Business Briefs

Asian Debt

Banks won't accept Marcos's proposals

The 12-bank committee overseeing the recent debt renegotiation with the Philippines has expressed unwillingness to accept President Ferdinand Marcos's proposal to have the Prime Minister Cesar Virata, who is also the finance minister, function as his successor. Marcos associate and cabinet minister Arturo Tolentino, whose political affiliations have become ambiguous in the recent period, stated that, "With all due respect to President Marcos's 'clarification,' it is not only unconstitutional but extremely dangerous."

A spokesman for one of the 12 creditor banks is quoted by the Nov. 3 *Washington Post* as saying "it would make the bankers much more comfortable if there were an orderly succession mechanism so that the situation won't turn into chaos."

The 12-bank advisory committee, chaired by Manufacturers Hanover and the Bank of Tokyo, and made up of the Bank of America, Bank of Montreal, Banque National de Paris, Barclays Bank, Chase Manhattan, Chemical, Citibank, and Morgan Guaranty, controls only 25 percent of the country's debt. But it is attempting to force smaller U.S. banks with holdings in the Philippines to agree to roll over the debt. One smaller banker claimed that the amount involved in the 90-day rollover was $4 rather than $3 billion, and that half of the $4 billion was the conversion of short-term into medium-term loans—nothing that will alleviate the Philippine's crisis.

At the beginning of the year the balance of payments deficit was projected to be $600 million for the year; it is now $2 billion, with a $711 million jump in Bank of Philippines deficits in the first two weeks of October alone due to the witholding of foreign loans and stepped-up demands for short-term debt payments. Foreign reserves have dropped to about $500 million, enough to cover one month's imports, and could go down to $150 million by the end of the year. The government is holding out for an IMF standby loan as well as two pending $600 million World Bank loans, economic support funds from the United States and yen credits from the Overseas Economic Cooperation Fund of Japan.

Brazil

Figueiredo rebuffs moratorium calls

"Moratorium is not the solution. . . . We will do our best to pay our debts," Brazilian President João Figueiredo assured UPI Oct. 31.

The next night, central bank head Affonso Celso Pastore took off for New York to try to persuade private creditors to commit themselves to the $6.5 billion fresh money component of Brazil's latest refinancing package by the Nov. 10 deadline set by the IMF. In Washington, Pastore admitted to the IMF staff that it was impossible for Brazil to hold inflation under the 160 percent level on which its new letter of intent to the IMF is based. That failure throws Brazil into violation of many of the other quantitative goals in the letter. Pastore sought to revise the letter only two weeks before the IMF directors were expected to approve it at their Nov. 18 meeting.

The world's bankers, even the snarling gnomes of Zürich and the equally hostile London crew, are giving signs that they will accept the new package.

Figueiredo was responding to a growing clamor for cessation of interest payments, even from leading members of his own party such as Deputy Theodorico Ferraço, who said, "We need a moratorium of at least three years to resolve our internal problems." Former central bank head Paulo Lira is calling for five years. Celso Furtado, chief economic advisor of the opposition PMDB party, goes further. He told *Le Monde* Nov. 2, "Brazil is on its own. The largest debtor of the world has an historic responsibility: initiate the moratorium process. The other debtor countries will come along."

With these calls and continuing riots in São Paulo, one would imagine the IMF and bankers would do their best to keep Brazil in the game. However, a source familiar with the thinking of Henry Kissinger reported Nov. 3 that the banks were refusing to provide an urgently needed $3 billion bridge loan without U.S. government guarantees—and Washington is saying "no."

International Credit

BIS admits financial dictatorship role

It has been a common practice of the Swiss banking community to issue carefully doctored exposés on their own evil activities whenever international outrage against Switzerland threatens their freedom of action. This practice explains an otherwise titillating article in the November issue of *Harper's* magazine, entitled "Ruling the World of Money." The article describes, with selected details, how the Swiss-based Bank for International Settlements is a private financiers' conspiracy to oppose national governments' sovereignty, and to control the world's monetary system and gold supplies.

The article is written by U.S. writer Edward Jay Epstein, author of a leading book-length account of the murder of John F. Kennedy, and is a close associate of anti-American CIA operative James Jesus Angleton. Epstein's link to Angleton, plus his report in the article that he was given a rare tour of the internal workings of the Bank for International Settlements, are evidence that the *Harper's* piece is self-serving Swiss propaganda.

