

Business Briefs

Oil

Iran cuts price to Japan

The state-run Iranian National Oil Company (NIOC) told Japanese oil industry buyers on July 11 that it will sell Iranian light crude for \$25.40 per barrel, a \$2.60 per barrel cut from the official government price, according to oil sources in London.

Although this price is 38 cents higher than the price agreed upon earlier in the week by NIOC and Japan's Mitsui and Company, it is lower than any price previously offered to the Japanese oil trading companies.

Iran has been offering lower oil prices to Japan since a number of oil tankers have been hit in the Persian Gulf in the Iran-Iraq war fighting.

The oil sources said the lowered price would increase downward pressure on oil spot market prices.

The Debt Bomb

London features *EIR* analysis of financial crisis

Phillips & Drew, one of London's top brokerage houses, published as the lead feature of their monthly *World Investment Review* magazine in July, an analysis of the world debt and banking crisis entirely taken from *EIR*—but without citing the source.

The *Review* wrote: "While the Latin American debtors were careful not to assume a confrontational posture at their meeting in Cartagena, they presented demands for consideration before the IMF [conference]. . . ."

"The threat to the world economic recovery is twofold: 1) the LDC debtors' demand for goods and services is likely to be constrained over the medium run if they pursue the economic austerity policies agreed to with the IMF; . . . 2) the increasing risk of disruption of sovereign debt service payments holds out the prospect of damaging illiquidity problems in the developed countries. . . . [T]here is growing depositor awareness of the heavy exposure of some major commercial banks to the LDC sover-

eign debtors. . . .

"[There] in the quest for a solution. On the debtors' side, [Brazilian] President Figueiredo has issued a letter to President Reagan appealing for a negotiated reduction of debt service burdens. The important point is that this appeal was directed solely to the U.S.A. . . .

"On the creditors' side, earlier proposals for interest rate capping and debt-for-equity swaps have fallen out of favor as impractical or too slow-acting. There is probably increasing support in some official circles for a strategy of inflating away the debt over a 5 to 10 year period. However, we do not believe that the Federal Reserve under Paul Volcker will be sympathetic to this view."

Finance

Bankers hold secret meetings in Italy

A secret meeting of the "Tidewater" group—a collection of international organizations which control economic assistance to the Third World—took place in Orvieto, Italy on July 7-8 to map out a strategy for looting the developing sector.

Participants included World Bank President A. W. Clausen, International Monetary Fund head Jacques de Larosière, representatives of the OECD, UNICEF, and OPEC, plus spokesmen for a number of industrialized and developing countries, including India, Pakistan, and Argentina.

Giorgio Giacomelli, the head of the Italian Foreign Ministry's Department for Cooperation and Development, told a press conference on July 10 what the "general lines"

"We cannot impose short-term measures on indebted countries . . . because in this way we could provoke social problems and revolutions. . . ." Instead, said Giacomelli, "we have to create a structure of permanent coordination between the international financial institutions, the creditor countries, and the debtor countries."

A participant told *EIR* that discussion at the meeting centered on the need to stretch out debt repayment schedules. This implies the necessity of maintaining the economic recovery in the West and liberalizing trade, said the spokesman, as well as on "a restruc-

turing of the indebted economies," to be achieved through a "newly created axis between the World Bank and IMF."

When *EIR* called the Argentine embassy in Rome to inquire whether the Kissinger "debt-for-equity" cussed at the meeting, the economic attaché replied: "Yes, we are perfectly aware of this project to loot our economy under the pretext of the debt, but I do not know what the Minister [of Finance, Bernardo Grinspun] discussed. Let's hope that this will not happen; let's hope."

International Trade

West Germany's Genscher goes to Iran

It has been announced that West German Foreign Minister Hans-Dietrich Genscher, Libyan dictator Muammar Qaddafi's best friend in Germany, will be flying to Teheran on July 20 for two days of meetings, potentially including a meeting with Ayatollah Khomeini himself.

Such a visit is the highest level visit of a Western foreign minister to Teheran in years, and reflects the close economic ties existing between West Germany and Iran today. Germany is Iran's leading Western economic partner, exporting industrial and military products.

Banking

Mexican renegotiation demands upset bankers

Leaks during the first week in July that the Mexican Ministry of Finance was organizing all of Ibero-America to refuse to pay the latest half-percent increase in the prime rate have greatly disturbed the bankers. Although the *Wall Street Journal* has still not reported on those rumors, it reflected the banker's anxieties on July 11.

