Business Briefs

Agriculture

Federal spending cuts slash U.S. farm programs

The Senate is considering the omnibus House reconciliation package, H.R. 6955, which passed the House Aug. 10. The Agricultural Budget Reconciliation bill cuts the fag budget by $4.6 billion, says the congressional Budget Reconciliation bill cuts the farm budget by $4.6 billion, says the congressional cuts the long-fought-for food-stamp program was virtually ended; diary price supports have been frozen; and funds are to be stolen from the Commodity Credit Corporation to pay for a grain set-aside program.

Specifically, the food-stamp program was cut by $2.5 billion over three years, and severe restrictions have been applied to recipients.

Milk-price supports would be frozen at $13.10 cwt, and the USDA can dock farmers up to $1.00 per cwt on their milk sales proceeds if projected government-owned dairy-product surpluses exceed certain target levels.

On enrollment, a farmer receives 50 perent of diversion payment for the 1983 crop and must comply with acreage reductions of 15 percent for wheat and rice.

If he does not enroll, then he forfeits farm-program benefits such as price-support loans, and target price protection. The funds will be taken from CCC Title I of PL 480. U.S. Assistant Agriculture Secretary Bill Lesher let it be known that the administration was not happy with the dairy provision of the legislation.

Third World Development

Sudan drainage project halted for lack of fuel

The only development project of any significance on the African continent is doomed because there is no money to pay for fuel to run the machinery.

After 40 years of hoping and planning, Sudan three years ago began the Junglei Canal Project to drain the Sudd, the massive swamps in the southern part of the country by a series of canals. The swamps were formed during thousands of years of Nile headwater seepage. The on-again-off-again project would eventually open up millions of hectares that could be cultivated, and would help solve the nation's health problems.

However, the gigantic bucketwheel excavator in use on the project is daily using more fuel than the regional capital of Juba has. The French consortium Compagnie de Constructions Internationales wants the government to let it import fuel directly, but the question of payment would remain. Ironically, Sudan has millions of barrels of untapped oil supplies.

Many problems have dogged the project, which the World Bank believes is too ambitious for Sudan. There is no infrastructure in the south, and transporting the mud dug from the canal becomes impossible; the heat of the summer is drying the mud into concrete when it is left alongside the canal. Digging in the rainy season is harzardous since the canal fills up again. The hindrance seems to be that there is only one bucketwheel on the project.

World Trade

Gulf states increase West German imports

West German exports to Saudi Arabia rose 64.5 percent in the first six months of 1982, compared to last year, placing Saudi Arabia again at the top as lead Arab country market for German firms. Overall, German exports to the Middle East rose 38.5 percent over this time frame, well above the average rate of growth of exports worldwide of 14.6 percent.

Germany is now running a positive trade balance with the Middle East for the first time since 1978. Imports, primarily of petroleum and derivatives, have dropped 18.1 percent in value terms compared to the first half of 1981.

The financial daily *Handelsblatt* warns, however, that it is still too early to tell whether these highly favorable developments will hold up until year-end. "The chances for a further export rise of similar dimensions are less favorable," the journal states.

One German institute expects substantial economic benefits arising from the moves toward political and economic union in the Gulf region. The Nah- und Mittelost Verein of Hamburg sees steps towards the formation of a Gulf council, and related efforts for increased economic union and defense cooperation as a potential for further expansion of those markets for German goods.

If political instability or even upheaval spreads in the region, however—a danger which is very great—these markets, which are currently a major support of the German economy, could rapidly shrink.

Public Policy

Zepp-LaRouche: Bonn can rescue AEG

Until the financial crisis around the Allgemeine Elecktrizitäts-Gesellschaft (AEG) is resolved, West Germany should impose exchange controls, according to Helga Zepp-LaRouche, chairman of the European Labor Party, which is running a candidates' list in the turbulent election campaign in the state of Hesse.

Zepp-LaRouche issued her proposal for exchange controls in a publicly distributed letter which is circulating widely in Social Democratic Party, labor, and industrial circles.

The proposal also includes a call for Germany to unilaterally remonetize its gold reserves, in order to expand trade-financing facilities in the banking system on a substantial scale; and the establishment of a two-tier credit system giving preference to investment in productive industries.

An extraordinary situation has developed for the West German economy, Zepp-LaRouche points out, mandating that such extreme unilateral measures be undertaken. AEG's failure was the result of deliberate moves by a clique of bankers who aim to use the firm's ills to force industrial contraction on the country.

Germany has two choices as to how it will resolve the economic weaknesses brought to light by the AEG affair: it can, under the influence of the culpable bankers' clique, once again make a transition like that made in 1932-33 from "von Schleicher to von Papen"; or it can assume world leadership in establishing a New World Economic Order based on exporting heavy capital equipment to the Third World.

