

Business Briefs

Fiscal Policy

Supply-sider protests IMF interference

"The International Monetary Fund has no right to tell the U.S. to cut expenditures," Columbia University economist Robert Mundell said in an April 7 interview. "The United States doesn't have balance of payments problems. It is in equilibrium. It has a floating exchange rate, which is what it is supposed to have under the Jamaica agreement. Moreover, the dollar is appreciating in any case."

Mundell, a former IMF economist whose arguments formed the basis for "supply-side economics," argues that the "IMF has responsibility only in balance-of-payments questions," and "has no authority to tell the U.S. to retrench" at a time when it cannot demonstrate an American balance-of-payments problem.

Mundell also predicted that the U. S. would reject suggestions that it join the Bank for International Settlements. "Everybody else would like the U.S. to take part, because the U.S. is the biggest country. It's only a way for other people to take over part of the power of the U. S. But the U.S. wants to keep its options open, and won't join."

Ibero-America

Financial Times decries Brazil-Mexico barter

In an editorial April 8, the London *Financial Times* warned Mexico and Brazil against the multibillion-dollar barter agreement concluded by Brazilian economics minister Delfim Netto the week of April 4, under which Brazil will sell Mexico machinery in return for oil.

The British newspaper's editorial on the subject says that it "is difficult to accept the relevance of the barter deals because barter provides no foreign exchange for debt service," and "it diverts potential exports that might otherwise be available for export against hard currency, and it may commit

Brazil to greater oil imports from Mexico than the austerity program warrants."

Apparently, the *Financial Times* fears what the Swiss newspaper *Neue Zürcher Zeitung* predicted in a dispatch from Buenos Aires April 7: an Ibero-American debtors' cartel.

U.S. Economy

End of March business failures top 600

Dun & Bradstreet reports that business failures for the week ending March 31 again topped the 600 mark with the greatest increase coming in manufacturing and among companies having liabilities over \$100,000.

"All types of operations except retailing showed a mild rise in failures during the week just ended," Dun & Bradstreet goes on. "All functions had heavier casualties than in the like week last year, with the steepest climb from 1982 in manufacturing."

"Geographically, the week's upturn in business failures took place in six of nine regions. Leading the climb were the East North Central and West South Central States."

Year-to-date business failures were 7,733 compared to 1982's year-to-date figure of 5,705. This year's business casualties are running 36 percent above last year's.

Development Policy

Peres proposes new Israeli policy

In interviews with the Spanish papers *El Pais* and *ABC* April 5, Israeli Labour Party chairman Shimon Peres supported the diplomatic efforts in Ibero-America of Spanish President Felipe González and attacked the policy orientation toward Central America devised by former Defense Minister Ariel Sharon. "The Spanish president must be listened to," Peres stated. "His policies deserve attention and respect, because they are

his personal opinions and because of the already existing relations between Spain and Latin America." On Israel's orientation toward Central America, which has been to foment regional wars to expedite arms sales, Peres stated: "The Israeli Labour Party would like to reduce Israeli activities in Central America."

Asked what would be discussed at the meeting of the Socialist International beginning in Lisbon, Portugal April 17, Peres stated: "The International must deal with the North-South dialogue, the necessity for arriving at a new world economic order, disarmament, and the solution to the armed conflicts throughout the world."

Prominent Israeli politicians have not been wont in the past period to talk about the "new world economic order" in a positive context. An Israeli source in Europe claims that Peres' statements to the Spanish press indicate that Peres is staking out an "alternative way" for Israel to become more involved in the developing sector.

European Industry

No 'drop' in German unemployment

While the "official interpretation" of unemployment data released by the West German Labor Office on April 6 touts "the first drop of unemployment since May 1982," all of the chief industrial centers of the country are reporting increases in the unemployment rates that are turning key cities into disaster areas.

According to the official figures, there was a 180,000 person drop in total unemployment in March, to 2.396 million. Those on "short work" declined by 11 percent to 1.023 million, giving an overall 9.8 percent rate of unemployment.

But six out of nine districts in the industrial Ruhr area recorded increased unemployment. Two cities showed increases to post-war record levels of unemployment: in Bochum there was a 0.5 percent increase to 13.6 percent, and in Dortmund an 0.7 percent increase to 14 percent. The Krupp steel centers of Duisberg and Gelsenkirchen both showed unemployment increases to over 14

percent.

