Business Briefs

Ibero-America

Mexican action changes continental geometry

The economic geometry of Ibero-America has been reshaped by Mexico's dramatic actions amidst rumors that Argentina would follow Mexico's path. The oligarchic faction around ex-President Rafael Caldera in Venezuela and the technocrats in the Brazilian government are finding dozens of unconvincing reasons why Mexico and Argentina are different from their cases.

The panic of these oligarchic circles is illustrated by Pedro Conde, the Brazilian bankers' association head, currently financing a Lebanese speculator who is buying up half the stock on the Brazilian stock market. Conde said of the Mexican move, "It was violence against private enterprise, and this should worry all to the degree that fact could be reflected in other countries."

Argentina has been swept by rumors that the government may not only nationalize the country's banks, but also repudiate its foreign debt. Sources in Buenos Aires say that if taken, such actions would not occur until the IMF has been given time to prove that it offers no viable solution to Argentina. They expect Argentina to be offered some kind of IMF standby credit, but under austerity terms that no Argentine government could implement.

The Caribbean

Cuba seeks a debt moratorium

The government of Cuba has asked its creditors from outside the Soviet bloc that it be allowed to postpone payments for ten years on all debts due between now and 1985. According to Japanese press sources, Cuba explained at the beginning of September that it was forced to seek the debt moratorium because of the collapse in the price of sugar on the international markets, but more importantly, "because of the high interest rates in the United States," and the consequent "worldwide recession."

In order not to destroy Cuba's long-term capacity to repay the estimated $2 billion that it owes to non-Soviet creditors, Cuba is asking that these banks continue to extend short-term loans during the period of the moratorium.

Also as a result of high-interest rates and collapsed sugar prices, the Caribbean nation of the Dominican Republic declared itself officially "bankrupt" on Aug. 31. According to presidential spokesman Hatuey De Camps, "We have absolutely no money left in the government coffers."

International Credit

COR: 'hock Venezuela's oil to pay debts'

Several members of the Venezuelan Association for the Club of Rome, an organization founded this past summer, have launched a campaign to have Venezuela's oil revenues seized as payment on the country's foreign debt.

The leading spokesman of the proposal is Energy Minister Calderón Berti, who claimed at cabinet meetings last week that this was the only way to preserve Venezuela's foreign credit rating. According to some versions of the plan, the Venezuelan government would only be allowed to access revenues for up to 1.2 million barrels per day in exports. All earnings above that level would be automatically placed in a Fund for the Payment of the Public Debt, which would belong to international banks.

Caldèron Berti is being backed by Julio Sosa Rodriguez, a founding member of the Association of the Club of Rome (COR).

The COR, internationally, is the original proponent of plans for extensive reduction of world population levels as means for sustaining the political power of rentier finance interests. It has used its Venezuelan network to launch this proposal at this time in an effort to counteract support in that country for Latin American-wide debt moratoria actions.

Besides giving a massive handout to international banks, the plan would place a ceiling on Venezuelan government expenditures, thereby guaranteeing long-term austerity. It would also establish a precedent for forcing developing countries to link their commodity-related exports earnings to their debt.

Banking

London tells New York to stop lending

London Times columnist Tim Congdon explained in an Aug. 30 column that the New York banks would have to stop lending or face collapse.

The U.S. banking system "is passing through its most traumatic period since the 1930s" and "these shocks will force a drastic adjustment in the way U.S. banking is organized," wrote Congdon. "Every company and individual will feel the inhibiting effects of the banking system's difficulties. The message must be that any recovery in the economy will be modest and gradual."

Curtailment of the U.S. banking system will force developing nations to eliminate current account deficits, after which, Congdon prophesies, "the ensuing decline in output and employment could be far worse than anything seen in North America and Europe. They will occur in areas of known political instability," he notes darkly.

Two months ago, Congdon authored an eye-catching piece in the British *Spectator* magazine, advocating relocation of the world financial capital from New York to the financial oligarchy of Europe.

Asia

Japan and India increase economic cooperation

Japan and India are now working to expand economic cooperation and deepen consultations on foreign-policy matters. This is a development that could have major implications for East-West and North-South relations.

In late August, Japanese Foreign Minister Sakurauchi concluded a visit to New

Delhi, where he met with Prime Minister Gandhi and other Indian government leaders. Among the agreements reached was Japan's granting of a $130 million low-interest loan to India.

