

Business Briefs

Public Debt

Italy's 'Amato Plan' heralds fierce austerity

Italian Treasury Minister Giuliano Amato, claiming that Italy's public debt will go out of control this fall if there is no immediate intervention, is proposing budget cuts of \$5.11 billion per year, a ceiling on spending increases to keep them below the growth of the Gross National Product, and an increase in revenues greater than that of previous years. This would supposedly reduce the budget deficit to zero by the year 1992.

The Treasury is dealing with its liquidity needs by placing on the market about \$29 billion in state bonds per month, but very few investors are buying bonds with maturities over two years, and therefore the Treasury is constantly having to pay interest on the bonds that come due, and cannot carry out a long-term policy.

The national deficit is approaching \$116 billion, while the overall debt has reached the staggering sum of \$729 billion. On Jan. 1, 1987, local governments' debt had reached the record level of \$37 billion, up 584% over 1978.

Investments by the Agency for the Mezzogiorno, which is in charge of developing Italy's backward southern area, went from \$2.1 billion in 1986, already ridiculously low, to only \$1.8 billion last year.

Trade War

Reagan orders sanctions against Brazil

In retaliation for Brazil's refusal to provide patent protection to U.S. pharmaceutical and chemical manufacturers, President Reagan ordered \$200 million in trade sanctions against that country on July 22.

The President was acting on an unfair trade complaint filed last year by the Pharmaceutical Manufacturers' Association, which accused Brazil of deliberately changing its laws in 1969 to allow its companies to make and sell pirated copies of patented

U.S. drugs and other chemicals.

"We regret that it is necessary to impose trade sanctions in this matter, but the U.S. cannot tolerate the piracy of its intellectual property," said spokesman Marlin Fitzwater from the California White House. "Adequate patent protection is the cornerstone of a healthy pharmaceutical industry."

Brazil responded that it will go to the General Agreement on Trade and Tariffs (GATT) to demand "just amends for the damages that has just suffered," said Brazilian President José Sarney in an official communiqué. Sarney added that the decision "is unjust and does not make any sense, tends to undermine the economic relationships among both countries, [and] it violates the most basic principles of international rights."

Demography

Brazil's fertility shows sharp drop

Brazil's *Gazeta Mercantil* reports that, according to a study released July 20 by the Brazilian Institute of Geography and Statistics, fertility in Brazil is dramatically falling, at a rate so fast that it has no comparison with any other country in the Western Hemisphere.

Demography expert Luis Antonio Pinto de Oliveira, one of the researchers involved in the study, said that Brazil's dropping fertility rate can only be compared to some Asian countries that have imposed birth control methods by decree.

From 1980-84 fertility fell 19%. From 1970-80 it dropped 25%. The study reports that, in 1940, Brazilian women had 6.16 children on average. In the 1950s the average was 6.21 children, and in the 1960s it increased to 6.28. Fertility began to drop in 1970 to 5.76; in 1980 it continued to drop to 4.3 children, and in 1984, the average reached 3.5.

The falling fertility rate is the result of austerity conditionals of the International Monetary Fund and the World Bank, which have demanded population control as the prerequisite for financial assistance. As a result of this malthusian campaign, Brazil

is now expected to reach the year 2000 with only 180 million people, instead of the 200 million projected 10 years ago.

East-West Trade

Soviet-German talks called a 'milestone'

An intensive round of diplomacy is under way, to build for the state visit to the Soviet Union of West German Chancellor Helmut Kohl in October.

The first of a series of German-Soviet economic talks began July 23-24, when Bonn Agriculture Minister Ignaz Kiechle and parliamentary state secretary in the Economics Ministry Erich Riedl arrived in Moscow for talks.

Kiechle's week-long visit included meetings with Vsevolod Murakhovsky, first deputy prime minister and head of the agriculture ministry. They discussed cooperation in crop growing, cattle raising, and food processing, and according to the Soviet news agency TASS, both sides expressed interest in expanding "new forms of external economic relations," such as "joint ventures."

Riedl arrived as the head of a delegation from the aerospace giant MBB, which does final assembly of the Airbus. The Bonn government Press Office announced that his Moscow talks represent a "milestone" in German-Soviet relations, and hinted at a sale of the Airbus to the Soviets soon. The talks are of "special significance" for the upcoming Kohl visit, the Press Office said.

Foreign Minister Hans-Dietrich Genscher, for meetings with Soviet Foreign Minister Eduard Shevardnadze.

The intensified diplomacy between Bonn and Moscow is accompanied by hints about new credit lines for the Soviet Union. Rumors have it that German banks will announce a loan of 3 billion Deutschmarks for technological improvements in the Soviet food industry. On July 26, the Soviets issued their first state bond on the West German capital markets, over DM500 million, jointly administered by Vneshekonombank and Dresdner Bank.

