

Business Briefs

Narcotics

Slavery practiced by Brazilian traffickers

In his recent visit to Colombia, Pope John Paul II denounced what he characterized as a modern form of enslavement—drugs.

In Brazil, narco-slavery is a sordid reality, involving not only the slavery of addiction the Pope was referring to, but literal slave labor under hideous conditions. According to a report now being studied by the ministry of agrarian development, hundreds of slaves work in the state of Rondonia, transporting barrels of ether, acetone, and benzene to be used in laboratories refining cocaine from Bolivia and Peru.

The report says that on some plantations in the states of Rondonia, Para, and Piaui, landlords cut the tendons of their slaves to keep them from running away. Others threaten that anyone leaving will be shot in the back.

During the past few weeks, the Federal Police have liberated 300 people from slavery in these states in the north of Brazil. On one plantation in Cuiaba, the slaves had to work 18 to 20 hours per day in exchange for nothing more than inadequate food.

Free Enterprise

Dope banker dismissed by Israelis

The Israeli cabinet decided on July 13 to suspend Israel Discount Bank Chief Raphael Recanati after he refused to resign. After a heated five-hour debate, the cabinet voted 12-7 to suspend Recanati as Discount Bank's general manager and board member for a period of three months.

The dismissal follows a heated controversy originally set off by the Bejski Report, issued in April by a commission headed by Supreme Court Justice Moshe Bejski, in which the major banks of Israel were charged with swindling the Israeli population by engineering the bank-share collapse of October 1983. Among the banks involved were

Bank Leumi, Discount Bank, Bank Hapoalim, and United Mizrahi.

The July action by the cabinet follows a new controversy involving the intervention of Baron Edmond de Rothschild in support of the Recanati family. Rothschild sent Prime Minister Shimon Peres a telegram in Recanati's support in early July.

The economic editor of the *Jerusalem Post* called that intervention a "crass demonstration of aristocratic arrogance." Landau described Edmond's telegram as "one of the most arrogant and insensitive pieces of paper ever to cross the desk of a prime minister of a sovereign nation," and warned that Israel "will stand or fall on our [own economic] performance, not on the basis of words spoken in high places by people living in the 18th century."

Landau argued in favor of Recanati's immediate removal, reminding his readers that Recanati belongs to a "group of senior bankers who led Israel's economy to the brink of disaster," a group of "unrecalcitrant liars" that Israel can live without.

Labor

Colombian minister urges American System

Colombian Labor Minister Jorge Carrillo Rojas, who is also vice-president of the Union de Trabajadores de Colombia (UTC—Colombian Workers' Union), was asked by journalists with Colombian Radio Caracol why he had opposed President Belisario Betancur's government as a union leader, but now supports it as labor minister.

Carrillo answered: The government's policy has, since he became minister, shifted from monetarist wage-gouging to granting wage increases above the inflation rate.

"Wage policy was changed. . . . A climate of confidence has been cemented between businessmen and workers that I have called the harmony of interests. I read about this harmony of interests in a book by Mr. Henry Carey, the American economist who taught economics to Abraham Lincoln. Mr. Carey says that so long as there is not unity, harmony between the interests of farmers,

industrialists, and workers, so long as one sector takes advantage of the other, what could happen was that the foreigners came and looted everybody.

"Thus the harmony of interests thesis is the only one which at this time could advance Colombia, could solve the employment problem. . . ." He defined the problem as creating 15 million new jobs by the end of the century.

Carrillo concluded: "I believe this harmony of interests put into practice would advance Colombia. If it pushed forward the United States, why not Colombia?"

War on Drugs

More Customs agents assigned to Texas

U.S. Customs announced a decision in mid-July to place another 200 Customs agents in Texas, of which 125 will be assigned to the border and the remaining 75 to other ports of entry. This is part of the new Southwest Border Initiative (SBI) program, part of the administration's effort to stop drug trafficking. The new agents are expected to be in place by the end of the summer.

The SBI was announced in El Paso during a multi-agency meeting of about 50 representatives of law-enforcement agencies in Texas, New Mexico, Arizona, and California. The task force is chaired by Treasury Undersecretary Francis Keating, and coordinated by Customs regional commissioner William Logan of Houston.

In a related development, the Federal Aeronautics Administration proposed new rules for aircraft markings on July 11. Transportation Secretary Elizabeth Dole said the larger markings "would make it easier for airborne law-enforcement officers to spot aircraft thought to be carrying drugs into this country. External identification plates will help authorities recognize aircraft that have been stolen and possibly used to smuggle drugs into the United States.