During the visit, Sakurauchi emphasized that the two countries must "rediscover" the cooperation which existed in earlier periods, and he praised India's independent foreign policy. He noted that cooperation between the two countries could greatly contribute to stabilization of Asia, and emphasized that economic ties must be expanded.

Sources in New Delhi report that Sakurauchi was received very favorably in New Delhi, and agreement has been reached for Prime Minister Suzuki of Japan to visit India in November.

Monetary Policy

Japan debates response to López Portillo action

Discussing how to respond to the bank nationalization in Mexico, Japanese bankers describe themselves as caught between the United States banks and the IMF on the one side, and the Mexicans and their Ibero-American allies on the other.

One leading banker in Tokyo told *EIR*: "We are in a real crisis because we must decide how to handle the entire Ibero-American situation. We have to decide whether to support the American bank position, or whether to support Mexico. Actually, we anticipated strict foreign-exchange controls and similar measures to be adopted, because of the tough time those countries are experiencing. But we did not expect López Portillo's action. I am aware of the talk in the region for actions which guarantee common economic security, such as a common market, and sentiments in this direction. Actually, late last week I was involved in a meeting here at our bank between our chairman and a high-level Brazilian government official. During the meeting, the Brazilian bitterly complained about the Anglo-Saxon dominance of current international monetary arrangements."

This banker went on to say that a meeting of Japanese banks took place in Tokyo on Aug. 29 at the headquarters of the Bank of Tokyo, one of Japan's leading banks, to discuss Mexico. It was decided at that meeting that Japan had "no choice" but to follow the lead of the American banks. "However," the banker said, "I don't know how the López Portillo action will affect that decision."

Another Japanese banker expressed surprise at the decision, but said he has suspected for some time that Mexico would not go along with the IMF policies. "I have been telling people here that the man on the street in Mexico would not tolerate the level of austerity being demanded by the IMF."

Japanese government officials were reluctant to comment on the implications of the decision.

Almost all of the government and private-sector officials spoken to inquired about the role played by *EIR* founder Lyndon LaRouche in the decision.

The Commonwealth

British to lead new Bretton Woods system?

The British Commonwealth, meeting last week for the first time since 1972, proposed through its Secretary-General, Sridath Ramphal, to lead the world towards creation of a world central bank to promote "global economic management."

Ramphal, considered by many developing-nation leaders to be one of the best trained of British Colonial Office representatives, declared that the world is on the brink of an "economic disaster comparable to that of the 1930s" but "the search for a world economic recovery so desperately needed remains stalled and we drift towards the abyss of economic disaster."

Ramphal's eloquent plea was supported by Mr. Muldoon, the Prime Minister of New Zealand, who said he would press for a "new Bretton Woods-style global monetary conference." New Zealand is famed for its chief exports, wool, mutton and other sheep byproducts.

Briefly

● **MORGAN** Guaranty is considering a merger with Chase Manhattan Bank, claims a leading London stock brokerage house. A Princeton University-based economist commented on the rumor with disbelief. "Why would the best-run bank on Wall Street want to get involved with the worst-run bank on Wall Street?"

● **SWITZERLAND** is offering assistance to U.S. authorities to penalize investors using Swiss banks to engage in "insider trading" on the U.S. stock market. "Insider trading," the practice through which an investor makes use of confidential corporate information to place personal funds, is illegal in the United States, but legal in Switzerland. New York's *Journal of Commerce* was lukewarm to the Swiss offer in an editorial Sept. 2. "You don't need Switzerland for these transactions," the *Journal* notes, since they are also conducted in Caribbean offshore centers. If U.S. authorities want to crack down, the paper adds, they "will have to turn . . . attention to the islands closest to [U.S.] shores."

● **GEORGE SHULTZ** and Malcolm Baldrige showed their colors Aug. 30 when they phoned President Reagan at his vacation home asking that the administration not impose the same harsh penalties against British firms violating the American boycott against the Soviet gas pipeline as have already been imposed on French and American firms.

● **SOUTH KOREA** plans to provide 80 percent of its energy needs through nuclear energy, which is why the World Bank is attacking Seoul's strategy as "overly ambitious."

● **DAVID GOLDMAN,** *EIR*'s Economics Editor, and Kathy Burdman are attending the annual meeting of the International Monetary Fund/World Bank in Toronto. Exclusive coverage will follow.