Business Briefs

International Trade

Germans balk at world steel cartel

Referring to a communiqué from the meeting of the European foreign ministers July 24 that empowered the European Community's European Commission to negotiate a "global agreement" with the United States to limit steel exports to the United States, the West German Economics Ministry on July 27, told the EC that it would not accept controls.

"The European Commission has no blank check to negotiate controls on EC steel cutbacks to the U.S.," the Economics Ministry stated.

The same day Dieter Spethmann, the head of Thyssen steel, told the EC Industrial Commissioner for steel that since Germany held only 2.1 percent of the American market and was not affected by the June 11 U.S. Commerce Department ruling against European steel-company "subsidiaries," the German steel producers do not wish to be doubly penalized for other nations' practices.

The German refusal to allow Davignon to negotiate a cartel agreement with U.S. producers will, at least temporarily, halt Davignon's plan for creating a world cartel for the purpose of reducing world steel output.

U.S. Agriculture

House votes to cut farmers' income

In an effort to outdo the Reagan administration's program for cutting grain and dairy production and reducing federal farm-program spending, House Majority whip and Trilateral Commission member Tom Foley hastily submitted his 1983 Emergency Farm Bill.

This bill was given tentative approval July 27 by the House Agricultural Committee.

Essentially it would cut federal spending in the long run by mandating paid diversion programs and acreage reductions for 1983-crop wheat, feed grains, and rice.

It will also boost the 1983 crop-loan rates, making it more attractive for grain producers to participate in the set-aside program.

Wheat farmers would be required to participate in a 15 percent acreage reduction program in 1983 to be eligible for federal program benefits such as loan rates and deficiency payments.

Foley calculates that paying farmers not to grow crops is cheaper than paying them deficiency payments when commodity prices fall below the target price set by the government.

If farmers idle 5 percent of their crop land, wheat producers would be paid \$3.00 per bushel for the average yield on that idle land.

The bill would also raise 1983 wheat-loan rates to \$3.80 per bushel, up from the \$3.55 rate recently announced by the USDA.

Publications

EIR predicted British bank strategy

The Bank of England's currently operaional plan to shrink the world's offshore banking system, using the Banco Ambrosiano case as a pretext, was described and predicted two years ago by the *Executive Intelligence Review* in a special report entitled "Prospects for Exchange Controls on the U.S. Dollar," dated October 1980. The major conclusions of the report were:

1) There would be a payments crisis on the offshore Eurodollar markets due to basic inability of Third World and other debtors to pay, which would force the abandonment by banks of their offshore subsidiaries.

2) There would be a major breakdown as a result in international lending and international bank cooperation.

3) The dollar sector of the world banking market would withdraw within U.S. boundaries, as would international banking conducted in most currencies.

4) The International Banking Facilities, then just proposed, would become a major new market within the U.S. for speculative purposes.

5) The U.S. dollar as a result would suffer a major crisis of confidence following which the dollar and all other currencies would be subjected to exchange controls and capital controls in a manner much more radical than the world financial breakdown of the 1930s.

Banking

Conti Illinois—America's most vulnerable bank?

Continental Illinois Bank of Chicago, the nation's sixth largest bank, could turn into this country's largest banking failure.

Conti Illinois was forced to announce July 28 that it will withdraw from a list of 10 select top U.S. banks that issued their certificates of deposit at yields that are lower than paid by others of the nation's banks. Conti will now have to pay between 50 and 150 basis points more in yields to attract customers to buy its CDs.

Conti was forced to leave this exclusive club after a series of bad loans made other banks and investors unsure about holding Conti's paper.

Continental Illinois announced July 21 that it had a \$61 million loss in the second quarter, and that it was forced to write off \$82.2 million worth of loans as bad in that quarter.

Conti's most visible blunder to date stems from its purchase over the last three years of \$1 billion in oil loans that it bought from the Penn Square Bank of Oklahoma City.

Conti had declared \$220 million of the Penn Square loans as non-performing, i.e., not paying interest. It wrote off as lost \$45.1 million of Penn Square loans, meaning that a much larger volume of loans from that source remains to be potentially written off.

