

# Business Briefs

## European Community

### France's new overture to Tokyo

Franco-Japanese partnership in industrial technology may be in the offing. In late June, French Industry Ministry Director-General Jean-Pierre Souviron proposed to Japan that the two countries cooperate in the fields of industrial robotics, electronics (including computers), energy efficiency and development, aircraft, and seabottom resources. M. Souviron also proposed joint consortia for export of industrial plants to third countries. This is the first such proposal from any member country of the European Community (EC).

The French overture coincides with new protectionist cries against Japan from EC External Affairs Commissioner Wilhelm Haverkamp on autos and exports in general. Japan's trade ministry specifically welcomed the French move as an alternative to protectionism. *EIR* archives indicate that whenever some Japanese economic partnership with France or Germany has loomed, the EC Commission, on which British influence remains strong, has attacked Japan for exporting too much to Europe.

## Commodities

### Soviets and Argentina sign long-term grain pact

Seven years ago the Nixon administration put Brazil on the map as a major soybean producer and exporter when it embargoed U.S. soybean shipments to Japan. Last week it was made official: the Carter administration has done the same favor for Argentina.

On July 10, a Soviet delegation led by Commerce Minister V. Gordier sat down with their Argentine counterparts led by Agriculture Secretary Jorge Zorreguieta and National Grain Board President David Lacroze to wrap up an

agreement under which Argentina will provide the Soviet Union with up to 23 million tons of corn, sorghum and soybeans over the next five years.

Argentina was the only major grain exporter which refused from the outset to go along with the Carter administration's punish-the-Russians grain embargo tactic that slammed the door on a 25 million ton market for U.S. food and feed grains. During the first five months of 1980 Argentina sent 62 percent of its grain and oilseed exports to the Soviet Union—at premium prices, up 30 percent from trend levels. Two years ago total Argentine grain exports to all destinations was 14.8 million tons; sales to the Soviets alone this year may reach 10 million tons or more.

## Industrial strategy

### MITI renews Japanese challenge

Fears that Japan will further outpace the United States in high-technology fields by the mid- to late-1980s have helped spur Congressional legislation to boost American R&D, according to Capitol Hill sources. Meanwhile, the Japanese Ministry of International Trade and Industry (MITI) has proposed the equivalent of a 10-year plan in its new report, titled "Long-Term Vision for the 1980s." The policy statement proposes to make R&D the top priority for this decade, with a budget appropriation doubling current R&D expenditures to 3 percent of GNP.

The areas MITI targets for development would revolutionize industrial techniques while superseding the energy problem. They include nuclear fission and fusion power; super-efficient gas turbines; industrial robots; computer-assisted design and production for industry; numerically controlled machine tool upgrading; and food production employing advanced research on genetics and photosynthesis.

MITI's perspective is that the energy crunch will limit average annual eco-

nomical growth to 3 percent in the 1980s, though Japan will enjoy a 5 percent average growth, they project. After 1990, new techniques will provide relatively cheap and abundant energy. Japan's economic success will then hinge on whether it has developed its capabilities in high-technology fields during the 1980s, MITI emphasizes.

## U.S. economy

### Industrial production plummets again in June

U.S. industrial output fell 2.4 percent in June, following drops in output of 2.4 percent in May and 2.2 percent in April. At 141.2, the Federal Reserve Board's industrial production index, which measures the output of the nation's factories, utilities and mines, was down 7.5 percent since June of 1979, with most of the drop occurring since January 1980.

The June drop was particularly significant because it indicated a shift of the recession's descent into capital goods, having already leveled the consumer sector. The output of consumer goods decreased 0.9 percent in June, compared with 2.1 percent in May.

By contrast, the drop in the production of business equipment by 2.3 percent in June was more than double the 1.1 percent decline in May. Because most companies are cutting back shipments faster than they are cutting back production, there are still growing inventories in the business equipment sector. As a result, many industries have a soaring inventory-to-sales ratio, and the uncertainty of where and how far the recession will go is leading firms to cut shipment orders back further. This has led to predictions that new capital formation will be slashed heavily. The Cambridge, Mass.-based Data Resources Inc. is predicting a 2.3 percent decline in inflation-adjusted capital spending this year and a 7.7 drop in 1981.

