

Business Briefs

International Credit

Europeans assemble \$10 billion facility

The Finance Ministers of the European Community (EC) met Oct. 20 to complete a plan to assemble an oil-payments loan facility by early 1981. The ministers let it be known that the facility will pool \$10 billion in lendable funds acquired through deposits from oil-producing countries (see page 4).

The announcement momentarily puts to rest an intense debate within the EC around the resources of the European Monetary System (EMS), the currency parity grid which has been operating since March 1979. The French government had hoped to use the occasion of EMS borrowing of \$10 billion in relendable funds to extend EMS activities beyond currency coordination, into direct financing of EC industrial trade programs with non-EC countries. Had the French plan gone through, the \$10 billion facility would also have been open to southern European countries such as Spain, and Greece, as well as to some Third World trading partners.

Euromarkets

Bond markets hit by interest rate confusion

Gulf Canada failed on Oct. 22 to launch a \$200 million bond issue with a high rating and a coupon of 12 $\frac{7}{8}$ percent, and by late afternoon, the issue had to be called off. The cancellation affirms that a recent rally on dollar-denominated bond markets is being short-circuited by investor confusion over which direction interest rates will take in coming weeks.

The tension on the dollar bond market has been evident in Europe. Between end September and mid-October, nearly \$1 billion in fixed-interest dollar bonds were sold to international investors. While the volume is on a par with the record bond market rally of last spring, traders fear the current surge is short-

lived. (Bond sales take off when investors assume that interest rates are going downward, and they don't have to stock up on short-term paper to protect earnings.)

This week Morgan Stanley's "aggressive" efforts to market a \$200 million Citicorp issue in Europe at a cut-rate coupon of 12 percent met with a negative response. The issue had to be immediately discounted to get sold.

Government Policy

Administration plan to kill breeder exposed

Idaho's Sen. Jim McClure and Cong. Steve Syms have charged that there exists a secret Carter administration plan to kill the U.S. nuclear breeder reactor program entirely. At a press conference held Oct. 21 in Rigby, Idaho, the two Republicans cited a National Security Council memorandum of June 12, 1980, entitled "Recommendations for Post-International Fuel Cycle Evaluation Implementation of the President's Non-Proliferation Policy." The memo, circulated to all members of the White House policy review committee including the Vice-President, the Secretaries of State, Defense and Energy, the Joint Chiefs of Staff, and the CIA, provides detailed plans for the next steps to finish off the breeder program.

McClure and Syms said the administration intends to make its final decision on the plan Nov. 14. They demanded that Carter either repudiate the memo's policy or defend it publicly before the Nov. 4 election. Carter administration supporters with links to the nuclear industry, including Sens. Henry Jackson and Frank Church, have been telling pronuclear circles that if reelected, Carter will promote nuclear energy.

According to McClure and Syms, a special task force is preparing to carry out the memo's recommendations, under Gus Speth, chairman of Carter's Council on Environmental Quality (CEQ), and Kitty Shirmer of the Office of Management and Budget.

"We think that if Carter is reelected,

Congress will throw in the towel on CRBR," said a CEQ source. "They won't want to face another four-year war of attrition. And if Congress passes a nuclear waste bill anything like the present McCormack version (which includes research for disposing of reprocessed wastes), Carter would veto it."

Comecon

East-West German plans in jeopardy

Currency exchange requirements imposed by the East German government in mid-October have reduced the flow of visitors into East Germany by nearly 60 percent. Adopted in the context of an escalation of cold war propaganda from East Berlin, the measures doubled to nearly \$14 the amount of hard currency Western visitors must exchange per day. The funds are not redeemable upon leaving.

Klaus Bölling, spokesman for the Chancellor's office, said that although Bonn will remain committed to its policy of developing ties with the Soviet bloc, the currency regulations could not fail to retard East-West German relations. He suggested that several joint economic projects under discussion might be shelved. These include a power plant near Leipzig which was to have supplied West Berlin as well as East Germany.

Industrial Development

Fusion conference discusses boom potential

A conference sponsored by the Fusion Energy Foundation Oct. 15 at the Hotel Concord in Los Angeles discussed not only nuclear fusion power but the space program, water development, technology transfer to the Third World, and a buildup of science education as aspects of rebuilding U.S. industrial power.

