

# Business Briefs

## Developing Sector

### 'We aren't talking about a default situation'

The following exchange occurred among reporters and Indian spokesman for the Group of 24 Ram N. Malhotra at a press conference at the International Monetary Fund conference in Washington, D.C. Sept. 24:

**Hindustan Times:** "I want to know whether you are just a talking shop, if you will do anything except talk if you do not get any of the money you are asking for, which does not appear likely."

**Dr. Malhotra:** "I can assure you that we are not a talking shop, but I do not think it politic to say in advance what our bargaining position will be."

**EIR:** "Does this mean that we should not exclude joint renegotiation of the debt, as many of the Ibero-Americans have proposed, as part of this bargaining position?"

**Dr. Malhotra:** "Oh, no, we are not talking about anything like getting into a default situation. We want to be responsible, we are merely pointing to certain problems and hoping that there is a realistic approach to solving them on the part of the industrial countries."

A seasoned Indian observer commented, "Malhotra is a cynic who thinks that the United States is losing power and the Soviet Union is gaining. If the United States wants to destroy itself, he thinks, well, that is their business, he needn't do anything to stop it."

## Agriculture

### Swiss are eyeing U.S. drought effects

The shape of the world agriculture market in 1984 will be strongly influenced by the outcome of the current catastrophic drought in the United States, a development which is being carefully scrutinized by private fi-

nancial organizations, including prominent insurance and trading companies which specialize in agricultural commodities. The U.S. agricultural surplus is expected to dwindle to a tiny, precious amount traded under the control of Swiss-based international financial corporations.

The European Management Forum, a global think tank based in Davos, Switzerland, which links Middle Eastern and Central European financial organizations, reports that it is now planning for a spring 1984 international conference on "Food Security, Food Barter and the World Food Shortage."

A spokesman for the Davos group, whose annual conferences bring the world's leading businessmen together with high-level government officials, said Sept. 27 that the Management Forum was now in discussion with government representatives in Saudi Arabia—a food importer—and Argentina and Australia—food exporters—for joint sponsorship of the event.

## Currencies

### Mexico announces peso devaluation

The Bank of Mexico allowed the "open market" peso to float down at a rate of 13 centavos per day, as of midnight Sept. 22. The rate for the open-market peso had remained fixed at 150 to the dollar throughout 1983.

The "preferential peso," which is used for most debt and import payments, has been allowed to float since the beginning of 1983 at a subsidized rate which had reached 130 pesos to the dollar just before the Sept. 22 announcement.

The central bank's decision indicates that the government had to jettison its policy of setting a single rate for the peso since the beginning of the year. Preemptive action was required to avert the threat of a new run on the peso and a large devaluation that would have discredited Mexico's purportedly successful response to IMF-imposed austerity policies.

It is not clear whether the Sept. 22 action will forestall pressures for a larger devaluation. Banks on the U.S.-Mexico border reported to *EIR* Sept. 23 that they were registering high and increasing levels of Mexican flight capital in their safety deposit vaults.

The devaluation will make it even more difficult for Mexico to import vital industrial goods, while the present economy-stripping level of exports necessary to meet the IMF's conditionalities continue.

## Debt Renegotiations

### Argentine judge challenges Morgan Guaranty

Argentine federal judge Federico Pinto Kramer issued a ruling Sept. 26 that interferes with foreign creditors' plans to refinance \$6 billion in public-sector debt at the same usurious terms just agreed to with the state-run airline Aerolineas Argentinas.

Judge Pinto has barred any further renegotiation of the state sector debt until the results of an ongoing investigation by his colleague Judge Anzoategui into the origins of the country's \$40 billion foreign debt are made known.

The judge explained that since there were so many irregularities in the original contracting of the foreign debt, and its exact amount is unknown, refinancing must be halted until the debt investigation is complete.

Although the text of the judge's ruling has not yet been made public, legal sources in Buenos Aires say it nullifies the Aerolineas refinancing package on the grounds that it is "illegal and unconstitutional." The agreement with Morgan Guaranty Bank, stipulates that New York State courts have jurisdiction over all proceedings relating to the refinancing. Morgan Guaranty had hoped to refinance the debt of all of Argentina's 31 state-sector companies under the same conditions stipulated in the Aerolineas package, despite across-the-board opposition from

political, labor, and business circles.

