

Business Briefs

The Markets

Collapse hits Sweden's Stock Exchange

The Swedish Stock Exchange collapsed Feb. 27 by 5% in total share values, in the second-largest fall in recent history. The collapse was triggered when the government was pressured by trade union opposition into doubling a tax on stock transactions, in order to penalize massive paper speculation.

The collapse hit the stock of Sweden's Volvo Corporation especially severely, recording a 10% share loss amid increasing reports of problems for the company head, Pehr Gyllenhammer. In the last three years, Gyllenhammer has leveraged Volvo into the largest industrial holding company in Scandinavia. Two weeks before, his fortunes began a sharp reversal when Fermenta, a drug and bio-engineering company which Gyllenhammer had bought a 20% share in in January, collapsed on the revelation that its head, Refaat el-Sayed, had fraudulently represented his academic degree.

Peru

Alan García tells the IMF to get lost

Peruvian President Alan García announced at a press conference in Lima Feb. 27 that his government would not permit the International Monetary Fund to send a mission to his country. The press conference coincided with a meeting of Peru's creditors' committee in New York.

García said, "We have nothing to hide, but neither will we accept vice-regal missions of intervention in Peru. If they want to know how the state is run, they should ask the state, and we will tell them. But we will not allow any financial institution, no matter how powerful, to intrude, telling Peru where to go, what to do, what policy to follow."

"We have stated definitively that the International Monetary Fund is an institution to which we belong historically, but whose characteristics we do not share. At regular

intervals, missions come which study the central bank vaults, speak with industrialists and ministers, and scrutinize and poke their noses into all the state secrets, as well as all the accounting books."

But, he concluded, Peru "has stopped being a colony" and will no longer accept "any kind of intervention or treatment that curtails the economic sovereignty" of the nation.

The Recovery

Administration misses Gramm-Rudman target

President Reagan's Fiscal Year 1987 budget will miss the deficit target set by the Gramm-Rudman bill by \$15.7 billion and is off even more for later years, according to an estimate released on Feb. 26 by the Congressional Budget Office.

The CBO projected that much of the difference is due to defense spending. It said it had relied on "historical spending rates" to project its defense figures, while the administration "believes that historical spending patterns will not apply in the future."

Reagan's budget showed a \$143.6 billion deficit, just below the Gramm-Rudman requirement of \$144 billion. The CBO estimates the budget deficit for FY 87 at \$159.7 billion.

Labor

AFL-CIO welcomes post-industrial society

The AFL-CIO's Committee on the Evolution of Work announced sweeping changes on Feb. 21, reflecting the takeover of the labor federation by kooks and sociologists who believe that the age of the industrial worker has passed.

Known informally as the Committee on the Future, the panel's chairman, AFL-CIO Secretary-Treasurer Tom Donahue, announced approval of "associate memberships," especially for service employees who "do not find labor's traditional, blue-collar

industrial approach relevant"; the increasing use of the "corporate campaign"; the appointment of permanent "mediators and umpires" to rule on organizing battles between unions competing to organize the same workers; and the establishment of a new office called "cost-comprehensive organizing strategies and tactics."

AFL-CIO President Lane Kirkland described the changes as reflecting the changing "trends in the composition of the workforce."

Banking

Austria's Androsch charged with perjury

A leading Austrian banker and associate of Henry Kissinger, Hannes Androsch, is in serious trouble. Androsch, the head of Austria's largest private bank, Kreditanstalt, was charged on Feb. 20 by Austria's state prosecutor with having made false statements to a parliamentary commission. Androsch is already under investigation for alleged tax evasion.

According to the London *Guardian* of Feb. 21, the new investigation announced by the state prosecutor is a "serious blow to Dr. Androsch."

During his trips to Austria in recent years, Henry Kissinger has been wined and dined by Androsch, and has addressed private meetings of the bank. The repercussions of the scandal on Kissinger are not yet known, but some sources suggest that Androsch may in fact be Androgenous.

Gold

Peru launches 'Operation Oro'

The general manager of the Peruvian Central Bank, Hector Neyra, confirmed on Feb. 24 that Peru had withdrawn \$500 million in reserves from Swiss banks, bought 70 tons of gold, and brought it to the vaults of the

central bank in Peru.

Speaking of deposits in U.S. banks, Neyra declared, "We no longer have anything at all in gold and silver nor cash deposits. . . . They were withdrawn opportunistically."

