

# Business Briefs

## *International Finance*

### **Bankers skeptical about Baker's debt plan**

The meeting of the group of 10 central banks in Basel, Switzerland, in mid-November, at the Bank of International Settlements, damned with faint praise U.S. Treasury Secretary James Baker's plan to deal with the Third World Debt, according to European media reports.

The group, chaired by German Bundesbank head Karl Otto Pöhl, amid effusive rhetoric about "welcoming" the Baker proposals for "providing a constructive framework," went on to reaffirm every point of the existing approach, including continuation of the International Monetary Fund's "case-by-case" approach, and continuation of the IMF's "structural adjustment policies," a central banker euphemism for savage austerity against debtor nations.

Pöhl emphasized that the central bankers will not intervene to pressure the private banks to kick in an additional \$20 billion to alleviate the present debtors' explosion, as the Baker Plan demands. Pöhl commented laconically: "We aren't the main players in this game."

## *Technology*

### **German firm, Boeing bid on SDI**

Messerschmidt, Bölkow, Blöhm (MBB) of West Germany is bidding for a contract to work on technology for the U.S. Strategic Defense Initiative, in partnership with Boeing Company of Seattle, Washington. The companies will ask the Pentagon to allow them to conduct an experiment on board a space shuttle in late 1987.

The experiment would involve a test of an infra-red telescope capable of tracking space objects such as missiles. The contract would be for "a few tens of millions of dollars," Boeing's general manager Bud Ekas said in London on Nov. 5.

Boeing would have overall charge of the

experiment. MBB, Germany's biggest aerospace company, would provide a space platform, called SPAS, which the company developed for civilian space applications and which would carry the telescope in orbit.

SPAS would be stored inside the cargo bay of a space shuttle until it reached an orbit 250 miles above atmosphere, where it would be ejected, a spokesman said.

## *Oil*

### **Saudi Arabia expects price war in 1986**

Saudi Arabian Oil Minister Sheikh Ahmed Zaki Yamani predicted on Nov. 9 that a global oil price war could erupt in 1986, causing the cost of crude oil to drop as much as \$10 a barrel. He said that non-OPEC members do not appear prepared for restraining their production.

"I think," Yamani said, "that probably for the first summer they will not take it seriously and they will go into a price war. . . . Perhaps the summer of 1987, they will realize the facts of life."

Saudi Arabia, which could influence world oil prices by decreasing in its own production, will rather produce for the first time its full quota of 4.35 million barrels a day—half total Saudi capacity—allowed under the agreement which governs the Organization of Petroleum Exporting Countries. OPEC's spokesman was forced to deny recently that the oil cartel is falling apart.

## *Nuclear Technology*

### **India announces five-year plan**

Indian Prime Minister Rajiv Gandhi has announced a \$320 billion five-year plan, which will direct \$52 billion into the energy sector. In a speech on Nov. 10, Gandhi declared that "the salvation of the country lies in nuclear power." Gandhi has also demanded that the five-year plan—all of the funds for which come from the Indian public and private sector—be part of a plan for India's

entering the 21st century.

On Nov. 11, Gandhi announced that India has the ability to build a nuclear bomb, but has no plans not to do so at present. He said, however, that India will keep that option open, and that the Indian scientists are much more skilled than their Pakistani counterparts, and that they are confident of their ability to meet any threat.

## *The Invisible Hand*

### **Think tanker claims war on drugs is hopeless**

Robert Wesson, a senior research fellow at the Hoover Institute, a center of free-enterprise ideology, claims that any U.S. effort to aid Ibero-American countries in fighting drugs will necessarily backfire.

In arguments worthy of the heirs of the dope-pushing British East India Company, Wesson says:

"At first glance, it may seem to be sound policy for the United States to try to attack its drug problem by getting the source"—in Mexico, Jamaica, Colombia, Peru, and Bolivia.

"But these anti-drug efforts have been largely unsuccessful, and they may be harmful for the countries themselves and for U.S.-Latin American relations. . . . Drug cultivation has become the livelihood of hundreds of thousands of peasants, and they do not take kindly to being compelled to give it up. . . . Any attempt by the United States to pay the peasants for not growing drug plants would simply encourage more people in more countries to get into the business."

## *Ibero-America*

### **Block rejects Garcia's approach on the debt**

U.S. Secretary of Agriculture John Block, speaking at a press conference at the Rome headquarters of the U.N. Food and Agriculture Organization (FAO) on Nov. 12, criti-

# Briefly

cized Peruvian President Alan García for his attacks on the International Monetary Fund and his insistence that the well-being of the people of Peru must come before the payment of the foreign debt.

