

Business Briefs

Currencies

Israel's financial crisis deepens

Israel has suffered major capital flight since the Dec. 26 devaluation of the shekel, the Israeli national currency. Some \$300 million worth left between Tuesday, Dec. 27, and Thursday, Dec. 29, as Israelis rushed to convert assets into hard currencies.

On Dec. 30, Finance Minister Shimon Peres and the central bank halted all foreign exchange transactions by the banking system, effective through Jan. 3.

An emergency austerity package was announced Jan. 7, featuring another devaluation of the shekel and savage budget cuts.

Since most of Israel's liabilities are in dollars, thanks to its financial subsidies from the United States, the more the shekel is devalued, the worse things are going to become.

Food

Russians eat worse now than in 1913

Russians are eating more poorly today than they did in 1913 under the czars, according to Soviet economist Alexander S. Zaychenko. He made the comparison in the December 1988 edition of the official journal of Moscow's U.S.A.-Canada Institute. His statement was excerpted in the Moscow evening newspaper, *Vechernyaya Moskva*.

Zaychenko debunked official claims of a high-protein Soviet diet, insisting that if lard and barely digestible "meat products" are deducted from the official figures, Soviet citizens eat only about one-third as much meat as Americans.

According to Zaychenko, the Soviet diet, housing, health care, and consumer goods are not only of poor quality, but among the most expensive in the world, when their value is calculated in hours of labor.

Apparently, the huge amounts of grain being shipped to the Soviet Union from the

West are not finding their way into the average Russian's diet, either directly or, as in livestock feed, indirectly. From Oct. 1 to Dec. 23, 1988, a total of 8.8 million metric tons of U.S. corn, 1.5 million metric tons of U.S. soybean products, and 2 million metric tons of subsidized U.S. wheat were pledged to the U.S.S.R., with nine more months remaining in the trade year.

These tonnages are put in perspective by comparing a total annual world grain trade of about 185 million metric tons a year, and several million additional tons of soybeans. France, Australia, and many other food exporting nations have also committed huge grain and soybean shipments to Russia.

As the *Wall Street Journal* described it, the Soviets are "buying at a torrid rate."

Infrastructure

Argentina faces paralyzing crisis

Argentina's devastating energy crisis, the result of disinvestment due to that nation's obedience to International Monetary Fund policy, is now combined with a shortage of potable water in many sections of metropolitan Buenos Aires. In the middle of summer, this implies a serious health threat.

Daily life is characterized by total chaos:

- Citizens cannot cash checks because electricity rationing means that bank computers don't work.

- Nonfunctional traffic lights cause major traffic tie-ups.

- Lack of refrigeration is causing stores and restaurants to throw out food or sell it as soon as possible.

- Many businesses are preparing telegrams to their employees, suspending them until the crisis is "over." As one citizen put it, "we no longer have a country."

While President Raúl Alfonsín's government claims it is not the culprit, the former head of the National Atomic Energy Commission, Alberto Costantini, defined the real problem. "We are behind in investment and this government hasn't done anything

to improve it, because it has maintained a monetarist policy."

IMF

Egypt may be forced under conditionalities

Conditions are emerging that may force the Egyptian government of Hosni Mubarak to accept International Monetary Fund prescriptions, focused on an elimination basic food subsidies, that could lead to a popular revolt and the fall of that government. In the past, the temporary implementation of IMF programs has produced immediate unrest in Egypt's major cities.

By July 1989, some \$2.8 billion of Egypt's staggering \$46 billion in foreign debt will come due, the largest portion of it owed to the United States. The budget deficit, which was supposed to shrink by 2% under an agreement with the IMF, is thought to have grown to about 18% of gross domestic product. Unless the government can reach a deal with the IMF, Egypt will not get another debt rescheduling agreement with foreign creditors.

An IMF delegation, during several visits to Cairo, advocated raising interest rates and prices on subsidized staples, but that will risk street unrest, reported the Jan. 11 *Christian Science Monitor*. Egypt's counter-offer, to implement reform at a slower pace, was unacceptable to the IMF.

"Willing or not willing, Egypt will have to reach an IMF agreement by April or May," a European diplomat is quoted.

Hunger

U.S. diverts food stocks to cartel

There are over 15 million persons in the United States now dependent on some form of food relief, and their numbers are grow-

ing. But the U.S. Department of Agriculture, as of the last quarter of 1988, had discontinued providing most staples from the government holdings of the Commodity Credit Corporation to schools, institutions, and the Temporary Emergency Food Assistance Program (TEFAP), a government program founded in 1981, which serves food banks and soup kitchens around the country.

