

Business Briefs

Mexico

IMF tightens the austerity noose

The Mexican government has agreed to a hefty series of rate increases for government services, in accord with the updated 1984 letter of intent with the International Monetary Fund which it unveiled during the first week of January. Electricity rates were raised 35 percent, and other costs are expected to take off shortly.

The new hikes surpassed, in just a few weeks, the 30 percent increase in the minimum wage decreed by the government on Dec. 31, and due to hold without revision through June.

Finance Minister Jesús Silva Herzog riled up labor leaders with effusive praise for their sacrifice as the basis of the "success" of Mexico's so-called recovery program.

Labor chief Fidel Velásquez, well aware that real wages have been slashed 50 percent in little over a year, angrily retorted that the new letter of intent was "not acceptable" to labor, and that the paltry nominal rise in the minimum wage (official statistics, which understate real inflation, showed 81 percent inflation in 1983) was "unconstitutional" because it did not provide for basic needs of the workers, as guaranteed by the constitution.

Economic Sabotage

New power blackouts arouse the Swedes

Barely one week after a nationwide power blackout that lasted up to 24 hours in parts of Sweden, two new serious shutdowns were reported Jan. 6-7. Sabotage has been confirmed in one of the cases, and the other left the militarily sensitive area of Gotland Island, in the Baltic Sea, without power for three to four hours.

An explosion, the cause of which has not yet been determined, in a transformer station on the Swedish east coast Jan. 7 led to blackout of areas on the coast and the entire island of Gotland, which is Sweden's main defense outpost against the Soviet Union.

The night before, someone had forcibly broken into a transformer station in the Baltic coast city of Gävle north of Stockholm and cut off all power to parts of the city. The Stockholm newspaper *Aftonbladet* carried banner headlines reporting that the Gävle incident was sabotage.

Soviet-controlled terror groups called spetsnaz (special forces) are currently deployed throughout Western Europe, including the "Achilles Division" recently activated in Norway. The Swedish press had refused to inquire whether the first blackout was the result of sabotage.

Banking

Swiss gnomes under fire from France and Italy

A Swiss journalist told *EIR* that recent French press exposure of Swiss Nazi banker François Genoud forms part of a "series of diplomatic incidents" between Paris and Berne. French newspapers have begun to publish parts of *EIR*'s dossier on Genoud's control of Islamic fundamentalism and his ties to Klaus Barbie, the notorious Gestapo "butcher of Lyon" who is now awaiting trial in France.

"Genoud doesn't hide the fact that he is an anti-Semite and anti-American. According to the international media, you should believe that there are no Nazis any more in Germany and that the Swiss Genoud is the only one left," the journalist complained. "Genoud is being harassed, and such institutions as yours [*EIR*] have contributed to that."

The conflict between France and Switzerland began, he explained, when the French deliberately violated Swiss banking secrecy by sending a team of intelligence agents to rob the Union Bank of Switzerland's computer printout listing its bank clients. The French government proceeded to prosecute those businessmen. This was followed by continuous harassment of Swiss citizens at the Franco-Swiss border by French customs officials.

Heated messages were exchanged between French President Mitterrand and Swiss President Aubert, following statements by French Gen. Pierre Gallois denouncing Switzerland's neutralist role. Gallois, said the journalist, "was hitting at what we call

here the 'neutral corridor,' Switzerland and Austria. This corridor will indeed be used by the Soviets to invade Europe."

The source stressed that a similar crisis was developing between Berne and Rome, whose law-enforcement agencies have been intervening directly on Swiss territory in an effort to prosecute the mafia, the Propaganda-2 subversive masonic lodge, and its head, Licio Gelli. Gelli mysteriously disappeared from a Swiss prison just before he was due to be extradited to Italy for trial. The Swiss government is vigorously protesting alleged Italian interference in its internal affairs.

Military R&D

Soviets develop cruise missile guidance system

Soviet development of a computerized guidance system for a new generation of cruise missiles that duplicate U.S. technology "has taken the Defense Dept. and the intelligence community by surprise," according to *Aviation Week and Space Technology* magazine Jan. 2.

One Defense Department official declared that the advance in technology is showing up in a number of other areas as well—fighter aircraft and antiballistic missile defense. The first Soviet deployments of the new cruise missile are expected in 1985.

The guidance system will allow at least half the Soviet cruise missiles to hit within 150 feet of their assigned targets, after flying to the targets at the altitude of 100 feet. By comparison, advertised accuracy of the guidance system of the U.S. ground-launched cruise missile deployed in Europe would enable half of the missiles to strike within 61 feet.

Regarding the effectiveness of the missiles, *Aviation Week* writes: "With these missiles on submarines off the U.S. coastline, there would be little warning of an attack." The cruise missiles could easily "sneak through" gaps in the existing Distant Early Warning (DEW) radar line in northern Canada.

