Business Briefs

Public Policy

Japanese business wants lower interest rates

Forty chairmen and presidents of Japan's top corporations virtually unanimously told their American counterparts that U.S. interest rates must be lowered. "We explained that U.S. high rates are having a very serious effect on Japan and Western Europe, particularly West Germany," Seike Tozaki, president of the giant C. Itoh Trading Company, told *EIR*.

The Japanese business leaders were in New York June 17-19 for the 18th annual U.S.-Japan Businessmen's Conference.

Tozaki added, "We also don't understand how U.S. corporations can tolerate such high interest rates, and we don't believe that relying exclusively on high interest rates is the effective way to counter U.S. inflation. I think this issue will be hotly discussed in the closed sessions of the conference."

International Credit

Cofinancing gets experimental try

Spokesmen for David Rockefeller's Action Committee for World Development report that they have succeeded in obtaining a "test case" agreement for a mixed export credit to be issued next month by the U.S. Exim Bank and the Agency for International Development (AID) for exports to Egypt.

The ultimate goal is to use such "mixed" financing to dismantle the Eximbank, which has traditionally financed U.S. heavy-equipment exports abroad, including exports to Third World nations, and downgrade it into an arm of U.S. "foreign assistance" programs. The Action Committee cites as its immediate goal the formation of "a constituency behind the Foreign Assistance Act" to promote Brandt Commission goals of top-down control over both public and private export finance worldwide.

Numerous corporations have been drawn into backing Rockefeller's initiative, partly because the Export-Import Bank is currently in a state of chaos. Former director John Moore, an associate of Boeing (one of the country's largest exporters) has left. A fight is brewing over whether Rockefeller associate William Draper III will be confirmed. In the hiatus, Eximbank has imposed a moratorium on all lending. Export-oriented companies are losing business and growing increasingly desperate.

Data Processing

New report details Third World needs

EIR founder Lyndon H. LaRouche, Jr. has issued a 50-page report titled "Data-Processing Systems for the 'Third World,'" inaugurating the Business Systems Subdivision of Executive Intelligence Review Research, Inc. According to LaRouche, "The United States has the 'hardware' African and other nations require; generally speaking, the problem in the U.S.A. is that suppliers and users have not yet understood how to use this hardware to the right effect." *EIR*'s new business systems subdivision will concentrate on R&D in this specialized field.

LaRouche focuses his report on a critique of data-systems designs now predominant in industrialized nations, because, as he states, "African nations require better data processing than is generally in use in the U.S. today," where the industry has been plagued by an inability to grasp "the elementary fact that data processing provided the mode for a qualitative transformation in the axiomatic basis of business-management methods and procedures." LaRouche worked in the field of systems design during the 1950s.

The same misguided applications would prove disastrous in a Third World country. Reports LaRouche: "The cruel shortage of trained and experienced managers in African nations places a premium on use of means of data-processing which multiply the effective reach of each of that limited number." Publication of the report has been supervised by *EIR*'s Special Services director, Peter Ennis.

Domestic Credit

OMB, Volcker hold fast to high rates

"Volcker will not budge on European complaints about high interest rates at the Ottawa summit meeting," an investment banker with very close ties to the Office of Management and Budget reported June 18. "I'll tell you what [OMB director] Stockman, Volcker and [Treasury Undersecretary] Sprinkel will advise the President. First, the European complaints are just sour grapes, and we can't be concerned with what the dollar does three to six months from now. Second, as Reagan knows, it takes a while for the Volcker program to work."

As the strongest proof that could induce the President to support Volcker, this source cited the fact that "over the last four weeks interest rates came down when money supply got under control."

However, for the week of June 15-19, the federal funds rate averged 20 percent; and during the last two days of the week it reached over 22 percent. Banks began raising broker loan rates toward the end of the week as CD and short-term Treasury bills shot up more than 100 basis points on these two days

World Trade

Washington's new pact with Mexico

Mexican President López Portillo and President Reagan signed the two countries' third annual commodity supply agreement during López Portillo's two-day visit to Washington.

The agreement, which Agriculture Department spokesmen describe as basically a continuation of the 1980 and 1981 agreements, calls for Mexico to purchase at least 4.57 million metric tons of U.S. farm products during 1982. It is generally agreed, however, that the trade could go as high as 6 to 8 million tons.

