

Business Briefs

Foreign Debt

Wildlife Fund has 'debt-for-nature' plan

The World Wildlife Fund said Nov. 5 that it would buy up to \$10 million in Ecuadorean debt from commercial banks, and the Ecuadorean government would use the money saved to finance conservation projects in the country. Such "debt-for-nature" swaps are relatively new, and have been pioneered by Prince Philip's organization as a way of putting vast tracts of debtors' land and resources into a permanent "no development" status.

The WWF reached a similar agreement earlier this year with Costa Rica, and another conservation group struck such a deal with Bolivia.

Working with a private conservation group in Ecuador, Fundación Natura, the WWF has agreed with the government in Quito to buy at least \$1 million, and as much as \$10 million of its outstanding debt from foreign banks. Ecuador's debt, which totals nearly \$8 billion, can be bought from the banks at 30% of face value. The government of Ecuador, however, will convert the proceeds into local currency at a much higher price.

The WWF estimated that the swap would yield \$6 of conservation benefits for every \$1 it invests in purchasing the debt. The proceeds will be donated to the network of national parks and reserves in Ecuador.

Austerity

Mexican consumption lowest in decade

Mexican Gross National Product in 1986 was at the same level as in 1979, while private consumption in 1986 was down to 1980 levels, which were in turn the lowest since 1976, according to the Nov. 3 *El Financiero* newspaper. Gross capital formation was slightly below the 1983 level, the lowest since 1970.

According to the report, while 1987 was supposed to begin a "recovery" after years of austerity imposed by the Miguel de la Madrid government at the insistence of the International Monetary Fund, the government's economic policy has remained contractionist, while awaiting monies promised by foreign creditors, which never arrive.

In per capita terms, reports *El Financiero*, Mexico's 1986 GNP was similar to 1978 and 1979, while private consumption was similar to 1976. Gross capital formation was below the level of 1970. GNP per capita was at the lowest level in the last six years in every sector, except electricity and financial services.

Mexico's "worrying economic situation" is accompanied by a worrying political situation, inasmuch as the architect of the disastrous economic downturn, Carlos Salinas de Gortari, is the not-so-popular 1988 presidential candidate of the ruling PRI party.

Mexico's powerful labor confederation, the CTM, a key component of the PRI base, was to meet with Salinas Nov. 5. One point of discussion is sure to be the declining purchasing power of the workforce—now at 1981 levels, according to CTM chief Fidel Velázquez—despite the 14 raises during de la Madrid's six-year term. That is due to the fact the Mexican peso is worth roughly half of what it was a year ago, he stated.

Banking

FDIC sues directors of failed Texas banks

The Federal Deposit Insurance Corporation, on behalf of Executive Center Bank, Energy Bank, and Park West Bank, all of Dallas, has filed suit against the former directors of those failed banks. The directors are accused of negligence, mismanagement, "and other wrongful or improper conduct," leading to an aggregate loss of \$16 million.

Named in the suit were David E. Wise and Ivan Alspaw, founders and directors of all three banks, and 14 other directors involved with one or more of the banks.

Energy Bank opened in June 1982 and closed in May 1985; Park West was open from October 1983 to August 1985; Executive Center Bank was open from May 1984 to February 1986.

After Energy Bank was closed, regulators found that it had made a series of loans collateralized by a Virgin Islands insurer who was subsequently liquidated; the suit describes the collateral as worthless. Upon examination, classified assets were found to represent 230% of gross capital funds, the suit said. Executive Center Bank had "imprudent loans and loans to insiders."

Meanwhile, the banking system of depressed Texas continues to be a source of bad news. National Bancshares Corp. of San Antonio, posted a third quarter loss of \$17.1 million, bringing the bank's net loss for 1987 to \$30.1 million. The bank lost \$25.5 million in the third quarter of 1986, for a net loss of \$21.3 million for the first three quarters of 1986.

At the end of 1987's third quarter, NBC had non-performing assets (NPA) of \$250.2 million, up from \$147.9 million a year earlier. Some 56% of the NPA are in Houston, 92% of that being real estate.

Labor

Argentine general strike called 100% effective

The Argentine labor movement resoundingly rejected the Raúl Alfonsín government's economic policy, as a one-day general strike Nov. 3 by the Peronist CGT labor federation was reported nearly 100% effective. No transportation was operating anywhere in the country, and even radio and television stations observed the strike.

Despite pouring rain and no transportation, 60,000 unionists, organized in marching columns by union, assembled to hear a very harsh anti-government speech by CGT president Saúl Ubaldini. Several of the largest unions, which until recently were trying to play for special deals from the government, were prominently represented, as well as the workers of Aerolíneas, the state air-

line, who joined a CGT general strike for the first time.