In a related story, *Aviation Week* reports that the Soviet Union may be illuminating USAF/Hughes Satellite Data System relay spacecraft and British Skynet 2 communi-

cations satellites with ground-based lasers from a test facility at Saryshagan. Evidence for this is contained in a report to President Reagan by the General Advisory Committee of the Arms Control and Disarmament Agency. The SDS satellites relay data from the chief U.S. KH-11 reconnaissance spacecraft.

Soviet Technology

Why are Finnish firms buying up Swedish industry?

A private Finnish company, Nokia, has purchased Sweden's biggest computer electronics firm, Luxor. This is the first time that a Swedish state company has been sold to a foreign buyer.

Luxor produces, among other things, defense equipment for the Swedish air force. Its current advertising campaign shows the new Swedish Viggen fighter, with the caption "The Swedish Air Force uses Luxor computers for analysis of target firing, films, and navigational calculations. A precise instrument in a precise activity."

During the past two years, Finnish firms have taken over Swedish companies with 12,000 employees, in a wide variety of industrial operations.

Finland has become virtually a "silent partner" in the Warsaw Pact, particularly since its air defense merged with that of the Soviet Union recently. The takeover of Swedish firms appears to be part of a Soviet bid to gain technologies as well as control of strategic economic positions in the West.

Fiscal Policy

Democrats press for defense budget cuts

A group of 42 prominent House Democrats Jan. 7 issued a "campaign blueprint" for the 1984 elections. The 90-page document calls for a reorganization of federal spending programs, and particularly for deep cuts in the defense budget.

The report defines three issues for the campaign: "Uncontrolled, massive budget deficits, the continued decline of public and private investment needed to spur growth and enlarge economic opportunity, and the accelerating nuclear arms race."

The blueprint calls for a top-to-bottom review of all military spending and security needs to reduce annual spending increases to 3-5 percent. The strategic justification for these cuts is found in the blueprint's endorsement of the nuclear freeze and approval of the SALT II treaty.

The House Democrats also propose the establishment of a corporatist "Economic Cooperation Council of government, private industry, labor, and academics" to plan new strategies for "economic growth."

The proposals will be submitted to the appropriate Democratic Party channels, where the group's spokesman, Rep. Gillis Long (D-La.), expects enthusiastic approval.

Labor Policy

Koch proposes paid youth gangs for New York

New York Mayor Ed Koch issued a proposal Jan. 7 for the creation of a paid youth brigade, whose members would perform tasks for the city in exchange for a weekly stipend below the legal minimum wage. The gangs would be modeled on the "Guardian Angels," which currently "patrol" subway cars in New York in place of the dwindling professional police force.

The Mayor wants to recruit as many as 1,000 participants—especially black and Hispanic youth—to the year-long program! They would be paid less than the minimum wage of \$3.35 an hour, but would be "compensated" by tuition vouchers and a lump-sum payment at the end of the program.

The work plan is supported by the Fund for the City of New York, a private group.

Under Koch's program, 18-year olds would clean parks, help the elderly, and "do some of the same tasks as voluntary auxiliary police officers."

Koch says his program is geared as a "model program for national service" and he is hopeful that by the end of the year the federal government will say: "My goodness, why didn't we think of that?"

Briefly

● **30 MILLION PEOPLE** — 40 percent of Mexico's population—will suffer drastic food consumption cuts this year, according to a government report issued Jan. 9. The National Food Program Commission (PAN-AL) has analyzed the expected consumption for the nation in 1984, based on the impact of the economic depression. It finds that caloric intake for 30 million people will drop by 15 percent. Animal protein (meat, milk, fish and eggs) for the same population will drop by 50 percent. Per capita consumption of wheat, fish, poultry, and beans will also decline drastically.

● **LIONEL OLMER**, U.S. Undersecretary of Commerce for International Affairs, told leaders of the Japanese Federation of Economic Organizations (Keidanren) Jan. 12 that Japan's industrial policy is hindering its imports of competitive foreign products. Olmer demanded that Japan step up imports of aluminum products, and criticized Tokyo's restrictions on foreign capital participation in the Japanese economy, as well as Japan's plans to develop its own communications satellites. In a meeting with Japanese Trade and Industry Minister Hikosaburo Okonogi, U.S. Ambassador Mike Mansfield criticized the computer software protection law that the Ministry of International Trade and Industry (MITI) plans to submit to the Diet (parliament).

● **THE GRACE COMMISSION**, the President's Private Sector Survey on Cost Control, issued a report Jan. 12 calling not only for sweeping defense budget cuts, but for drastic cuts in government-supported benefit programs, from social security to milk price support programs. The survey also recommends repeal of the Davis-Bacon, Walsh-Halsey, and Service Contract acts, which set wage scales and overtime rates at near-union wages for millions of workers.