despite European and Soviet resistance.

Spokesmen for the Overseas Development Council, a Washington, D.C. based think tank allied with the Trilateral Commission and long-time proponents of various Rockefeller reserve schemes to add the "food weapon" to the U.S. arsenal, told EIR this week that the "real problem internationally" is the European Common Market and its well-protected agricultural sector. A substantial grains producer in its own right, Europe has been exporting wheat in increasing quantities to Third World countries under Common Market trade and export subsidization agreements.

International Crop Reduction

Secretary Bergland himself has yet to make an official policy statement on his 1978 crop reduction plans, banking instead on the billowing liquidity crisis in the American Midwest to push aside producer resistance to the economically and politically onerous scheme at home. The same press conduits promoting the "wheat surplus" problem, however, also "leak" that the Bergland scheme will be "voluntary" — adding on good authority that non-participants will, of course, be declared ineligible for any of the federal farm price support programs!

The world crop-control scheme is modeled on the 1971 Canadian "Operation LIFT" which implemented a 50 percent reduction in Canadian wheat output, slashing wheat acreage from 28 to 18 million acres in the year. Widely considered a disaster by Canadian wheat-growers the operation seriously disrupted the agricultural sector just a year before foreign crop failures sent demand for wheat soaring.

The Hoax

Current real world food and nutrition requirements far outstrip current American agricultural production levels, high as they are. Existing, much less new, markets are cut off by the burden of debt service obligations of principally developing sector nations to the bankrupt New York banks, whose international collection agency, the International Monetary Fund, has methodically dictated the reduction of Third World imports and ordered available foreign exchange channeled into principle and interest tribute.

On the other hand, given a healthy world monetary system and a rising amount of world trade, it is clear that the U.S. would find no difficulty whatsoever in marketing its 1.1 billion bushel so-called wheat surplus.

U.S. Protectionist Legislation Could Collapse World Shipping

SHIPPING

London's *Financial Times* predicted last week that, after months of stalling, the Carter Administration would endorse a modified version of the oil import shipping preference legislation pending in Congress. As it now stands, the bill calls for 30 percent of U.S. imported oil to be carried by the U.S. flag fleet by 1980 — less than four percent of this oil was shipped by the U.S. in 1976. If the additional tonnage needed is to be new ships built in the U.S., then the shipbuilding industry here could not meet the 1980 deadline. The cargo preference requirements would mean adding 17 million tons to the existing U.S. fleet of 14 million tons providing $13 billion in new contracts for U.S. shipyards.

Shipbuilders, lobbying heavily for the bill, say they can meet those requirements by 1985. The shipbuilding lobby, calling itself the U.S. Wartime Committee to Turn the Tide, has engaged Gerald Rafshoon Advertising Inc. of Atlanta, Georgia to handle a well-funded publicity campaign that has included prime time television and a double-page ad in *Time Magazine*. The advertising agency's previous large account was Carter's presidential campaign. The lobby's loudest voices in Congress are Rep. John M. Murphy (D-NY) and Sen. Magnuson (R-Wash), both of whom head maritime committees in their respective legislative bodies.

The most vocal opposition to the proposed bill has come from British and Norwegian shipowners who make the following argument:

(1) The additional U.S. tonnage would further collapse the already depressed market leading to more defaults on tanker debts held by European banks and to the dismantling of European shipyards. Norway alone would lose $1.5 billion a year in revenues;

(2) The bill would not, as argued, increase U.S. war fighting capabilities since the shortage is not in tankers but in naval ships to accompany them;

(3) The cost to the U.S. consumer will be an additional $38 billion on the U.S. oil import bill equaling 3.7 cents per gallon of oil;

(4) The bill will increase the occurrence of oil spills since it will require the full utilization of the obsolete U.S. fleet. The average U.S. ship is three times as old as the average British ship and costs 30 percent more to operate than a Norwegian ship even though Norway pays 15 percent higher wages.

Opponents of the bill are hoping for an amendment that will allow the chartering of some of the idle tanker tonnage while the market is depressed. However, tanker safety legislation, also about to be passed by Congress, and the absence of deep-water port facilities in the U.S. prohibits 90 percent of the world fleet from docking here.

