# Business Briefs

*Ibero-American Debt*

## Mexico loan package in trouble?

Mexican Finance Minister Jésus Silva Herzog made a surprise declaration March 1 that Mexico is getting neither loans nor investments. If this situation continues, he stated, it will have grave repercussions for Mexico's economy. It is essential to encourage economic growth at no less than 4% in order to neutralize the growing crisis, Silva Herzog went on, noting that the country's oil revenues are not sufficient to meet the trade deficit.

"The news is that nobody wants to give any money to Mexico because they're convinced the economic miracle can't last," a spokesman for a Philadelphia bank stated Feb. 21. Bankers are beginning to realize that the extent of Mexico's import cuts is destroying the nation's economy. "I've spent the entire Washington Birthday weekend trying to come up with a package and I'm getting turned down all over the place," he complained; well under $3 billion has been assembled.

The banker said that he has been asked to report the names of regional banks who are not willing to contribute to Citibank in New York, and that Citibank senior vice-president William Rhodes is giving the names to Fed chairman Paul Volcker and Comptroller Todd Connover. "Volcker and Connover are getting on the phone personally at a very high level with the recalcitrant banks and armtwisting them, to be very very polite," he said. "The threats are tremendous. These regulators have the power to close down some of these banks."

*U.S. Budget*

## White House rejects defense cuts

President Reagan rejected demands by the National Governors Association (NGA) executive board and Senate Budget Committee chairman Pete Domenici (R-N.M.) for large cuts in U.S. defense spending on Feb. 27. House Speaker Tip O'Neill (D-Mass.) and Majority Leader Jim Wright (D-Tex.) have responded by calling for an alliance with Republicans to ensure that the defense budget is gutted over White House and Pentagon opposition.

Defense Secretary Caspar Weinberger, in a speech Feb. 26 to the NGA, said that the defense budget is "not what I want but what the country needs." He added that defense "is not adding materially to the deficit. . . . If you cut $1 billion from the defense budget, you lose 35,000 jobs."

The NGA proposal called for reducing the deficit by 1989 to $120 billion by cutting $60 billion from the defense budget, $183 billion from non-defense programs (including a freeze on cost-of-living increases in most federal programs), and raising $217 billion in new taxes.

Domenici proposed cutting a total of $79.8 billion from the Reagan budget. His proposal was put forward at a negotiating session Feb. 27 between Congress and the administration to discuss reduction of the budget deficit. Administration representatives were James Baker III, Donald Regan, David Stockman, and Richard Darman.

The Reagan-proposed defense budget would represent an increase of 13% over present levels; Domenici's variant would represent an increase of only 5 percent, as proposed by Walter Mondale and Sen. Ted Stevens.

*European Community*

## London attacks CAP and 'Gaullism'

The future of the European Community (EC) is in jeopardy if the policies which have ensured high productivity in agriculture are not eliminated, claimed a Feb. 27 editorial of the *Financial Times*, the mouthpiece of the City of London. In "Europe at a Turning Point," the paper warns that "three weeks from now, the EC will be facing the moment of truth. . . . It will be in grave danger of falling apart" if the March 19 summit does not capitulate to British Prime Minister Margaret Thatcher's demands for budget refunds at the expense of the Common Agricultural Policy, which until recently had used price supports and other means to guarantee prosperity to European farmers.

"The apparent success of the CAP is turning . . . into an ever more apparent failure," the *Financial Times* went on. "The high-price policy and modernization and improved productivity has led to a rapid increase in output. . . . Costs are rising unsustainably.

"Behind these particular failures and imbalances lies the nationalist reflex and the legacy of Gaullism. . . . All governments since the recession a decade ago, have attempted to shore up their domestic positions by interventionism, welfarism and nationalist devices. . . . These instincts have been reinforced by the Gaullist demand for the right of unquestionable veto," the clause that protects national sovereignty in the EC.

*Food Crisis*

## State Department cuts aid to Bolivia

The Bolivian government issued an international call for nations of the world to send emergency food aid to prevent the mass starvation of its people the week of Feb. 20. Most food supplies in Bolivia were running out, and wheat supplies, the main staple of the country, are gone. The government requested that the food be sent by airplane, because ships would be too slow to prevent mass famine.

The U.S. State Department committed itself to sending 62,000 tons of wheat, but announced that the emergency supplies will not be sent until the government of Hernán Siles Zuazo, the first elected government to rule Bolivia in years, eliminates the official subsidy on flour and bread, because these subsidies "distort the objective" of the food aid.

The Siles Zuzao government has thus far refused the State Department's offer, because prices would rise far beyond the populations' ability to pay if the subsidies were eliminated.

