

Business Briefs

Debt

World Bank blames Africa for problems

The World Bank's *Annual Report*, issued in early October, blames African debt problems on "unwarranted levels of consumption."

In its report, the World Bank accuses countries like Sudan and Somalia of trying "to sustain unwarranted levels of consumption in periods when external circumstances were not in their favour."

The report praises countries which have implemented economic "reforms," like Ghana, which has cut government expenditure and devalued its currency by 3,200%. One of the effects of these policies in Ghana has been a dramatic rise in infant mortality over the last five years.

The report also states that 1986 is a "year of opportunity" for Africa. The World Bank claims that, thanks to good rainfall in 1985 and early 1986, the economic situation in Africa has "improved." However, the facts it describes are the following: "Prolonged cuts in consumption and investment have damaged the productive base in several economies; the servicing of external debt has become a heavy, sometimes unmanageable, burden for some; and the long term prospects for most primary exports remain gloomy."

Per-capita incomes in many countries have fallen below that of 1970, with levels as low as \$140 in Zaire. The prices of Africa's exports have fallen again, with cotton prices down 26%, sugar 22%, and tea 43%.

Export earnings fell for nearly all countries in Africa, and foreign aid and investment fell. Debt service as a percentage of export earnings ranges from "a low of 47% for Zaire, to a high of 158% for Sudan."

Meanwhile, on Sept. 30, the Organization of African Unity chairman, N'Guesso, head of state in the Congo, called for an African conference on debt.

N'Guesso's call, delivered at the United Nations General Assembly on Sept. 30, surprised many observers. Radio France International commented that the call was greeted with "general astonishment." Since there

had been such widespread opposition to the proposal when it was originally made by Senegal's President Abdou Diouf, most believed it would be dropped.

Banking

Bank America admits loan fraud

The Bank of America has admitted that it held large amounts of fraudulent foreign debt and was involved in fraudulent loans.

The bank recently agreed not to attempt to collect on a \$15 million loan that it granted in 1979 to Brazil's largest agricultural cooperative. The money loaned went, not to the Brazilian co-op, but into a secret account controlled by the former director of the co-op at Bank of America's Houston branch.

The former head of the co-op embezzled over \$140 million into that account during a three-year period, with the knowledge and collusion of top Bank of America officials.

The bank, which illegally failed to report the loan to Brazil when it was made, blackmailed the Brazilian central bank to legalize the debt by threatening to scuttle Brazil's 1984 debt-refinancing package.

U.S. Economy

Real-estate debt worries British

Financial sources in Great Britain are concerned about U.S. real-estate debt problems.

A senior spokesman for a leading U.K. brokerage firm told *EIR* on Oct. 1: "Frankly, I am quite shocked that major notice hasn't been made until now of the worrisome problems in U.S.A. real-estate loans. Two-thirds of the savings & loans there are technically insolvent, but are kept afloat by regulatory accounting gimmicks. Real-estate debt must become the next big problem, but this, on top of the existing oil and farm debt problems."

The spokesman estimated, as of summer 1986, total outstanding U.S. mortgage debt to be approximately \$2.3-2.5 trillion.

"And despite the considerable recent decline in mortgage interest rates, new housing sales rather than rising as predicted 5% have dropped 13%. This does not even account for the commercial real-estate situation."

One victim of the real-estate situation is apparently Merrill Lynch. According to a Geneva source, Merrill Lynch is being forced to close its Swiss operations:

"They are reportedly having serious problems. This, on top of the big problems they got into recently in their U.S. real-estate division, where I'm told they gambled heavily on massive expansion of residential home sales."

Merrill Lynch announced on Sept. 30 that it is seeking a buyer for its major real-estate activities.

Energy

Soviet Union facing winter shortages

The Chernobyl nuclear plant accident, coupled with construction delays and a shortage of water, has caused an energy shortfall in the Soviet Union with winter coming on, according to the official Communist Party newspaper *Pravda* on Sept. 29.

Nuclear and hydroelectric power plants in several regions failed to meet their targets this year, and *Pravda* called for domestic and industrial energy savings to ensure a stable supply of electricity through the winter.

Energy-saving measures such as rescheduling working hours would be needed "to ensure a stable and unbroken energy supply," *Pravda* said, adding that, once again, the much criticized practice of "storming"—working fast at the end of the year to make up for a slow start—would have to be adopted in the energy industry, with the concomitant drop in quality.