"Bankers are especially upset at the possibility that Mexico may try to revise the terms for last year's \$5 billion loan,"

Briefly

Journal reported. It cited one major banker warning that Mexico "will never get another" new loan from the banks if it tries to change those terms. Although Citibank announced two months ago that Mexico would be given privileged treatment over other debtors, there is now "stiff resistance" to those terms among bankers, the *Journal* says. The creditors "want to keep Mexico on a short leash," so that it can be immediately punished for misconduct. As a result, bankers expect no individual deal with Mexico to be signed before October, with a full-scale banking crisis breaking out if Mexico has not signed by then.

Arms Trade

Iran/Israeli deal cancelled by U.S.

A well-informed Tel Aviv source told *EIR* on July 13 that a two-man Iranian government delegation, led by a relative of Ayatollah Khomeini, has recently visited Israel, to buy 400 M-48 tanks from Israel. "The Iranians explained that the tanks were critical to launching the summer offensive against Iraq. Israel wants the money, so the deal was agreed to."

According to the source, the U.S. government stopped the deal, since the M-48 involves American manufacturing and cannot be sold without U.S. approval.

The Tel Aviv source reported that the relative of Khomeini came to Israel bearing a false passport with the name "Jean-Pierre Dlanes" and with letters from the Paraguayan chief of staff claiming that the tanks were meant for Paraguay.

Operation Juárez

Ibero-American debtors: 'A real and just' solution

The vice-ministers of finance of the Andean region nations—Bolivia, Ecuador, Colombia, Peru, and Venezuela—began a conference in Lima July 12 to discuss the debt crisis. Peru's Finance Minister Benavides Muñoz opened the meeting by emphasizing

the urgent need for both creditors and debtors to find a "real and just solution" to the crisis. "New alternatives which do not signify more popular sacrifice" are required, he said. If the problem is resolved quickly, "we can avoid the spread of social alteration in our countries."

Reporting on his recent trip to Peru from Buenos Aires, Argentine Foreign Minister Dante Caputo announced that the foreign and finance ministers of Ibero-American debtor nations will meet in Buenos Aires in September to deal with the foreign debt crisis. Caputo reported that both Peru and Argentina agree that all the Ibero-American debtors must be able to implement working mechanisms, "so that our conferences will go beyond declarations. . . . You saw that from Cartagena we advanced a little . . . but we still have a long way to go."

Pacific Basin

ASEAN minister calls for debt solution

Speaking at the conference of foreign ministers of the Association of Southeast Asian Nations (ASEAN) convened in Jakarta, Indonesia July 12, Indonesian Foreign Minister Mochtar Kusumaatmadja called on advanced sector nations to reduce interest rates and to solve the debt problems of developing sector nations, according to *Jiji* press.

Kusumaatmadja stated that the ASEAN nations were "somewhat disappointed" that the six most advanced industrial nations—the United States, Japan, West Germany, France, Great Britain, and Canada—had failed to come up with any drastic steps to solve the crisis at the London economic summit in June. Kusumaatmadja also called for the industrialized nations to increase their imports of primary goods from ASEAN countries. The ASEAN nations include Indonesia, Malaysia, Thailand, the Philippines, Singapore, and Brunei.

The conference was also attended by the foreign ministers of Australia, New Zealand, Canada, U.S. Secretary of State George Shultz, and Japanese Foreign Minister Shintaro Abe also attended the conference. Both called for promoting a new round of multilateral trade negotiations to stem protectionism.

● GERMAN CHANCELLOR

Helmut Kohl made himself unwelcome in Mexico by demanding that Mexico "make more flexible" its law regulating foreign investments. Labor Leader Porfirio Camarena responded that Mexico's debts must no longer be paid in the form of stocks of Mexican companies, since that violates the Mexican National Development Plan.

● THE SNAIL DARTER,

the three-inch species of perch that stalled the completion of the TVA's Tellico Dam because the dam would allegedly have destroyed the fish's "only environment," will no longer be listed as an "endangered species" effective Aug. 8. Richard Biggins, a government endangered-species biologist, conceded that the fish should never have been listed as endangered because the Little Tennessee River is not its only environment. "It was probably an error to list it as endangered, but it was not an error to list it as threatened," Biggins added.

● AIR FLORIDA pilots agreed to accept wage cuts of approximately 50% to help the bankrupt carrier get off the ground, officials reported on July 14. In filing a Chapter 11 bankruptcy on July 3, the 12-year-old Air Florida showed assets of \$145 million and liabilities of \$221 million. The airline suffered \$146 million in losses in the last three years.

● JACK ANDERSON, in an "analysis" for the Argentine press the week of July 8, told the nation to capitulate to the IMF: "In spite of the dangers implicit in [accepting] austerity, Argentina will blink first in its confrontation with the IMF, which, simply cannot permit too many concessions." If Argentina wants credit, Anderson continues, "it will swallow . . . the IMF's bitter medicine."