

Business Briefs

Infrastructure

Peru, Argentina map railway project

Argentina and Peru agreed on Sept. 25 to accelerate consultations on a project for a trans-oceanic railroad, and to coordinate with Bolivia a meeting of foreign ministers on the matter.

Argentine Foreign Minister Dante Caputo and Peruvian Foreign Minister Allan Wagner met at the United Nations to discuss the issue, and their governments have pledged to come up with a plan before the end of the year.

The railroad would go from Matarani, in Peru's south, to Buenos Aires, Argentina. Wagner told UPI: "In general we would take advantage of the already existing railroad networks. We have to program the links and some improvements in the networks. We have decided to continue ahead with this project, and another aspect to consider is the preparation of regulations for the transport of cargo." Wagner stressed that "this is a great project of horizontal integration."

Raw Materials

Malaysia hits ban on palm oil sales

Malaysian Prime Minister Mahathir Mohamad has called U.S. and European Community (EC) plans to restrict palm oil imports from Malaysia an attack on "free trade," the *International Herald Tribune* reported from Trolak, Malaysia on Sept. 28.

Edible palm oil is Malaysia's third most valuable export, after crude oil and gas, and timber, and accounts for 30% of Malaysian land under cash crop cultivation.

The EC has proposed to raise an existing 12% import duty on vegetable oils, and a U.S. congressional committee has begun hearings on a bill to label palm oil and coconut oil as "saturated fats," and hence a danger to health. The U.S. bill was introduced by Rep. Dan Glickman of Kansas, who said the legislation would cut tropical oil sales in favor of soybean oil produced in

Kansas.

Indonesia and the Philippines will also be badly hurt by the measures. proposals. Seventeen million Filipinos—many who live in areas under assault from communist rebels—are involved in the coconut industry.

Health

Soviet Union to work with Japan on AIDS

The U.S.S.R. is seeking cooperation with Japan on AIDS research, according to Sept. 18 reports in the Japanese news service Kyodo, citing Soviet diplomatic sources.

The Soviet Union is working to inaugurate joint research efforts against AIDS, and is offering the Japanese government a cooperation pact similar to agreements already signed with West Germany and Italy, authorizing the exchange of information and expertise on AIDS. The Soviets also are engaged in joint AIDS work with the World Health Organization.

Banking

Deutsche Bank head warns of debt crisis

Alfred Herrhausen, director of West Germany's Deutsche Bank, criticized the hard-line policy on debt repayment of the International Monetary Fund, at a private press conference in Washington, D.C. on Sept. 28. Large-scale debt cancellation is preferable to a full-blown crisis of the banking system, he said; it should be coupled with new credits to the debtor nations, to allow their economies to recover.

Herrhausen said that debt cancellation would be painful for the creditor banks, but the only other alternative, continued insistence on debt repayment and increasing defaults of the Third World over the next few years, would lead into a big banking and world monetary crisis.

Herrhausen referred to the precedents of the Marshall Plan of 1947 and the 1952 Lon-

don Conference debt settlement between Germany and its former wartime enemies.

His remarks were rated as "unprecedented" in German media commentaries, and other bankers rushed to distance themselves from his view. Deutsche Bank president Wilhelm Christians said that Herrhausen had only voiced "his personal opinion," that it was "not the general opinion that there should be debt cancellation for the Third World." Karl Otto Pöhl, chairman of the Bundesbank, hailed the IMF and called for more "discipline and muscle" in the international debt negotiations.

The Debt Bomb

Ex-Treasury official: 'Baker Plan' a fraud

Robin Broad, a former official of the U.S. Treasury Department who now works at the Carnegie Endowment for International Peace, charged that the much-touted Baker Plan for easing the pressures of the Third World debt, was never intended to solve the problem, but was "simply an attempt to steal the thunder from the newly inaugurated Peruvian President Alan García, who had the gall to unilaterally implement his own formula for cutting back Peru's unsustainable debt service without consulting the U.S."

According to Broad, the plan was "pasted together in breakfast meetings" between Treasury Secretary James Baker III and Federal Reserve Chairman Paul Volcker.

Protectionism

India worried over U.S. textile ban

A bill passed by the U.S. House of Representatives on Sept. 16, strictly limiting imports of textiles, clothing, and shoes, will seriously threaten India's exports to the United States, the *Hindustan Times* reported Sept. 18.

