

# Business Briefs

## Development

### Attack poverty to halt drugs, paper warns

The United States must attack underdevelopment if it truly wants to eradicate the drug trade, warned an editorial in the Brazilian paper *O Estado de São Paulo* published Aug. 29.

"The core of the problem is the underdevelopment which fertilizes coca plantations, inside and far beyond the borders of Colombia, Bolivia, and Peru," wrote Nomeno Spinola. "Without plans to prevent Colombia from being transformed into a Laos, President Bush's [Sept. 5] speech will only work if he attacks the problem from both sides.

"There is a war started by the narcos, but which can only be won with the same arms they use. But there is also a North-South problem to be solved, called poverty, which feeds criminality. Never has a U.S. President had in his hands such an opportunity to propose a new North-South policy, based on economic development and crime-fighting," the writer concluded.

## Labor

### East Germany faces worker demoralization

The East German communist regime has immense problems maintaining the motivation level of workers, according to several sources in West Germany who talked with *EIR* on Sept. 4.

The demoralization of labor is very deep and anti-party sentiments are broad, though unorganized as a real power factor. There are hints that in the traditional collective discussions on the next five year plan, workers are voicing a lot of criticisms, which they haven't done in recent years.

An official at the West German machine producers' association told *EIR* that in former times the East Germans somehow managed to motivate workers for extra shifts, to meet production quotas in spite of chronic problems with the supply of raw materials

and energy. "Today, motivation campaigns of the party don't work any longer, workers simply won't listen to the apparatchiks. . . . The more qualified stratum, which was the least problematic before, is the problem now."

This translates into the mass exodus of some 150,000 refugees from East Germany to Hungary and the West this year. Almost 80% of the refugees are below the age of 45; some 40% of them have either worked as craftsmen, and about 10% come from technical-industrial professions.

## Ecology

### World Bank is doubtful about 'global warming'

Even World Bank officials are skeptical about unscientific claims that the "greenhouse effect" is heating up the planet. A confidential World Bank document calls predictions of a global warming change "conjectural," and says that such predictions are too uncertain to justify limiting loans for development in Third World countries on environmental grounds alone, reported the Aug. 31 *Los Angeles Times*.

This internal memorandum is expected to be the basis of a policy statement by bank president Barber Conable on Sept. 11 in Tokyo, at an international conference on global environmental issues.

The *Times*, which attacks the Third World demand for industrial development, says that the underdeveloped countries will support the World Bank's paper against the so-called greenhouse effect.

However, the World Bank is certainly no friend of industrial development, and the memo reportedly also calls for the phasing out of chlorofluorocarbons (CFCs) "as soon as alternative substances . . . are available," and also contains proposals for increased research and monitoring of global warming and its economic, social, and natural resources impacts.

*EIR* has covered the "global warming" hoax extensively, and has exposed the fraud of the current campaign against CFCs. See, for example, the analyses in our issues of Jan. 20 and June 9, 1989.

## Shipping

### Aging fleets force revised standards

The aging of the world's merchant marine fleet has led three major maritime organizations to revise their standards, according to the newsletter of the Shipbuilders Council of America released in late August.

Lloyd's Register of Britain, Det Norske Veritas of Norway, and Nippon Kaiji Kyokai of Japan have created a new classification standard that allows ships over 15 years old to remain in service without penalty.

The classifications are widely used by insurance companies, regulatory agencies, and others to assess risk and determine premiums and fines.

In related news, the *Journal of Commerce* reported on Sept. 7 that the port of Albany, New York has lost its last major shipper, and faces the prospect of closing down. The International Longshoremen's union local there was notified by the International Terminal Operating Co. that it would cease operations at Albany.

One week before, Volkswagen of America announced its decision to move its major shipping operations from Albany to Rhode Island, and two months before, United Brands, Inc., which was the largest user of the port, moved its operations to Wilmington, Delaware.

## 'The Recovery'

### Fudged statistics hurt corporate planning

The extent to which the U.S. government has been revising a large number of its economic statistics is creating increasing difficulty for business planning, the *Wall Street Journal* reported Aug. 31.

The chief analyst of one company is quoted saying the revisions "almost make a mockery out of trying to interpret what's going on."

The *Journal* claims that, ironically, part of the problem can be attributed to the com-

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panies themselves. "Dozens of the nation's large companies have stopped completing the monthly surveys . . . used for vital information on orders and sales. Many of the companies were taken over, and their new managers are obsessed with cutting costs."