All aircraft equipped with extra fuel tanks in the passenger or baggage compartment will be required to have special documentation.

IMF Austerity

Emergency trip to Europe by Mubarak

Egypt's President Hosni Mubarak embarked on an unexpected European tour on July 16, arriving in Rome on his way to Paris, Bonn, and London. The trip, which was not planned, was prompted by Egypt's economic emergency.

President Mubarak plans to request urgent economic aid as well as European backing in his negotiations with the International Monetary Fund (IMF). Egypt's food supplies are currently running dangerously low.

During a visit to Cairo last July 13, European Community (EC) commissioner Claude Cheysson warned that an "eventual destabilization of Egypt" will have catastrophic consequences, and warned of the "urgency for Egypt to reach an agreement with the IMF."

The EC has committed itself to delivering 120,000 tons of wheat now and 40,000 in September, in addition to several thousands tons of butter and milk powder. On July 14, Saudi Arabia also announced that it was delivering an emergency 200,000 tons of foodstuffs to Egypt. Such deliveries may imply that Cairo has run out of cash to purchase deliveries from the United States.

Strategic Defense

West German firm wins tracking contract

A West German aerospace firm, Messerschmitt-Boelkow-Blohm (MBB), is to develop an infrared device for the SDI, a company spokesman announced on July 12.

The U.S. Defense Department announced on July 11 that the contract awarded to MBB involved the firm in an experiment to test tracking and pointing for weapons to destroy enemy missiles in flight. The MBB spokesman said the contract called for the development of an infrared measuring device.

The spokesman said the initial order was worth \$4 million, but the value could rise to \$39 million if the United States eventually opted for MBB's design.

Two days later, Social Democratic Party defense spokesman von Bülow told the *Neue Osnabrück* newspaper that the \$4 million contract awarded to MBB was laughable and a "cheap con-job" on the part of the United States.

He said it certainly didn't support the claim by Chancellor Helmut Kohl's Christian Democratic Union that the SDI contained "great opportunities" for German industry. Von Bülow said the contract was worth about 12% of the value of one Tornado fighter plane, of which MBB makes hundreds as part of the European Panavia consortium.

Von Bülow claimed that West German industry would get almost nothing from SDI, whereas its participation would be politically "highly disastrous" since the plan was obstructing an East-West understanding.

Banking

Japan to open off-shore system

A leading Japanese government financial official was quoted in mid-July saying Japan hoped to start an offshore banking center in December which will compete with New York and London. Toyoo Gyohten, vice minister for international affairs at the Ministry of Finance, told *Newsweek* magazine: "We hope to see this market become active in December. Both Japanese and foreign banks will be able to establish offshore accounts through which they can conduct offshore transactions with non-resident banks and corporations overseas."

Banks would be allowed to conduct transactions without many of the usual Japanese taxes and regulations. Gyohten said it was important for Japan, the world's largest creditor, "to increase direct investment in developing countries to help transfer not only financial resources but managerial skills and technologies."

Briefly

● **DEFYING A VETO** by French President Mitterrand on July 16, Prime Minister Chirac announced he will push through parliament his—and the Trilateral Commission's—privatization plan to sell 65 state-owned companies. The Chirac bill was submitted to the cabinet session the week of July 21.

● **ASEAN**, the Association of South East Asian Nations, was advised in mid-July by Indonesian Chamber of Commerce and Industry Chairman Sukamdami Gitosardjono to establish a European-style common market to help combat the effects of stagnant world demand for exports of ASEAN member countries.

● **THE TREASURER** of Vector Corp., one of the Iowa firms caught smuggling cluster-bomb technology to Israel, is Donald Danforth, the brother of Sen. John Danforth. Vector Corp. was subpoenaed in early July for selling its equipment to Israel in violation of the ban on the sale of the bomb-making technology to Israel. Conveniently, Senator Danforth is the chairman of the international trade committee of the Senate Finance Committee.

● **THE AIR FORCE** plans to launch a satellite that has been hanging in the Smithsonian Museum for 15 years in order to save more than \$2 million, according to Air Force officials. "Nothing is ever permanently retired," said Walter Boyne, director of the museum. "We have a lot of things which would be capable of launch." What about the Kitty Hawk?

● **THE RATE** of industrial insolvencies in Germany is increasing. According to the statistics for the first five months of 1986, there has been an increase of corporate bankruptcies by 2%, as compared to 1985. In May, 20% of all bankruptcies were in construction. More bankruptcies are expected, since the state sector has cut construction by 30% for the next three fiscal years.