Business Briefs

International Monetary Fund

Brazil refuses an 'experimental' role?

While $6 billion in emergency loans and promises of softer conditionalities were dangled before Brazilian officials at the recent IMF meeting in Washington, 5,000 miles away, Brazilian planning minister Antonio Delfim Netto told the Brazilian newsweekly *Veja:* "No, Brazil won't go to the IMF. The IMF is the one that needs Brazil, not the other way around. The Fund, to prove the viability of its own recycling of petrodollars, needs an example of the magnitude of the Brazilian economy. It happens that the country is not available for that kind of experiment."

Delfim added: "I also fail to see any possibility that Arab countries seeking to invest their oil revenues would trust an institution they know is influenced by the United States."

The shock of losing a third of its oil supplies, formerly provided by Iraq, has been handled calmly by Brazilian authorities, though IMF officials hoped that it would shake them into dealing with the Fund. Half the Iraqi portion has been replaced by reasonably priced imports from the U.S.S.R., Gabon, and Indonesia, among others. The remainder will come from an intentional run-down of Brazil's oil reserves. Brazil will not go to the spot market, or impose internal fuel rationing, officials announced.

Conferences

EIR holds Dallas business seminar

A conference on the federal Windfall Profits Tax sponsored by the *Executive Intelligence Review* in Dallas, Texas on Oct. 3 heard *EIR* Editor-in-chief Criton Zoakos, independent oil and gas producers' spokesman D. K. Davis, and *EIR* Energy Editor William Engdahl discuss the crisis in U.S. energy production.

Mr. Zoakos, discussing energy in terms of the overall assault against the U.S. economy by the Council on Foreign Relations and affiliated policymakers, reminded the audience of *EIR* founder Lyndon LaRouche's emphasis, in national tours, on "whether the American people can develop the abilities to act as republican citizens and assume responsibility now for deliberating and enforcing the kinds of programs and policies this nation's survival requires."

The audience of 110 business leaders and senior professionals included executives and proprietors of oil companies, machine-tool companies, and venture capital investment firms, as well as state and county-level Democratic and Republican officials.

Labor

Pension funds to prop New York market

New York City Comptroller Harrison J. Goldin revealed last week plans to have the city's employee pension funds invest up to $250 million a year in federally guaranteed home mortgages. Goldin said the plan would encourage bankers to approve mortgages on homes in New York City, since they would have a ready resale buyer in the pension funds. The proposal would make the city's municipal labor unions the mortgage holder on thousands of one- and two-family houses in the five New York boroughs.

The Goldin plan represents a trial balloon floated by New York investment bankers, who are seeking "new alternatives" for financing housing. Even without the Carter synthetic fuels program, reorganizing the nation's transport infrastructure around coal exports, or a major military buildup, scarce funds are left for the housing industry, as Federal Reserve chairman Volcker acknowledged when he told a group of savings bankers to wait until the 1990's for "the decade of housing." The municipal unions will be left holding the bag in the event that the inflated New York City real estate values come crashing down.

Gold

Dresdner sees favorable supply-demand picture

A bullish view on gold is offered by Dresdner Bank managing director Hans-Joachim Schreiber in the October issue of *Euromoney*. Schreiber reports that the termination of U.S. and IMF gold sales and the sharp reductions in the amount of gold offered by the Soviet Union and South Africa have created a supply shortfall this year of 375 tons, representing an excess of demand over supply of 35 percent. The principal reason this has not led to an immediate rise in prices is that there have been considerable sales of gold from private stocks.

Schreiber believes that this private sector disinvestment will shortly be reversed, reinforced by purchases by "non-European central banks" who have a "growing desire . . . to hold gold for monetary reasons." "Should, for example, a mere 5 percent of the total surpluses of the OPEC countries [$130 billion] be used for investment in gold, a considerable increase in demand must be expected which, at today's prices, would come to some 300 tons," he writes. This compares with 1980 world supplies from mining output and official sales of only 1,045 tons.

Industrial policy

Western steel output and consumption fall

From its annual conference held in Madrid this week, the International Iron and Steel Institute reports a 5.5 percent decline in Western steel consumption for 1980, compared with 1979. In the U.S. and Britain, steel consumption is expected to be down by 19 and 20 percent.

Highest consumption growth rates have occurred in the Third World, at around 7 percent for 1980. It is also in the developing countries where steel capacity is currently being expanded. With total

Western capacity currently about 660 million tons, the Institute predicts that by 1985, Western steel capacity will be between 660 and and 715 million tons. This would involve the shutdown of about 19 million tons of capacity in the industrialized countries, and the opening up of about 73 million tons in the less-developed sector.

