

Business Briefs

Population

Europe has negative population growth

A spokesman for the European Community has revealed to *EIR* that every nation of Western Europe but the Republic of Ireland now has a negative birth rate, the lowest being West Germany, followed by the U.K.

According to a report just adopted by the EC's Protocol Committee, the reasons for the collapse in births lie in the "shake up in marriage patterns," rising costs of raising children, "vague unease about the future," and the ability to plan births.

West Germany can now be described as an "anti-child" society, the spokesman said. Most housing, for example, is restricted against children.

The most serious economic repercussions will be the increase in the number of the old to be supported by a shrinking number of active workers.

Sanctions

South Africa unveils 'mineral bomb'

South Africa announced on Aug. 26 that its vast mineral wealth was a potentially powerful weapon in the battle against sanctions, but that such a weapon would not be used lightly.

State-run Radio South Africa said the country was a key supplier of manganese, vanadium, platinum, and chromium, vital to the West's defense and industry.

"If there were to be a total cut-off of supplies of these and other critical minerals and metals found in abundance in South Africa, no Western industrial country would be able to sustain present levels of economic and technological progress or to uphold present military and defense capabilities," the radio warned in a daily commentary which reflects government views. It said the "minerals weapon" was a potentially powerful arm in the economic war that certain countries were preparing to wage against

South Africa through sanctions. "But it is not a weapon that should be used lightly, if at all," the radio said.

Fears that Pretoria could retaliate against sanctions by cutting off platinum supplies recently upset international markets, and the price of the metal soared.

According to official figures, South Africa has the world's largest known reserves of vanadium, platinum chrome, manganese, gold, fluorspar, and aluminium. The radio pointed out that South Africa depended on mineral exports for more than 70% of its foreign-exchange earnings. To sacrifice this would be to risk the continued growth of the economy, it said. Other sectors of industry have to be strengthened so that South Africa could be made even more self-sufficient, it said.

The Informal Economy

Soviets fighting domestic war on drugs?

After decades of denouncing the decadence of the Western capitalist world and sneering at Western problems with drugs, the Soviet press is exploding with revelations about drug-activity in the U.S.S.R., with almost daily tales of helicopter raids on dope fields, drug rings, and thefts from hospitals. Leading journals such as *Izvestia*, *Literaturnaya Gazeta*, *Sovetskaya Rossiya*, and *Sobesednik* are all running stories to show that the Soviets, who have been running drugs into the West since 1967, are rather victims of drugs.

According to *Literaturnaya Gazeta*, large areas of the Soviet Union are dedicated to growing drugs. The acreage of land used to produce drugs is immense, especially in the Kirgisan provinces, the magazine says, and 300 party officials have been sentenced for operating a "private" drug market.

An agricultural expert is quoted in the article saying that there are 10 main areas in the country producing drugs, which is not illegal, since there are no laws banning such production.

The same article notes that the Soviet Union has a large drug consumption prob-

lem. Soviet Health Minister Potapov is quoted as saying that drug consumption is spreading among the youth, and Boris Yeltsin, head of the Moscow party section, admitted that there are 3,000 drug addicts known in Moscow alone, with many more presumed.

U.S. Economy

Hit tax reform for damaging research

A Stanford University official, Larry Horton, said on Aug. 25 the new Tax Reform bill nearing congressional approval could kill the type of research that spawned the high-tech Silicon Valley in California.

He said provisions in the bill would make it very difficult for major private universities to raise money for vital scientific research. It is believed that the House-Senate conference committee on tax reform voted to impose a ceiling of \$150 million on any tax-exempt bonds an independent school could sell, he said.

"About 20 to 25 of the top private universities in the country would face a decline in the kind of long-term research that made the development of Silicon Valley possible," Horton said. Stanford, which already has \$300 million in such bonds, would be ineligible to sell more.

International Debt

Chile pioneers in 'debt-for-equity' swap

Chile is implementing a "debt-for-equity swap plan," and has already converted \$450 million in debt. The *Washington Post's* James Rowe, Jr. bragged on Aug. 24 that the scheme is being implemented, and claims that it is working perfectly and is giving banks expertise for implementing such schemes in other Ibero-American countries.

Chile has been encouraging both domestic and foreign investors to buy outstanding dollar-denominated foreign loans and "con-

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vert" them into either domestic, peso-denominated loans or direct investment in Chile, Rowe writes. Through June 30, the nation's conversion program has sliced about \$450 million from the country's \$19.5 billion debt. By the end of the year, Chile's Central Bank international director Francisco Garces says an additional \$550 million in foreign debt will be converted.

