Business Briefs

Developing Sector

Delhi conference calls for nuclear energy

Indian Prime Minister Indira Gandhi and representatives of the French Atomic Energy Comission made a strong case for nuclear energy development in the Third World at the 1,500-person World Energy Conference held in New Delhi in mid-September.

Mrs. Gandhi told the delegates, including 200 private and public figures from the United States, of India's efforts to develop nuclear power, and, alluding to the Carter administration among others, how these efforts have been obstructed by certain industrialized countries. India's answer, Mrs. Gandhi said, was to develop its own capacity to design and produce nuclear reactors. She stated that fusion energy is the energy of the future, but that in the meantime other sources will have to be utilized, including solar energy.

Mrs. Gandhi attacked the idea that only the advanced countries could use sophisticated technologies like nuclear energy to replace oil, while the Third World should consume "simple" energies, such as hydrocarbons.

"Science," she said, "is not owned by the rich. The poor need it even more. For India, science is a remedy allowing us to fight economic backwardness, and we don't intend to deprive ourselves of all that can help us to reach this aim. . . . Any strategy of development for poor countries requires a massive energy investment."

Indian delegate Doctor Ramanna, after giving an historical account of India's civil nuclear energy program, stated, "There will be no increase of living standard without an increase in nuclear energy production. . . . We intend to follow the example of France." France will produce 70 percent of its electricity from nuclear power in 1990.

A British delegate attacked the breeder reactor, but French Atomic Energy Commission head G. Vendryes spoke next, pointing out that France currently operates a commercial breeder reactor, and that half of France's electricity comes from conventional nuclear plants. He declared that France is committed to export of nuclear technology to the developing countries, and financing such development.

Westinghouse President Gordon Hulbert supported nuclear power in the United States, but carefully avoided the issue of export to developing countries, despite Westinghouse's leading role in such exports, most recently to Egypt.

Soviet Power and Electrification Minister P. S. Neporozhny similarly pushed for for nuclear power in his own nation, adding that the Soviets have now become the second country with a commercial breeder reactor and that they intend to build more. He failed to mention any Soviet role in exporting such technology to the developing sector.

Debt Crisis

'World bankruptcy only a matter of time'

"The cause for the downfall of Babylon was a crisis of illiquidity," well-known West German economic writer Paul C. Martin told a startled audience at the Kiel-based Hermann-Ehlers Academy Sept. 18. Martin followed up his statement with an exposé of the $1 trillion-plus state indebtedness reached world-wide by the end of 1982.

"The indebtedness of nations reached a point of no return long ago," he added, and the "point of finish is not far." That will come when the annual revenue of nations will not be able to cover the mere payment of interest on their global debt.

"The fall of Babylon, the oldest recorded case, was foreseeable for a long time, but came brutally, as the crisis of illiquidity struck," Martin went on. "The coming bankruptcy of nations is distinguished by the world-wide synchronization: we are not standing in front of the financial collapse of one nation, but a world-wide collapse."

Criticizing the bankers' hyperinflation policy, Martin added that "in order to avert individual crashes, to avoid threatening bankruptcies, the debt is always passed on to a liquid third party—generally the state. About 70 to 80 percent of all financial claims in the world are against state finances. This is a deadly, vicious circle. Brazil's debts, for example, are currently being passed on to the United States. Only a world-wide reform of the monetary system could stop this vicious circle," Martin concluded.

International Banking

Swiss banker predicts dollar collapse

A senior official of the Swiss National Bank told a journalist Sept. 19 that a big dollar collapse was imminent, and that his central bank was introducing, through several finance ministers and central bankers of other countries, the idea of replacing the dollar with other reserve currencies.

"Studies are under way," he stated. "We're thinking about it. . . . The U.S. budget deficit is now equal to net U.S. savings. This means that the Americans are going to keep on fishing for money abroad to fund their deficit, while their trade deficit will go on growing.

"You must expect interest rates to be high, very high. And the dollar will be high—until the world realizes in a moment that we're sitting on a mattress of worthless short-term claims against the dollar. Then, with the foreign exchange markets very moody and whimsical, it will be a repeat of the late 1960s, early 1970s: the world will fear and flee from the dollar."

Southeast Asia

World trade collapse pressures Indonesia

The growth economies of Southeast Asia are now being hit with the same levels of austerity imposed on Ibero-America over the past year. Indonesia, the world's fifth most populous nation, has been particularly hard hit.

Due to the drop in oil prices and the absolute drop in non-oil exports, Indonesia has been forced to accept drastic cutbacks in is development program, along with a 30 percent devaluation of its currency, the rupiya. Over the last several months, the government has announced cutbacks in more than 50 projects, which originally were valued at approximately $20 billion. Cutbacks have hamstrung infrastructure projects in energy, communications, shipping, railways, ports, cement-making, and mining.

