

Business Briefs

East-West Trade

France, Russia sign joint venture deal

Agreement has been reached on the first joint Franco-Russian venture since the beginning of this century, according to a report in the French daily *Quotidien de Paris* on Oct. 1. The company, called Sofraplast, will be based in Moscow, and will manufacture plastics.

Capital for the venture will be provided 70% by the Soviet State (Gosbank, Vnesh-torgbank), 15% by the French company Marchecom Engineering, and 15% by Compagnie Ollivier. The deal was worked out with the help of Crédit Lyonnais and Banque de l'Union Européenne.

The paper reports that joint-venture negotiations are under study with other French firms, including Thomson, Péchiney, and Interagra. A task force headed by former French ambassador to the Soviet Union Henri Froment-Meurice was set up to further this effort.

International Credit

Moscow puts out feelers to join IMF

The Soviet Union would like to join the International Monetary Fund, in order to increase its influence in world financial affairs, a senior City of London financial source told *EIR*. To join the IMF would only require the Russians to transfer certain paper balances. "They would likely demand a return to a gold standard as a precondition, a move which would greatly strengthen their monetary power within such an enlarged IMF. They would have a lot to gain and nothing to lose. This is why in the past, the U.S. has steadfastly refused Soviet feelers about joining the Fund."

These reports are borne out by discussions in the Soviet press. The July edition of the Soviet publication *Foreign Trade* comments, "It has been approved at the highest level, that the intent to join GATT [General

Agreement on Tariffs and Trade] is to be pursued, and, more generally, the U.S.S.R. is ready to accept the conditions of this organization. . . . The effort will be pursued to approach the IMF and the World Bank in the near future."

Austerity

Brazil cuts out loans for industrial projects

Brazil's National Economic and Social Development Bank (BNDES) announced at the end of September that it would loan *nothing* this year for major industrial projects. The move is just the latest effect of the International Monetary Fund's austerity program, in forcing that country to shut down its own economy. Brazil is the world's 10th-largest economy.

The Brazilian press, in discussing the decision, points to the fact that the steel and paper industries, which were to get the bulk of the money, had put their investments on hold anyway, given the economic uncertainties.

Most BNDES investment programs are partially financed by the World Bank, which may well have had a role in freezing the Brazilian projects.

Gold

James Baker's idea makes no sense

"Nobody in his proper mind understands James Baker III's gold proposal at all," a London financial expert told *EIR*. "Not one person I've spoken to in London has any idea what it's about; the more you try to explain it, the more incomprehensible and unworkable it becomes.

"What people think here, is that domestic U.S. political reasons play a role in what Baker proposed. There is a growing underlying interest in gold in the U.S., because of a growing fear of the general financial situ-

ation, a fear that something can blow up at any time. This increases the fundamental interest in gold in American society at large, and anybody who even raises the option opens up an interesting set of possibilities. . . . As for Baker III, don't discount his own political ambitions; there is a lot of talk here, coinciding more or less with the Bush trip to London, that he would be a likely candidate for Bush's vice presidential running-mate."

As we reported last week ("James Baker goes to war against Germany and Japan"), Baker proposed, at the International Monetary Fund's annual meeting at the end of September, to broaden the range of indicators used by governments to coordinate financial policy, to include a "basket of commodities"—among them, gold.

Soviet Union

Will harvest woes mean trouble for Gorbachov?

The Soviet Union will have to implement substantial food price increases, party chief Mikhail Gorbachov announced on Oct. 1, in a speech in the Arctic city of Murmansk. The announcement came amid reports in the official media that the harvest this year is in big trouble—a development which will contribute to the current rumblings of dissatisfaction with Gorbachov.

Gorbachov said that Soviet citizens don't value basic commodities such as bread and meat, because they pay prices far below the production costs. "One can see children using a loaf of bread as a ball in football. But the most important thing is that families with large incomes consume more meat and milk, and consequently, take advantage of the subsidies to a greater degree."

The Soviet trade union daily *Trud* reported on Sept. 20 that the harvest situation this year in the area known as the virgin lands is "extreme, possibly more acute than it has ever been. A recent CPSU Central Committee Politburo session viewed the situation concerning the end of the field work as exceptionally tense. . . . By mid-September about 20 million hectares of grain

remained unharvested in the region. . . . In Kazakhstan's northern oblasts, around one-third of the crop had not been touched, while in Altay Kray the figure was one-fifth and in Omsk Oblast the combines have already left the fields."

