Business Briefs

Ibero-America

'Debtors are financing American prosperity'

At the end of the meeting of the Latin American Economic System (SELA) in Caracas in late October, more than 40 resolutions were passed calling for the United States to change its economic policies, particularly regarding debt and interest rates.

SELA president Juan Manuel Villasuso charged: "Washington's policy of fiscal deficits and high interest rates has forced major capital transfers from Latin American debtor nations and has effectively meant the region is financing U.S. prosperity." On the debt he said, "This was not dealt with in detail because it was felt the debt issue has now moved to the political forum created by the Cartagena group rather than SELA, which is technically oriented."

Alvaro Becerras, Peru's industry minister, told the press: "Until we have resolved the foreign debt problem, we won't have development in Latin America, and the repayment burden will have a serious impact on social and political stability." He also made a proposal that SELA study the possibility of the creation of an "Andean peso," to allow the countries of the region to abandon their dependence on the dollar. Becerras stated that they "can start with a basket of currencies of the Andean countries, which would have as a reference, not the dollar, but values of exports of that region."

The Debt Bomb

Venezuela retaliates against World Bank

Venezuela has retaliated against the austerity conditionalities of the World Bank by pulling out the $232 million it had held on deposit there since 1974. The World Bank had refused to help the country complete the Guri Dam.

President Jaime Lusinchi ordered the withdrawal on Nov. 2, saying: "We have to sneer at the World Bank. Venezuela complied with all our commitments to international agencies, the World Bank among them, and what the bank is now doing, at a time when Venezuela has financial problems, is unjust."

The potential for revolt by hard-pressed Ibero-American debtor countries was noted in the City of London's *Financial Times* in its editorial of Oct. 30. It warns: "It is still too early to pronounce the debt crisis over. . . . Trade surpluses and IMF agreements cannot guarantee a country's readiness to service debt for years, and even decades, ahead. . . .

"Bankers and monetary authorities would be rash to ignore continuing discussions in Latin America about the need to confine debt service payments to what each nation 'can afford.'

"After three years of sacrifice, Latin American nations are becoming impatient for the rewards—in terms of higher consumption, jobs, price stability and, not least, a sense of national self-determination. Any setbacks which the debtors might suffer in the years ahead are unlikely to be met with further sacrifices and policy retrenchments. If the world economic recovery begins to falter in the next two years, the margin for error in the existing rescheduling arrangements could turn out to be desperately narrow."

The Grain Trade

USDA subsidizes swindler's fines

The U.S. Department of Agriculture (USDA) has awarded a $33 million subsidy to a fugitive from American justice, the Swiss-based grain-dealer Marc Rich, a business associate of Henry Kissinger.

The giant Swiss commodities company Marc Rich & Co., A.G. (Richco) had just pleaded guilty to 38 counts of "false statements" and agreed to make restitution to the U.S. Treasury for back taxes of $200 million, which Richco and its New York affiliate had evaded. But meanwhile, the U.S. Agriculture Department arranged to help Marc Rich settle with the Treasury by awarding CCC Export Credit Guarantee Contracts (GSM-102) worth $33 million to Richco—or about 15% of Rich's tax settlement—to finance Richco grain sales to Ecuador.

Rich has behind him a string of corrupt deals involving convicted swindler Robert Vesco (another fugitive from U.S. courts); Billy Carter; Armand Hammer; and, of course, Henry Kissinger. Federal indictments handed down against Rich since 1981 include tax evasion, fraud, racketeering, and other violations of the RICO act established to go after organized crime.

Under Rich's guilty plea, the U.S. government is to receive $200 million for back taxes, but other charges still stand, and Marc Rich and his associate, Pincus Green, remain in Switzerland as fugitives from justice.

The USDA decision to award money to a notorious fugitive goes through the USDA Foreign Agriculture Service right to the man at the top, Undersecretary Daniel Amstutz, a man in the middle of international grain cartels. Amstutz is a 25-year executive of Cargill Corporation, and was on the staff originating the Cargill Swiss commodities office, Tradax, in 1954.

The USDA Foreign Agriculture Service granted Richco a contract for August delivery of hard-red winter wheat to Guayaquil, cost and freight. Then in September, the USDA granted a contract for November and December wheat delivery.

Petroleum

Mexico condemns Soviet undermining of OPEC

Jorge Eduardo Navarrette, Mexico's deputy foreign minister for economic affairs told the Havana meeting of the Soviet economic bloc (the Council for Mutual Economic Assistance, or Comecon) on Oct. 29 that the Soviet Union's oil export polices "have been guided by very short-term considerations." Navarrette demanded that the Soviets and other major oil exporters "act responsibly" to defend the present price structure.

