

# Business Briefs

## Asia

### China puts emphasis on consumer goods

Consumer goods production has shot up in China, according to the P.R.C.'s financial statement for the first half of the year, released July 30. Refrigerator production more than tripled, production of cassette recorders doubled, and television production went up almost 85%.

Industrial production overall was up some 23%, and retail sales by 35%. Energy production, the acknowledged weak link in the P.R.C. economy, only increased by 11.3% from the first half of last year, and the weight of freight shipped on the railroads was only up 4.9% from the same period.

## Narcotics

### DEA advocates renewed use of paraquat

The Drug Enforcement Administration is recommending renewed use of paraquat to destroy illicit marijuana cultivation in the United States. The plan could lead to the use of more than 300 tons of the controversial herbicide on 15,000 acres of "non-federal" lands. The DEA reported in May that approximately 87% of domestic marijuana cultivation is on state-owned land, Indian reservations, and private land.

California is the leader in illicit drug cultivation. California law enforcement officials announced in late July that their two-year federally financed program, which focused on aerial raids against marijuana growers, resulted in a 40% reduction in cultivation in the California highlands. But state officials said they will resist the use of paraquat, because of its alleged dangers to people and wildlife.

The use of paraquat—an effective herbicide against both marijuana and opium

cultivation—came under attack during the Carter administration. The program, which had been used successfully in Mexico, was brought to a halt by the pro-drug lobby in and around the Carter White House, and the National Organization for the Reform of Marijuana Laws. NORML brought a legal suit charging that paraquat-tainted marijuana caused lung damage to drug consumers and an economic threat to growers and traffickers. *EIR* investigators discovered at the time that many of the anti-herbicide groups—the majority were based on the West Coast—who joined in NORML's anti-paraquat scare campaign, were themselves involved in illicit cultivation.

## Mining

### British coal posts record \$3 billion loss

The British state-owned coal industry, the National Coal Board (NCB), announced on July 29 that it had a record loss of £2.2 billion (\$3.12 billion) for the fiscal year which ended March 31. The NCB owns 174 coal mines and employs 170,000 miners.

The NCB attributes the loss mainly to the year-long coal strike. Losses for the 1983-84 fiscal year were £875 million. The strike was called to stop the closure of 20 unprofitable mines. Output fell during the fiscal year, because of the strike, from 105 million tons down to 42 million tons.

The NCB's chairman is Ian MacGregor, who previously headed British Steel, and gained notoriety for his plan, known as the "Lazard Plan," to blow up the blast furnaces to force "rationalization" of 40% of capacity. Ian MacGregor came to British Steel from Lazard Frères, the investment bank owned by the Cowdray family, which also owns the *Financial Times* and *Economist*. MacGregor has secret plans to drastically "rationalize" British coal mining as well.

The lead editorial in the July 30 *Financial Times*, "The Future of Coal," demanded the privatization of the British coal industry.

"The Government needs to start thinking aloud very soon about the structure of the coal industry after 1987-88. . . . The present pruning and decentralization are steps in the right direction, but do not go far enough. . . . The Government's own philosophy suggests two obvious ingredients for a new-look coal industry: privatization and the introduction of more competition." The *Financial Times* is owned by the Cowdray Family Trust of Lord Blakenham, one of the largest family fortunes in the U.K.

## High Technology

### Germany's MBB sees big profits from SDI

After years of stagnation, the West German heavy armaments firm Messerschmitt-Bölkow-Blohm GmbH (MBB) is anticipating an increase in profits of an average 10% annually, starting in 1986, according to *Die Welt* of July 26.

This will be largely because of research and development activities associated with the U.S. Strategic Defense Initiative—a "very interesting technological project," said Hans Arnt Vogels, chairman of the firm. Vogel stated that MBB will participate in the SDI even without a definite political decision made by the Bonn government, and that at present, possibilities are being examined for acquiring orders commensurate with the firm's performance capacities.

## Africa

### Zimbabwe to announce new austerity measures

Prices of diesel fuel were raised 10% in Zimbabwe on July 31, and drastic increases in food and gasoline prices are expected to be announced soon. Finance Minister Dr. Bernard Chidzero has been cutting domestic

## Briefly

spending for the past nine months, in an attempt to lower the budget deficit of \$515 million—28% higher than last year, and 11% of the Gross Domestic Product.

Zimbabwe is now spending 19% of its budget on debt repayment—almost \$493 million.

