Business Briefs

The Debt Bomb

Peruvian TV presents Operation Juárez

A 90-second spot announcing the founding of the Andean Labor Party (PLAN) in Peru was run eight times the night of May 29 and the morning of May 30 on Lima's Channel 5 news broadcasts. The item showed PLAN spokesman Luis Vásquez describing the PLAN's platform, Operation Juárez, as being based on a debtors' cartel and Ibero-American cooperation.

The newscaster stated that the new PLAN party has the support of similar parties in Mexico, Colombia and Venezuela and the part of the Democratic Party in the United States led by Lyndon LaRouche.

The Lima daily *El Observador* gave its entire second page to Vásquez' allegations that Peruvian President Fernando Belaunde was playing a scab role against the debtors' club. Picking up from the May 28 Vásquez press conference, *El Observador* described the way the Peruvian government had sought at the Organization of American States to sabotage the four-nation debt initiative. It also cited the *Latin America Economic Report* of London's story that Belaunde had been bought by the U.S. State Department to play such a role.

Europe

Italy shoots own economy in the foot

On May 24, the Italian parliament passed a law which forces the early retirement of workers employed in the steel industry. The new law will send home some 20,000 workers who have reached 50 years of age, on pension—and these 20,000 are only the workers of the state owned industry, Italsider.

The law passed in the parliament also includes guidelines for dismantling the steel plants, public and private, and reducing productive capabilities to the limits demanded by Count Etienne Davignon of the European Commission, at a cost to the state of about half a billion dollars. Industry Minister Clelio Darida hailed the law as "a further step toward the recovery and the rationalization of the [steel] sector."

Darida, the ex-mayor of Rome, is one of the main organizers of an exposition on the post-industrial society, slated for the Colosseum in Rome, formerly best known for such economic wizardry as throwing Christians to the lions. The show, to open Sept. 22, is sponsored by the Bank of Italy; semi-public conglomerates Montedison and Dalmine; President Pertini; Prime Minister Bettino Craxi; his predecessor, Giovanni Spadolini; and the socialist-communist Rome city government.

Research and Development

Congress slashes fusion budget

Before recessing for the Memorial Day holiday May 24, the U.S. Senate Appropriations subcommittee chaired by Mark Hatfield (R-Ore.) voted to slash the magnetic fusion budget by $27 million. The administration had asked for $483 million.

On May 22 the full House passed a bill calling for a nearly $64 million cut in the magnetic fusion budget. Fusion scientists had hoped that if the Senate passed the administration's full request, the compromise with the House would have led to a relatively small cut. Now, the compromise will be at least the Senate-passed $27 million.

A cut in the fusion program of this magnitude would shut down mainline fusion experiments and cut off promising areas of research needed for the beam weapon program and fusion development itself. The laser fusion program had already been cut in the administration's request—from 169.7 million in FY84 to $138 million next year.

For the past three years science adviser Dr. George Keyworth and free market budget fanatics in the Congress have joined forces to insist that fusion energy is not needed. Now, these extreme actions threaten the existence of the program itself, and endanger the strategic defense efforts.

Ibero-America

Brazilian front-runner opposes debtors' club

Paulo Maluf, the main contender for selection as Brazil's next president, is trying to undermine President João Figueiredo's commitment to joint debt action with Argentina, Mexico and Colombia.

In sharp contrast to Figueiredo's regional solidarity, Maluf announced that as soon as he is inaugurated in March 1985, he will fly to Washington to renegotiate Brazil's debts on a bilateral basis with President Reagan. Maluf says his debt program should be the "model," which other countries, individually, would follow.

He calls for the conversion of $15 billion in foreign debt into equity, exactly what the international oligarchy desires. This debt would be capitalized in the hands of the multinational corporations in Brazil, which could then use it to buy up cheap Brazilian assets of all sorts.

Maluf also promises asset strippers that present laws limiting annual profit remittances to 12% of capital would be eliminated.

Maluf is widely believed to have bought up the majority of the majority PDS party's convention delegates at a cost of $90,000 each.

Labor Unions

Auto workers have giant strike fund

The United Auto Workers report themselves to possess a record $555 million strike fund, enough to last three months should the union decide to strike one of the three automakers after contract talks begin in July. General Motors is said to be a likely target by the union leadership.

"Our financial situation overall in the union is very healthy, considering the things we went through," said secretary-treasurer Ray Majerus. "At the end of three months, we would have to find some mechanism to provide the insurance and also need to accommodate [the weekly payouts]. But we do have a borrowing ability. We have a great credit rating."

