

Business Briefs

Middle East

World Bank cancels Palestinian aid meeting

Using a political dispute between the Israelis and Palestinians as a pretext, the World Bank has cancelled a crucial meeting of aid donors to have been held at the headquarters of the World Bank in Paris. The move once again demonstrates that the World Bank is doing everything possible to sabotage the Israel-Palestine Liberation Organization peace accord. Of the \$2.4 billion pledged by international donors over a year ago, only a few million has been released.

The political dispute is over the question of Jerusalem. The PLO wished to use \$4 million of \$160 million being negotiated for release, to fund the reconstruction of schools and other social institutions there. The Israelis claimed this violates the agreement not to discuss the status of Jerusalem until a later period of the talks.

PLO negotiator Nabil Shaath denounced the World Bank move and charged that no more than \$80 million of the \$2.4 billion pledged had been released, an amount that is not even enough to pay the operating expenses of the Palestinian National Authority, which now must take over operation of services once financed by the Israeli occupation authorities.

Finance

'L'Italia' covers LaRouche on financial collapse

The Sept. 8 issue of the Italian weekly magazine *L'Italia* covered the ninth forecast by American economist Lyndon LaRouche, on the coming disintegration of world financial markets (see *EIR*, June 24, p. 24). "Neither London, nor all the George Soros of this world can control the biggest looming financial crash in history. As economist Lyndon LaRouche declared in a long essay which will soon come out in Italian, 'the global financial and monetary system is going to

disintegrate,' " it said.

"We are witnessing, LaRouche explains, the exhaustion of the economic basis for the 'leverage' multiplier, which has grown like a cancerous bubble upon a pre-existing 'classical' speculative bubble. Particularly responsible for such a bubble are asset-stripping practices applied to entire national economies and the unlimited growth of so-called 'derivative instruments,' " *L'Italia* reported. "Therefore, LaRouche states, the bubble is destined to collapse. The collapse 'can be prevented only through an improbable political decision by major governments, to reorganize financial and monetary institutions.' If this analysis is correct, the biggest strategic blunder any government could make today is to move as if the International Monetary Fund, the central banking systems, financial markets, etc. were still a reference point."

The two-page article by Claudio Celani, headlined "London Plots against Italy," also outlines the dynamics of the City of London-directed financial destabilization of the country, including an S.G. Warburg newsletter on the imminent government collapse and David Roche's prediction of an Italian financial collapse before Christmas. The destabilization is a reaction, among other things, to the end of the U.S. special relationship with Britain and the beginning of a unique relationship between the United States and Germany, the magazine said.

Eurasia

CIS leaders strengthen economic, monetary ties

The prime ministers of the Community of Independent States (CIS) strengthened economic and monetary ties at a summit meeting in Moscow on Sept. 9. With the exception of the three Baltic states (Latvia, Lithuania, and Estonia) and the governments of Azerbaijan and Turkmenistan, all other former U.S.S.R. republics are orienting their economies to Moscow, in what appear to be moves toward restoration of the old Soviet economic system. The fact that Ukraine gave up its resistance and en-

dorsed the initiatives is highly significant.

Among the integrative steps that were passed, is the formation of a payments union and of an interstate economic committee that is to consult and coordinate all vital initiatives in the sphere of economic and monetary policies among the signatory states.

Furthermore, the summit agreed to prepare policies that are to coordinate the CIS military-related industries, as well as looking forward to closer cooperation and consultation in foreign and military-strategic policies.

Nuclear Energy

Use said to be imperative to raise living standards

"The use of atomic energy is imperative for mankind if we are to raise living standards," Dr. Marcelo Damy Souza Santos, one of the pioneers of Brazil's nuclear program, said at the fifth annual Congress of the Brazilian Nuclear Association in Rio de Janeiro on Aug. 29. Dr. Santos, who is now in his 80s, quoted his friend, Indian nuclear scientist Homi Bhabha, who in the early 1960s had concluded from his study of the evolution of civilization that industrial development was possible only in countries that had plentiful energy sources. Since oil and gas supplies are limited and should be saved for other industrial and medical uses, Bhabha concluded that in order to develop, a country had to go nuclear.

Santos stressed the importance of the plutonium economy. Plutonium is more efficient than uranium as a nuclear fuel: 800 grams of plutonium will do the same work as 12-13 kilograms of uranium. "As a scientist," he said, "I refuse to believe that our nuclear policy must be defined simply by fear of nuclear weapons." Any technology can be used for good as well as evil, he said, and we cannot let this fear stop countries such as Brazil from developing nuclear energy.

Until the beginning of the 19th century, Santos said, Brazil and the United States had about the same level of development. But what happened? Santos compared international nuclear policy and, specifically, the postwar Bar-

uch Plan to control nuclear knowledge, to the Methuen Treaty proposed by the British beginning in the 18th century. Essentially, the British wanted Portugal to give up all manufacturing and let Britain supply it with manufactured goods, while Portugal would supply Britain with raw materials.

