Business Briefs

World Trade

Indonesia postpones plant orders from Japan

The Indonesian government informed Japan's Export-Import Bank May 6 that it was postponing four big industrial projects totalling $5.05 billion because of the oil-exporting country's economic problems. Indonesian Economic Coordinating Minister Ali Wardhana assured Ex-Im President Masataka Okura in Djakarta that Indonesia was not cancelling the projects, merely postponing them. However, there was no indication in the *Japan Economic Daily* report on this matter when the projects might be resumed.

The postponed projects include a $1.5 billion aromatics plant and a $1.35 billion oil refinery, both involving Japanese companies.

Wardhana pledged consultation with the Japanese firms involved, including Mitsui, in order to solve any financial difficulties. Some equipment had already been shipped for the projects, in part financed by the Export-Import Bank. Okura in turn promised that the Japanese Ex-Im Bank, which has already lent $5.3 billion to Indonesia over the years, will in principle continue to extend loans despite this postponement.

Mexican Debt

Another $500 million in arrears?

A study by *EIR* reveals that despite disclaimers to the contrary, Mexico has indeed continued to fall behind on its interest payments.

The method of non-payment is an ingenious device called *Ficorca*, which is a program to have private sector companies with foreign dollar debt—about $17 billion of it—pay the equivalent of the interest to the government in pesos, with the central bank pledging to hand over dollars to the creditors.

The program has taken two months to set up and is still not functioning. The bureaucratic tangle has allowed the central bank to meet only a portion of private sector interest falling due. One bank in the United States has reportedly only received 25 percent of what it is owed—"it is getting remittances for February in mid-May," a source indicated.

EIR calculates that up to 50 percent of the $1 billion that Mexico's private sector owed on interest in the first four months did not end up getting paid, roughly $500 million to add to the almost $1 billion in arrears left over from 1982.

Common Market

Betancur proposes Latin Monetary Fund

Prior to the convening of an extraordinary Latin American summit in Quito, Ecuador to discuss the continent's economic crisis, Colombian President Belisario Betancur issued a call May 10 for the creation of a Latin American Monetary Fund in order to provide direct aid to the nations of the continent suffering from balance of payments crises.

Emphasizing the theme of Latin American integration in virtually every statement, Betancur also called on the central banks of the region to support a new series of development bonds to be issued by the Andean Development Corporation, which would in effect turn it into a development bank for the region. In a third proposal, Betancur urged that the Central American Integration Bank likewise be converted into a development bank for that suffering zone, backed by the political strength of the Contadora group (Colombia, Venezuela, Panama, Mexico).

Betancur stressed that through this process of integration lies "the possibility of our advancement, the strengthening of our negotiating capacity, the creation of more extensive markets for ourselves, compensation for our difficulties in penetrating the markets of the developed nations."

Betancur insisted that "The transitory financing of the International Monetary Fund or of the commercial banks does not resolve the problems of development." He called on the advanced sector countries meeting soon in Williamsburg "to provide us with better access to the world markets of capital goods and of technology" and to avoid the "bilateral concessions among the rich . . . that go on in closed and semisecret confabulations in Brussels, Washington, and Tokyo." He angrily noted that "the lack of confidence has reached such a point that they [the bankers] have told Colombia, which is in a situation of privilege: yes, you're okay, but you live in a bad neighborhood. You'd better move!"

Brazilian Debt

Delfim Netto manipulates arrears

Brazilian sources assure *EIR* that Planning Minister Delfim Netto likes Brazil's new simpler and effective debt management strategy—not paying much of the debt. "It doesn't bother him even if Brazil has $4 or $5 billion arrears," the source stated, and then added, "the bankers aren't getting paid because they have not met their commitments to Brazil."

Instead of paying interest, the Brazilians have supplied bankers with a 70-page projection of Brazil's economic performance. "What the hell is an 'accrual?' " a Georgia banker asked *EIR* after finding that Brazil's trade and almost everything else is now accounted on an "accrual basis."

IMF managing director Jacques de Larosière sent a telex to all the major banks May 12 demanding that they loan more money to major debtors like Brazil. Last fall, the IMF forced banks to join in Brazilian and Mexican debt renegotiation packages, but neither country is bothering to plead for money now.

Agriculture

Pesticide exports to Third World opposed

Officials of the Oxford Famine Relief organization, the United Nations, and the members of the Socialist International faction of the European Parliament are all involved in an effort to require much stricter controls over the sale and export of pesticides to the Third World.

