Business Briefs

Health

Doctor warns against cuts in medical care

"Just one year of reduced effort in immunizing children will cause morbidity, mortality, and increased costs of care for many years to come," Dr. Louis Cooper of New York said at a hearing of the Subcommittee on Health and the Environment of the U.S. Congress.

Subcommittee chairman Henry A. Waxman (D-Calif.) said, "The number of children to whom the federal government can provide vaccine alone has declined by two-thirds. . . . If the President's budget for 1987 were adopted by the Congress, we will be able to supply states with vaccine for 400,000 fewer children than that."

He continued, "If present deficit forecasts are accurate, hundreds of thousands of children may be eliminated from the program. . . . As cynical as many of the administration's budget proposals have been, I cannot comprehend how anyone can oppose adequate funding for polio or measles vaccination."

The War Economy

Soviet Union boosts its industrial output

According to government figures released in early March, Soviet industrial output increased by 7.3% in the first two months of 1986, as compared to the same period of last year.

Radio Moscow credited the new restructuring of industry and the economy under General Secretary Mikhail Gorbachov with the success. Key sectors, like machine-building, gas extraction, and others, performed well above plan targets. The oil industry is still lagging behind, as is the output of plastics and some other products.

Meanwhile, Soviet Deputy Prime Minister Ivan Silyayev, who is responsible for the national machine-building industry, demanded a return to the proven methods of World War II for the mobilization of industry, in an article in *Izvestia* in mid-March.

The Soviet war economy build-up receives enthusiastic support in the current issue of *Die Zeit*, the Hamburg liberal weekly run by Countess Marion Dönhoff: "Moscow has no more reliable partner in the West than Bonn in its attempts to modernize its economy."

U.S. Budget

Gramm-Rudman lay-offs to hit state employees

The Federation of State Employees, a division of the American Federation of Teachers union, declared in a press release issued March 6, "In the wake of the Gramm-Rudman-Hollings deficit reduction law and additional plans by President Reagan to cut federal aid for many state programs, the FSE predicted that states will have to lay off more than 126,000 workers or increase taxes by nearly 7 percent in order to preserve current programs and services."

President Reagan's proposed Fiscal Year 1987 budget calls for reduction in grants to the states of $14.234 billion, an 11% reduction. The states that will be hardest hit, according to the FSE, include New York, Florida, California, Texas, and Pennsylvania.

"If you live in a state dependent upon oil for tax revenues, then you are at risk from the President's proposed budget," said Albert Shanker, the president of the union.

'The Recovery'

U.S. unemployment rise largest since 1980

The increase in civilian unemployment in February was the worst in six years, rising to 7.3 % from January's 6.7%. The Department of Labor reported that this was the largest rise since May 1980. Most of the increase came from three states, for reasons reflecting the entire array of economic breakdown: Texas led the country, as a result of the impact of collapsing oil prices. Next were California, suffering from the agricultural crisis, and Illinois, with a significant loss of manufacturing jobs.

Ultra-monetarist Beryl Sprinkel, head of the Council of Economic Advisers, said only that the rise was unexpected. The White House called the increase an "aberration," while the Labor Department termed it "unusual."

"It certainly is a puzzle," said Steve Zeller, an economist with Wharton Econometric, Inc. "We're kind of moving along sideways." The National Association of Manufacturers said the February increase was "simply not believable" and had to be blamed on "measurement error."

The U.S. Chamber of Commerce said the figures were in "chaos" because of a new procedure for estimating overall population designed to reflect illegal aliens. The head of the Labor Department's Bureau of Labor Statistics, responsible for the figures, said "the labor market weakened in February," but the "long-term impact remained unclear."

Defense Industry

Jordan, Turkey look to Europe for arms

The indefinite postponement by the U.S. government of $1.9 billion worth of military equipment sales to Jordan has forced that nation to look elsewhere for defense and related purchases. Jordan may buy 12 European airbuses for $550 million, instead of Boeing jets, for its commercial airline, Reuters reports. Jordan is also negotiating an arms deal with France.

Jane's Defence Weekly reported on Feb. 22 that the British expect to win a $600 million contract with Jordan that will include Tornado aircraft, the MCV80 infantry fighting vehicle, and sophisticated equipment to modernize Jordanian tanks. The Jordanians will probably receive financing from Saudi Arabia, which is said to have insisted on the purchase of Tornados over the French Mirage.

The Turkish government, meanwhile, is negotiating with Panavia, the Italian aircraft company that builds the Tornado aircraft, along with Britain and West Germany, for the purchase of 40 Tornado IDS strike aircraft—a deal worth $1.2 billion. A team led by Panavia managing director Hans-Joachim Klapperich met Turkish Prime Minister Turgut Ozal in Rome, and representives from MBB and British Aerospace met with him in Turkey.