The Peruvian magazine *Caretas* reported that Peru's gross reserves are \$2.7 billion and its net reserves \$1.5 billion. It claimed that a secret central bank report of September 1985 recommended pulling out all funds from U.S. banks and putting them in secret accounts in Switzerland and elsewhere.

The magazine expressed concern about reserves being concentrated in the Swiss Bank for International Settlements (BIS), where they are vulnerable to embargoes. "The BIS finally decided to tell Peru that the country should begin to reduce its deposits in that institution."

Peru also wanted to deposit the gold in the Andean Reserve Fund, but that was found also to be subject to embargoes.

The Debt Bomb

So. Africa's creditors reach agreement

The London meeting on Feb. 20 between a group of 30 creditor banks and Fritz Leutwiler, the official mediator for the South African Reserve Bank, made what one London financial insider called a "stand-off agreement" to deal with South Africa's debt.

Leutwiler is the former head of the Bank for International Settlements and the Swiss National Bank. His proposal for a de facto one-year moratorium on all principal and interest payments on \$10 billion of South Africa's \$24 billion foreign debt, with a \$500 million "down payment" to be made beginning April, has not been formally agreed to by the banks, the negotiator for Britain's lead bank, Barclays, told *EIR* on Feb. 21. He would only state that the banks were "examining South Africa's entire situation, current account surpluses and such, to see if 5% [\$500 million] is the most South Africa can pay."

According to one well-placed London source, South Africa holds "a trump card—they can threaten formal default if the banks

push them. They already sent a warning two weeks ago when they withdrew all their SDR [Special Drawing Right] balances from the IMF. A default at this juncture could trigger a lot of other debtors to follow suit."

Meanwhile, two strikes were called in South Africa. Some 12,000 black miners walked off their jobs on Feb. 25 at the world's biggest gold mine, the Vaal Reefs mine. This was the second such major labor dispute in the country this year, coming after the Impala Platinum Mine fired more than 20,000 men on Jan. 7 following a strike over union recognition.

Another 2,000 men went on strike on Feb. 25 in unrelated disputes at two collieries about 50 miles northeast of Johannesburg.

Austerity

Brazil freezes wages on orders from IMF

The government of Brazil announced shock wage-price controls on Feb. 28, ending 22 years of inflation indexing. The measures' similarity with Argentina's "Austral Plan" comes as no surprise, since both were designed by the same International Monetary Fund consultant, Francisco Lopes.

All wages will be frozen, after an initial adjustment for those who have not had a wage hike for a long time. There will be an automatic wage adjustment only when inflation reaches to 20%. The minimum wage is \$13.50 a week. The government has also introduced, for the first time, an unemployment insurance program paying between \$10 and \$20 per week. Price increases are strictly forbidden.

In a speech announcing the measures, President José Sarney said, "Today is the beginning of a life-and-death war against inflation." He quickly passed the microphone to Finance Minister Dilson Funaro, who has emerged as Brazil's new economic czar.

The "reform" will begin to dismantle the complex system of indexation in Brazil, while keeping interest rates high. Mortgage payments and rent will remain frozen for a year.

Briefly

● **EDMOND J. SAFRA** is leaving the Board of Directors of American Express. He will not stand for re-election at the annual meeting in April, citing increasing demands of other business and personal interests.

● **THE MEXICAN** government announced on Feb. 25 that it will put up for sale 15 state-owned industries which are losing money. Last year, it sold 20 industries to private buyers for a grand total of \$32 million; this year it expects \$40 million.

● **WEST GERMAN** export rates slowed toward the end of 1985, according to the February report of West Germany's central bank. In the case of exports to the United States, West Germany dropped from a rate of 19% increase over the first half of 1984, to only a 3% increase by the last half of 1985.

● **THE ARGENTINE** trade union confederation CGT issued an ultimatum to President Raúl Alfonsín on Feb. 24, warning that if the government does not agree on wage levels before the CGT plenary meeting on March 6, the CGT would take measures to force the issue.

● **PRIVATE HOSPITALS** in the United States are "dumping" patients when the money to pay for their treatment runs out, according to a study published by the *New England Journal of Medicine*. Numbers of patients have died in the process, particularly victims of gunshot wounds and strokes, whose conditions are unstable. Out of 467 patients in 42 private hospitals transferred to Chicago's Cook County Hospital, 87% were moved for financial reasons. Texas has enacted a new law to prevent "dumping."

● **IN INDIA**, a general strike against a rise in fuel prices was conducted on Feb. 26, in 15 out of 22 states. The strike was organized by anti-government forces.