An earlier bill had targeted Taiwan, South Korea, Singapore, and Hong Kong, but the new bill covers imports from all

countries, including European. The bill could affect the textile agreement between India and the United States of February 1987, which allows for five-year expansion of India's garment exports, and puts hand-loomed textiles outside the quota limit of Indian textile exports to the United States. These constitute 18-20% of total Indian textile exports.

Development

Japan to invest in Ibero-America

Japanese Finance Minister Kichi Miyazawa announced in a press conference in Washington, D.C. on Sept. 26, that Japan intends to increase its investments in Ibero-America by \$4 billion over the next three years, above the \$1 billion it annually invests now. "This was what Prime Minister Nakasone meant when he expressed interest in construction of a second Panama Canal," during a recent visit to Washington, Miyazawa said.

Japanese Foreign Minister Todashi Kuranari, meanwhile, said in a speech in Venezuela that his country was ready to contribute \$2 billion to solving the continent's debt problem. He met with President Jaime Lusinchi and others, and said: "Our government is very much concerned about the foreign debt, which is the major problem faced by Latin America, and wants to contribute as much as possible."

'The Recovery'

IMF projects bigger deficit for U.S.

The International Monetary Fund, in its new annual report, projects a U.S. federal budget deficit next year than the White House expects.

According to a report in the *New York Times* on Sept. 28, for short-term interest rates, the IMF sees 7-7.5% next year, compared with 5-5.5% envisioned by the Reagan administration.

The report notes signs of weakness in private consumption in the United States. Despite the weaker American economy, the IMF cheerfully predicts that growth will be "reasonably well maintained" in the industrial countries as a whole.

U.S. Budget

Gramm-Rudman 'pain' to hit after elections

London financial sources view the latest Gramm-Rudman "fix" as a short-term stabilizer for the dollar, but warn that it could make a recession even worse, particularly after the 1988 presidential election.

The budget recently passed by Congress, and reluctantly signed by the President, increases the federal debt ceiling by \$500 billion, and revives the automatic budget-cutting provisions of the Gramm-Rudman law, adopted by Congress at the end of 1985, and thrown out by the Supreme Court in 1986, as an unconstitutional violation of the separation of powers. The "fix" specifies that the cuts will be done by the Executive Branch, not the Congress; it includes a revival of the provision that 50% of the required budget cuts will hit the national defense.

"The new law was written assuming there will be no recession before 1993," a London source told *EIR*. "It is clear it was intended that the budget reduction pain hit after the 1988 election. But, if there is a recession, then the deficit will balloon. The automatic cuts will then make the recession much worse."

Informed sources report that White House Chief of Staff Howard Baker was instrumental in persuading the President, against Defense Secretary Caspar Weinberger's advice, to sign the new Gramm-Rudman "fix," using the argument that it was urgent in order to restore confidence in the international markets in the dollar. The deficit targets agreed were based on an extremely favorable tax revenue period this year, a reported "one-shot" tax gain from last year's new tax bill, which will work in the opposite direction in FY 1989—but, this is after the elections.

Briefly

● **SOVIET ACADEMICIAN V. Ginzburg** states that he has long considered fusion power the most important scientific-technological problem for humanity, but now he would put high-temperature superconductivity in first place. "Superconductivity promises compact and powerful magnets for fusion installations," he said, according to the Soviet newspaper *Izvestia* of Sept. 23.

● **THE PHILIPPINES'** Cordillera People's Alliance, an ecologists' insurgent operation instigated by the likes of Princeton University's Richard Falk, is now giving support to environmentalists in Thailand to stop construction of the Nam Choan Dam. The Cordilleras group of 37,000 "indigenous peoples" said that their success in fighting a dam project in the Philippines, which they successfully stopped, taught them the value of protecting local inhabitants and wildlife.

● **IRAN** plans to establish a new weapons-trafficking bureau in West Germany. The former main bureau, which was based in London and was recently closed by the British government, handled 70% of all Iranian weapons purchases in the West. Iran reportedly plans to employ the staff of its former London bureau in either Frankfurt or Hamburg.

● **TRANSFER OF RESOURCES** from Latin America abroad will reach more than 5% of GNP this year, "and the capital promised us never arrived," said Enrique Iglesias, Uruguay's foreign minister, at a press conference at the United Nations on Sept. 28.

● **'THE U.S. ENTERS** its 59th consecutive month of economic growth on Thursday, marking that will be \$50 billion the third-longest expansion of the economy since monthly records were first kept in 1854," if you believe the *New York Times*. A front-page article proclaimed the good news on Oct. 1.