

Business Briefs

The Invisible Hand

Eastern Airlines fined for cocaine

The U.S. Customs Service fined Eastern Airlines \$1.3 million following the discovery and seizure of 1,722 pounds of cocaine aboard two airliners. Federal law requires a fine of \$50 per ounce of cocaine found aboard a common carrier.

Both of the Eastern Airlines flights originated in Colombia, where the narcotics were concealed in the cargo compartments of the airliners. Only airline employees have access to the plane's cargo areas.

On Aug. 11, Customs officials found 849 pounds of cocaine aboard a flight from Barranquilla. Then, on Aug. 24, another 873 pounds was discovered on a flight from Cali.

Eastern Airlines has suspended its flights to Colombia because of this repeated use of its carriers by narcotics smugglers.

In a related development, the Jamaican government dismissed 160 workers at its two international airports as part of an ostensible drive to shut down drug smuggling.

Pernell Charles, Minister of Transport for the Caribbean island, stated that among those dismissed were airport security guards and ramp handlers at Kingston's Manley Airport and the Donald Sangster Airport near Montego Bay. The government-owned airline, Air Jamaica, has been fined a total of \$13.2 million this year by U.S. authorities following discoveries of narcotics concealed in restricted access cargo areas on six separate occasions.

Banking

Comptroller files suit against Bert Lance

The U.S. Comptroller of the Currency filed a civil suit against Bert Lance and his Georgia-based Calhoun First National Bank, for repeated instances of check kiting and improper use of bank funds.

Lance was the head of the Office of

Management and Budget under the Carter administration and a close personal friend of the former President. He resigned his OMB post in disgrace and was unable to retain his Mondale appointment to chair the Democratic National Committee because of his reputedly illegal and shady financial dealings.

The suit, filed Aug. 29, cited 29 instances of check kiting and accuses Lance of 10 instances of improper lending practices. Lance was also charged with extending \$250,000 in loans to himself without clearance from the bank's board of directors, and of having directed the bank to issue \$3 million in loans to Tennessee banks to which Lance's companies are heavily indebted.

The suit is the result of an investigation that was initiated last October when Marvin L. Taylor, former president of Calhoun First National, and two other bank officers, reported irregularities to the Comptroller's Austin office. The Department of Justice may bring criminal charges.

Development

Spanish premier seeks business in Asia

Spanish Prime Minister Felipe González began an 11-day tour of Japan and China on Sept. 4, bringing with him some 32 industrialists and bankers to discuss potential cooperation on industrial projects in both countries. At least three contracts, worth some \$340 million, should be concluded on the trip. Projects will include an oil refinery for Fujian Province.

The deals will be financed in part by 30-year loans from Spain at 2% interest, the lowest Spain has ever granted to a foreign country. Spain is also interested in a \$150 million contract for the new Shanghai airport.

In Japan, Prime Minister González will present Spain as an entry-point for Japanese investors who want to break into European Community markets. Spain will join the EC on Jan. 1, 1986.

The Spanish government has been at-

tempting to build up an electronics industry with investment from overseas; some has already come from the Fujitsu company of Japan. Japanese investment, attracted by low wages, a relatively skilled workforce, and Spanish ties to both North Africa and Latin America, totaled \$100 million last year.

Spanish Foreign Minister Francisco Fernández Ordóñez and Miguel Boyer, the head of the Banco Exterior, are accompanying González.

Austerity

McNamara: Let World Bank replace IMF

Malthusian Robert McNamara acknowledged that the International Monetary Fund is "causing revolts" when he testified before the House Banking Committee on Sept. 4. The IMF's austerity policies have "brought the IMF into disrepute. . . . Its policies have led to great suffering," McNamara said. "That is why there are revolts in Bolivia and in Guatemala today. . . . And why Sadat was nearly overthrown."

McNamara added that he does not "disagree with the principle of austerity," but argued that the World Bank could better administer the programs that cause so much death and suffering.

Federal Reserve Board chairman Paul Volcker is being considered as the new World Bank president, *Washington Post* columnist Hobart Rowan reported on the same day.

Labor

Panamanian workers, army say no to IMF

At least 5,000 workers, demanding that Panama break with the International Monetary Fund, marched on Panama's Congress the evening of Sept. 4. The CONATO labor association's members marched right into Congress to demand that the assembly pronounce itself against all changes in the law

related to the letter-of-intent signed between the IMF and the government of President Nicolás Ardito Barletta, a former vice-president of the World Bank.