The proposed controls are based on claims that there are 375,000 poisonings of human beings by pesticides in the Third World a year. Some one-third of these poisonings are reported to be fatal. The poisonings are attributed to bad local conditions such as too hot weather, lack of protective clothing, the inability of the users to read the labels, and lack of adequate supplies of clean water.

Member of the European Parliament Ernest Glinne of Belgium was quoted in the May 10 *Christian Science Monitor* as saying "We're going to step up pressure on legislators to put stricter controls on pesticide exports until something is done."

The U.N. Food and Agriculture Organization has been charged with drawing up a "code of conduct" on the export of agrochemicals to the Third World.

There has been no suggestion of training programs to enable Third World farmers to use the products properly.

No mention has been made to date by the plan's proponents that the estimated 10 million deaths each year from starvation and malnutrition in the developing sector would increase sharply if Third World crops were not protected by any pesticides.

U.S. Economy

Industrial utilization below 70 percent

The Federal Reserve Board's index of manufacturing capacity utilization rose in March to 69.4 percent (seasonally adjusted), just slightly above the figure reached at the bottom of the 1975 recession.

Unlike the 1975 recession, however, the capacity utilization curve in the present period exhibits a long term decline with no promise of the sharp rebound of the kind seen in the second half of 1975.

Most ominous is the three-year slump in the energy materials sector, which hit 76.8 percent of capacity utilized in March 1983 compared to the 84.8 percent utilization in the lowest point of 1975. Capacity utilization for overall industrial materials, which includes energy materials, durable, and nondurable goods materials, was 68.5 percent in March 1983 compared to 69.4 percent at the bottom of the 1975 trough.

Real Estate

Realtors see residential investment ending

Dr. Jack Carlson, executive vice-president and chief economist of the National Association of Realtors, announces in his May 1983 "Outlook" that "the rate of growth of residential investment, and so its contribution to the recovery, has peaked, and should decline precipitously over the remainder of this year and 1984."

According to Carlson's calculations, the annualized percent change in U.S. residential investment grew by 83.1 percent in the first quarter of 1983, but will fall to 38.4 percent in the second quarter, 21.6 percent in the third quarter, and finally to a negative −13.0 percent in the last quarter of this year.

Carlson notes that the "recovery" is "starting off at an even more modest pace than originally anticipated."

Developing Sector

Project cost overruns a problem in India

Lack of proper attention to the development of the construction industry in India is responsible for massive cost overruns, a mid-April study published in New Delhi said. Power and irrigation projects in the planned program have been the major victims, with costs overruns ranging from 7 to 518 percent, the public figures indicate.

The usual causes of time and cost overruns include delayed decisions on locating the plants, land acquisition, and construction of the external infrastructure necessary to build the project.

The study also points to power shortages, shortages of essential building materials, transportation difficulties, lack of proper coordination between the central and state governments, and lack of cooperation between the state and the project authorities, among other causes of the delay and cost overruns.

Briefly

- **AFRICA'S EXTERNAL DEBT** will be one of the main topics of a four-day annual meeting of the African Development Bank(ABD), which begins May 11 in Nairobi, Kenya. Africa's debt has risen from $17.12 billion in 1973 to $84.9 billion by 1981, according to a research paper published by the ABD, and is a serious impediment to African development, precisely at a time when falling export income and decreasing aid flows have made African countries more dependent on credit.

- **JACQUES FREYMOND,** Club of Rome member and director of the Geneva-based Center for Applied Studies, stated May 11 that between $16 to $20 billion will be needed in the next two months to keep the Western banking system afloat. Asked where the money was going to come from, Freymond answered: "No one knows. It will come, even if it has be printed from one day to the other."

- **SPEAKERS** at the May 17 Washington conference, "Agenda for International Monetary Reform," will include Henry Kissinger, George Shultz, Donald Regan, Paris mayor Jacques Chirac, Robert Triffin, former Bundesbank chief Otmar Emminger, Lord Nicholas Kaldor, Lew Lehrman, Ronald McKinnon of Stanford University, Josef Frankyl of the University of Chicago, Beryl Sprinkel, and Gottfried Haberler of the American Enterprise Institute. The conference was organized by Rep. Jack Kemp and Robert Mundell of Columbia University. Varieties of a "New Betton Woods" proposal will be promoted as part of the pre-Williamsburg public relations effort.

- **BOLIVIAN** Finance Minister Flavio Machicado told a committee representing 128 banks in New York that Bolivia cannot meet current interest payments unless it receives $75 million in new loans. Bolivia is $150 million behind on interest now due.