One of the largest transactions was that of Bankers Trust, which spent \$43 million buying into the pension plan run by Chilean fund-management firms and insurance companies. The Chilean pension system was "privatized" about five years ago, as part of the Pinochet government's "free enterprise."

Rowe claims that other debtor nations and multinational institutions, such as the World Bank, are studying the Chilean experiment, and that the Chilean strategy can serve "as a model for others."

Industry

German economy going down fast

There is nothing but bad news coming out of West German industry these days:

West German machine exports took a deep dive during the first six months of 1986 according to figures released at a press conference by the Association of German Machine Builders (VDMA) in Frankfurt. Sales of special machinery to Third World nations and the United States were 12% lower in the first half of 1986, than during the same period in 1985. Machine and machine-tool exports have been the big "conjuncture locomotive" of West Germany's industry.

Meanwhile, Germany's biggest producer of steel pipe is in trouble. The Mannesmann Corporation, West Germany's biggest producer of specialty steel pipes, has been hit badly by the collapse of oil revenues in the OPEC and other oil-producing countries. Foreign sales, especially in the oil pipeline sector, dropped by 9% in the first six months of the year.

Soviet orders for specialty high-pressure gas pipeline from Mannesmann have ex-

pired. The company will be forced to lay off at least 4,400, but more likely 6,300 workers within the next 6 to 12 months.

Were this not enough, West Germany's shipbuilders have announced they want to cut 30% of their workforce. A troubled sector for several years now, shipbuilding will receive no further subsidies from the government. When orders expire in September-October, between 6,000 and 8,500 workers stand to lose their jobs.

Finance

Argentine economic restructuring in trouble

Argentine central-bank head Alfredo Concepción, along with the entire bank's board of directors, has resigned under government pressure. Concepción became surrounded with controversy when, on Aug. 19, he accurately observed that the Ibero-America debt was structured in "unpayable" terms, and therefore, "We will all be ineligible [for international credits] like our Peruvian brothers."

Concepción is being scapegoated for the collapse of President Raúl Alfonsín's Austral Plan. Finance Minister Jacques Sourouillé has accused Concepción of being responsible for an inflationary explosion because of his refusal to reduce the money supply, raise interest rates, and further lower living standards in the midst of a depression. July inflation was 6.8%, bringing this year's to 33% and an annualized rate of 119%, compared to a government target of 28% for the year.

"Confidence evaporated with the July inflation figures and people ran for the dollar," according to Carlos de Roa, an Argentine businessman.

According to the *Wall Street Journal*, Sourouillé will push through a 10% reduction in real wages. "Wage agreements have been far too generous and give a sense of government weakness," said economist Carlos Heibling.

Concepción is a founder of Alfonsín's wing of the Radical Party and is, or was, a close friend of the President.

● **JAPAN DONATED** \$19 million to Peru to finish a water system in the town of Chosica. The project began with an earlier Japanese donation in August 1985. Peruvian Foreign Minister Allan Wagner said, "The cooperation of friendly countries like Japan permits valuable support for the government's efforts in favor of the people." The IMF declared Peru "ineligible" for international credits on Aug. 15.

● **GENERAL MOTORS** confirmed on Aug. 25 that it will immediately offer its 142,000 North American salaried workers an "incentive separation program" in an effort to reduce staff 25% by 1989.

● **SOUTH KOREA'S** sixth nuclear plant came on line on Aug. 25, and nuclear power now generates more than 25% of the nation's total electricity consumption. The 950-megawatt pressurized water reactor in Yongkwang cost \$1.2 billion. Westinghouse built the reactor and the turbine generator. South Korea will build three more plants by 1989 and plans to produce 37% of its electric power by nuclear means by 1996.

● **FLOODING** could delay the start-up of the first Cattenom nuclear plant in France, according to Electricité de France.

● **TAX REFORM** in the form now nearing congressional approval will cause state income-tax increases in 35 states, some by as much as 20%, according to estimates prepared by the National Association of State Budget Officers.

● **MENDON STATE BANK** became the first Illinois bank to fail since Continental Illinois collapsed in August 1985. It was the 91st U.S. bank to fail this year. It reopened at 9 a.m. Aug. 21 as a branch of the First Midwest Bank of Quincy, Illinois. To ease the transaction, the FDIC is advancing \$6.6 million to First Midwest.