The extraordinary scene was of workers seated side by side with sympathetic congressmen chanting: "IMF, go home!" A CONATO representative took the podium to read the workers' demands. There followed a debate on the IMF austerity measures agreed to by the Ardito Barletta executive in its letter of intent. The workers yielded the floor only to those deputies whom they knew to be opposed to the measures. Some who pretended to be opposed but started supporting the IMF policies once on the podium were shouted down. The trembling deputies sneaked out of the hall, one by one.

The march had the at least implicit support of the Panamanian Defense Force, the nation's army. In its weekly Sunday television program on Sept. 1, the army warned the National Assembly not to approve any proposal that goes "against the interests of the people." It specifically mentioned the assault on labor, industry, and agriculture ordered by the World Bank as a condition for the Ardito Barletta government's receiving \$60-90 million in loans. Ardito Barletta later begrudgingly told the Assembly he was backing down on the most outrageous of the conditionalities.

At the same time, Defense Force strongman General Noriega left for Peru with a planeload of reporters, in a scene that made it appear that he, not Ardito Barletta, was the chief of state.

Credit

Philippines can't meet IMF targets

"If it is to avoid real damage to the economy," the Philippines will have to renegotiate the budget targets agreed on with the International Monetary Fund, Prime Minister Cesar Virata declared on Sept. 4.

Prime Minister Virata said he was still not certain whether the IMF executive board would approve further disbursement of a \$637 million loan to the Philippines at its

Sept. 25 meeting.

The IMF has insisted that the government restrict its budget deficit to 0.9% of GDP, leaving nothing for essential investments, Virata said. "We are not collecting taxes because business is so bad."

The Debt Bomb

Peru opens negotiation on debt without IMF

On Sept. 4, Peruvian government representatives began renegotiating the country's foreign debt in Lima without any representatives of the International Monetary Fund present. Economics minister Luis Alva Castro and staff met with Citibank's Peru desk officer and Lima branch manager.

The government of President Alan García has already declared a six-month debt moratorium, a ceiling on subsequent payments of 10% of foreign-exchange earnings, and a banishing of the IMF from any role in its financial and economic policy-making. García has also called for summit to resolve on collective renegotiation of Ibero-America's debt, in effect, a "debtors' cartel."

The Peruvians asked the Citibank representatives for a roll-over of all debts due between Sept. 16 and Jan. 31. Citibank said they would bring the request to the bankers' steering committee on the Peruvian debt, now headed by Citibank, and that its vice-president, William Rhodes, has plans to come to Lima for negotiations.

"If Peru imposes an IMF-type program and calls it something else, that's fine by us," a banker is quoted by Alan Riding in the same day's *New York Times*. "We're perfectly willing to listen to what Peru has in mind. All sorts of dialogues are possible. We're not too worried about precedent-setting. . . . On its own, Peru is not important. Most large banks could write off Peru without hurting much. But it would set off waves throughout the region. No one wants to rock the boat at the moment."

The *Times* article also quoted President García saying that the bankers were in Lima to discuss *his* method of handling the debt problem.

Briefly

● **JIMMY CARTER** is a member of the core-group heading a Club of Rome "Program for Action in Africa for 1986-87." Others include Club of Rome co-founder and arch-racist Alexander King; Notre Dame University head and Trilateral Commission member Theodore Hesburgh; Tufts University President Jean Mayer; and Club of Rome General Secretary Bertram Schneider.

● **MARIO SCHIMBERNI**, an associate of Henry Kissinger and head of Montedison Corp. in Milan, is sponsoring a reception at the Guggenheim Museum in New York City in October of this year, to celebrate Montedison's expansion of activities around the world.

● **THE MONT PELERIN Society**, a feudalist economic think tank advocating "free enterprise" policies around the world, had a week-long meeting in Australia, during the second and third weeks of August.

● **EGYPTIAN DOCTORS** have reported an outbreak of plague in Libya, along the border with Egypt. Quarantine measures, to protect the Egyptian population, have been taken.

● **CHINA** published full balance-of-payment figures for the first time since 1949, in the Sept. 2 edition of the overseas *People's Daily*. The figures included trade, current account, capital account, and total reserves for three years up to 1984. They showed a current account surplus of \$2.03 billion for last year, as opposed to \$4.24 billion for 1983.

● **PRESIDENT REAGAN** vowed on Aug. 31 to veto any protectionist legislation. "Instead of protectionism, we should call it destructionism," he said in his regular Saturday radio broadcast. "It destroys jobs, weakens our industries, harms exports, costs billions of dollars to consumers and damages our overall economy. . . . The surest way to destroy jobs and throw Americans out of work is to start a trade war."