Zepp-LaRouche is also calling for 40 percent nationalization of AEG.

U.S. Trade Policy

Senators propose Office of Strategic Trade

In the wake of the controversy surrounding the imposition of sanctions against firms involved in the gas pipeline project with the Soviet Union, Sen. Jake Garn (R-Utah) introduced a bill on Aug. 13 to create the Office of Strategic Trade. The bill (S.2837), would establish an independent federal agency to centralize the export administration that currently is carried out by the Departments of Defense, State, Commerce, and Agriculture.

Co-sponsors of the Garn bill are Senators Cohen (R-Maine), Armstrong (R-Colo.), East (R-N.C.), Hatch (R-Utah), Symms (R-Idaho), Thurmond (R-S.C.), and Moynihan (D-N.Y.). Moynihan, since the pipeline beccame a major issue in Washington, has been threatening to introduce legislation to control credit for exports abroad. The Garn bill omits such provisions, but according to aides to Garn and Moynihan, an amendment may be attached to deal with credit. According to a Garn aide, "Garn, Kasten, and Lugar are all very keen on the credit supervision." Moynihan may also sponsor a separate "complementary" bill to handle credit provisions.

Garn's and Moynihan's offices admitted that it is highly unlikely that this bill could be enacted this session. Rather, the Senators are planning to mobilize what they think is a consensus for such supervision and centralization, and pass a bill in the next session of Congress, when the Export Administration Act comes up for reauthorization. It is this act which would be amended by the proposed legislation. All U.S. trade to the Soviet Union and to the East bloc and trade of "strategic" items elswhere would come under the purview of the new office.

The bill was unanimously referred to the Senate Committee on Banking, Housing, and Urban Affairs. Banking Committee staffer Paul Freedenburg has been credited with drafting the bill.

The bill embodies the "post-industrial" assumption that the United States ought to try to cripple other economies, rather than exporting the most advanced technologies.

Financial Scandals

Saudi silver scam shakes Belgian and British banks

The shock waves still are being felt in Europe and the Mideast following the March 15 announcement that a wealthy Saudi silver trader had defaulted on $200 million in credits from the Belgium Kredietbank. According to the *Mideast Report*, Aug. 15, Abdullah Saleh al-Rajhi, the son of a prominent Saudi foreign-exchange dealer, used the credits to finance a speculative silver scheme that went bad. Rajhi had put up his private real estate in Saudi Arabia as collateral for the credits; but it turns out that foreigners are banned by law from owning Saudi land.

Not only Belgium's Kredietbank, but Britain's Midland Bank, the Johnson-Matthey industrial group of London, National Westminster Bank, Lloyds Bank International, and Thailand's largest bank, the Bangkok Bank, are claiming past-due obligations from the young Saudi.

One of al-Rajhi's business partners, a young Kuwaiti investor, Ghazi al-Jassa, is being sued by British, Belgian, and other banks for about $300 million.

As a result of declining oil export income, many of the petrodollar-rich Gulf oil-producing states are now going into deficit. Since 1974 the rich Arab oil producers have been seen by western bankers and economists as the silver lining in the deepening world financial crisis. These latest developments are proving that oultlook an illusion.

Briefly

● **JAPAN'S EXPORTS** for July fell 12.8 percent from the year before in dollar value, and 7.1 percent in physical volume. Imports for July were down 12 percent in dollar value. So far January-July exports are down 4.5 percent from 1981, and Japanese analysts predict that 1982 will show the first absolute decline in exports in 30 years.

● **JAPAN'S MACHINE-TOOL** exports are running 20 percent below last year's moderately depressed level, occasioning large production cutbacks at the nation's largest machine-tool companies. Japanese customs figures indicate a June machine-tool export of $76.4 million, a 20 percent drop from the year before. Exports to the U.S. showed the most radical drop, reflecting the gutting of U.S. industry. June exports to the U.S. dropped 37 percent from the year-earlier level.

● **NUCLEAR REACTOR** exports from Japan may begin in a few years, if plans by the Ministry of International Trade and Industry come to fruition. MITI has just set up an advisory board to develop plans for export of reactors, processing, waste disposal and other equipment. Its plans will be ready within 18 months, reports the *Mainihi Shimbun* of Aug. 16. Japan would become the eighth exporter of such technology.

● **THE AMERICAN STEEL** industry's 20-year diversification out of steel production has doubled the ratio of management to blue-collar employees. In 1960, the industry employed 571,552 hourly wage employees and 121,664 managerial level personnel, giving a ratio of management to production workers of 21.2 percent. In June 1982, the industry employed 93,853 salaried employees and only 201,016 hourly workers, yielding a management to worker ratio of 46.7 percent, more than twice the figure in 1960