Over the past two years, Mexico has become the U.S.'s third largest agricultural customer. Sales are primarily of corn, sorghum, wheat and oilseeds, although amounts are specified in the agreement for a wide range of commodities. These amounts, according to Secretary Block, will be adjusted in December, when Mexican needs become better known.

Sales will be through "normal commercial channels" at prices "prevailing in the market at the time contracts are negotiated."

The trade agreement also calls for the "fullest mutual effort" to assure delivery of the commodities, with particular attention to rail transport bottlenecks.

A special committee was also set up to deal with U.S.-Mexico trade problems in general. Mexico has wanted broader U.S. markets for some of its products, and has been concerned about levies on some subsidized Mexican exports.

Agriculture

Haig in butter war against U.S. producers

At the request of Secretary of State Alexander Haig, the White House on June 10 rejected USDA recommendation that the U.S. offer its surplus butter on the open market. Haig made his stand on the grounds that the butter might be purchased by the Soviet Union.

In what the press has described as "a preliminary decision" on the matter, President Reagan has backed Haig and directed Agriculture Secretary Block to devise a way of selling the butter so that it doesn't fall into Russian hands. But USDA spokesman point out that the Soviet Union is the one nation most in need of butter at present, and there probably won't be a market for the surplus if the Soviets are ruled out.

The buildup of government dairy stocks, including 400 million pounds of butter, under the government dairy price support program prompted a budget-cutting attack on the dairy industry this spring. World market prices are about one-third of U.S. dairy prices.

In defense of the dairy program, producers pointed out that the government had made little or no effort to market its dairy supplies internationally.

Banking

Will the bank board phase out the S&Ls?

The proposal by Federal Home Loan Bank Board Chairman Richard Pratt for diversifying U.S. savings and loans out of the home building industry won't benefit the ailing S&Ls but only harm the construction sector, *EIR* believes.

At a Washington press conference June 11, Pratt announced that within three weeks he will propose legislation providing "broader asset powers" for the S&Ls, which are in the red due to skyrocketing interest rates.

Pratt said that the board, along with other federal regulators, will call for additional authority for S&Ls—which are currently largely restricted to home lending—to move into real-estate acquisition and development, commercial construction loans, industrial loans, and real-estate improvement.

"Also," he said, "it would allow conversions or changes of charters of S&Ls between state and federal institutions, and deal with the interstate/interindustry questions." This is a reference to the proposal by Fed Chairman Paul Volcker that large commercial banks and S&Ls be enabled to purchase ailing S&Ls across state lines. Most S&Ls would not get this sort of business, however, which requires sophisticated financial skills and large amounts of capital. The economy would suffer greatly overall.

Briefly

● **NIGERIA'S** oil production has plummeted to less than half its seasonal high of 2.0 to 2.1 million barrels per day, according to analysts of the major oil companies lifting oil in Nigeria. With production falling below 1 million barrels per day, Nigeria will be soon be forced to cut its ambitious economic development plans. This could provoke political instability in the largest country in Africa, which is the second largest supplier of oil to the United States

● **MARK HATFIELD,** Oregon Republican, stated in the Senate on June 17 that the U.S. should concern itself with feeding Africa and developing the 1 billion people now at the starvation line, rather than arming China, which he called an erratic ally, and arming Zia's Pakistan, which he termed "a brutal and unstable government."

● **A TOP-LEVEL** Pentagon spokesman in an interview last week claimed that if the Japanese do not accept Secretary of State Alexander Haig's military policy and integrate their economy into the procurement plans of NATO, Haig intends to conduct a trade war against Japan and create "many RDFs deployed from secret bases all over the world. That will make them come around."

● **A PEKING** official recently confirmed that foreign firms are now operating wholly owned subsidiaries in the "special economic zones" set up adjacent to Hong Kong where low-skilled labor has been made abundantly available for labor-intensive light industrial projects.

● **MARGARET THATCHER,** addressing the Confederation of British Industry on June 17, reaffirmed her policy: "We spent billions to expand the steel industry," she said. "Now we are spending billions to contract it."