Proponents of the two proposed deep-water port projects in the Gulf of Mexico including Hugh C. Scott of the Houston-based Seadock, Inc. and Walter Reed, President of the New Orleans-based Loop Inc., are hopeful that con-

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struction will begin this summer. The projects are currently stalled because of a Justice Department ruling that the consortium of oil companies sponsoring the project has to be opened to any parties that want to co-sponsor.

U.S. shipping spokesmen have not been totally quiet about the world tanker crisis, but have taken the occasion over the past weeks to deflect criticism onto the Soviet Union. John I. Aslioto of Pacific Far East Lines charged that the USSR is out to "destroy the profitability of American shipping." He explained that the socialists have no stockholders to answer to and can back up their low cargo rates with the strength of their whole economy. Echoing his concern was Karl Bakke of the U.S. Maritime committee who added that the 1976 shipping agreement between the U.S. and the Soviets should be considered void. The agreement allowed the USSR into Western shipping conferences without specifications on rate fixtures.

Soviet Scapegoat

The U.S. is trying to direct European displeasure with its protectionist policies toward the Soviet Union. The USSR represents a convenient target especially with the stated major motivation for U.S. cargo preference being military preparedness. Some Europeans are also retailing this line: a West German shipping company, Deutsche Dampfschiffrohrts Gesellschaft, issued a report blaming reduced company dividends on cutthroat competition with the USSR; a *London Times* article on June 13 labeled the growing Soviet share of the tanker market as imperialism.

Soviet Shipping Minister Timofei Guzhenko went to Britain last week to defuse this criticism, by identifying the crux of the problem. In the five-year period after 1975, the Soviet Union will increase foreign trade 16 percent and its cargo fleet will grow 22 percent. In the West, trade has fallen 11 percent with only a 12 percent growth of the cargo fleet. Guzhenko also criticized the U.S. protectionist response to the shipping crisis. To help keep Western shipping alive, the Minister promised that the Soviet Union would raise rates in some parts of the world, and offered the British an even share of Anglo-Soviet trade — the Soviets now handle 85 percent of this trade.

The Soviet visit to Britain should be considered a success because it helped turn the spolight back on the dangerous U.S. protectionist policies. U.S. protectionism in this area could only be a prop for U.S. industry aimed at a short-term war build-up, based on wage austerity and the revival of the Cold War. Soviet moves to short-circuit this can succeed because European national banking and shipping interests are close to realizing that they are at a substantial disadvantage due to the type of tanker debt they hold vis-a-vis that held by the New York banks.

The Facts

Although figures in this area are the most guarded secrets, estimates from three sources (the *Financial Times*, Solomon Bros., and Reynolds Securities) give us the following picture:

World tanker debt is $27 billion; of this, $23 billion is said to be backed up by governments. Half a billion dollars of the total tanker debt is said to be operating on the spot voyage market where rates have fallen below operating costs. As charters expire with no prospect of renewal at previous rates, the number of ships without charters is increasing rapidly, with the current fleet of 321 tankers said to be one-third too large for present needs. Five-year charters have even been taken out below operating costs since the cost of layup and inactivity is large. A ship laid up for more than two years is not likely to ever become active again.

For many banks, their only guarantee is to hold the ship as collateral. However, the price of ships has fallen on a glutted market. A typical case is the following: a 260,000 DWT tanker delivered in 1973 cost $60 million, 80 percent of which the bank financed as repayable over 10 years. Today that tanker, about to lose its five-year charter, is worth about $15 million while the bank is still owed $33 million.

U.S. exposure in this crisis is relatively small. Of the $1.5 billion tanker debt known to be in default world-wide, only $100-200 million is held by U.S. banks, although they hold 20-25 percent of all tanker debt. Eighty-three percent of U.S.-held tanker debt is held by the five largest U.S. banks who have been very conservative in their tanker lending. They have loaned largely to big oil companies for ships with 10 year charters.

The biggest U.S. tanker investor is Chase Manhattan with tanker loans accounting for two percent of their total loans. They are followed by Citicorp, Manufacturers Hanover, Bank of America, and Morgan. There are two smaller banks with less sound tanker loans — Marine Midland and First National Boston.

— *James Rotonda*