To date, Argentina is the only country to respond to Bolivia's plight; it is immediately supplying the country with 300,000 tons of grain.

Last fall, a devastating drought wiped out between 70% and 90% of Bolivia's subsistence agriculture, affecting 1.5 million farmers and then threatening 1 million people with famine conditions.

The richest agricultural land in eastern Bolivia, the one area not affected by the drought, is used the for growing coca, the raw material for cocaine. Last year this region provided approximately 80% of the coca in Bolivia. Last year, 5,000 peasants facing starvation migrated into this area in hopes of making quick cash from selling coca to drug traffickers.

*Labor*

## Truckers' strike goal: reorganize European map

Pan-European leader and oligarch Otto von Hapsburg called on striking European truckers to continue their strike until they make a "revolution by creating a Europe without borders," when he announced his support for the weeks-long strike in a statement before the European Parliament in Strassbourg Feb. 27.

Earlier in that week, von Hapsburg stated on Bavarian television that he supported the truckers' demands to work for the dissolution of the borders between Italy, Austria, and Germany.

The president of the German Truckers Association, Herr Rempe, confirmed to *EIR* that the undermining of European nation-states was a goal of the strike from its beginning. "We truckers had the feeling," Rempe said, "that during the strike something very principled and permanent happened with immediate effects for Europe." Weeks before the allegedly "spontaneous" strike at the Brenner Pass, the associations had sent out questionnaires to trucking companies and individual drivers to ask them if and for how long they would support a border blockade.

Rempe added that he thought that the truckers' strike made a great contribution to the revitalization of the EC and that the current crisis was solved. Those who really stood behind the truckers' demands, he added, were the governments of Bavaria, Austria, and the South Tyrol, where strong separatist movements exist. Christian Social Union leader Franz-Josef Strauss of Bavaria visited the truckers the weekend of Feb. 28-29 in the Austrian village of Kiefersfelden and was given a hero's welcome.

*West German Labor*

## Unions demand 35-hour week

With unemployment close to 8 million, the West German public employees' union, the ÖTV, is organizing a national campaign for a 35-hour-week as the only answer to unemployment. At a Feb. 29 conference of the ÖTV's youth membership in Dortmund, president Wulf-Mathies declared that "for 1 million youth, the right to work is denied. We must prepare a strike to ensure the introduction of the 35-hour week."

No union has proposed a policy for fostering industrial growth instead.

Ernst Breit, a spokesman for the DGB, the West German equivalent of the AFL-CIO, stated the week of Feb. 23 that the fight for shortened work time is top priority for all current wage negotiations. All unions are making the same basic demands, with the more "radical" trade unions including I. G. Metall (the giant metalworkers' union), Drupa (printers), and HBV (white-collar workers) wanting to shorten the work week, while the "moderate" unions including the textile and chemical workers want early retirement.

Wage negotiations for the ÖTV broke down during the week of Feb. 23. For I. G. Metall, talks have broken off after three rounds; the next round is scheduled for March 13. A no-strike agreement ended Feb. 28, and the first strikes began the next day in Frankenthal and Rhineland Pfalz. A national warning strike wave is planned for March 7.

## *Briefly*

● **IRAN** will pay for the purchase of a direct reduction steel plant from Kobe Steel of Japan by selling crude oil to a group of Japanese oil firms associated with Showa Oil Company and Shell Oil Company. The group concluded the contract, worth some $215 million, with the National Iranian Oil Company at the end of February.

● **BERNARDO SEPULVEDA,** Mexican Secretary of Foreign Relations, stated March 2 in Mexico that "the realization of common actions responds to an urgent demand to explore new solidarity actions among the Latin American countries in order to confront the economic and political crisis of today's world. This demands that we elaborate a regional strategy which articulates joint actions to overcome the obstacles to development." Sepulveda was meeting with his Argentine counterpart Dante Caputo, who is arranging the visit of Mexican President Miguel de la Madrid to Argentina.

● **ULISES GUIMARAES,** Brazil's opposition party leader told the Venezuelan Congress Feb. 29 that "the IMF's perverse policies on fiscal and monetary austerity, cloaked in a false economic liberalism, are aimed at [forcing Ibero-America] to pay all the debt under the pretext that we are the only ones responsible for it, which we are not. If we continue to accept those 'adjustment' programs, Latin America will be erased from the World map."

● **THE CHRISTIAN SCIENCE** Monitor claimed Feb. 27 that the danger of a monetary collapse has disappeared. Calling those who still predict a moratoria by the big debtors like Argentina, Brazil, and Mexico "pessimists," the *Monitor* concludes that although Latin America's debt crisis is under control it will be another 10 years before the region can begin the consider economic growth.