Speakers included foundation re-

search director Uwe Parpart, pioneer fusion scientist Friedwardt Winterberg, and Dr. N. W. Snyder, designer for Parsons Engineering Company's North American Water and Power Alliance plan. In attendance were representatives of California congressman James Lloyd, Lockheed, Hughes Aircraft, Litton, McDonnell Douglas, and 30 smaller firms. Lloyd's aide, Sandy Baldonado, welcomed the participants on behalf of the congressman, who was one of the early cosponsors of the McCormack fusion bill signed into law Oct. 7. National Farm Organization spokesman Art Wilson of Cholame, California, and Dr. W. P. Plummer, a specialist in medical aid to Africa, also participated.

In New Jersey on Oct. 21, personnel from Exxon, AT&T, the Energy Department, regional utilities, labor unions, contractors, investment brokers, and small businesses as well as farmers and engineers heard the FEF's executive director, Dr. Morris Levitt. The meeting opened with messages from a Democratic congressman, Robert A. Rowe, and the mayor of Elizabeth, N.J.

Agriculture

Organic farming for United States?

"The well-established benefits from organic farming justify a switchover by many U.S. farmers," the *Baltimore Sun* editorialized on Oct. 19. The *Sun* proclaimed that although the changeover may be slow, organic farming is definitely on the agenda for the United States. Such a statement in a leading American daily reflects the heating up of the campaign to replace America's high-technology agricultural methods with low-technology, low-capital organic methods.

The Council for Agricultural Science and Technology has just released a study comparing organic and conventional farming. "Soil erosion would increase," concludes CAST, "if the total food production were maintained, and, in the long run, the balance of payments earned by exports of agricultural products

would decrease." Organic farming rejects use of farm chemicals and adoption of organic methods by farms now using a mixed grain-livestock system would result in decreases in crop yield estimated at 15 to 25 percent per acre.

To maintain today's level of agricultural production using organic methods, Pat Cohill, special project director of the American Agri-Women, pointed out in an interview with the *Christian Science Monitor*, cropland would have to be doubled. The "warm, cozy writing" about organic farming, Cohill says, contains "an inherent threat to our food supply if it encourages legislation to place the farm decision-making in any hands but those of the farmer-entrepreneur."

"Dare we forget," asks Cohill, "that organic farming is the method long used by the Chinese, and that China is a nation which only in the last few years of its long history has been able to feed its people?"

Energy

India announces nuclear breeder schedule

India will be completing the design of a 250 to 500 megawatt fast breeder commercial reactor by 1986 or 1987, G. Venkataraman, chief physicist at the Kalpakam Research Facilities, said last week.

India's 15 megawatt breeder test reactor, built at the facilities, is scheduled to start operating by the end of the year. Based on the design for the French Rhapsodie reactor, it will convert thorium into fissile material. The larger commercial breeder will use the thorium-based fuel cycle, based on the scientific information on irradiation of thorium obtained from the test reactor.

India has also announced plans to construct seven more heavy water plants by 1986. Last week, the Atomic Energy Commission site selection committee located India's fifth nuclear power station at Kakrapar in Gujrat State. The station, consisting of four 235 megawatt reactors, will follow the already standardized design used in the project now under construction in Uttar Pradesh.

Briefly

● **MUTUAL SAVINGS BANKS** report that during September, they had a net deposit outflow of \$425 million. This compares to last year's record outflow of \$1.1 billion; according to Mutual Savings Association spokesmen, however, the September loss more than offsets the total deposit inflow for the previous four months. Whether the deposit outflow continues depends on inflation rates over coming weeks.

● **THE U.S. LEAGUE** of Savings Associations will be heard Nov. 14 in its suit against the Depository Institutions Deregulation Committee. The League is charging that the DIDC's May 28 actions to restructure rate ceilings on six-month money market certificates and 30-month certificates are illegal. The Federal Reserve had postponed the hearings for over a month. They will now be held in the U.S. District Court in Washington, D.C.

● **OTMAREMMINGER**, former president of the West German Central Bank, announced Oct. 22 that a "realistic" exchange rate for the deutschmark would be 1.80 to the U.S. dollar. The remark was issued after the mark closed at 1.86 the same day. The currency is under heavy pressure due to Germany's posting of a record payments deficit this year.

● **FRENCH BANKS** are gearing up Eurocredits for Third World borrowers. Paribas announced this week it is lead managing a \$250 million, eight-year syndicated credit for Brazil; and a \$350 million, eight-year loan for Nigeria to finance a steel manufacturing complex. *Crédit Lyonnais* is working on a \$200 million financial credit, and a \$100 million export credit for the same Nigerian project. France's government-owned export bank Coface is backing an additional \$250 million, eight-year export credit for Brazil.