

Business Briefs

East-West

Gorbachov desperate for Western goods

West German Economics Minister Martin Bangemann met with Mikhail Gorbachov for 90 minutes in Moscow May 16. Their discussion focused on economic cooperation between Germany and the Soviet Union.

The meeting was set up at Gorbachov's personal request just before Bangemann arrived in Moscow for a "routine" encounter with Deputy Prime Minister Valentin Ryshkov on economic issues.

Earlier in the month, high-level Soviet officials had visited Bonn, and addressed some 250 German bankers and industrialists. A consortium led by Deutsche Bank thereafter announced that it would grant a large line of credit to the Soviet Union.

European press reports say that Gorbachov is quite desperate to get credit lines, food supplies, and other basic goods from West Germany, to calm the internal Soviet situation. Food and other shortages have been widely reported in the Soviet Union.

Deutsche Bank chairman Friedrich W. Christians, who visited Moscow two weeks before Bangemann's visit, was taken by surprise when Ryshkov approached him with the question, "Can't you provide a credit of one billion rubles plus a list of companies that can deliver promptly?" Christians, wondering about the rush, was told by Ryshkov that Gorbachov's "reform" would only work if he got "support from the West."

A report carried in the London *Times* said that the Soviets may be embarked on a crash plan to import food "to cover the worst shortages in decades." Should the "crash import program" materialize between now and the June party conference, the *Times* says, it would not mark a "rebirth" of expanded East-West trade, but a stop-gap.

Sources expect that the Russians will focus their purchases on beef, fruit, and vegetables, the three areas with the worst shortages, and singled out as such by Gorbachov in at least two recent speeches.

Observers recall that severe food shortages immediately preceded the downfall of Nikita Khrushchov in 1964, and that the

shortages ended as soon as Khrushchov had been forced out.

Italy

New government plans more austerity

The Milan Stock Exchange began plunging after April 15, 1988 in the same fashion it did in the month prior to the "Black Monday" crash of Oct. 19, 1987. In the 30 days following April 15, the exchange lost 7.7% of the value of all stocks.

Meanwhile, the first act of the new Italian government makes it look like the old Italian government. Prime Minister De Mita has met with his cabinet to plan a tax increase and budget cuts of about \$6 billion to be imposed immediately. It has also drawn up a plan for a budget cut of \$30 billion over the next three years.

Transport workers, teachers, and other public sector workers have been engaged in months-long strikes for wage increases, while the government is continuously stalling on negotiations.

Middle East

Peres says 'Marshall Plan' still alive

Israeli Foreign Minister Shimon Peres said that his proposal for a "Marshall Plan" for the Middle East "is still very much alive, although those involved are working quietly," in response to a question from *EIR's* Nick Benton at the White House May 17.

"There is now a different cluster of nations involved, including those who have economic, if not political influence in the Middle East." Most interpreted that to mean Japan.

Peres said, "There are two tendencies in the Middle East: fundamentalists who represent regression, narrowness, and belliger-

ence, and everyone else who is reasonable and moderate." He said that Israel's enemies are not Arabs per se, "but those nations that are belligerent toward us."

Peres proposed his Marshall Plan when he was prime minister in 1986, with the aim of providing an economic foundation for any peace settlement with Arabs and Palestinians.

Science

Soviet agreement worries Pentagon

"A draft scientific agreement approved May 13 by a State Department-led negotiating team could be used by the Soviet Union to obtain data directly from American high-tech companies," reported the *Washington Times*, citing "worried Reagan administration officials." Representatives of the Defense Department hope to kill the offending provision before it is signed at the Moscow summit.

The article under dispute would allow direct contact between either of the two governments and individuals working for firms that are engaged in scientific research.

Meanwhile, Sen. Chic Hecht (R-Nev.) told the *Washington Times* that he has forwarded a letter from Dr. Edward Teller to Mikhail Gorbachov urging him to permit Dr. Andrei Sakharov to attend an upcoming conference on nuclear reactor safety to be held at George Washington University in Washington.

"It was Dr. Teller's feeling that if the two could get together, their great knowledge of nuclear physics would work for peaceful solutions," said Hecht. Hecht, while in Moscow, also met Sakharov, who had been invited to a reception at the U.S. embassy in Moscow during Hecht's stay.

"Dr. Sakharov told me that Dr. Teller is one of the most brilliant men in the world, and we talked about the invitation for 25 minutes," said Hecht. "He was very appreciative of Dr. Teller's personal invitation and says he hopes he can come."

