

# Business Briefs

## **International Debt**

### **Bolivia in default; Ecuador spurns IMF**

Bank of America, the leader of the banking consortium that has been negotiating a rescheduling of Bolivia's \$400 million debt arrears, declared Sept. 10 that Bolivia is in default.

The banks had earlier cut off all funding to Bolivia after its military government balked at fully carrying out the conditionalities imposed by the International Monetary Fund. The Bolivian labor movement has warned that its enemies were seeking to bring in a government even worse than that of President Vildoso, whose chief adviser is convicted Nazi war criminal Klaus Barbie. The labor movement demanded a full moratorium on Bolivia's foreign debt.

In Ecuador, Vice-President Leon Rodos said Sept. 10 that while Ecuador is trying to obtain a \$1 billion loan to cover short-term debt payments due this year, under no circumstances will it "seek to obtain the money through the IMF, because the IMF conditions its loans to changes in a country's economic policy." This month the country's finance minister was fired when it was revealed that he had invited an IMF team to negotiate a loan.

## **World Trade**

### **British to use GATT against 'nationalism'**

Meeting in a three-day seminar in London, British Empire agents determined to use the GATT ministerial meeting in November to halt "economic nationalism," a term referring to a sovereign nation's desire to protect its own economy from British dumping and trade manipulation.

Sponsored by the Trade Policy Research Center, a front group for the British Foreign Office, the Sept. 2 seminar was attended on the American side by Phyllis Bonanno of the Office of the Special Trade Representative; William Brock, U.S. Trade Representative; and several high-level attorneys and "consultants."

Keynote speaker Kenneth Durham, chairman of Unilever, the British chemical and trading multinational company, declared, "There is no denying that the economic circumstances of today are fraught with danger. There is an urgent need to arrest and, more than that, reverse the gathering trend . . . toward the resurgence of economic nationalism.

"A GATT program is necessary, for governments must present a determined front in the battle against economic nationalism."

The seminar began the day after the Mexican government announced strong economic measures to protect its national economy from free-market looters.

## **Banking**

### **Citibank scandal to cut offshore loans**

The scandal over the illicit offshore activities of New York's Citibank, the subject of a congressional investigation, was deliberately cooked up by the Bank of England and the secretive Swiss-based Bank for International Settlements.

The Citibank scandal is meant to lead to the creation of a "new international banking order," a source close to the Bank of England said Sept. 14. In the new order, he added, U.S. banks, starting with Citibank, will be drummed out of the international offshore markets.

The object, said a top official of the Swiss National Bank, is to cut lending in the \$1.8 trillion international Euromarkets in half.

The new Citibank scandal broke in Washington Sept. 13, when the House Commerce Oversight and Investigations Subcommittee began a week of hearings on Citibank "evasion" of international banking regulations. The House is reviving a huge investigation of Citibank begun by the Securities and Exchange Commission in 1978 and dropped by the SEC early this year for lack of evidence.

The SEC documents alleged that Citibank officials in Latin America, Europe, and Asia violated "bank safety" regulations of the U.S. Fed and foreign governments. Citibank, they claim, refused to set aside emergency reserve funds in case of Third

World default; made loans above the legal lending limits to certain Latin American nations; and "falsified their books" to move good loans from branch to branch, making each branch "look good to regulators."

Citibank has probably committed all those irregularities and more. But the point is the BIS effort to cut lending.

The entire scandal was exposed as a British plot by *EIR* in 1978, when it began. The investigation started when a Citibank foreign-exchange dealer, David Edwards, told the *Washington Post* that Citibank was engaged in foreign-exchange illegalities. Edwards, it turned out, was trained at the London School of Economics and until 1972 worked at London's elite Samuel Montagu investment bank. He worked with Samuel Montagu when he joined Citibank London in 1972, to set up a totally illegal foreign exchange operation at the U.S. bank—and then ratted.

## **Consulting**

### **Swedes say: 'Don't trust IRIS group'**

The Swedish Industry Association has issued a public warning about the activities of the International Research and Intelligence Service (IRIS) group, founded last year by notable international politicians including former British Prime Minister Edward Heath.

The Swedish business group's chief of security, Colonel Selander, states that IRIS should be watched for possible industrial espionage activities. In addition to large funding from the British merchant bank Henry Ansbacher, IRIS is backed financially by the Swedish insurance group, Skandia, which owns seven percent of the international research outfit.

Sweden's state inspectorate is pursuing an investigation of allegations that IRIS accessed sensitive confidential data on Swedish citizens, and then dumped that information into a foreign computer bank.

