

Business Briefs

Free Trade

World economy has become a black market

Under postwar Anglo-American control, the world economy has more and more developed into a huge black market, charge French economists Jean François Couvrat and Nicolas Pless in a new book, *The Hidden Face of the World Economy*. They review the last four decades of world market development and conclude that the emergence of offshore trade and banking centers, illegal export and import markets, and drugs and arms peddling is not an exotic phenomenon of the world economic system, but an integral and intended part of it.

The two economists say that the problem goes back to the illegal financing operations during the Second World War. The postwar dominance of the victorious western powers, led by the United States, has allowed this modern piratical system to balloon into an illegal, unregistered, and untaxed economy with a larger volume than the entire current U.S. economy. "The underground economy exists in symbiotic relation with the visible economy, and the bankers are the interlink," they conclude.

Monetarism

Oxfam condemns IMF policy in Africa

The damage which International Monetary Fund policies are doing to Russia "should encourage northern governments to reconsider their support for IMF policies in Africa" as well, Kevin Watkins of Oxfam, a private relief organization, wrote in the Dec. 29 London *Guardian*. While proposed solutions only amount to some debt relief, and no mention is made of substantial projects to alleviate the devastating economic conditions in Africa, Watkins condemns "the blind faith of the Fund's managers in monetarist cures."

"For more than a decade, the IMF has effectively managed budgetary policy in Africa, imposing deep cuts in public expenditure, punitive interest rates, and severe credit squeezes," Watkins wrote. The result has been "the deterioration of social welfare provisions, in-

cluding the virtual collapse of health and education services. Meanwhile, high interest rates and the disintegration of economic infrastructures have contributed to a collapse in investment and fuelled a vicious cycle of deindustrialization and mass unemployment.

"To make matters worse, the IMF has emerged as a central actor in Africa's debt crisis. Having made the mistake of plugging financial gaps with high-interest credits in the early 1980s, the Fund has received some \$2 billion more in debt repayments from Africa since 1985 than it has provided in new loans. Uganda, the world's fourth poorest country, now faces an IMF debt service bill of over \$200 million over the next five years."

Finance

Speculation hitting base metals market

"Base metals are booming on pure financial speculation, because there are so few places to invest," the metals specialist of a continental European bank told *EIR* on Jan. 13. "Just at the same time Asia 'glamor' markets like Hongkong are being sold off by these same firms, Goldman Sachs and other such large global financial players are moving big into base metals, triggering a price rise somewhat like that in 1988. But unlike commodity price rises in 1988 or in the mid-1970s, today there is no relation whatsoever to any underlying economic reality of increased demand," he said.

"Since November, for example, nickel is up 40%, zinc up 15%, lead up 22%, and so on. But large metals funds like Goldman Sachs's J. Aron and Co. are simply buying the whole lot. Stocks are at postwar highs because of the depressed world demand, and mining capacities in lead, zinc, and other industrial metals has been shut down significantly because of the lowest prices since 1945. The result is a pure speculative opportunity to play metals like, say, stocks. The driver is low interest rates, making funds desperate to find markets they can manipulate in the short run. It's the ultimate of the speculative cycle."

According to commodity and financial market sources, the fall in all Asian stock markets since the new year began is a calcu-

lated profit-taking by the large international investment fund managers, who calculate that profits can only be had by seeking new "underpriced" markets.

Population Policy

World not overpopulated, say Swiss organizations

The Swiss organization Declaration of Bern and two church-linked aid organizations, Lenten Sacrifice and Bread for All, have published a pamphlet in advance of the World Population Conference in September in Cairo rejecting the idea of overpopulation and repudiating state-mandated population policies, the *Neue Zürcher Zeitung* reported Jan. 10.

The groups compare the population density of Brazil with the more than 20-times higher population density of the Netherlands. They criticize several population control practices, such as sterilization, and attack the World Bank and International Monetary Fund for making new credits dependent on population control measures, thereby using up considerable portions of national health budgets.

Middle East

Peres rules out leading role for World Bank

Israeli Foreign Minister Shimon Peres, writing on how the economics of peace can be financed in his book *The New Middle East*, rules out a leading role for the World Bank in the development of the Middle East. "Some experts have suggested working through the World Bank. However, the World Bank is not the optimal vehicle under existing conditions in the Middle East. First, the Palestinians do not belong to it. Second, it is a cumbersome, slow-working body and it will take years before we see any aid. Lastly, Egypt could not enjoy any benefits because of its outstanding debts, and Israel is not included in the countries entitled to its aid," he wrote.