Meanwhile, the first reactor at the Chernobyl plant is now back in operation, ac-

cording to an official Ukrainian newspaper. Anatoli Alexandrov, president of the U.S.S.R. Academy of Sciences, was present at the re-start of the plant.

The start date for the second reactor was not announced. Tass reported that investigators are expanding their search for contamination produced by the accident beyond the initial zone of 4,700 square miles.

Nuclear Power

World production increased in 1984-85

Production of nuclear power worldwide increased by 14% from 1984 to 1985, the head of the International Atomic Energy Agency said at the 30th general conference of the group on Sept. 29 in Vienna.

The increase follows a 19% jump from 1983 to 1984, and is equivalent to the entire annual coal production of the United States or the Soviet Union, said IAEA Director-General Hans Blix:

"Nuclear energy is not a luxury that can be dropped like a garment. It is a source of energy that continues to grow substantially in several countries."

U.S. Energy Secretary John Herrington said that America also remains firmly committed to the development of nuclear power.

International Debt

Mexico to get small interest reduction

Mexico has "won" a reduction of 1/16th of 1% in interest payments in a deal between Mexico and its creditor banks, according to an announcement from Citibank on Oct. 1.

Mexico will pay 13/16ths of a percent above LIBOR on \$43.8 billion in old loans, on which it is currently paying 7/8ths of a percent, and was given \$6 billion in new loans. The reduction will decrease Mexico's \$7 billion interest bill by \$24 million, but

Mexico will have to pay much more than that in "costs" and other give-aways to its 500 bankers that remain secret.

The Mexico deal is, however, "subject to the completion of ongoing negotiations," Citibank's William Rhodes admitted. Another banker said, "We don't have a deal until it is done," and it requires approval of 90-95% of the lenders. "The conditions are done," and it requires approval of 90-95% of the lenders. "The conditions are very good, and show the bankers have not been bulldozed. Otherwise, every debtor country in the world would have come up and tried to flex his muscles," another banker said.

Mexico's Finance Minister, Gustavo Petricioli, stated on Oct. 1 that the deal is "very satisfactory." He added, "We must go to work to deepen structural change."

Petricioli claimed that this kind of agreement is the right path for all of Ibero-America. He added that the deal was "in the spirit of the Baker Plan," the plan originally proposed in 1985 by James Baker III which features "debt-for-equity" swaps.

Baker himself agreed, in his speech to the IMF annual meeting on Oct. 1.

Security

State Dept. sets up anti-terrorist service

Following terrorist attacks in Europe on business and industrial figures identified with the "military-industrial complex," a special intelligence service, ostensibly to help U.S. businesses combat international terrorism, has been set up at the State Department by Secretary George Shultz, the State Department announced on Sept. 25.

The special intelligence service will provide advance warning and information about terrorism to U.S. companies in foreign countries, said Joe Rosetti, vice chairman of the Overseas Security Advisory Council and director of corporate security at IBM.

"This unit will be the nucleus for what we hope will become a major security asset for U.S. businesses operating overseas," Rosetti said.

Briefly

● **ADOLFO LUGO VERDUZCO**, the president of the ruling PRI party of Mexico, told the Sept. 26 PRI National Council meeting, "The interests of the Mexican people are above those of international creditors."

● **AN INDIAN** Health Ministry spokesman said on Sept. 24 that all foreign students going to India for study would have to be screened for AIDS. A majority of the 18,000 foreign students in India are from Africa, where AIDS is rampant.

● **"MILK** is not a basic need," Venezuela's Development Minister Gustavo Miravala announced Sept. 24, as a justification for lifting price controls on pasteurized milk, which will cause the price to rise substantially.

● **BRITAIN'S** Labour Party voted on Oct. 1 to have any future Labour government phase out nuclear power gradually, ignoring appeals from unions that thousands would lose their jobs and "the lights would go out" when coal supplies were used up. A stronger motion, for specific closures within five years, failed to pass.

● **THE KREMLIN** has unveiled a "far-ranging liberalization of its foreign trade," according to the *London Times* Sept. 24. Under regulations to go into effect Jan. 1, more than 20 ministries and 60 enterprises will be granted the right to freely enter foreign markets. "The export potential of manufacturing industries, above all, mechanical engineering, is not being used satisfactorily," a Soviet spokesman is quoted.

● **THE OECD** in Paris in late September released economic figures for the first six months of 1986 compared to the same period in 1985, showing that new orders for world shipbuilding have plummeted by 30%. European Community orders are down a staggering 69%, with West Germany worst hit with more than an 80% decline in new orders.