Ubal dini attacked government economic policy, called for the removal of all members of President Alfonsín's economic cabinet, and criticized the International Monetary Fund, on behalf of which Alfonsín has been destroying the Argentine economy.

Government

N.Y. Times demands return of Volcker

New York Times editorial writer Anthony Lewis is one of a chorus of voices proposing that ex-Fed chairman Paul Volcker be brought back into the administration, because, as he says, it is the best way to restore credibility in America's leadership capabilities in the wake of the worldwide stock market crash.

This, despite the fact that Volcker, as Treasury undersecretary, designed the 1971 Nixon blunder of removing the dollar from the gold standard, thereby creating the offshore Eurodollar market and related speculative financial operations worldwide. Then, in 1979, he drove interest rates up to the 20% range from his post at the Fed, crushing America's farms and factories, as well as Third World nations, under unpayable debt burdens.

Volcker may have made his mistakes as Fed chairman, writes Lewis, but "to bring him back into the picture would be a potent symbol of reason and determination." Reagan could either name him Treasury Secretary, or appoint him "special ambassador to organize an urgent international meeting on the financial crisis." The purpose of the conference would be to reach an agreement that the United States would slash its budget deficit, while West Germany and Japan would "reinflate their economies."

If Volcker came back, "Ronald Reagan would have to stop uttering his economic fantasies. He would have to follow Mr. Volcker's lead, and that would matter," said Lewis.

The same view was expressed by a leading European member of the Trilateral

Commission. "Restoring a strong American presidency to deal with this economic crisis is impossible. To do the urgent things that need to be done, making Paul Volcker U.S. economic czar would be the right idea," he said. "We can't wait until the American elections for a solution. Either now we get another Herbert Hoover, or we find some way to calm things down. . . . The problem is, the man on top in Washington has no idea of the problems he has to deal with."

Crash of '87

China joins in Hong Kong bailout

The Bank of China joined the Hong Kong government and Western governments in the huge rescue package to bail out the collapsing Hong Kong stock exchange, London's *Sunday Times* reported Nov. 1. China has been "quietly" investing in the exchange for years, said the newspaper, and has at least \$6 billion tied up in Hong Kong.

At the end of October, while the British-appointed governor of Hong Kong was in the United States and Britain, China's Xu Jiatur, head of Xinhua, the official Chinese press agency, was in Hong Kong to monitor the stock market crisis, despite the Communist Party Congress then under way in Beijing. Xu played a coordinating role in arranging the Bank of China's intervention, said the *Sunday Times*.

On Monday, Oct. 26, as Hong Kong's market plunged more than 1,100 points, Xu, who is the 71-year-old head of Peking's unofficial embassy in Hong Kong, slipped away from the critical party congress on the mainland and took the first available flight to Hong Kong. He was briefed on an informal basis by Willie Purves, chairman of the Hongkong and Shanghai Banking Corporation, and David Ford, Hong Kong's acting governor.

By the time Xu returned to Peking the next day, he had arranged for the Bank of China to take a one-third share in a "lifeboat" fund for the Crown Colony's futures exchange, totaling HK \$1 billion.

Briefly

● **AIDS DEATHS**, for the second year in a row, have exceeded the Centers for Disease Control's projection of how many AIDS cases there would be, let alone deaths. "We're way ahead of the predictions that were made—alarmingly so," said AIDS expert Dr. Benny Primm at an AIDS forum in Washington.

● **DAVID ROCKEFELLER**, in the face of the financial crash, has called for new taxes, including a tax on consumption, which he says will avert a new great depression. Interviewed on CBS's "Face the Nation" Nov. 1, Rockefeller said that Black Monday "was serious and for real and scary. . . . The question is, when and how deep and how long" will the recession be. The U.S. must start slashing the budget deficit, and impose "consumer-related taxes."

● **CHEMICAL BANK**, one of Colombia's major creditors, on Nov. 20 will suspend all operations in that country, according to Bogota's *El Espectador*. As of December 1986, Chemical Bank held \$900 million in Colombian debt. The Colombian government has not confirmed the report that the bank is ceasing operations.

● **'INSECTS as the Protein Source of the Future'** is the title of a study authored by Dr. Julieta Ramos of Mexico City University, this week's winner of *EIR*'s coveted Marie Antoinette Award.

● **MCDONALDS** is now hiring senior citizens instead of teenagers in the United States, the *China Daily* reported on Oct. 24. In Britain, 75% of the McDonalds workforce is under 21, while in Australia, workers are fired when they reach 20 years old. But with so few teenagers in U.S. suburbs today, McDonalds has begun hiring older workers, who are "no more demanding than young people, and more efficient," McDonalds management says.