Peres calls for the concentration "of all investment money in a bank set up exclusively for this purpose," pointing out that only 1%

Briefly

● **THE PLO** will set up the Palestinian Development Bank to channel foreign aid to future Palestinian autonomous areas, according to Ahmed Korei (also known as Abu Ala), director general of the PLO's economic department, Reuters reported Jan. 13. The bank will have initial capital of \$250 million, put up by the self-rule authority and private concerns, including foreign banks.

● **GTE**, the second largest cellular phone service provider in the United States, announced plans Jan. 13 to eliminate 17,000 jobs, nearly 25% of its telephone operations work force, over the next three years. It will reduce its customer contact centers from 171 to 11, merge 19 regional centers into a single facility, and shrink its satellite communications facilities.

● **INDONESIA** is facing a rapid increase in AIDS cases, according to Health Minister Suyudi. At least 20,000 Indonesians are believed to be infected with HIV, and experts fear that the number will increase to 500,000 by 1995.

● **IRAN'S** new \$1.1 billion, 150,000 barrel per day hydrocracker plant is putting 3 million liters of kerosene and gas oil onto the market, ending these import needs, the Iranian news agency IRNA said on Jan. 11.

● **10,000 GERMAN** farmers demonstrated against the General Agreement on Tariffs and Trade in Mainz on Jan. 10, the largest farm demonstration there in 180 years. The Schiller Institute and the Civil Rights Movement-Solidarity participated with a banner reading "Production Instead of Speculation."

● **FOOD SHORTAGES** are severe in many parts of Africa, in Haiti, Iraq, and the Caucasus, the U.N. Food and Agriculture Organization magazine *Food Outlook* warns. World cereals output in 1993 is estimated at 1.878 billion tons, 4% less than 1992, while food aid is estimated at 11.4 million tons, one-third below 1992.

of the necessary capital would be required to establish the bank. Another reason is "socio-psychological," since it would promote regional cooperation. "Every child knows the concept of a bank; Israelis often say 'better banks than tanks,'" he wrote. Such an arrangement would allow for dealing "quickly and effectively" with the region's needs.

Peres suggested that funds can be generated from within the region, especially with the decrease of arms purchases, from oil-producing countries, and from international private investment in the development of physical infrastructure, including desalination. Here European and other foreign contractors could extend long-term credit under "reasonable conditions." A third source of funds would be resources earmarked for humanitarian purposes.

Trade

Uzbekistan, Kazakhstan announce economic union

Uzbekistan, the most populous state in Central Asia, and Kazakhstan, its oil-rich neighbor, have agreed to abolish trade tariffs and form a common market up to the 21st century. Both countries will now be far less dependent on Russia.

Kazakhstan President Nursultan Nazarbayev and Uzbekistan President Islam Karimov told journalists on Jan. 10 that goods, services, capital, and labor will move freely between their countries and economic policies will be coordinated.

"We don't want to scare anyone, but according to our estimates, Kazakhstan could satisfy most of our needs and Uzbekistan could satisfy most of the needs of Kazakhstan," said Karimov.

Dope, Inc.

Philip Morris patents brand name for marijuana

Philip Morris has patented in France the name "Marley," in preparation for the legalization of

marijuana. The Jan. 10 London *Independent* reported that the estate of the late Jamaican reggae singer Bob Marley is planning to sue the company for using the name.

According to the *Independent*, "there is a growing feeling that marijuana should be legalized, and that whatever form that takes, the free market and the big companies is the logical place for it to end up." According to British advertising executive Geoffrey Howard-Spink, the business would first be done by the existing dealers. The big companies "would come in when the market has settled down."

Philip Morris has been accused of collaborating in building organized crime networks throughout the former Soviet Union (see *EIR*, May, 21, 1993, p. 20). It is one of the biggest suppliers to the Russian and Polish mafias controlling the central European cigarette black market, as well as to the Italian and Spanish crime syndicates that flooded Europe with black market cigarettes, then heroin, and finally cocaine.

Labor

Pensions underfunded by \$53 billion in U.S.

Single-employer pension plans were underfunded by \$53 billion at the end of 1992, a 40% increase over the \$38 billion in underfunding for 1991, the Pension Benefit Guaranty Corp. (PBGC) reported Jan. 6, according to UPI.

The PBGC said the 1992 gain was largely due to the decline in interest rates, which have left invested funds yielding less interest. But the agency added that "at the same time, funding by many companies did not keep pace with growing liabilities because of weaknesses in the law."

The PBGC said underfunded plans had assets of \$182 billion and pension liabilities of \$235 billion in 1992, with approximately 72% of the underfunding (\$38 billion) in plans sponsored by 50 companies, mainly in the steel, auto, tire, and airline industries. About three-quarters of the underfunding is in plans sponsored by financially healthy firms and does not necessarily pose a risk to the participants or to itself, the pension agency claimed.