Instead, the government has reserved CCC stocks of wheat and other grains for free distribution to the grain merchant companies of the food cartel, such as Cargill, Continental, Bunge, and Dreyfus. The cartel in turn is supplying such stocks to, primarily, Russia and China, as well as other overseas importers of preference. (The cartel controls only 10% of domestic food trade, but 90% of world food trade.)

In 1988, for example, the USDA gave \$345 million worth of free government wheat to these companies to enable them to sell it to Russia at discount prices, with assured profits.

Current USDA plans call for no free government wheat flour to be given to the needy in the United States. Instead, in the "Hunger Relief Act of 1987," Congress voted to provide only \$120 million in funds to TEFAP to allow it to buy some food from the grain merchant companies to give out.

The USDA is giving out no dry milk powder, no cheese, and next to nothing in terms of cornmeal and wheat flour.

East Bloc

Strikes greet price rises in Hungary

Warning strikes of several thousand workers in eastern Hungary accompanied an official government announcement of drastic increases in prices of food and other consumer goods.

The increases were negotiated between the Hungarian government and the International Monetary Fund, to "help consolidate the Hungarian state budget." State subsidies to the farm sector and industrial enterprises will be phased out in several steps.

Milk and milk-product prices are up 40%, bread and cakes 15%, and chicken, sausages, and pork 13-14%. Beef is up 30%, and medicine 82%. Prices of non-prescription medicine will double or triple. Cars will cost 22% more, electricity for private homes one-third more, and water 200-300% more.

Also, tickets for public buses, railways, and intercity trains will be up to 90% more expensive.

Markets

Insider trading flap threatens Mitterrand

An insider trading scandal is rocking France and reportedly reaches "up to the highest levels" of the Socialist government of François Mitterrand. The scandal involves allegations of staggering personal profits from "insider" tips on December's \$3.5 billion takeover by French aluminum giant Pechiney of Triangle Industries' American National Can Co. division. The takeover was managed by U.S. junk-bond takeover financiers Nelson Peltz and Peter May.

Drexel Burnham Lambert, convicted in the U.S.A. on other insider trading charges, was investment banker for the sale, according to reliable reports. According to French financial market rumors, the scandal implicates Alain Boubil, chief aide to Socialist Finance Minister Bérégovoy, and several other very top figures, who bought stocks in Triangle prior to the deal's completion.

Implicated is a Paris-based Lebanese arms dealer and financial operator, Samir Traboulsi, who helped broker the sale. Also implicated is Paris financier Patrice Pelat, an intimate friend of President Mitterrand since 1940.

According to French and German press accounts, Pelat gained a \$4-5 million "profit" by buying 200,000 shares of Triangle three days before the announcement of the sale to Pechiney.

Also implicated is 76-year-old one-time friend of Leon Trotsky, socialist millionaire Max Theret.

Briefly

● **CROP CONDITIONS** remain poor in the world's breadbasket regions. The Australian wheat harvest was 2 million tons or 8% below anticipated levels. A fall drought hurt the Argentine wheat harvest, and recent dry conditions may affect corn. In North America, parts of the spring wheat belt are still parched. In Western Europe, where 1988 weather was generally good, the European Community bureaucracy is suppressing output by penalizing farmers with low prices.

● **BRAZIL** may be phasing out its "gasohol" program. The government has been steadily reducing the price differential between gasoline and alcohol, which it subsidized at \$60 per barrel.

● **EUROPEAN BANKS** are dumping their Ibero-American debt paper at as low as 20¢ on the dollar, in anticipation of a complete breakdown in collection on that \$400 billion. The large Swiss banks have reportedly already dumped most of their Ibero-American debt paper and, when a source was asked if commercial banks would give new credits, he replied, "Not at all."

● **HELMUT SCHMIDT** has launched a new "Schmidt Commission," to make "policy recommendations" in the international financial and economic area. It will have its initiating meeting in Tokyo, beginning April 4. Among known members of the Schmidt Commission are former U.S. Defense Secretary Robert McNamara, former U.S. Federal Reserve head Paul A. Volcker, and former Bank for International Settlements head Fritz Leutwiler.

● **'THE IMF means for me Infant Mortality Foundation,'** said rhetorician Jesse Jackson at the conclusion of an 11-day tour of Africa. Jackson made the comment, unusual for him, in a speech at an African-American Institute conference in Lusaka, Zambia Jan. 11. Jackson said the IMF is "made up of slave-masters."