An official at the U.S. Bureau of the Census, in defending the government, sought to blame the companies themselves. "One of the first things they do is stop filling out our reports because they're voluntary."

### Debt

## Economists propose doubling Brady Plan

A new report on the global debt crisis published by the World Institute for Development Economics Research (WIDER), based in Helsinki, Finland, calls for further reduction of Third World debt, beyond the amounts proposed by U.S. Treasury Secretary James Brady.

According to the *Financial Times* of London Aug. 30, the report calls for debt reduction on a scale twice as much as the Brady Plan, "a \$125 billion reduction of the commercial Third World debt bought back at 40 cents to the dollar."

The *Times* bills this as "probably the most detailed and far-reaching proposal by a distinguished body to date. . . . The proposal has gained worldwide recognition, not least thanks to the stature of its authors."

The Brady Plan has been widely criticized as offering so little assistance to debt-strapped nations as to be utterly meaningless.

The drafting of the report was led by Johannes Witteveen, the former managing director of the International Monetary Fund—and hence one of the architects of the current debt crisis. Under him worked, among others, former French premier Raymond Barre; former Brazilian finance minister Luiz Carlos Bresser Pereira; chairman of the Indian government's Council of Economic Advisers Sukhamoy Chakravarty; former Nigerian head of state General Obasanjo; former Bank for International Settlements president Fritz Leutwiler of Switzer-

land; Brown Brothers Harriman banker Robert Roosa; and Harvard University economist Jeffrey Sachs, whose "shock treatment" as economic policy adviser to Bolivia helped destroy the productive sector of the economy, clearing the way for the cocaine growers.

In another report released nearly simultaneously, WIDER recommends the creation of a "world economic council" to oversee the world debt and economic crises.

### Infrastructure

## Crumbling highways take their toll on economy

The deteriorating condition of U.S. highways is tying up and slowing traffic, causing dislocations in the productive economy, according to a front-page feature story in the Aug. 30 *Wall Street Journal*.

The Federal Highway Administration (FHA) estimates that truck freight costs rise by 6.3 cents a mile when road conditions drop from "good" to "fair." The Department of Transportation calculates that, if the roads continue to deteriorate, the United States will lose increases of 3.2% in Gross National Product, 5.9% in disposable income, 2.2% in employment, and 2.7% in manufacturing productivity, by 1995. One analyst with the Federal Reserve Bank of Chicago is quoted arguing that the deterioration of roads is "a root cause of the decline of America's competitiveness."

The original interstate highways, built in the 1950s, were only designed to last 20 years, and at one-third the volume of current traffic. The FHA calculates that \$565-655 billion is required over the next 20 years to bring the roads up to "minimum engineering standards," but, the *Journal* insists, "the money it would take to fix it simply doesn't exist."

The *Journal* reports, "Some manufacturers in recent years have sought to curb costs by keeping their inventories of materials low. Such 'just-in-time' production schedules require precise delivery schedules that the failing highway system" is increasingly jeopardizing.

● **'JEFFREY SACHS** ended inflation in Bolivia with the money from narcotics traffic," Brazilian journalist Helio Fernandes wrote in *Tribuna da Imprensa* Aug. 31. Sachs is the Harvard economist currently advising the new government of Poland. "What did the Bolivian people gain from this? Nothing. It is ever poorer, more miserable and hungry."

● **U.S. INDUSTRY** weakened in August, according to the National Association of Purchasing Management's index of corporate purchases. The index dropped to 45.2%, the lowest figure since 1982. A reading of below 50% indicates that the economy is in decline.

● **JEROME KOHLBERG, JR.**, who helped found the top leveraged buy-out bandits Kohlberg Kravis Roberts and Co. in 1976, filed suit against his former partners, claiming that they rooked him out of a 10% fiduciary interest in a number of entities controlled by KKR.

● **RADIO MOSCOW** quoted Soviet Deputy Trade Minister Suren Sarukhanov Sept. 4 saying that the Soviets are signing deals for the import of \$66 billion worth of consumer goods to honor the pledges that brought to an end the miners' strikes of earlier this summer. "Most of the money has already been spent," he said.

● **FRANK LORENZO** of Eastern Airlines is reported about to abandon his dream of building an airline empire and putting part or all of Continental Airlines on the auction block.

● **SCIENCE MAGAZINE**, the magazine of the American Association for the Advancement of Science, calls for a "massive effort" to use solar power as a solution to the so-called greenhouse effect, in its Aug. 25 issue. *Science* admits that "solar is not now cost-effective compared to oil," and never mentions the crucial nuclear and fusion technologies.