Infrastructure

West Germany extends credits to East bloc

A credit of one billion deutschmarks was signed in Bonn on Oct. 5 between West Germany and Hungary, to aid infrastructure development and technological innovation of Hungarian industry. This deal was presented as a "pilot agreement," to be followed by more such deals soon.

A credit package of up to five billion deutschmarks for East Germany is also in discussion, for innovation, infrastructure, and transportation improvements. This involves the electrification of East German railroads, restoration of the transit routes between West Germany and West Berlin, modernization of East German coal mining and utilities, including construction of nuclear power reactors. According to this scheme, West Berlin is to be supplied with electricity from these nuclear power plants.

Similar credits—all at low interest and guaranteed by the Bonn government—are being discussed for Poland, Bulgaria, Romania, Yugoslavia, and the Soviet Union.

The Debt Bomb

Swiss bankers warn of impending crisis

Several prominent Swiss bankers are warning against complacency in the face of the Third World debt crisis and speculative mania on the world financial markets.

On Oct. 2, Pierre Languetin, the president of the Swiss National Bank, said in an interview published in the German daily *Die Welt*: "The debt crisis beginning in 1982 had

a grave consequence: We did not pay attention to the actual problems of the developing countries, and these are growth and structural improvements. We have to be aware of this problem. New inflow of capital must serve investments."

Hans-Joerg Rudloff of *Crédit Suisse* predicted a "liquidity crisis among essential sections of the Eurodollar market" and "heavy losses on the stock exchanges of New York, London, Tokyo" to occur during the next 18 months.

Robert Jeker of *Crédit Suisse* said at a press conference in Geneva that during the 1988 election year, the U.S. would try to contain the banking crisis, but that from 1989 on, high interest rates and a drop in investment, with recessive consequences on the world economy, were definitely to be expected. "Of eight postwar recessions in the U.S., six began in the year after presidential elections," he said.

Another *Crédit Suisse* banker, Max Kopp, said at the same press conference that since the economic situation of Third World debtor nations was worsening, "escalating tensions between debtors and creditors" were certain. A "debtors' cartel" could not be ruled out under such conditions, Kopp warned.

Agriculture

Socialist International seeks 'development' fund

The Socialist International intends to campaign for a Third World "agro-development fund," said Ingomar Hauchler of the German Social Democrats on Oct. 4. The idea originates with the Brandt Commission of Socialist International Chairman Willy Brandt, which proposed debt cancellation for worst-off nations, and a fund to provide new credits for agriculture. The Commission favors small projects of the pick and shovel variety, rather than great agro-industrial projects.

The fund is to be administered by representatives of the creditor banks, the International Monetary Fund, and the World Bank, the creditor and debtor governments, and United Nations "experts."

Briefly

● **SWEDEN PLANS** to dismantle all nuclear reactors. Swedish Prime Minister Ingvar Carlsson told Parliament Oct. 6 that it would dismantle the first of its 12 reactors by 1995, the second by 1996, and the rest by 2010. In 1980, the Swedes voted in a referendum to scrap all 12 reactors of the nation's four nuclear power stations by 2010.

● **A BAILOUT PACKAGE** of \$2.5 billion was approved by the U.S. Congress on Oct. 6 to help bail out the Farm Credit System. The money will be raised by having the Farmers Home Administration sell off assets. It would also create a secondary market for farm real-estate loans—"Farmer Mac."

● **PUBLIC SERVICE** Company of New Hampshire, which owns a substantial part of the Seabrook nuclear facility, may be forced into involuntary bankruptcy. The company is considering a plan to save cash by not paying the \$37.5 million interest payment due on Oct. 15 on company bonds. This would constitute a default.

● **LABOR SECRETARY** William Brock said Oct. 6 that shrinking numbers of skilled workers in the United States may well have employers "scrambling" to fill high-tech jobs. "When I say we are going to run out of skills, we are going to run out of skills," he said, citing the current shortage of teachers and nurses as an example. He warned that the country's population and workforce will be growing at an unusually slow pace in the next 10 to 20 years.

● **THE SOVIET UNION** offered West Germany "a real partnership status in outer space projects," at the annual congress of the German Aerospace Society, which began in West Berlin on Oct. 5. Moscow presented its new Energiya rocket as "an ideal vehicle for lifting heavy-weight commercial space satellites" into orbit. As the Soviet representatives said, transport on the Energiya would be cheaper than on any Western rocket.