Epstein describes the BIS and Swiss

Briefly

● **CEEAC,** the Economic Community of Central African States, was recently created by a treaty of ten central African countries. These include Cameroon, Gabon, Chad, Sao Tome and Principe, Equitorial Guinea, CAR, Burundi, Rwanda, and Zaire. Omar Bongo, the president of Gabon, stated that Angola did not sign the treaty because Luanda feels that at the moment it can not fulfill its obligations due to South African occupation of part of its territory and the unstable internal situation caused by South African-backed Unita rebels.

● **BRITISH** Energy Minister Peter Walker begins a six-day trip to China Nov. 3 to discuss British participation in China's offshore oil industry. The British *Guardian* and the *Journal of Commerce* agree that Hong Kong is the perfect center for the Chinese offshore oil industry in the South China Sea. Brown and Root has just signed a deal with the Chinese to this end. Atlantic Richfield and Santa Fe Minerals have been operating in the area since January. French Elf and Aquitaine, and Japan National Oil, are also involved.

● **WEST GERMANY** has agreed to sell India spare parts for its Bombay nuclear reactor.

● **THE FRENCH** defense budget is slated to be increased by some 6.66 percent next year, but at the same time the number of soldiers in the armed forces will be cut. Equipment is to be improved, and the research and development in the nuclear and tactical nuclear forces.

● **IRAQ** is reportedly seeking a two-year postponement on a 30 billion yen debt to Japan's Toshsiba and Toyo Engineering Corporations.

banking community as "the most exclusive, secretive, and powerful supranational club in the world," then argues that were it not for the existence of this elite "inner club," the world financial system would have collapsed long ago.

In this connection, Epstein cites BIS chairman Fritz Leutwiler: "I have no use for politicians. They lack the judgment of central bankers."

Banking

Who pulled down Schroeder Münchmayer?

The West German Bundesbank issued an official communiqué on Nov. 3 stating that the four senior partners of the elite private bank Schroeder, Münchmeyer, Hengst & Company, visited central bank head Karl-Otto Poehl the night of Nov. 1 to announce that the bank's problems were insurmountable. A joint meeting of the Bundesbank and the German commercial and savings bank, after meeting through the night of Nov. 2, extended DM 450 million in credit.

Official statements claim that Schroeder, Münchmeyer got into trouble after its loans to the asset-stripping operative Horst-Dieter Esch and his high-risk conglomerate IBH hit heavy losses. The bank has no less than DM 600 million in uncovered claims against IBH, and made DM 200 million loans to Esch himself.

But this explains nothing of the emergency: IBH lost DM 120 million last year and was expected to lose another DM 60 million this year—nothing that Schroeder, Münchmeyer and its own bankers could not have quietly absorbed in a period of a few months.

Schroeder, Münchmeyer is the flagship of German private investment and merchant banking. The Schroeder family helped finance Adolf Hitler before he came to power; after the war, it was Alwin Münchmeyer who made German banks acceptable again on the international scene. Münchmeyer, a mentor of former chancellor Helmut Schmidt, Economics Minister Count Otto Lambsdorff, and Foreign Minister Hans-Dietrich Genscher, chaired the German Bankers' Association for 20 years, and was the single most important controller of the financial side of Willy Brandt's *Ostpolitik* in the 1960s—a formidable center of financial and political power that would seem unsinkable within Germany itself.

Black Economy

Panama becoming world drug money haven

Panama, the most-favored tax haven in the Western Hemisphere, is rapidly becoming a world center for laundering huge drug-trade cash profits. While other tax havens are loosening their bank-secrecy laws, the Panamanian government continues to permit huge cash deposits without any regulation—a ideal repository for drug funds. According to a front-page article in the Nov. 3 *Wall Street Journal*, shipments of boxes of cash are arriving for banking in Panama.

Transactions were previously made by transfers from deposits in U.S. banks, but in the recent period U.S. law enforcement officials are enforcing 1970 laws requiring U.S. banks to file forms with the Treasury on any cash transaction over $10,000 as a means of controlling drug trafficking and other organized-crime activities.

Panama's banking system uses the U.S. dollar as its paper currency, and exports excess funds to U.S. Federal Reserve banks for deposit or transfer to other banks. Such shipments have risen sharply in the last year: from $200 million in 1980 to $550 million in 1982, to about $1 billion last year. "A high percentage of [these funds] was in $20-denomination bills," the *Journal* quotes a U.S. Treasury source, a denomination commonly used in narcotics purchases.