

Business Briefs

Labor

Argentine union prepares for strike

The Argentine General Confederation of Labor (CGT) issued a document detailing the reasons for a June 13 strike mobilization, and has announced the establishment of five regional centers from which it will organize this mass protest against the Austral Plan, the disguised IMF austerity package adopted by the Alfonsín government in June 1985.

CGT Secretary-General Saúl Ubaldini has begun a series of tours as part of the mobilization leading up to June 13, and the CGT has committed "all the efforts of its organizations throughout the territory of the Republic, to achieve the highest degree of mobilization of organized workers."

The CGT calls for a demonstration "against official insensibility and against the stinginess of sectors which have been, and are, responsible for this policy of national shrinkage, of reduction of production, destruction of wages, and growth of unemployment, which they approved and applauded together with the supervisors of hunger sent to us by the IMF. . . ."

The CGT document calls on the Economic and Social Council, set up by the government for co-participation talks, to meet the CGT's demands on wages; Ubaldini said the CGT is no longer going to the council's meetings, because the government has put forward "no acceptable proposal."

The CGT will also send an official protest to the International Labor Organization concerning the fact that the CGT's legal status has not yet been "normalized," and that labor legislation dating from the military dictatorship still remains in effect.

International Credit

China eyes Eurodollar market

China will launch in the near future a \$200 million floating-rate note issue in the Euro-dollar markets through the Deutschebank in

Frankfurt, the London *Financial Times* reported on June 4.

China has already successfully issued bonds in Japan and Germany, and a floating-rate certificate of deposit issue in the Euro-markets.

Britain, which has opened negotiations with China to settle some of the \$250 million outstanding from pre-1949 bonds, has been trying to keep China out of the international markets until the pre-revolutionary debts are settled.

The Bank of China is already a large investor in Eurobonds through managing China's \$12 billion foreign-exchange reserves, and recently acted as an underwriter for a \$100 billion floating-rate note for the Moscow Narodny Bank.

Banking

BIS warns against 'financial innovations'

The Swiss-based institution of leading central banks, the Bank for International Settlements (BIS), fears a new banking danger. The BIS annual report, released on June 9, warns of new dangers to the international banking system from "financial innovations."

EIR obtained an advance copy of the unusually frank document, which states: "A certain degree of uneasiness about developments in financial markets and in the banking industry has arisen in the wake of the recent wave of financial innovations, which originated in the United States and the U.K., and has lately been spreading to Japan and continental Europe."

The BIS expressed alarm that such "innovations," implemented to circumvent more stringent regulatory reserve requirements in the wake of the 1982 debt crisis, are such that banks themselves may not realize "fully the risks they are incurring."

"There is always the danger of things getting out of control. The new structure of exchange rates has not yet brought the desired degree of exchange-rate stability, and the movement in oil prices has not yet led to a new equilibrium."

Citibank was the first international bank to make major "off balance sheet" loans following the 1982 Mexico debt crisis. BIS spokesmen say it is impossible to estimate the size of this new market—since by nature it is unregulated—but estimates have ranged as high as \$1.2 trillion.

Space

Soviets make advances in space; U.S. lags

The Soviet Union plans to launch two space vehicles to explore Mars and its satellite, Phobos, in July 1988, according to Moscow World Service.

The expedition, scheduled to last 460 days, will involve Austria, Bulgaria, Hungary, East Germany, Poland, France, West Germany, and Czechoslovakia.

According to Dr. Valerii Barsukov of the Soviet Academy of Sciences: "We expect to explore the surface of Mars from an orbit around it. We expect to approach it at a close distance, about 50 miles and pass very slowly over the Martian satellite Phobos."

The Soviets also plan to expand their space station, MIR, according to *Defense Daily* of June 2.

"The 50-foot structure assembled by two Soviet cosmonauts outside the Salyut 7 space station last week . . . is an experiment that will someday lead to a system that will link two space stations into a single complex, the Soviets said Friday.

"Leonid Kizim and Vladimir Solovyev worked outside the Salyut 7 space station for three hours and 50 minutes Wednesday [May 28] erecting an interlocking structure which was attached to the outside of the station complex. They also tested new spacesuits during the space walk. The Soviets say MIR is a building block for a permanent manned station. Moscow announced Friday that Kizim and Solovyev would make another space walk over the weekend."

Meanwhile, in the United States, manned space flight is likely to be postponed for as much as two years, according to a *New York Post* "exclusive" on June 4.

