Business Briefs

Ibero-American Debt

State Department threatens Peru

Assistant Secretary of State for Inter-American Affaris Elliott Abrams threatened Peru in an interview with the daily *La Repubblica* in Lima, Peru, Feb. 2:

"We think it is a mistake to put arbitrary limits on the quantity of money which is paid to creditors, and it is an even bigger mistake to refuse to negotiate with the IMF. Peru has decided not to negotiate with it. *We* should try to work within the institutions and not against them. However, having declared Peru's debt to be 'value impaired,' is not a sanction against the Peruvian government's rhetoric, nor related to the IMF.

"Peru decided to leave the system. . . . Having taken that decision, it must, however, face certain inevitable consequences."

Abrams said that the cuts in U.S. aid to Peru were done "automatically" under the law. He admitted that Peruvian President Alan García "has the courage to fight" the drug mafia, but would not commit himself on giving serious levels of aid.

The threats seem to have fortified Peru's resolve not to change its debt policy: Peru extended the moratorium on amortization of principal of its debts until May. The moratorium, declared by President García at his July 28 inauguration, expired at midnight Jan. 31. Official notice of the extension was published on Feb. 1, though Peruvian authorities had reportedly briefed creditor banks on the measure.

Merry England

Government moves for more privatization

During the week of Feb. 3, the British government unveiled its timetable for "privatizing" the 10 giant authorities that supply most of the pure water consumed in England and Wales.

This is being portrayed in Britain as "bolder" than the recent privatization of British Telecom.

The *Times* of London quoted one opponent of water-privatization, who says, "You can live without a phone, but you will not last long without water." The *Times* itself adds: "This week's move to privatize water will be the first time a government has tried to take one of the absolute necessities of life, out of public ownership."

Meanwhile, the consequences of Britain's monetarist policies in other areas became evident: The government announced on Jan. 30 that the number of people out of work in Britain rose in January to a record 3.4 million, or 14.1% of the work force.

The Department of Employment said the number of jobless has now reached a total of 3,407,729, surpassing the previous record set last September.

Middle East Development

Israeli prime minister for 'economic progress'

"Economic progress, even prior to the solution of all political differences," would be the "foundation" for a settlement in the Middle East, Israeli Prime Minister Shimon Peres told the London Royal Institute of International Affairs on Jan. 22.

According to the text of the speech, Peres also stressed that "1986 is the crucial year" for peace in the Mideast, and, "if wasted, the opportunity may never return."

Excerpts from the speech include:

"Mr. Chairman, we are convinced that if peace is to be advanced, we must concentrate on economic development, on the widening of the industrial base and technological infrastructure of the countries in our region.

"Europe, the United States, and the Middle East countries can join hands in an imaginative new Marshall Plan for the development of economic and technological infrastructure in our region, thus advancing economic progress even prior to the solution of all political differences. Indeed, an improved economic foundation may produce a better psychological setting for the difficult political decisions required.

"The need for rapid progress stems from the painful realization that, in the Middle East, an atmosphere of peace is a perishable commodity. . . ."

Africa

'IMF blamed for everything'

The Nigerian international newsweekly *Concord*, published in both Lagos and London, carried a three-quarter page report by the Schiller Institute in its Feb. 6 edition, denouncing the IMF and the World Bank.

The Institute report was originally a two-page announcement of the Paris Conference on Africa Development (story on page 34). Under the headline, "IMF Blamed for Everything," the *Concord* announced the conference and the creation in Paris of a "North-South Action Committee for a New World Economic Order against the IMF."

Though publishing the entire communiqué as written, *Concord* added one sentence of its own comment, reflecting Nigeria's factional fight on the issue of the IMF, saying that the Institute is "well-known for its conspiracy theories in world economics."

It goes on to list the urgent actions demanded by the Institute against the IMF, and the Institute's proposal for large-scale infrastructural development projects.

German 'Recovery'

Unemployment grows, more austerity asked

In January, the German jobless rate reached 2.6 million, the worst January since 1948, making the Bonn government's "recovery" propaganda look ridiculous.

The figure shows a hardening of long-term unemployment, increasing short-work in the construction branch, and a rising rate of insolvencies, mainly among medium-sized companies.

Simultaneously, Germany's third-largest chain of department stores, Hertie's, announced on Feb. 4 that five of its stores will be closed in northern and northwestern Germany.

"With unemployment rising, people buy less. That is why we have to close," a spokesman said. The stores lie in cities with above-average jobless rates, like Dortmund, Herne, and Bremen.

