

Business Briefs

'High Technology'

Eureka project launched in Europe

President Mitterrand's Eureka project for "high-technology" cooperation in Europe was formally launched at the end of June, with an agreement signed between the French state-controlled defense and electronics group Matra, and Norsk Data of Norway. The project to develop laser and communications technology, was hatched by opponents of the U.S. Strategic Defense Initiative, in order to block European participation in the SDI.

The heads of state of the European Community, meeting in Milan at the end of June, were expected to appoint Viscount Etienne Davignon as Commissioner for the Eureka program, Italian newspapers report. Davignon oversaw the dismantling of European steel production, from his position as EC commissioner, imposing national quotas to prevent industrial expansion.

Also at the Milan EC summit, British Prime Minister Margaret Thatcher reportedly opposed increasing the "political unity" of Europe, and spoke in favor of economic and financial "liberalization" of exchange among the European countries.

International Monetary Fund

G-10 calls for more IMF surveillance

The International Monetary Fund's Group of 10 (central banks and finance ministers) plus Switzerland closed a one-day conference in Tokyo June 24 with a declaration that the present floating exchange-rate system should continue, but that "it is now necessary for the IMF to strengthen its usual multilateral surveillance over national economic policies of member states in the interest of promoting monetary stability."

A French proposal for creation of an exchange-rate target zone or range for each currency was brushed off, but intervention was endorsed "as useful in countering disordering fluctuations." The statement

stressed that nations should be prepared to undertake "coordinated market intervention operations."

Japanese Finance Minister Noboru Takeshita said there was "strong political will" to "intensify the IMF's monitoring function. . . . It was obvious to most of us that a more intense IMF surveillance will be necessary." The communiqué further calls for "international implications" to govern the policies of domestic economies—bankers' code language for dictating budget cuts to the United States, in particular.

Foreign Exchange

Rumors spark capital flight in Peru

Peru is being subjected to an epidemic of capital flight, reaching the exorbitant sum of \$200 million, as the inauguration of the government of President Alan Garcia on July 28 nears. The panic broke out when rumors spread that Garcia would decree a "state of emergency," and measures that would include nationalization of the press.

Economist Cesar Vasquez Bazan of Garcia's APRA party wrongly announced that Garcia had imposed exchange controls in order to stop capital flight. He then blamed a faction of the APRA linked to former Chase Manhattan executive Manuel Ulloa, Henry Kissinger's Peruvian henchman and the present prime minister, for promoting the capital flight.

Vasquez Bazan charged that "if they are going to insist on continuing the recessive policies, in 12 months there will be nothing left of the electoral landslide of April 14." Vasquez recalled that during the 1977 government, "the neoliberal experiment reached its splendor. . . . Dollarization, permanent devaluation, and price increases began."

The destabilization campaign against Peru is the work of Kissinger and company. They fear that Garcia may fulfill the program he has announced, which repudiates Peru's burdensome foreign debt and the International Monetary Fund's austerity conditions. Garcia declared in June, "I am not going to sacrifice the Peruvian people to the demands of world banking. . . . We cannot

pay our creditors by making the debtor pay with flesh and blood."

Infrastructure

Canada moots \$100 bn. water plan with U.S.

The Canadian government is activating a feasibility study for a \$100 billion plan to turn James Bay into a freshwater lake, by means of an enormous dike, and then shipping the water south to the Great Lakes. From there it would be piped to arid western Canada and the southwestern United States.

Two engineering companies, Bechtel and Rousseau Sauve & Warren of Montreal, are looking into it. Bourassa of Quebec is hoping to use huge water and power projects in the north of the province as a key to winning a provincial election to be held by next April.

Canadian Prime Minister Brian Mulroney is supportive of the James Bay project, and is being attacked by a group called Council of Canadians, for his advocacy of closer ties to Washington, and for this project, which is being denounced as a "colossal mistake." Environmentalists are also opposing the plan. The Canadian Coalition for Acid Rain is calling it "just a lunatic scheme. It's technocracy gone wild."

Population Control

China criticizes U.S. for funding cutbacks

Zhou Gucheng, chairman of China's National People's Congress Health Committee, said at the end of June that U.S. moves to cut or halt funding to United Nations population-control programs, were based on distorted facts and harmed Chinese-American relations.

The House Appropriations Committee of the U.S. Congress is calling for cuts in the full \$46 million allocated to the program from the United States. In China, 6-20 million abortions are performed each year; 25%

of all pregnancies are terminated, and last year, there were approximately 18 million live births. Widespread cases of female infanticide have been documented in the international press.

