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Business Briefs

Brazilian Debt

Brazil's new debt terms 'laughable'

"Brazil is to get two new loans for $12 billion; terms eased" the *New York Times* wrote on its front page Oct. 7. Closer examination finds the banks magnanimously reducing interest spreads—by exactly one-eighth of a percent—and doubling the grace period on principal payments to five years. Brazil's well-hidden request for a five-year moratorium on interest payments was rejected by the 60 banks which were convened under the auspices of the International Monetary Fund in Washington Oct. 6.

The token reduction of interest to 2 percent over LIBOR, and possible reductions in fees, are a cynical concession to nationalist reactions in Brazil against "suicidal" efforts to service its $90 billion debt. "The bankers are making asses out of themselves. The new terms are laughable," a Baltimore banker told *EIR*. Brazilian sources figure the better terms will save $100 million on the estimated $12 billion in interest Brazil must pay next year. But Brazil will be more than $4 billion short even if it manages to export 50 percent more than it imports. The country will be bankrupt again in June, at the latest, New York bankers confirm.

Furthermore, European, British, and regional banks are largely unwilling to put their share of the $6.5 billion in new money. And the entire refinancing is dependent upon the Brazilian Congress accepting wage cutting Decree Law 2045 later this month. Confronted by the refusal of even his own party to try to pass this draconian bill, President Figueiredo retreated Oct. 5 and said he would negotiate new terms with the Congress.

European Debt

France's demand: 'Third World must pay'

Under pressure from France's own overwhelming debt burden, the Mitterrand government is apparently attempting to force debt restructuring on its bankrupt debtors in the developing sector.

France does not expect to recover its loaned capital, but, according to an early-October issue of the *Nouvel Observateur,* "The only thing she can expect to avoid, is that we would avoid, through last chance solutions, a generalized bankruptcy of the Third World, which would provoke a collapse of the whole monetary system."

"To avoid the worst, i.e., the collapse of the international monetary system under the terrifying weight of the $700 billion debts accumulated by the Third World was the aim of the IMF meeting in Washington [Sept. 27-30]," the *Nouvel Observateur* reports.

France is on the front lines of the countries holding bad debts, amounting to between 100 to 150 billion francs—funds the nation will probably never see again. This is one third of the value of enormous industrial contracts signed in the world for the past 10 years. The three main debtors are Iraq, Brazil, and Nigeria, of which the weakest is Iraq.

Mexico

Monterrey Group sets up private-sector cartel

The closely knit group of oligarchic families which controls Mexico's heavy-industry center of Monterrey has created a private-sector version of a debtors' cartel in Mexico—a development unprecedented in Mexico's private sector, *EIR* sources report. The half-dozen giant conglomerates which dominate the city owe a total of $7 billion to foreign creditors, fully half of Mexico's total private-sector foreign bank debt of $14 billion.

According to the Oct. 4 *Wall Street Journal*, the conglomerates are refusing to discuss arrangements for renegotiation of the debt with either the Mexican central bank or the foreign creditors until the spreads and fees they would have to pay are brought down. In addition to a base rate of over 2 points over LIBOR, the Monterrey companies face rescheduling fees of roughly 1 percent, and payment of a special tax, heretofore paid by the foreign bankers. The tax would add roughly two points more to the amount the companies would pay, for a total of five points over LIBOR.

The Monterrey companies are denying they are involved in any cartel activity: according to the *Journal*, they are claiming that it is just an accident that they all have exactly the same position. The government and the foreign creditors are increasingly worried that Monterrey's resistance will help sink the overall private-sector debt rescheduling plan, called Ficorca, due to be completed by Oct. 25. If Ficorca falls apart, the whole "Mexico success story" may follow suit.

International Trade

Japan to curb steel exports to U.S.

Japan's largest steelmakers announced at the beginning of October that they would voluntarily curb exports to the United States in order to prevent any recurrence in bilateral friction in steel trade, according to Jiji press. Japan's exports to the United States had increased sharply in the July to September period.

Japanese steel exports to the United States rose to 1.2 million tons in the third quarter, up from 960,000 tons in the same period last year. Overall Japanese exports to the United States may increase by 7 to 8 percent from 1982, to a total of 4.15 million tons.

Domestic shipments by U.S. steelmakers have remained low over the same period. U.S. steelmakers are claiming that an ostensible increased demand for steel due to the purported economic recovery in the United States has been met by imports. Japan's producers are apprehensive that they will again be subject to strong criticism from U.S. producers unless Japanese exports are cut.