Petroleum

Saudi Arabia sets austerity budget

Saudi Arabia is preparing a new budget to take account of the falling world oil price, Reuters wire service reports. Cuts of 10-15% are expected.

Saudi oil production dropped from 10 million barrels per day in 1980 to 2 million last year; now production has been boosted to 4 million bpd so far this year, as the price has plummeted. Government revenues have fallen, down 40% from the $107 billion of four years ago. Many infrastructure projects have been canceled or put on ice, leading to a downturn in the construction industry. Subsidies on wheat production have been cut, and prices for services of the state-run utilities have been raised. Even defense is expected to be cut back.

The Saudis have dug deeply into foreign reserves in the last two years, and are now moving out of dollar reserves, because of the dollar's falling price.

Operation Juárez

Rumors of debt moratorium in Mexico

Mexican President Miguel de la Madrid was going to declare a debt moratorium during his Feb. 21 speech, according to rumors floated by various columnists in Mexico City on March 7.

According to one press report, "the indiscretion of some PEMEX [Mexico's national oil company] officials" preempted the move by leaking it before the speech, resulting in, among other things, "a direct phone call from the White House."

Columnists in Monterrey say that Finance Minister Jesus Silva Herzog's visit to Washington D.C. on March 6-7 was to tell the bankers that Mexico would not give up the possibility of declaring a moratorium.

Luis E. Mercado, a columnist close to Silva Herzog, wrote in *El Universal* and *El Norte* on March 8 that it has been decided that Mexico will declare a moratoria if the banks remain inflexible. Mexico was embarrassed in 1982 when it could not pay, he wrote, and now it is angry, "because after three years of efforts, the situation is the same. And if the creditors don't understand that, they will be the ones who push the country into a moratorium."

Senator Mirna Ester Hoyos de Navarette, a member of the ruling PRI Party from Yucatan, declared on Feb. 28, that Mexico should form a common front with Latin America to defend its interests and to solve the problems derived from the foreign debt. She argued that a 90-day moratorium would be consistent with President de la Madrid's statement of Feb. 21, that payment of the debt could not imply more sacrifices from the people.

Debt

Bank refuses further loans to So. Africa

Barclays Bank announced on March 5 that it would stop all future loans to South Africa and not reschedule its $1.2 billion in existing loans, sparking fears that other banks may follow suit.

The shock over the announcement is particularly great because Barclays has almost a 50% share in South Africa's biggest commercial bank, Barclays National Bank.

Barclays' chairman, Timothy Bevan, set as conditions for granting new loans that South Africa end apartheid and give a clear indication that it can can reduce its foreign debt.

Barclays is also organizing a meeting on March 26 between Nigeria and its creditor banks, to discuss rescheduling its $23 billion foreign debt. Nigeria requested the meeting. It derives 95% of its foreign exchange from oil exports, and has been badly hit by plunging crude prices.

Briefly

● **TANZANIAN** Finance Minister Cleopas Msuya called for the establishment of an African Monetary Fund on March 10. The official newspaper *Uhuru* quoted Msuya as saying that the International Monetary Fund did not act in Africa's interests, while an African fund could do much to solve balance of payments problems of African nations, and help to meet development needs.

● **FIVE PERCENT** of the Panamanian population—100,000 people—went out on strike March 12, in a demonstration against the International Monetary Fund. Business leaders are also rejecting the IMF's austerity package.

● **VEGETABLES** from Mexico will claim a larger share of the U.S. winter market than Florida's for the first time in history, the U.S. Department of Agriculture revealed March 7. Florida production is expected to drop 14% over the winter, while Mexican sales rise 23%. Mexico is shipping out vegetables that normally would be consumed domestically.

● **AN IMF TEAM** arrived in Israel to prepare the drafting of the Fund's annual report, the *Jerusalem Post* reported on March 6. Finance Minister Yitzhak Modai told the group that he has no interest in helping financially beleagued firms that do not have a reasonable chance of recovery: "We will not deal with targets that are too costly." Many key Israeli firms, especially those connected to the Histadrut labor confederation, are in danger of collapse, the *Post* reports.

● **THE ROCKEFELLER** group is dominating U.S. monetary policy, as evidenced by the recent synchronized lowering of central bank interest rates, London financial sources told *EIR*. David Rockefeller's Chase Manhattan Bank on March 7 reduced its prime interest rate. The next phase in the process will be to push for a formal mechanism for interest rate coordination, the sources report.