Lower Saxony reported no change in unemployment because the Bonn government's efforts to launch a mini-boom in housing construction has absorbed a small fraction of the over 200,000 unemployed construction workers, although this was "nullified by layoffs in other areas," according to Lower Saxony authorities. The city of Bremen, which ended 1982 with an average unemployment rate of 10.3 percent, 1.3 percent above the national average, reported no detailed statistics, but will be devastated by the collapse of shipbuilding.

While the German Bundesbank is bending over backwards to support the Kohl government's "recovery" by pumping money into the economy at an 11 percent rate of growth, although the official target for "monetary growth" was within 4 to 7 percent, the Machinery Association (VDMA) has thrown a cold shower on the propaganda. Incoming orders in February, the Association announced April 6, were down 11 percent from February 1982, and still falling. Domestic orders were down 16 percent and orders for exports of plant and machinery fell by 8 percent.

The VDMA has already made it clear that the machinery sector is so export-dependent (only 30 percent of business is domestic), that it is impossible to compensate for collapsing exports. Orders dropped last year by 21 percent to 20.2 billion deutschemarks, and sales dropped even faster, by 28 percent. The machinery sector still employs 95,000 people.

World Trade

Japan protests embargo on exports to Soviets

The Japanese government determined April 6 to file a protest against President Reagan's legislative proposal for greater restrictions on Western high-technology exports to the Soviet Union, according to Jiji press.

Japan will tell the U.S. administration that such export restrictions will affect the unity of the Western alliance and the stability of international trade, Japanese officials announced. The Japanese government will

also seek a detailed explanation of the purpose of the legislation from the U.S. administration.

Reagan's proposal, which was sent to Congress on April 4, calls for the renewal of the 1979 export administration act, which will expire at the end of September. An additional clause proposed by Reagan would impose restrictions on exports to the United States on foreign companies which ignore U.S.-imposed controls on high-technology exports to the Soviet Union. Previous legislation cut back U.S. exports to nations not complying with the U.S. high-technology restrictions, hurting U.S. exporters in the world market.

The Japanese foreign ministry and trade and industry ministry stated that such a clause might conflict with international law, and could adversely affect Western nations' trade with the Soviet Union.

Drug Trafficking

Leading banks cited in New York trial

Leading banks are expected to be named in a trial which opened April 7 in New York City of Colombian cocaine dealer Eduardo Orozco, who was seized and indicted last November.

Orozco was discovered to have deposited \$150 million in drug revenues and other illegal funds in offshore banking accounts which were taken into custody after his arrest. Six other people are on trial with Orozco as co-conspirators, including Fred Gambale, a former branch manager for Citibank, one of the largest banks in the United States. Orozco is reported to have worked with officials from other leading banks, still unnamed, in laundering his cocaine funds, as well as with government officials of foreign countries.

Orozco's money laundering operation was disguised as a lending agency, located at 120 Wall Street. Drug enforcement officials report that the U.S. Treasury Department wants to tighten scrutiny and regulation of such non-banking "lending" operations around the country, as part of an effort to break up drug-money laundering rings.

Briefly

● **BRUNO BERTHEZ**, editor of the largest circulation French economics weekly, *La Vie Française*, warned in an editorial April 4 that "Our English friends have dropped their mask and revealed their true intentions: France should not hesitate to abandon a part of its sovereignty to the International Monetary Fund." Berthez notes that "in the second Delors plan, there is no more talk of industry. . . . It is just austerity and asphyxiation, which will lead to no recovery at all."

● **JAPIC**, the Japan Project Industry Council, a new business organization for the promotion of large domestic and foreign industrial projects, was authorized by the Japanese government April 5 as an official non-profit corporation. The council will involve major businesses and industrial organizations, and will be chaired by the head of Nippon Steel, Eishiro Saito. Saito is a close collaborator of Masaki Nakajima, who first proposed the Global Infrastructure Fund (GIF) recovery plan. Saito said that JAPIC would consult with the banks on possible international syndicated loans for big domestic projects. JAPIC will also consider big overseas projects "such as the construction of the second Panama Canal."

● **THE SOVIET UNION** has designed a reverse Payment-in-Kind style program to encourage food production. The *natural'naya oplata* (natural payments) program offers bonuses for farms exceeding their production quotas. Workers on state-owned grain, vegetable, fruit, and fodder farms can receive up to 15 percent of the extra crop production in addition to their regular wages, according to a USDA report. Similar policies have been recommended for collective farms, which are more autonomous than state-owned farms. The bonuses are aimed at getting farmers to raise more cattle, sheep, and poultry on their private plots to help relieve the meat shortage.