According to the *Post*, the Rogers Commission, which investigated the Challenger explosion, has recommended a "moratorium" on all future flights, until NASA officials correct more than 700 alleged problems with the Shuttle.

Free Enterprise

U.S. drug production at all-time high

U. S. domestic production of marijuana and cocaine is now at record levels, according to estimates by several federal agencies.

Net domestic production of marijuana, after eradication, was about 750 tons in 1978, rising to 1,050 tons in 1981 and to roughly 1,900 tons a year from 1982 onward. The Forest Service estimates that more than 100 tons of marijuana were successfully grown and harvested on Forest Service land last year.

Cocaine production is also on the rise. According to the Drug Enforcement Administration's Anthony Senneca, Colombian coke dealers are increasingly setting up production labs in the United States, partly because there are many remote areas here, and because "Colombia has made it more difficult for them to buy the chemicals they need," especially ether, which is readily available in the United States.

Raw Materials

Norway wins natural gas contract

The Norwegian Statoil state company announced on June 2 the successful negotiation of an estimated \$68 billion deal with a consortium of West German, French, Dutch, and Belgian firms to supply an estimated 15% of Western Europe's natural gas needs until the year 2020. The surprise announcement comes after 18 months of negotiations,

and indicates that an intensive Soviet effort to capture the market has failed. One industry source cited the fact that Norway is a staunch part of the Western Alliance as a major reason for the deal.

Oil and Energy Minister Arne Oien said the agreement covering 1.57 trillion cubic feet of natural gas was "the biggest export contract in Norwegian history." The gas deal was signed by Norway's state oil company and its counterparts the weekend of May 31-June 1.

The continental partners are Ruhrgas, Thyssengas, and Beb of West Germany, the Dutch state company Gasunie, Distrigaz of Belgium, and the French company Gaz de France. Under the agreement, which has to be confirmed by the governments of the buyer countries, the two Norwegian North Sea fields of Troll and Sleipner are to feed gas into the European pipeline system through a new underwater pipeline to be built in Zeebrugge, Belgium.

Deliveries will begin in 1993, and increase during the 1990s. The two fields are to provide 706 billion cubic feet annually between the years 2000 and 2020.

Trade

German industrial exports down

The West German Machinery Association, VDMA, released figures on June 2 showing that, in April, new orders for German engineering products, the largest single export sector, were down an average of 6% in comparison to the same 1985 period.

Foreign orders were hardest hit, down 8%, but domestic orders are also down by 4%. First quarter results show an alarming 8% drop over 1985.

A spokesman for the IFO Research Institute in Munich stated: "In view of the shrunken order reserves and increasing skepticism of companies during the past months, it is not certain there will be a rise in capacity use in the second quarter."

The government of Chancellor Helmut Kohl has staked its entire election strategy over the next months on a buoyant growing "recovery."

Briefly

● **WESTINGHOUSE** Electric Corp. urged that the controversial \$1 billion nuclear reactor it built in the Philippines be tested and put into operation immediately. In a statement issued in early June, Westinghouse said safety issues raised were unfounded. It also said that the Philippines could reduce oil consumption by 6 million barrels per day were the nuclear plant operational.

● **CUBA HAS** reversed the debt moratorium it announced on May 5. Reuters reports that Cuba assured its creditors it would stay current on interest on all debt, and pay principal on trade-related debt.

● **JAPAN** has become the world's largest creditor nation, with 75% in net external assets in 1985. The finance ministry estimated that Japan will soon overshadow Britain as the world's leading creditor. The United States became a debtor nation last year, with a \$148 billion trade deficit.

● **PANAMA, JAPAN,** and the United States began talks in early June in Panama City on a five-year study of the Panama Canal and possible alternatives. The reports said: "One of the possible alternatives to the Panama Canal . . . is the construction of a new sea-level channel across the Panamanian isthmus. . . . At an estimated cost of \$20 billion, however, and with major ecological questions still unresolved, it appears unlikely the commission installed here today will approve the construction. . . ."

● **A POLITICAL** and economic campaign against South Africa will be unleashed on June 16 during a three-day, Paris-based, "U.N. World Conference on Economic Sanctions against South Africa." Council of Churches has called for a "world day of fasting and prayer," and the Catholics Bishops of Southern Africa said that "despite new sufferings," sanctions should be implemented against South Africa.