Zhou denied that there are forced abortions, and called press reports of this "slanders."

Mexico

Peso devalued under pressure from the IMF

Under the guise of technical changes in exchange regulations, the Mexican government announced June 29 what is, in effect, a devaluation of the currency by one-third, from 245 to 327 pesos to the dollar.

The government authorized the nationalized banks to trade at the black market rate, which had previously been the prerogative of legal, but unregulated, foreign exchange operators. Officials of the banks expect the government now to throw its dollar reserves into a market in which dollars have been very scarce.

In expectation of such a de facto devaluation, speculators and businessmen moved billions in flight capital out of the country during preceding weeks. In addition, the government is lifting the exchange controls, which did not stop flight capital, but made it more difficult. The International Monetary Fund's complaints about Mexican exchange controls and the "over-valued peso" have been now embraced by the government.

Southeast Asia

Thai government okays austerity budget

Thailand's cabinet on June 18 gave the final approval to the 218,000 million baht austerity budget for the 1986 fiscal year. Government spokesman Dr. Trairong Suwannakiri said the budget bill would be submitted to Parliament immediately and the House of

Representatives would have to pass it in three readings by September 16.

The new budget represents a real increase of 9,000 million baht or 4.3% over the current year's revised budget of 209,000 million baht. For the second year running, debt-servicing takes the lion's share of the budget, swallowing up 50,719.3 million baht or 23.3% of the budget. The second-largest allocation goes to defense, which takes up 41,257.3 million baht, or 18.9% of the entire budget. Allocation for economic development totals 34,087.7 million baht, accounting for 15.6% of the budget.

Ibero-America

Venezuela cracks down on 'banking crimes'

The Venezuelan government announced on June 19 that banks will be placed under strict surveillance in the wake of the bankruptcy of Banco de Comercio. The government has proposed a bank reform law that will give enhanced powers to the Superintendent of Banking, increase administrative penalties, and establish sentences of up to eight years in prison for "banking crimes."

Bankers protested, accusing the government of "trying to interfere with normal management procedures."

The Banco de Comercio ran into trouble when the financial empire of Gustavo Cisneros triggered a run on the bank, which was run by José Vicente Pérez Sandoval. Gustavo Cisneros has accused Pérez Sandoval of financing the publication of *EIR's* explosive book *Narcotráfico, SA*, an exposé of who runs the dope trade (including the role of the Cisneroses in Venezuela). The book was banned on orders of Cisneros—a move which is now being fought in the courts.

Bad blood has existed between Cisneros and Pérez Sandoval ever since the latter married Cisneros's sister, then left her and married her daughter by a previous marriage.

In addition to the Banco de Comercio, there were runs on several other medium-sized Venezuelan banks—but observers note that no banks controlled by the Cisneros organization were subjected to such difficulties.

● **ONLY 649 OIL RIGS** were in use in Texas during the last week in June, down from 864 in use the same week last year, the Hughes Tool Company reports. For the United States as a whole, there were 1,854 rigs active, compared to 2,360 a year ago. The average number of active rigs in Texas over the past five years is as follows: 1980—987; 1981—1,317; 1982—990; 1983—797; 1984—850.

● **DALLAS REAL ESTATE** syndicator Craig Hall has made a bid to the Federal Home Loan Bank Board to increase his ownership in First Federal of Michigan, the nation's ninth largest Savings and Loan association, from his current 9.9% to 51%. Hall purchased the 9.9% last fall, and has been sparring with First Federal ever since.

● **TEXAS S&L** Commissioner L. L. Bowman is threatening to shut down a dozen Savings and Loan associations in September, when a new law will give him the power to take over the direction of troubled S&Ls in his state.

● **AN EIR SEMINAR** in Washington, D.C. on June 27 drew 22 representatives of foreign embassies, the U.S. government, and the private sector. Contributing Editor Christopher White and economic analyst Richard Freeman outlined the devastating implications of the just-released June 15 *EIR Quarterly Economic Report*, "The Looming Bankruptcy of the U.S. Economy."

● **U.S.-JAPAN TRADE** talks have made some progress on telecommunications issues, but otherwise "are going at a glacial pace," said Acting U.S. Trade Representative Michael Smith. The trade discussions concern electronics equipment, forestry products, pharmaceuticals, and automobiles.