And so, Brazil had to develop nuclear technology on its own. And in the postwar period, what were the odds that Brazil could do this? he asked. About the same as the chances of the Allied countries to succeed in World War II, he answered. Santos concluded, "The use of nuclear energy is imperative for the survival of Brazil as a strong and independent country."

Russia

Suspend payments on old debt, urges Buchanan

Russia should declare a unilateral suspension of payments on its old debt, U.S. economist James M. Buchanan, a Nobel Prize winner in 1986, said at the Alpbach Forum in Austria in early September. In a speech on private and public debt, he said that, from time to time, states should declare bankruptcy as a "disciplinary measure against the international financial markets." Because the taxpayer finally has to make good for uncontrollable public debt, such a sovereign default would be a "healthy solution," even for creditors.

On the Ibero-American debt crisis, Buchanan spoke of a coordinated manipulation of bank balance sheets at the expense of taxpayers by creditor banks, western creditor governments, and international financial institutions. A default right at the outbreak of the debt crisis in 1982 would have caused much less of a problem for the ordinary taxpayer, he said. Taxpayers had to pay for most of the huge amount of interest created by debt rescheduling packages. "Occasional state bankruptcies," Buchanan said, "would not be a problem for the international development of wealth."

In the case of Russia, Buchanan claimed that President Boris Yeltsin should have, in general, rejected the assumption of the Soviet Union's foreign debt. "In this historic circum-

stance, the West would have accepted such a unilaterally declared payment refusal." Even today, it is still advisable for the Russian government to call for very deep cuts in the old debt. Otherwise, "coming Russian governments will be much more radical" in this respect, Buchanan warned.

Agriculture

Growing population can be nourished, says FAO

Even a growing world population can be nourished, the U.N. Food and Agriculture Organization (FAO) said, in a paper which runs contrary to the malthusian outlook, the German daily *Frankfurter Allgemeine Zeitung* reported on Sept. 5. During the past 30 years, food production grew even faster than the world population. Right now, 20% more food is available for the world population than 30 years ago. Instead of 2,300 calories per capita back then, 2,700 calories are available today.

During the past 20 years, the number of people who are chronically malnourished decreased from 940 million to 780 million. But 20% of people in developing countries still suffer malnutrition. That is why, the FAO said, it is concerned with the imbalance in distribution of food. While there are only 2,100 calories available per capita in black Africa and 2,200 in India and Bangladesh, 3,600 calories are available per capita in North America and 3,500 in western Europe.

But to only consider redistribution is wrong and prevents one from recognizing that it is necessary to upgrade food production overall, the FAO warned. The most important reason for hunger is *not* the lack of food, but poverty, which prevents much of the world population from buying food. Therefore, it is necessary to upgrade food production in the developing countries, which would raise living standards and broaden the availability of food.

FAO General Director Abdou Diouf is stressing the need to reemphasize the green revolution in Asia, Chile, and Mexico. There, the rise of productivity in agriculture led to visibly higher living standards for entire nations.

● **FRENCH** companies won \$2.5 billion in deals with China during Chinese President Jiang Zemin's trip to France during the second week in September. Elf Aquitaine will build a \$2.3 billion oil refinery in Shanghai, and French wheat will be sold in China for the first time in two years.

● **RUSSIAN** coal production should be cut by almost 50%, the World Bank recommended in a memorandum to the Russian government that links a \$1.5 billion loan to the shutdown of 40 mining complexes with an output of 140 million tons (out of 300 million tons total) per year. It urged Moscow to liquidate the state coal agency Rosugol and privatize the entire coal-mining sector.

● **THE CHINESE** State Council will rescue "a number" of ailing state firms in 18 cities across China, *China Daily* reported Aug. 27. "Without strong and economically efficient state-owned enterprises, there will be no socialism with Chinese characteristics," Prime Minister Li Peng told the council.

● **KIDDER PEABODY**, General Electric's financial trading house, is lying about its derivatives losses, a faction of shareholders is charging, according to a Wall Street source. The shareholders are demanding that GE/Kidder Peabody get rid of its exposure in derivatives. GE is offering Kidder Peabody up for sale.

● **A STUDY** commissioned by Imperial Tobacco of Canada and released on Sept. 1 said that smoking may be bad for your health, but because it kills people before they become a health-care burden, it is good for the economy, Reuters reported. "A person who dies of lung cancer at age 70 will not be hospitalized later with another disease," the study said.

● **MIKE ESPY**, U.S. secretary of agriculture, said on Sept. 7 in Moscow that the United States stands ready to fill Russia's food and feed import needs, Reuters reported.