In addition, many economists predict that while inflation may average only 8

## Briefly

● **MIDLAND BANK'S** Lord Armstrong died last week while attending a meeting of the Ditchley Foundation. In an apparently unrelated development, Lady Spencer-Churchill, stepmother of MP Sir Winston Churchill, was found dead July 16 of a massive heroin overdose. Lady Churchill, a leading member of Britain's Euthanasia Society, was suffering from cancer.

● **BRITISH CORPORATE** takeovers in the U.S. are avoiding high-technology companies, say executives at Thomas Tilling, one of the most aggressive acquirers. The current American economic environment makes high-technology ventures "too speculative," potential purchasers feel.

● **"POLITICIANS CAN'T** say so, but it's good that the economy will remain depressed for a long time," declares one of the most powerful Senators on economic policy committees, "It's the only way to wring inflation out of the economy."

● **IF THE EPA SUCCEEDS** in applying anti-pollution rules, a shutdown of up to 30 percent of U.S. printed circuitry producers over the next several years is likely, according to a Commerce Department official.

● **FORD-TOYOTA** cooperation discussions have broken down. Contrary to U.S. press accounts, which claimed Toyota was merely making a proposal for appearances' sake to counter protectionist threats, Tokyo sources say Toyota was interested in a long-term partnership to develop a "world car" and challenge GM.

● **THE NATIONAL** Farmers Union has renewed its call for an end to the embargo on grain sales to the Soviet Union, in light of the recent decision to allow U.S. trading companies to sell the U.S.S.R. foreign-produced grain.

percent on an annualized basis, over the next three months it will shoot up again, and average 11 percent for this year and between 9 and 10 percent in 1981. Unemployment is predicted to move as high as 9 percent by the fall of this year. If Washington imposes an austerity policy on top of such an economic trend line, the situation will be far worse.

### Drug business

#### **Wall Street Journal pushes Dope Inc.**

In a transparent effort to legitimize the legalization of marijuana and other dangerous drugs, the *Wall Street Journal* has initiated a series on the marijuana trade. The first article in the series, appearing on July 16, consisted of "human interest" profiles of the lives of small-time marijuana dealers, characterized by the *Journal* as clever businessmen who reap huge profits but are forced to accept "a life of fear."

These maudlin personal histories are interspersed with commentary emphasizing the tremendous number of persons now involved in the drug business either as pushers or clients, presented in such a way as to convince the reader of the "inevitability" of legalization: "Laurence McKinney, a Cambridge, Mass., business consultant who began researching the marijuana distribution system 15 years ago when he was a student at the Harvard Business School, believes that at any one time there may be as many as a million people involved in some form of marijuana transaction. . . . The market for marijuana has undergone a radical transformation and enlargement in the last two decades. . . . Now, pot has lost its connotation of long hair and Ivy League activism and has been increasingly accepted by young office and blue-collar workers. . . . 'This broadening of the social base of users has undoubtedly been an important element in the move to decriminalize possession and use of marijuana,' comments the privately fi-

nanced Drug Abuse Council, which in a report this year predicts that if America's youth and young adults maintain the attitudes they now have, 'we can expect to find an increasing acceptance of marijuana in the years ahead'."

### Real estate

#### **Chicago bankers float new swindle**

"It is a mistake to assume the owner-operator system of agriculture is beneficial to the nation," said William Cotter, former vice president of Chicago's Northern Trust Company and co-creator of the newly-formed American Agriculture Investment Management Co., Inc. According to the National Farmers Organization newspaper, the *NFO Reporter*, Cotter's investment company intends to persuade the major pension funds to invest in prime farmlands. Many observers doubt that the plan will succeed.

Unlike the Chicago-born Ag-Land Trust scheme, launched by Continental Illinois National Bank and Merrill Lynch brokerage firm in 1977 and shot down the same year by Congressional scrutiny and farm sector outrage, the new company will not buy farmland outright, but will arrange sales to the pension funds and then manage the farmlands through a national management network. The farms themselves would be manned by tenants, a term which William Cotter told the *NFO Reporter* he "dislikes."

Mr. Cotter insists that he is doing farm producers a favor. His plan, he argues, would free them of their capital problems, since they would no longer need to own their own farms. At the same time, "the grass looks pretty green to the outside investor," Mr. Cotter explained to the National Farmers Union's *Washington Newsletter*, "when farmland values are escalating by 15 percent a year and the \$600 billion in pension funds around the nation are drawing returns of only 3 to 4 percent a year." Anyone for roulette?