Water

Dust bowl conditions in southwestern U.S.

Huge sections of the United States face serious drought as the country heads into the heat of summer, and some of the hardest-hit areas are now in their second or third year of drought, reported the *New York Times* on May 14.

The Southwest, particularly southern and western Texas, is in most trouble, with many Texas farms and ranches having received less than one-third of their normal rainfall this year.

Texas livestock exchanges report that ranchers have taken to early sales at low prices since they have given up hope of saving their cattle.

The Karnes County Livestock Exchange reports sales of 1,100 to 1,300 head of cattle compared to 300 to 500 for the comparable period last year. Farmers in the afflicted area have reported that relief which was granted by the federal government under less severe conditions last year has not yet been granted this year.

A request from Texas Commissioner of Agriculture Him Hightower to the federal government to declare the affected areas eligible for federal emergency relief has been turned down.

San Francisco has imposed a 25% cut in water usage, while Los Angeles, which pipes its water from the north, has ordered a halt in the hosing down of sidewalks and has instructed restaurants not to serve water to their customers unless it is requested.

Ibero-America

Peronist candidate calls for debt moratorium

Argentine presidential aspirant Carlos Menem, The Peronist governor of La Rioja province, has stated that if he is elected, he will declare "a moratorium on the foreign debt to the International Monetary Fund."

Under current President Raúl Alfonsín,

the Argentine economy has been badly damaged by austerity policies dictated by the IMF.

Menem also stated that he would push for a penal code reform to make drug-trafficking punishable by death, and embargo British assets in Argentina until the British stop using their navy to steal fishing resources in the South Atlantic.

By contrast, Córdoba Gov. Eduardo Angeloz, heir-apparent to Alfonsín as the probable presidential candidate of the President's Radical Party, declared that if he is elected, he would definitely "not declare a unilateral moratorium," or even "threaten such a possibility. He said he would encourage exports and try for a gradual reduction of interest rates.

Financial Markets

Stock traders' morale called very low

According to the May 19 "Heard on the Street" column in the *Wall Street Journal*, stock trading volume is down, brokers' morale is "horrendous," and "Wall Street is bracing itself for another round of layoffs."

It goes on to say that institutional trading volume is down 30% for the year, and 40% for the month of May. When there is any volume to speak of, it has been largely due to dividend-capture plays.

On May 18, for example, 64 million of the 209 million shares traded were shares of one such company's stock.

Another factor in volume is index arbitrage, or shares of stocks involved in takeover attempts.

Wall Street sources estimate that it requires 140-150 million shares traded daily, not counting the above types of transactions, in order for Wall Street stock firms to break even. They haven't been hitting this on any consistent basis.

Diane B. Glossman, director of research at Mitchell Hutchins Institutional Investors, said, "Investors see brokerage stocks as proxies for their expectation of the markets, which is why I think they'll be sort of dead meat for a while."

Briefly

● **GOLD** is set to rise dramatically with any new stock market contraction. The precious metal has risen significantly over the recent period, in part because of Taiwan's massive purchases to replace its dollar reserves. Taiwan has the third largest dollar reserves in the world, at \$75 billion.

● **WILLIAM SIMON**, Treasury secretary under Gerald Ford, not only believes in the "magic of the marketplace"; he believes in magic. Simon wrote the introduction to a recent book, and states that astrology "might seem to the cynical contemporary Westerner a mild form of lunacy. . . . I have come to view it as a fascinating perspective from which to survey one's personal strengths and weaknesses in the area of finance and to anticipate trends in the world marketplace."

● **THE PACIFIC** Economic Cooperation Conference, sponsored by the Japanese government, convened in Osaka, Japan in mid-May. The featured agenda item, said the Japanese Foreign Ministry, is to thrash out trade problems between industrialized nations and Asia's newly industrializing nations—especially conflicts with the United States.

● **HUNGARY** has just signed a standby agreement with the International Monetary Fund. Central bank head Janos Fekete stated May 17 that this signified "temporary hard measures" for the Hungarian people.

● **ULTRAVIOLET** light stimulates the growth of the AIDS virus, say researchers for Smith Kline and French Laboratories. Certain chemicals also cause the virus to reproduce and grow dramatically. "This work could help explain why the HIV virus remains dormant for years without necessarily leading to AIDS," a company official told the *Philadelphia Inquirer*.