Informed labor-watchers say Majerus's talk of a long strike, or any strike at all, is just talk. The UAW leadership is among Walter Mondale's most ardent labor-movement backers. Mondale has a deal with the AFL-CIO's Lane Kirkland to avert or bust strikes between now and the November elections, so that Mondale is not put in a position of having to comment, and appear too pro- (or too anti-) labor.

Meanwhile, autoworkers like those at AP Parts in Toledo, major suppliers to GM, have been placed in a go-it-alone situation in the face of 1930s style union-busting, with scabbing and Pinkerton-style thug and police attacks on their picket lines. The UAW leadership has said and done nothing.

Unemployment

Labor Department with more fake figures

The U.S. Labor Department's Bureau of Labor Statistics announced June 1 that the nation's unemployment rate fell to 7.5% in May, the lowest it has been since President Reagan took office in 1981. The deluded President, preparing to leave for Europe, smiled and said again: "There are far more people working. We have created . . . millions of new jobs."

As *EIR* has repeatedly documented, actual unemployment is two to three times the BLS figures, which do not include the millions whose unemployment-benefits have run out, older workers forced into early retirement, young workers who have never "entered the labor force" because they couldn't find first jobs, or part-time employed, who are therefore part-time unemployed.

Last year, the BLS undertook the greatest fraud in even its own history by simply dropping more than a million Americans in one month from the statistical "labor force"—the data base from which unemployment is calculated.

Even by BLS figures, the rate of factory employment—a rough version of the distinction between productive and non-productive "service" or bureaucratic operatives—did not rise at all.

EIR's forthcoming Quarterly Economic Report will provide more accurate estimates of unemployment, demonstrating its link to a continued decline in industrial output over the first quarter of 3-4%.

International Trade

Soviets find 'vulgar' India-Japan trade

An article in the pro-Soviet Indian journal, *Mainstream*, shows that the Soviet Union is by no means pleased over the prospect of an alliance between Asia's two most powerful democracies: Japan and India.

Entitled "Nakasone Visit: Danger Signals," the article says that "Nakasone upset the traditional politeness of addresses to joint Houses of the [Indian] Parliament by declaring with the vulgarity of a traveling salesman that he would be sending a delegation of private businessmen to see if Japan could invest profitably—or as he put it, to build upon the momentum of industrial cooperation. . . . Are we to believe that these exporters, joint-venture wallas, the future owners of Toyotas, Sonys, Nikons, and Yashikas, are going to be the builders of a new India?"

The article bitterly complains that Nakasone is trying to build a bridge to the Non-Aligned Movement: "What is the implication of a highly politicized community like the Non-Aligned group, developing extensive trade links with a free-enterprise state like Japan. . . with its extensive security links with the United States. . . Japan tied to the U.S. apron strings cannot be a bridge between North and South. First untie the knots, Nakasone."

Briefly

● **DELFIM NETO** resigning? Rumors were rife in Brazil the last week in May that the beefy planning minister minister, who has long reigned over Brazil's monetary policy, was walking out in a pique over not being allow to veto Brazil's membership in the four-nation debtors' cartel. The rumors have been denied.

● **THE JOURNAL OF COMMERCE** worried June 2 that Bolivia's debt moratorium will "add impetus to the unwelcome, Mexico-inspired Latin American debtors club. U.S. banks could be forced to reclassify Bolivia's debts as non performing."

● **THE FEDERAL RESERVE** says it can finance its current account deficit indefinitely. This wild assertion was made June 1 by Roger Kubarych, the vice president and deputy director of the Federal Reserve Bank of New York—after the United States announced a whopping $40 billion-plus trade deficit for the first four months of 1984.

● **CONTINENTAL ILLINOIS** stock is being virtually liquidated on the markets, trading at 5.5 at the close of June 1. Three weeks earlier, it was trading above 20. On the same date, Manufacturers Hanover stock had dropped down to 42% of its March 31 book value of $62.32.

● **SIR GEOFFREY HOWE,** the British foreign secretary, will demand U.S. defense cuts at the London economic summit June 7. Howe said May 29, "Lower interest rates, smaller budget deficits, and more predictable exchange rates are essential if the non-industrial nations are to share in the recovery." As Chancellor of the Exchequer, Howe slashed government support to U.K. industry in 1979 and predicted a recovery that never came—earning him the sobriquet of Sir Geoffrey When?