His speech was published in Mexico City by the Mexican foreign ministry, in the midst of a dispute between nationalist sectors of the government which support cooperation with OPEC in reducing production levels and factions owned by Mexico's creditors, such as Pemex head Beteta who want to export oil at any price.

It is rare for Mexico to publicly criticize other oil exporters, and even rarer for Mexico to condemn the Soviets in international forums, particularly in Havana. Navarrette said that "the socialist community's export goals and pricing policies . . . in the recent past have not contributed to defending and preserving the stability of the international oil market, but have been guided by very short-term considerations that give priority simply to maintaining or increasing their share of the market."

Mexico announced that it will reduce its oil exports by 100,000 barrels per day for the month of November, in concert with OPEC. Price levels will remain unchanged.

International Trade

Moscow uses energy blackmail on Europe

In an unprecedented move with enormous implications, Moscow announced in late October an embargo on deliveries of oil and coal to Britain. The move, which was announced by the head of the Soviet Coalworkers Union as a "protest against the repression of English miners by the Thatcher government," follows sensational revelations of secret meetings between British National Union of Miners leaders and representatives of Libya's Qaddafi. Officials of the miners' union have confirmed these reports.

While the impact of a Soviet oil and coal embargo on Britain will be negligible, the move is the first known use of such blatantly political "energy blackmail" against a Western government and sets a dangerous precedent.

The message of the embargo is certain to be read most clearly among West German industrial and political circles. Last year, Russian natural gas supplied more than 20% of West Germany's industrial needs. This October, initial deliveries from the controversial Urengoi Siberian gas pipeline project began to go to Ruhrgas in North Rhine-Westphalia. By 1990, if current plans proceed according to schedule, German industry will get 30% of its gas from Siberia. Will Moscow threaten to halt this energy next to force policy changes in Germany, or for that matter, Italy and France, as it has now done in Britain?

'The Recovery'

European media discuss U.S. bank troubles

The London *Financial Times* of Oct. 31 carried a detailed analysis of the increased loan losses of the top 15 U.S. banks for the third quarter. Following the *Times'* warning the previous week of the bankruptcy potential of large agriculture-tied U.S. banks, the new piece gives a bank-by-bank rundown of major U.S. bank loan losses.

"Despite the U.S. economic recovery," the London daily states, "the major U.S. banks continue to be troubled by poor credits and bad loans. . . ." The article gives a detailed performance rundown of the big 15 U.S. banks, reporting the following information:

In the category of "non-performing loans," Bank of America leads the pack in the 3rd quarter with $3.47 billion, followed closely by Citicorp at $2.50 billion, Chase Manhattan at $2.10 billion and Manufacturers Hanover at $1.80 billion. Fully 13 of the 15 banks "also had higher third-quarter charge-offs than in the same period last year, and *reflecting the unusual nature of this economic recovery,* non-performing loans grew over the same period last year. . .[emphasis added]."

The same theme of the vulnerability of the U.S. banking system is echoed in the West German popular weekly *Stern,* in an article titled "The Fear is Spreading." The problems of Continental Illinois, FCA, and First Chicago lead bank experts to ask, "Which bank is next?"

Briefly

● **THE PRESIDENT** of the Peruvian government's budget commission, Daniel Linares Bazan, has stated that the government is investigating alternatives for solving the problem of the foreign debt, including a debt moratorium. "We are studying a series of alternatives; one of them could be the debt moratorium," he said. He warned, however, that this could be by a "bilateral accord with the International Monetary Fund or by treaty with several countries that can do it jointly."

● **MARGARET THATCHER,** in an interview with the West German daily *Die Welt,* declared that "the wealth of a nation depends on how much a single person is able to produce, so that the wealth of a nation reflects the average production of a single person, and the more machinery and technology you have, the greater your wealth." Is Maggie breaking with Adam Smith?

● **ALLEN WALLIS,** State Department undersecretary, has just been appointed George Shultz's main adviser on the "restructuring" of Israel's economy. He started his career as a Nazi race scientist. He established his reputation as an economist with a paper at the 1932 meeting of the Third International Congress of Eugenics in New York City. The topic of the paper: "The Statistical Distribution of the Nordic Racial Stock." Also featured at the congress was Dr. Ernst Rudin, co-founder of the German Society for Racial Hygiene and the author of Hitler's law "For the Protection of German Blood and German Honor," which defined Jews as non-citizens and prohibited sexual intercourse between Jews and Aryans.

● **LYNDON LAROUCHE'S** campaign organization, Independent Democrats for LaRouche, received a terse note from its New Jersey bank that the contract between the bank and the IDL was "terminated." In a move unusual even in New Jersey banking circles, the total IDL funds deposited in the bank vanished along with the contract.