According to official estimates published by the Ministry of Agriculture on Feb. 5, German farmers' income will drop by another 6% in 1986. There will be agricultural income losses of 4-8%, adding to a 22% loss in 1985. This income loss of about 30% in two years will put many indebted farmers on the chopping block by the end of 1986.

Farmers' rage against the government is increasing, portending problems in the 1987 national elections for the Christian Democrats, who have had a strong constituency among farmers.

Meanwhile, Otto Count von Lambsdorff, former economics minister, in an interview with the *Frankfurter Allgemeine Zeitung* on Feb. 3, called for greater austerity, and "if the people scream, let them scream."

Attacking the current austerity line of Chancellor Kohl as "too soft," Lambsdorff said that mere fiscal austerity was not enough, but that general cuts had to occur in state subsidies to steel, mining, etc.

The count also advocated the reprivatization of state-owned industrial enterprises, and called for a relative lowering of wages and labor health care.

He was removed from office last year in a scandal involving accepting bribes.

Libya

U.S. companies in Libya may evade boycott

The State and Treasury departments may exempt the U.S. oil companies in Libya from the embargo imposed by President Reagan.

The administration is considering granting licenses to the companies that would allow them to continue to receive some income from Libya after the embargo starts.

A high-level State Department and Treasury Department group is acting on requests from the companies to exempt them from the ban on further business in Libya, on the grounds that this would prevent the Libyans from reaping a "windfall" from the assets and incomes of the companies.

The State Department, meanwhile, refuted reports charging that
are getting around the embargo by lending or selling their production to European companies. "We have no reason to believe that they have taken any action inconsistent with the President's request," said spokesman Bernard Kalb.

International Debt

Italy may cancel debts of poorest nations

The Italian government may cancel the debts of the poorest countries, according to the newspaper *Il Giornale* of Feb. 4.

The idea of a debt cancellation had been proposed by Francesco Forte in the Socialist paper *Avanti!*

According to diplomatic sources quoted by *Il Giornale*, "In Palazzo Chigi [the government], the problem has long been under scrutiny, and is viewed with interest. The developing countries can be helped either by giving food or by keeping these countries from being destroyed by debts. Such a decision is viewed favorably."

Austerity

Democrats pushing protectionist measures

House Democrats in Washington have seized upon new figures showing the U.S. trade deficit at a record $148.5 billion, to push protection measures.

The Democratic Leadership Council proposed a nine-point plan, which would give the U.S. broader power to retaliate against "unfair foreign trade practices," require U.S. Trade Representative Yeutter to set targets for increased exports to a number of countries, and establish a "war chest" to combat foreign export subsidies.

"We need to try to force open the doors of other markets," said sponsor Rep. Dan Mica (D-Fla).

Briefly

- **'GRAMM-RUDMAN** . . . is like eating two MacDonald's hamburgers in a row. It destroys your internal economy," a London strategist, just returned from several days in Washington, commented to *EIR* on Jan. 31.

- **JAPAN'S** leading Dai-Ichi Kangyo Bank announced on Feb. 5 that it would lower its short-term prime lending rate; banking sources said that similar action from other banks was expected. The rate paid to creditworthy customers would drop to 5% on Feb 24. The reduction follows the lowering of Japan's official discount rate—interest paid by banks on funds they borrow from the Bank of Japan—to 4.5% on Jan 30.

- **U.S. FACTORY** orders rose $5.2 billion, or 2.7% in December, the largest increase in 13 months, according to the notoriously unreliable Commerce Department. Commerce also reported spending on new construction rose 2.8% in December, following a 0.4% decrease in November.

- **TEXACO** announced on Feb. 3 that if it is ordered by a court to post an $11.1 billion bond while appealing the decision on a lawsuit brought by Penzoil, the company will go bankrupt before the appeal can be heard.

- **E. I. DU PONT** de Nemours, the nation's largest chemical company, reported on Jan. 29 that its fourth quarter profits were up by 23%, largely as a result of its energy businesses. For the year, Du Pont reported total earnings of $1.12 billion, down 22% from $1.43 billion in 1984, as sales declined 4% to $29.5 billion. Du Pont is now under the control of Edgar Bronfman via the Seagram's liquor firm, which has controlling interest over Du Pont.

- **WAGE INCREASES** in 1985 were the worst since records were begun in 1968—only 2.3%. More workers lost their cost of living benefits than gained them in 1985.