The judge's ruling has thrown foreign bankers into a panic, because it calls into question the refinancing of the entirety of the state sector's debt. Creditors have responded by suspending the first \$500 million disbursement of a \$1.5 billion term loan until at least Oct. 5.

### **European Industry**

## **Temporary compromise on Spanish steel plant**

A head-on clash between the Socialist government of Spain and the Communist Party-allied metalworkers' union over the proposed closing of the government-owned Sagunto AHM steel plant was averted by a compromise the week of Sept. 19. Sagunto is to be shut down over time as part of the "industrial reconversion" of Spain's steel sector.

When the INI (the state industrial institute) handed out 80 layoff notices, the town and plant workforce protested and the 80 men refused to leave work. The Socialist government threatened to lock them out, whereupon the CGOO (the Communist Party union federation) said it would pull out the entire metal industry in a national strike.

A compromise was finally reached between workers and the AHM management to reassign the 80 workers to other parts of the plant—pending, of course, its complete shutdown.

### **Ibero-American Labor**

## **Colombian unions force retraction of service hikes**

Across-the-board increases in public service rates by as much as 350 percent in some cases were retracted by the Betancur government in Colombia in the face of strong

opposition by a unified labor movement. The increases were reportedly a result of pressure from the World Bank, which has long upheld a policy of extracting debt repayment from public service facilities through enforcing automatic monthly rate hikes.

The UTC, CGT, and CSTC labor federations put out a joint statement protesting the increases as a threat to the Colombian workers' already diminished living standards and announced plans for a joint strategy session leading to a possible nationwide *paro civico* (civic strike).

In response, the Betancur government announced that the proposed rate increases were "absurd" and "excessive" and could lead to unwanted inflationary pressures. They were "disauthorized." Nonetheless, it remains to be seen how long the Betancur government will be able to withstand the pressures of the international financial community, from which it is currently seeking as much as \$1.5 billion in new credits.

### **World Trade**

## **Hodel to Japan: 'to get oil, must take coal'**

U.S. Energy Secretary Donald Hodel told Japan's *Nihon Keizai Shimbun* Sept. 27 that if Japan wants America to lift its ban on export of Alaskan oil, then it must commit itself to buy large amounts of coal from the western states.

Tokyo and Washington agree that the ban on Alaskan oil should be lifted, a move that would reduce the American trade deficit with Japan by several billion dollars per year, but Congress is currently preparing to extend the ban for three more years. Hodel argues that the administration could convince Congress to compromise if Japan contracts to buy American coal as well, and agrees to invest in the construction of transport facilities for the coal.

Japanese coal importers, however, are reluctant to agree, since American coal is as much as 10 percent more expensive than coal from such other sources as Australia.

## **Briefly**

● **SPAIN** is drafting a national plan for research and development of nuclear fusion for energy production, to be issued in early 1984. A meeting was held the second week of September in the offices of the Junta de Energia Nuclear (JEN) in Madrid, attended by the Consejo Superior de Investigaciones Cientificas and other research departments, as well as industries with technologies related to fusion.

● **DONALD REGAN** went out of his way to play Marie Antoinette against the Third World. When a reporter at the Sept. 27-30 IMF conference in Washington, pointed out that Mexico, the IMF's supposed success story of the past year, would have to cut imports as much next year as this year to maintain \$11 billion in interest payments, Regan insisted that higher oil sales and lower interest rates, courtesy of the economic recovery, would make up the additional funds.

● **DONALD REGAN** apparently finds intellectual inspiration in TV commercials. At the Washington IMF conference, the Treasury Secretary told *EIR*, "To understand what we are doing, you have to watch the latest Merrill Lynch ad on television [Regan was chairman of the stockbroker firm before taking office]. It shows a bull going through a china shop, and the bull doesn't break any of the china. That's exactly what we're going to do!"

● **WALTER MONDALE** is counting on an economic collapse to propel him into the White House, according to one of his aides. "When Reagan is blown away, [Mondale] is the best-qualified candidate to deal with the crisis." The former Vice-President favors a "New Bretton Woods" agreement that would split the Western alliance into separate blocs. He has carefully avoided public support for an increase in U.S. quota payments to the IMF, the aide reported, but if he is challenged directly might be obliged to put himself on the record.