When IRIS was formed in October 1981, its founders boasted that it would become the leading intelligence service for multinational corporations, providing information that would far surpass the capabilities

of the American CIA. Investigation has shown on several fronts that IRIS is a front group for British and northern European dirty-money networks involved in commodities, insurance and offshore banking.

### **Fiscal Policy**

## **Japan's budget declaration: emergency political ploy**

Japan's "state of emergency" on the federal budget, declared by Prime Minister Zenko Suzuki, is seen as part of Suzuki's attempt to get renamed President of the ruling Liberal Democratic Party (LDP) and thus Prime Minister. His terms end in December.

Suzuki is pushing fiscal austerity and his main opponent, Economic Planning Agency director Toshio Komoto, advocates stimulus.

There is no "emergency" similar to the experience of New York City in 1975; Suzuki is overdramatizing an admittedly serious problem in order to counter demands for stimulus. Two real outcomes of Suzuki's "declaration" are a proposed small tax increase of \$1.5 billion and a possible freeze on wages of government workers.

### **Investment Policy**

## **Is China reversing Deng's anti-industry pogrom?**

Chinese Prime Minister Zhao Ziyang declared Sept. 17 that China will now give priority to heavy and chemical industries in its modernization programs—which would be a direct reversal of the policy Zhao and Deng Xiaoping have forced over the last two years.

According to the English-language *Japan Economic Daily* published by Kyodo News, Zhao made this declaration in a one-hour meeting with Japan's Minister of International Trade and Industry Shintaro Abe. Zhao also told Abe that Japan's cooperation was "indispensable" to the development of

nonferrous metals, energy resources, and the modernization of transport and factories.

The Deng-Zhao policy of reducing investment in industry over the last two years has come under severe criticism within China for ruining the economy and causing political unrest. Zhao's statement to Abe is just one of the signs that the Dengists are being forced to back down. At the Communist Party Congress just ended, the Deng faction was forced to retain on the Politburo one of the staunchest leaders of the "heavy industry faction," Yu Qiuli, whom the Dengists had removed from his government post two years ago.

Moreover, at the meeting with Abe, the Chinese announced reinstatement of three of the major industrialization projects which the Dengists had canceled two years ago, all involving cooperation with Japan. These include the \$3.4 billion, 3-million-ton Baoshan steel project; the 20-plant Najing petrochemical project; and the 300,000-ton Shandong Shengli ethylene project.

### **Resource Policy**

## **U.S. Congress looks at Western water**

The Senate Environment and Public Works Water Resources Subcommittee began informational hearings on Sept. 15 on the implications for the delicate matrix of control of Western states' water of the recent Supreme Court decision, *Sporhage et al. versus Nebraska*.

According to committee staff, the implications of the decision are largely unknown, and could range from continued state control of water resources to a broader interpretation that "since the export of a little additional water from a state could never be proven to be the cause of the dry-up of a state, water export could never be halted."

The Supreme Court ruled in *Sporhage* that water was an article of interstate commerce. The Court overturned Nebraska's ban on export of its groundwater for use in Colorado by a farmer owning adjacent land in both states. Presumably Nebraska could have stopped the export if it demonstrated a compelling need for the water in Nebraska.

# Briefly

● **TOSHIO KOMOTO**, Director-General of Japan's Economic Planning Agency, recommended to GATT chief Arthur Dunkel during a 20-minute meeting in Komoto's office Sept. 14 that the high U.S. interest rate policy be placed on the agenda of the Nov. 24-26 GATT ministerial meeting in Geneva.

● **THE GENERAL** Accounting Office has just completed a study of constraints on U.S. insurance companies marketing insurance in other countries. The study was performed at congressional request, in preparation for the November international GATT negotiations. Reportedly, American Insurance Group (AIG), the Singapore-based Philadelphia insurance giant, inspired the decision to perform the study.

● **LORD CARRINGTON** has been asked to assume the chairmanship of Britain's General Electric Corporation (GEC). The post brings him again into association with Henry Kissinger, with whom Carrington has formed a New York-based consulting firm. Kissinger is an international adviser to GEC.

● **U.S. CORPORATIONS** "postponed" by one more quarter their plans to increase expenditures for plant and equipment, according to unpublished Commerce Department figures. Second-quarter expenditures fell (at annual rates) by \$4.5 billion to \$323.2 billion. Three months ago, it was expected by the Commerce Department that third-quarter investment would rise to \$328 billion. The third-quarter intention is to now to lower outlays a further \$3 billion.

● **THE FRENCH FRANC** reached an all-time low against the dollar, at 7.1 during the week of Sept. 16, prompting the Socialist government to take emergency measures to avoid another immediate devaluation.