Despite the fact that their earnings will be lowered by the voluntary export cuts, Nippon Steel Corporation, Nippon Kokan,

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and other large steelmakers are considering holding down fourth-quarter exports to ensure that total exports do not exceed 1982 levels.

International Finance

FAZ: Strategic issue is debt, not missiles

The West German daily *Frankfurter Allgemeine Zeitung* published an editorial Oct. 7, warning of the danger of a financial collapse. Title "Mountains of Debt," it began: "The missile debate which is dominating everything ensures that other existing problems are not noticed. . . .

"To the broad public, the grave international debt crisis is not an issue. But the experts know that all the dangers emerging from the enormous mountain of debt of the countries of Latin America, Africa, and East Europe for the world economy and the international monetary system are much more realistic than the often-worshipped threat of nuclear war."

The *FAZ* contended that after the Mexico debt crisis of last September, bankers have somehow managed to "prevent the debt bomb from exploding," but, at last week's IMF meeting in Washington, "it became clear that the calm on the surface is deceiving.

"In all of the big debtor nations, resistance against the obligations of payment is growing. . . especially in South America. It will be unavoidable to concede a debt moratorium and to extend the repayment of the debts over a period from 10 to 15 years. It will be unavoidable, too, to grant new commercial credits to these countries. . . ."

Research and Development

USDA using dart board instead of Landsat?

The head of the private-sector Geosat committee in California stated at Oct. 5 that the U.S. Department of Agriculture must be "using a dart board" to decide what their crop forecasts will say—the only way the USDA could have achieved its demonstrated inaccuracy of prediction. At the same time, this spokesman reported that at recent government hearings, all the government agencies that testified on the future of the satellite Landsat system said they have "no requirement" for this data!

Industry specialists and NASA have already demonstrated that the Landsat remote sensing data can be successfully used to predict agricultural production. As early as 1979, their estimates of Soviet grain growth were within 1 percent of the final reported production after the harvest.

Agriculture

Food and fiber commission proposed

At the instigation of Kansas Governor John Carlin, a new member U.S. Food and Fiber Commission could be formed after the Midwest Governor's conference in Kansas Oct. 9-11.

The Commission would function like the Federal Reserve Board, explained Prof. Barry Flinchbaugh, the resource person for the bipartisan group set up in Kansas to lobby for the national commission. Flinchbaugh is an agricultural economist at Kansas State University.

The group's chairman, farmer Adrian Polansky, explained that among its proposals is a call for establishing an export bank, modeled after the Federal Land Bank, to finance overseas sales. "To achieve acceptable income, U.S. agriculture must either learn to operate in the international market or scale down its production by at least a third," Polansky stated.

At least part of U.S. agricultural programs should be financed with farmer contributions, he claimed. In addition, a revenue insurance program should be developed to stabilize family farm income, to replace direct government support for the farmer.

Briefly

● **MEXICO** signed an agreement with 500 international banks to restructure $8 billion of debt Sept. 29. With this agreement, which follows the agreement to restructure $11.4 billion in August, Mexico will have nearly completed the restructuring of $20 billion in public sector debt which was part of the overall agreement with the IMF in December 1982. The debt restructuring has been delayed several times over the past year.

● **YUGOSLAVIA'S** largest and third largest banks, the Beogradska Banka and Yugobanka, are going to merge, according to reports by the Yugoslav government, to further restrict handling of credit and foreign currencies. *Die Welt* reported Oct. 3 that the northern provinces of Slovenia and Croatia are very opposed to this policy, because they fear total Serbian control over banking.

● **THE IMF** is threatening halt the recently signed agreement between Peru and the Club of Paris private creditors and to end loans to Peru, according to *Peru Economico* magazine. The IMF, claiming that Peru did not fulfil its goals for September, is sending a delegation to Lima in order to go over the government's statistics, and is demanding new austerity measures on exchange and tax policies. Peru is in arrears with the World Bank and the Interamerican Development Bank.

● **U.S. BANKS** have been trading in their Brazilian debts with interest arrears of more than 90 days for Mexican debt paper in order to avoid having to report the Brazilian debt as "non-performing" on their quarterly balances closing Sept. 30. One New York bank traded $150 million in Brazilian paper with big arrears plus $100 million in cash in return for $250 million in Mexican paper, on which interest is being paid, with a Brazilian offshore bank.