Alfonsín under pressure from the International Monetary Fund, allegedly to "defeat inflation."

Alfonsín's monetary reform includes dramatic budget cutbacks, wage and price controls, and a 30% decline in real wages. In anticipation of a severe liquidity crisis and credit cutback in July, many companies have announced mass layoffs and reductions of the work week.

'Invisible Hand'

IMF drives Bolivia to drugs, slavery

The president of the Federation of Sugar Workers of Santa Cruz, Bolivia, Edgar Talavero, recently reported that, because the government had not yet authorized the beginning of the 1985 sugar harvest, many sugar workers are being forced into the production of coca, the plant that yields the illegal drug cocaine. He charged that "vested political interests" were trying to destroy the sugar industry, and had influenced the

government's decision.

For over a year, since the May 1984 announcement by Bolivia's Siles Zuazo government that it could not continue servicing its foreign debt, the International Monetary Fund has done everything in its power to punish Bolivia for bucking its creditors, including trying to overthrow the President. The IMF scoffed at Siles Zuazo's claim that his government had no foreign currency to pay for imported food and medicine. The government imposed austerity, paid no debt, and got no new money.

Journalist José Centeno Bilbao reported in the paper *Los Tiempos* on the growing number of men, women, and children who earn their daily food by working as slave labor contrabandists across the Argentine-Bolivian border.

These "bagalleros" begin by smuggling small packages of flour, noodles or spare parts. Then they work their way up to carrying medicine, then cetone, bicarbonate and sulphuric acid, and finally stolen cars that will be exchanged for cocaine inside Bolivia.

Thailand

Hearings in Bangkok on Kra Canal feasibility

Testifying before a special Parliamentary committee formed to study the feasibility of a canal across the isthmus of Kra, Fusion Energy Foundation representative Pakdee Tanapura stated that the canal's construction would rapidly turn Thailand into an industrialized nation, providing between 3-5 million jobs.

His lengthy report covered the following topics: 1) importance of the canal in the development of the Indian-Pacific Ocean basins; 2) shipping pattern in the Malacca Strait and projected shipping traffic through the future Kra Canal; 3) projected revenue from tolls resulting from the utilization of the Kra Canal between now and the year 2020; 4) route selection, construction costs and pay-back time; and 5) economic and social return for Thailand.

The Parliamentary committee hearings were presided over by Admiral Sanong Nisalak, member of the Parliament in the Democrat Party and a long-time supporter of the

project.

Tanapura suggested that the Thai government participate in 25% of the capital investment in order to avoid a predominance of foreign companies in the project, an idea which the committee approved on the spot.

In an earlier hearing, a representative of the National Energy Administration had said the project would cost a mere 10 billion baht (\$400 million). Tanapura claimed that this is a ridiculously low figure, and estimated total investment at around \$14 billion.

Committee president Admiral Sanong said that in the future, the Fusion Energy Foundation will be called in more frequently to provide the committee with additional information on the project.

Great Projects

Italians plan African pipeline

By 1990 a pipeline will cross the Red Sea, and from Port Sudan it will converge on the Atlantic shore of Africa in the Cameroons, carrying 4 million barrels per day of crude oil, according to a story in the Italian daily *Corriere della Sera* on June 29. The project has already received financing for \$10 billion, and the pipeline will be accompanied by a parallel superhighway. Twenty pumping stations with an average power of 90,000 HP will be built as thermoelectric centers, also to supply energy to the areas traversed by the "Transafrican pipeline."

Moreover, the necessary water to irrigate the coastal zone of Saudi Arabia and the dry lands of The Central Africa republic will be brought in from the Blue Nile in Sudan. The project goes back seven years and was developed by the Italian state holdings firm IRI and the state steel firm Finsider, with the contribution of Snam Progetti, a division of ENI, the Italian state hydrocarbons company, which specializes in pipeline projects.

The Transafrican Pipeline Corporation was registered in 1981 in the United States and is associated with British Petroleum Engineering, a company linked to the British Ministry of Commerce, the Worley Engineering Group Limited, and the German company Mannesmann.

Briefly

● **BRAZIL** will soon sign with the IMF, the government announced yesterday. Only a few days earlier, Brazilian President Jose Sarney had been saying he would never accept IMF conditionalities, since their "uncontrollable repercussions" would "threaten the democratic institutions in Latin America."

● **DAVID STOCKMAN** is resigning his post as head of the Office of Management and the Budget, effective August 1. According to Washington sources, Stockman, an extreme exponent of the policies of Milton Friedman, will join Wall Street's Salomon Brothers investment bank, where he will get paid as much as a "big league third baseman."

● **DEPARTMENT OF LABOR** officials proudly announced that U.S. industry lost 220,000 more factory jobs during the January-May 1985 period. Department chief statistician Janet L. Norwood bragged that employment in basic industry is now below 1981 recession levels, with workers going into "rising numbers of service jobs."

● **MANUFACTURERS HANOVER** Bank of New York, the nation's fourth-largest bank, has announced a massive internal austerity program to eliminate 1,745 jobs or about 6% of its international staff. This would save \$56 million—at least something to compensate for its bad Argentine and other loans.

● **MORE THAN 400** savings and loan institutions in the United States are on the brink of insolvency, and will soon collapse as high-risk loans go sour, according to a lead editorial in the *Washington Post*.

● **SEN. JESSE HELMS** (R-N.C.) has issued a report revealing that the \$65 million which was dispersed to Shi'ite terrorists for various operations, including the TWA hijacking, had been drawn from Iran Martyrs Foundation accounts at Crédit Suisse and Marine Midland Bank of London.