The price increases are intended to offset a 15% pay raise for public employees, a \$6.5 million monthly deficit in the state-owned Agricultural Marketing Authority, and losses at the state-owned oil procurement authority.

Zimbabwe will probably have 10,000 troops in Mozambique by the end of the year, which will force a substantial increase in defense spending, already 11.5% of the budget.

### Mittleuropa

## Swiss banker calls for European monetary zone

Pierre Languetin, the new president of the Swiss National Bank, called on European Central Banks and governments to make a decisive move toward construction of "a zone of monetary stability" in Europe, to counter the "volatility" of the U.S. dollar. Languetin made the statements in an interview with the *Financial Times* of London, published on July 31.

Monetary unity, he said, must be combined with coordination of European economic policies. "If you could have on top of a zone of monetary stability, a zone of economic and price stability, you would create in the long term (it cannot be done overnight), the necessary fundamentals for the European economies to become a European market of the size, importance, and efficiency of the U.S. market."

Languetin specified four conditions for world economic "stability": 1) drastic moves to cut the U.S. budget deficit; 2) continued fight against inflation; 3) no reflation in Europe and Japan through deficit budgets; 4) markets must be made "more flexible" to

allow for "quick adjustments."

Although Switzerland is not a member of the European Community, Languetin indicated the role that it would play in such an arrangement: "If there was a firm determination to move in the monetary field, to move toward greater stability in prices, and in foreign exchange, we would seek ways and means of cooperating."

Languetin declared that he is surprised at the speed with which the role of the European Currency Unit (ECU) has expanded. This, he said, is due to a "financial Kama Sutra," by means of which all kinds of devices for hedging risk are being developed for investors and borrowers. He pledged Swiss cooperation in international legal actions involving Swiss banking secrecy—"but not to the point of self-mortification."

### The Debt Bomb

## Labor support for Peru's Alan García

The battle of Peruvian President Alan García against the International Monetary Fund drew statements of support from labor unions internationally. In West Germany, the factory council of Norddeutsche Affinerie Corp., one of Europe's largest copper-processing plants with 3,300 workers, sent a telegram to García on Aug. 1: "We welcome and support your call for an all-Ibero-American economic summit meeting. Being Social Democrats, we wish you, and not Fidel Castro, to become spokesman of Ibero-America vis-à-vis the IMF and the banks."

In Panama, the trade union federation of Panama, CONATO, sent a telegram of support to the Peruvian President and called for a rally to be held on Aug. 8 in front of Panamanian President Nicolo Barletta's office, to pressure Barletta into accepting García's proposal for an Ibero-American heads-of-state summit on the debt, to be held in Panama. Similar rallies have been scheduled for the same day in Mexico (sponsored by the Mexican Labor Party), and in Colombia.

● **BETTINO CRAXI**, the Italian prime minister, declared on July 31 that he was "unsatisfied" with explanations given by the Bank of Italy and the ENI firm for the currency chaos which erupted on July 19, prompting the devaluation of the lira. It was ENI's purchase of \$125 million, in defiance of a central bank request, which contributed to the lira's collapse by 20% against the dollar.

● **BRITISH** Foreign Office minister Malcolm Rifkind ended a one-week visit to Moscow July 27 by stating his conviction that Moscow is "committed to boost bilateral trade between 40-50%." The U.K. trade deficit with the Soviet Union reached £600 million in 1984. "The potential for growth is quite considerable," Rifkind said. Soviet Chemical Industry Minister, Vladimir Listov, will be in London the week of July 29 for high level talks which Rifkind hopes will result in contracts for British industry.

● **THE FIRST VICTIM** of AIDS to die in China, a 43-year-old Argentine tourist, died in early June in a hospital ward reserved for foreigners. Hospital spokesman Fei Xiuying announced that this was the first confirmed case of AIDS in China. Earlier this year, the head of the Chinese National Center of disease prevention, Zeng Yi announced that the center had begun blood tests to detect AIDS and increased preventive measures.

● **BRAZILIAN** Central Bank President Antonio Carlos Lemgruber led a delegation to "explain" Brazil's economic progress to European central and commercial bankers during the last week of July. The group visited Spain, Switzerland, West Germany, France, and Britain. An agreement with the International Monetary Fund is pending, contingent on the rescheduling of Brazil's external debt. The current extension to Brazil of short-term commercial credit and inter-bank lines of \$16 billion expires Aug. 31.