The cutbacks contributed to the slowdown in Indonesia's previous remarkable economic progress. National income rose only 2.5 percent in 1982, a rate that is quite good in comparison with the depression growth rates of other nations, including the industrialized sector, but actually dismal compared to the 8 percent growth rate Indonesia has achieved for years. According to the *Neue Zürcher Zeitung*, the cutbacks may even end the self-sufficiency in rice production Indonesia has achieved.

Brazilian Debt

Brazilian congress: 'IMF get out'

The galleries erupted into chants of "IMF get out," then the congressmen sang the national anthem, after the Brazilian Chamber of Deputies defeated a wage-cutting bill Sept. 21. The defeat for Decree Law 2024, a relatively mild measure, sounds the death knell for Decree Law 2045, which would reduce Brazilian real wages by more than 30 percent or $16 billion in each of the next two years, according to the calculations of the Dieese labor think tank.

The impending defeat of 2045 makes the IMF letter of intent signed Sept. 15 into an officially dead item. Rather than being able to drag a bloody Brazilian scalp into the IMF meeting to prove how he is knocking its clients into line, Mr. de Larosière will find Brazil an embarrassing subject.

The defeat came by a vote of 252-1, with only the chamber president voting for it. The government had ordered members of the ruling Democratic Social Party to absent themselves in order to prevent a quorum, but 11 of them broke under constituency pressure and voted to repudiate the IMF program.

According to Brazilian central bank sources, the creditors' advisory committee grilled new central bank president Celso Pastore for 50 minutes on Sept. 22 on the shocking political development. Pastore tried to calm them with the lie that the government allowed the defeat in order to find out who the rebels were in its own ranks. Finance Minister Ernane Galvêas later said that "political pressure" would be leveled against them, and that he was "confident" that 2045 would pass.

Galvêas told *EIR* that Brazil was cutting its monetary base by 24 percent in real terms this year and would do the same next year, but he refused to admit it would cause a depression.

International Finance

De Larosière threatens Third World, Congress

IMF Managing Director Jacques De Larosière told the U.S. government and international financial officials that unless the U.S. Congress immediately makes its $8.5 billion quota contribution to the IMF, the IMF will halt all credit outlays. There has been no net lending to the Third World over the past year, and the IMF, which had promised to generate some credit, has the power by refusing to lend to stop practically all future prospects of private bank credit to whole continents.

De Larosière told a meeting of the IMF's executive board the week of Sept. 19 that the IMF has just "suspended" all new loan negotiations, until Congress comes up with the cash. While the IMF will try to continue to refinance countries, such as Mexico and Argentina, which adhere to its conditionality regimes, they will now discuss "reducing" a new round of proposed loans of $3 billion to countries such as Nigeria, the Philippines, and South Korea.

"De Larosiére is trying to threaten the U.S. Congress" a partner at Brown Brothers Harriman investment bank said. "De Larosière wants U.S. political backing for the IMF, and he will do whatever is necessary to try to get it."

The banks and the IMF are also trying to force the U.S. government itself to come up with the cash to back up the $2 trillion Eurodollar market debt, if the Congress won't hand it over to the International Monetary Fund, he stated.

"If Congress will not guarantee the debt, then the administration will have to do something," he said. The U.S. Department of the Treasury will be forced to guarantee loans by private banks to Brazil and to the other bankrupt Latin American countries, the director of the IMF then predicted.

Briefly

● **RONALD REAGAN** "is not politically stupid enough to stick his neck out" to lobby for the IMF bill, a top Democratic aide close to Hollywood mafia banker Charles Manatt, national chairman of the Democratic Party, complained on Sept. 21. "He knows the votes aren't there" to pass the IMF bills. The source complained that the conference meeting on the bill might not even be planned for two weeks.

● **THE DITCHLEY GROUP** of the Institute for International Finance will meet on Sept. 24, before the IMF's annual meeting in Washington. The international creditors' cartel will discuss its next round of action against the Third World, especially their demands that Brazil, Argentina, and other major debtors give the creditors "equity ownership" of Third World assets.

● **WILLIAM BUCKLEY, JR.** whose father made his fortune with neo-colonialist oil ventures in Mexico at the beginning of the century, wrote a column from Mexico City the week of Sept. 11, proposing: "What any government free to take genuine reform measures would do is sell off publicly owned, graft-ridden, money-losing enterprises, including the colossal Pemex; settle the *ejido* question of non-productive agricultural properties; and crack the major labor unions," i.e., sell Pemex back to his family.

● **CHINA** has surreptitiously purchased two U.S. built F-16 jet fighters from Pakistan with U.S. approval, according to a recent issue of Hong Kong's *Far Eastern Economic Review*. Chinese foreign ministry spokesman Qi Huaiyuan on Sept. 14 dismissed the report as "groundless."

● **TRW'S** Business Payment Index shows business receivables 1 to 30 days past due climbed to record highs. Past due receivables shot up from 13.9 percent of all receivables in the first quarter to 15.6 percent in the second quarter, indicating increasing financial problems among U.S. businesses.