On average, European steel consumption dropped 4.6 percent this year. In recent months, price-cutting battles have broken out between European steel manufacturers. On Oct. 6, the European Commission sent a formal request to European Community governments, asking for power to impose production and price controls on individual manufacturers. British Steel formally threatened on Oct. 6 to launch a price war against foreign competitors if such controls were not imposed. The German press predicts that French President Giscard and Chancellor Schmidt will send approval of the plan to an Oct. 22 Commission meeting.

International Credit

Japan's new role in petrodollar recycling

Beginning Nov. 1, foreign exchange restrictions on international investments denominated in Japanese yen will be lifted for the first time in 12 months. The gradual removal of foreign exchange controls, announced Oct. 7 by Japan's Finance Ministry, is a direct response to the strengthening of the yen, following months of large inflows of petrodollar investments from Arab oil producers.

Kuwait has been in the lead in bringing an estimated total of $15 billion in investments into Japan since the beginning of this year. The yen is now at its highest level in 18 months, strongly protected from the impact of rising oil prices. Thus the Finance Ministry sees no danger in allowing foreign entities to issue yen bonds (samurai bonds) on the Tokyo market, and the volume of such loans in November is expected to be double October's volume.

On Oct. 9, a leading Japanese auto manufacturer reported it had gotten approval from the Finance Ministry for a financing plan which also involves innovative deployment of petrodollars. Nissan motors reported that it intends to issue 50 million stock shares on European markets, which it expects to be purchased primarily by Mideast investors, particularly Kuwait. The funds will go towards overseas investment projects, including a truck assembly plant in the U.S.

Capping an auspicious week for Japanese manufacturers, Japan's JGC engineering firm has just won a jumbo contract to refurbish a Kuwaiti oil refinery, a deal valued at $600 million.

Agriculture

USDA's Hjort gets presidential award

On Sept. 9, 1980 the White House announced the conferring of the Presidential Rank Awards for the Senior Executive Service, a $17,000 cash prize, to the Agriculture Department's undersecretary for Economics, Policy Analysis and Budget, Howard Hjort. President Carter chose Howard Hjort because, as the White House announcement puts it, "Mr. Hjort has successfully made the shift in USDA policy from producer-oriented to consumer-oriented in policy and budgetary matters."

The award is viewed by farm leaders as a strident celebration by the Carter administration of its own agricultural policy. The American Agriculture Movement, which voiced strong opposition to the award, reprinted an angry letter from one AAM member in its latest Washington newsletter. "The stupidity of consumer-oriented USDA policy with their constant low farm price efforts will eventually lead to a shortage of skilled farmers, a shortage of food, and a shortage of grain to export to help offset our foreign oil purchases," Doug Wildin wrote to Agriculture Secretary Bergland, Howard Hjort and Democratic National Chairman John White.

Briefly

- **MEXICAN DEFENSE** Minister Félix Galván López reiterated Oct. 7 that the Mexican military must be "modernized" in order to "fulfill the missions and obligations entrusted to it by the Constitution, among them the preservation of the oil wealth." The Mexican worry: a unilateral Washington grab to take the oil.

- **CONSOLIDATED GOLD** Fields officials deny reports that their firm sent a team of gold experts to the Soviet Union last month to discuss coordination of South African and Soviet gold marketing. David Potts, senior gold analyst for Cons Gold and a member of the team which visited Moscow, says the Soviets were interested only in obtaining Cons Gold's detailed analysis of world supply and demand for gold.

- **THE VENEZUELAN** government closed the only national tractor factory in the country on Oct. 3. The closing is a result of the adoption by the Herrera Campins government of "free market" policies as the model for Venezuela's economy. The reasoning behind the shutdown, as stated in an official communiqué is that "no enterprise whose products will mean an increase in costs for the farmer can be kept functioning. For this reason it was not advisable to maintain the tractor-producing company."

- **PRESIDENT CARTER** announced Oct. 8 the formation of two special panels on housing in the 1980s. One is a White House task force, and the second an Advisory Committee on Housing, which will consist of industry executives and other housing experts. The latter group, to be headed by former HUD secretary Robert C. Weaver, will focus on the outlook for expanded secondary market activities, the potential for alternative mortgage instruments, the role of thrift institutions, and the appropriateness of tax-exempt or tax-deferred savings accounts.