Asked by *EIR* correspondent Mary Lalévée for his response to García's speech of the day before (see article, page 4), Block declared, "We in the United States believe in the World Bank and the International Monetary Fund."

"While I didn't feel it necessary to be critical of [García's] speech," he said, "I have reservations about the way the President is going: It may be the best for his country to go that way, but he seemed to be promising isolationism and an inward looking policy.

"The U.S. has great concern about the serious problems in Peru, and we want to be as helpful as we can, but we in the United States believe in the World Bank and the IMF. We believe they can serve a very useful purpose. It doesn't mean everything they do would meet with our favour or the President's favor, but on balance they're trying to be helpful."

## Post-Industrial Society

### Trade rep: No need for U.S. manufacturing

Top U.S. Trade Representative Clayton Yeutter says no one should worry too much about the decline in U.S. manufacturing capabilities.

Speaking about foreign competition before a Senate Finance Committee on Nov. 14, Yeutter said: "I do not believe there is a compelling need for the United States to make everything that exists in the world."

Referring to a need for U.S. adjustment to foreign competition, he stated that "structural adjustment is a painful process," but many firms should simply be shut down. "We believe in the market system . . . it adds vibrancy to the American economy. . . . If there is a realistic chance of [an industry] restructuring itself and becoming internationally competitive, we should give them that chance. There are others that can't survive. The ultimate decision is up to the

industry. It's just a question of whether the government should preserve it."

Some industries, like copper, may need help for national security, but "they should learn to compete."

## U.S. 'Recovery'

### Bank failures continue apace

U.S. bank failure number 100 occurred on Nov. 8. Estimates of total bank failures for 1985 are up to 300—the largest U.S. bank collapse since 4,000 lending institutions failed in 1933.

The 100th bank failure was Northshore Bank of Houston, Texas, plagued by \$20 million in real-estate loans. The 99th bank failure—which occurred the same day—was the Auburn Savings Bank, the 11th Iowa bank to fail this year.

About half of the bank failures this year have been in major farm and energy-producing states. The head of the Federal Deposit Insurance Corp. (FDIC), formed in 1933 to protect depositors, expects 115 bank failures this year.

## Industry

### Hughes Tools announces new layoffs

In mid-November, Hughes Tool Company announced it will close two plants and lay off additional workers at its main Houston plant. Hughes will lay off 318 workers at its Corsicana, Texas, plant, and 287 at its Round Rock, Texas, plant, both of which will be closed, and will lay off 125 at its Polk Street plant in Houston.

Hughes, which manufactures drilling tools and equipment, employed over 20,000 people worldwide in 1981, but by August, 1985, employed only 13,000. Hughes is suffering due to the lack of drilling nationally: the national active rig count now stands at 1,864, compared to 2,554 at the same time last year.

● **BANGKOK** will be the site of a Dec. 2-3 conference, held by *EIR*. The conference, "Economic and Security Prospects for the Asia-Pacific Region, 1985-95," will feature a program for Asian integration, including the Kra Canal, and a new Special Report, *Global Showdown—Pacific*.

● **CHASE MANHATTAN** Bank is reliably reported to be trying to purchase of the crisis-ridden Johnson Matthey Bank of England. According to reports circulating in the City of London in early November, Chase, said to be under U.S. Justice Department investigation for alleged illegal laundering of narcotics dollars, is attempting to take control of the troubled JMB, one of the exclusive five London banks which make the London Gold Fixing.

● **SOVIET FISHING** licenses have been canceled by the Peruvian government the official government paper *El Peruano* announced on Nov. 12. The cancellation affects the operations of the Russian fleet *Sovrybflot*, which had been granted licenses last year to operate 10 trawlers in Peruvian waters.

● **IAN HAY DAVIDSON**, chief executive officer and deputy chairman of the once-prestigious Lloyds Insurance company, has shaken the London financial world with his surprise resignation. The sudden move, termed "devastating" by one member of the London insurance market, comes in the wake of investigations into misappropriations of funds by members of the Lloyds insurance markets. Davison was brought in by the Bank of England to clean up the scandal-ridden situation.

● **PAKDEE TANAPURA**, Fusion Energy Foundation director in Thailand and an occasional contributor to *EIR*, has been appointed economic adviser to the Thai Trade Union Confederation, by its President Paisal Thawatchainan. The union's membership in Bangkok alone is 200,000.