Briefly

● **ZAIRE'S** President Mobutu has accused the World Bank and the IMF of having "a tendency to treat Zaire like a colony," according to the French newsletter *Lettre d'Afrique*. Mobutu declared that "the incomplete schema of the IMF tends to destabilize the existing political situation. Demanding programs of growth. Outside this scheme of growth, IMF programs hold us in a situation of economic recolonization."

● **INDIA'S** Narmada River Valley Development project has come under attack from environmentalists. The project, which will cost \$20 billion, will include construction of 30 major dams, 135 medium and 3,000 minor dams, and will irrigate 5 million hectares and generate 3,200 Mw of electricity. A report published by the Department of Environment says that the *environmental* cost of the project would be a whopping \$25 billion more.

● **MITSUBISHI CORP.** of Japan is studying possible joint ventures with the Soviet Union in the consumer goods industries, the company announced on July 11. Soviet Premier Nikolai Ryzhkov has invited the company to participate in large-scale Soviet projects and to set up joint enterprises in the U.S.S.R.

● **IVORY COAST** President Félix Houphouët-Boigny, in a meeting with French Premier Michel Rocard at the end of July, called for agreements between North and South to avert disaster, "before it is too late." "Africa," he said, "theoretically underdeveloped, has immense natural wealth and is in reality the necessary complement to an aging Europe. . . . In short, we need a new South-North axis."

● **SINO-SOVIET** trade rose 32.2% in the January-June 1988 period, over the same period last year, reported the *China Daily* on July 18. China's trade with the Soviet Union still lags behind that with Japan, the United States, and Europe.

Food

Irradiation expert Martin Welt convicted

Dr. Martin Welt, who pioneered the commercialization of food irradiation, was found guilty on six counts of violating minor Nuclear Regulatory Commission (NRC) safety regulations and acquitted on the charge of conspiring to obstruct justice by a New Jersey jury July 14, in a trial which the anti-nuclear lobby has made into a *cause célèbre*.

Welt was indicted for such "crimes" as installing a new safety device in the food irradiator before notifying the NRC. Normally such infractions are met with reprimands or fines.

Just after she handed down the indictment against Welt in March, federal prosecutor Jacqueline Wolff was appointed "environmental crime coordinator" for New Jersey. Wolff told the jury that the state had become a national disgrace as a dumping ground for dangerous chemicals, and that Welt must be jailed to prevent the nuclear industry from making New Jersey its dumping ground.

Welt's sentencing is scheduled for Sept. 20. His lawyer believes that letters from those familiar with Welt's fight to commercialize food irradiation technology or who are concerned about the anti-science mob's campaign to destroy this food-saving technology, would help him make the case that Welt should not be jailed. Letters should be sent to Michael Querques, Esq., 433 Central Avenue, Orange, New Jersey 07050.

Full details on the case appeared in *EIR*, June 10, 1988.

International Debt

IMF head Camdessus backs 'pain and agony'

International Monetary Fund director Michel Camdessus took a hard line on Third World debt problems, in a recent interview with France's *La Croix* newspaper. "It is ob-

vious, that it is above all the responsibility of the indebted countries to find a solution to their problems," said Camdessus. "Many of these countries must show more constancy in their efforts to correct their imbalances and weaknesses. . . . No plan of adjustment can be realized without internal troubles, but it is an illusion to believe that one could have durable growth without this adjustment."

Asked whether IMF policies are not, in fact, painful, Camdessus responded that this was true, but "it is not only inevitable, it is also essential." The IMF, he claimed, would help those countries implement "additional efforts to spread out the weight of the adjustment in a more equitable way. . . . But make no mistake. Our goal is to promote the adjustment, not to postpone it; to strengthen it, not to weaken it."

He called on the international banks to "play a more active role" in this effort, because it will give the banks "the best opportunity to improve the value of their debts and serve the interests . . . of the world financial community as a whole."

Restructuring

Hungary faces layoffs, Grosz tells U.S. press

Hungary's new prime minister, Karoly Grosz, met with President Reagan on July 27 to discuss expanded trade with the West. Speaking to the National Press Club the same day, Grosz was candid that his economic reforms will have painful impacts on the Hungarian population (the "reforms" come in the wake of a \$350 million loan from the International Monetary Fund).

He said there will be a new wage policy, "based not on social needs, but on economic performance." When asked about the social unrest that mass layoffs from the shutdown of non-profitable factories might create, he said, "There is no way out of these disturbances. This will be no exception." Unemployment compensation will be provided, he said, "except for those who are alcoholics."