But Penn Square is not Conti's only headache.

It is carrying $200 million in loans to International Harvester, whose bankruptcy declaration is thought to be only a matter of weeks away; $200 million to American Invsco, also inches away from bankruptcy court; loans to Mexico's failing Alfa group, and to the government of Poland; and to Braniff Airlines, Wickes Co., and AM International, which three have declared bankruptcy.

On July 27, Nucorp, a $800 million in assets California-based oil exploration firm went bankrupt. Conti was Nucorp's largest creditor, having lent the company $150 million.

Conti claims the loans are secured, but they may be secured against oil reserves and rigs that are worth only half their book value.

It is conceivable Conti would have to write off $500 million or more in loans in 1982 alone, and more in 1983. This is no position for a big bank to be in.

Through its former chief, David Kennedy, and other officials, Conti has been linked in the past to the outlawed conspiratorial Propaganda-2 Freemasonic Lodge of Italy, which was at the core of the Banco-Ambrosiano-Roberto Calvi scandal.

International Credit

Polish debt meeting is inconclusive

American bankers meeting at Citibank's New York headquarters to discuss Poland's 1982 debt service requirements came to no substantive conclusions, bankers said.

The banks sought $1 billion in debt service payments for the country's unpaid 1982 interest obligations, less than what Poland owes them, but the entirety of what Poland has in Western currency deposits.

After discussion, bankers indicated they might compromise at $600 million in immediate payments, or roughly half of what Poland owes for 1982; following such payment, the banks would be willing to consider modest new credits, which the Polish government had requested.

The vice-president for Eastern Europe of one New York bank dismissed Poland's request for an 8- to 10-year general rescheduling of all payments, saying, "This might be on Poland's letter to Santa Claus, but the banks would never agree to it."

However, West German banks, as well as Austrian and Swiss banks, take the plan seriously. The West European view is that Poland's long-term recovery prospects depend on a considerable grace period for debt repayments, and that undue pressure from Western creditors might lead the Poles towards debt repudiation, an option that has already appeared on the government agenda in Warsaw.

Some Vienna banking sources warn that the difference in outlook between European and U.S. bankers might lead to a split in the lenders' consortium, and separate deals with Poland and the Germans, Austrians, and Swiss.

Corporate Strategy

Occidental Petroleum expecting an accident?

Occidental Petroleum has concluded a $400 loan extension with a consortium of 63 banks on July 25, through its financial subsidiary.

The loan extension "will be used to cope with contingencies, if any, in the firm's issuance of commercial paper to finance Occidental's group companies," according to reports.

Occidental's chairman is Armand Hammer, the "Billygate"-linked American financier who seems to like insurance policies, hobnobs with certain Soviet leaders, but also finances the "human rights" groups used to stir up unrest in Eastern Europe and the Soviet Union.

Briefly

● **INDIRA GANDHI,** in an address to the American Association for the Advancement of Science on July 30, emphasized the need for technology transfer to the developing sector. She stated as well that it is imperative for those countries to have scientists of their own, pointing to India's experience in creating the world's third-largest pool of scientific manpower.

● **SENIOR U.S.** officials admitted at a background briefing July 30 that they could not evaluate the effect of present fiscal policies, because all budget-deficit forecasts were out the window. The Treasury will borrow $100 billion between now and year's end.

● **INDUSTRIAL** construction in the United States fell 40 percent between the first five months of 1981 and the same period of 1982.

● **U.S. AUTOMAKERS** reduced production plans for the second half of 1982 to a 5.4 million unit annual rate, against the rate of 6.5 million units expected earlier this year.

● **CANADIAN** Imperial Bank of Commerce chairman Russell Harrison wrote to 32,000 shareholders assuring them that the giant Canadian bank was not in danger. But Canadian government officials warned the bank may not be salvageable.

● **WEST GERMAN** companies have not interrupted production of items scheduled this year for exports to the Soviet Union under contracts for the Siberian natural-gas pipeline, despite the U.S. administration's sanctions threat. The *Wall Street Journal* demanded editorially on July 30 that the administration invoke harsh sanctions against violators, as permitted under U.S. law.