Business Briefs

Debt Strategy

Argentine emissary gives w

Addressing a select group of German oligarchs and government officials, Dr. Oscar Camilión, former Foreign Minister of Argentina and one of the most nationalist pro-industrialization Argentine civilian leaders, warned Oct. 7 that the rollover of Ibero-American debts cannot go on forever. European countries must realize that the only way the Ibero-American foreign debt can be paid is if there is economic growth and industrialization, Camilión explained. He then criticized the "mechanistic and simplistic" attitude so shamefully taken by the European nations during the Malvinas War. He said that improvement of European-Argentine relations can start with German investments in Argentina.

Tearing apart the "deindustrialization" policies of former Argentine Finance Minister José Martínez de Hoz, Camilión stated that Argentina can no longer be an agro-exporter country. We want to be able to export industrial goods, he said, but Europe still believes in the old division of labor.

Camilión was invited to Germany by the Bonn government; his speech was sponsored by the *Zeitschrift für Internationale Politik*, the German equivalent of *Foreign Affairs*.

International Credit

'We shall crush them,' Tory aide declares

Simon May, the aide to former British Prime Minister and Brandt Commission leader Ted Heath, announced bluntly in an Oct. 5 discussion with *EIR* that if the Latin American countries go "too far, then we will join together and we will crush them."

This statement, which identifies what Heath and the supposedly Third Worldist Brandt Commission are really about, came during a discussion of Mexican President López Portillo's speech to the U.N. General Assembly. "We will not lose our control over the world financial system," May asserted. "We cannot prevent [the Third World countries] from wrecking it, but they will be unable to build anything else; we will prevent them." May added that "The Latin American countries have no power; they cannot blackmail us."

But, as May indicated, these issues are the key topics of discussion at the ongoing NATO summit in Canada. One of the key topics discussed there is notably NATO out-of-area deployments in such regions as in the Persian Gulf or against Third World countries which may refuse to pay their debts. In sum, the NATO meeting is a military gathering to oppose the New World Economic Order.

Domestic Credit

Real interest rates still crush business

According to the most recent *EIR* LaRouche-Riemann analysis of the U.S. economy, a major easing of credit at this point would do no more than keep the U.S. economy to its present rate of decline, i.e. 7 percent p.a. from December to August. Without a major easing of liquidity, that is, given the prevailing credit conditions during the third quarter, which include major reductions in availability of short-term credit, the rate of decline will accelerate to 10.8 percent per year.

The rate of interest net of inflation—depending on whether the borrower is a Third World country or a U.S. corporation—is anywhere from 30 percent to 7 percent, i.e., still at the all-time high level. Interest rates actually paid are substantially higher than the prime rate in most cases, particularly since the depression has eroded the number of corporations that qualify as "prime" borrowers. In addition, many large commercial banks, including Chase Manhattan and Continental Illinois, have no access to normal credit-market sources for funds, and have depended in the past period on the relatively higher-cost Eurodollar interbank market, paying 13 to 14 percent for deposits—not an attractive situation where the prime rate is 13 percent. At 13 percent, of course, the major banks could not make money; they are maintaining their profitability by charging consumers 18 to 20 percent and charging most corporate borrowers 15 to 18 percent.

International Trade

Britain slithers into place as Europe's spokesman

Britain's Foreign Secretary Francis Pym insinuated himself further into his self-appointed role of Europe's spokesman on East-West relations on Sept. 29 by proclaiming the need for a new framework for East-West trade, which, of course, Britain would shape.

Speaking at a press conference after his meeting with U.S. Secretary of State George Shultz, Pym stated: "we have to renew a debate on the ground rules over East-West trade." Pym said that "we are trying to reconcile a difference that has been blown out of proportion by the press. What we need to do is establish a framework for East-West trade."

Pym also said that there had to be a debate not only on future credits and technological sales to the Soviets but on sales of food, making a reference to the fact that the United States is a major seller of grain to the U.S.S.R.

Agriculture

Block calls for trade war with EC

U.S. Agriculture Secretary John Block has formally announced that he is prepared to use subsidized credit not to aid falling U.S. agriculture exports, but "to send a message" to "those countries who continue to subsidize their farm exports."

If those countries, namely the European Community (EC) and Japan do not stop their supports, Block said, then a "mini-trade war" with Europe would be possible.

The EC and Japan are accused by the U.S. free-marketeers of supporting their agricultural sectors by subsidizing prices to farmers when market prices for crops are low, and are also falsely blamed by those same people for the decline in U.S. agricultural exports. The cheaper products of Europe are undercutting the U.S. markets, says Washington, D.C. and therefore, Europe must cease support measures.

Block admitted that direct export subsidies aren't likely to be used by the United States for any other purpose, though it is the only way that the U.S. can begin to expand exports again. Ten years ago, such a program offered reduced interest rates to buyer countries, making U.S. exports very attractive. Today the United States is at the bottom of the list of exporting countries who subsidize agricultural exports; Japan heads the list.

Meanwhile, Block is planning to dump the 2 billion pounds of government-owned dairy stocks. Such a move would depress world prices, causing Europe and other countries to increase their support of agriculture. Block thinks this tactic will cut into the European markets. The growing dairy hoard "is a big hammer we have in our hand," Block asserted. "This certainly would get Europe's attention."

The United States has protested to the 87-nation General Agreement on Tariffs and Trade that Europeans are improperly subsidizing exports of several agricultural products. Block claims that this case restrains the U.S. from implementing a direct subsidies program. "We don't want to damage our case," with GATT, he says. Block promised that if the United States loses its case, "we are going to have to sit down and plan a very tough strategy."

U.S. Government

McNamar: zero growth is U.S. policy

In testimony offered to the Subcommittee on International Economic Policy of the Senate Foreign Relations Committee Sept. 27, R. T. McNamar, Deputy Secretary of the Treasury, declared that policies in developing-sector countries were the prime cause of the world's economic strains and that the solution was zero or negative growth in these economies.

"The evidence continues to indicate that debt problems are principally *symptoms* of inappropriate domestic policies: overly ambitious development plans with large import requirements, faulty assumptions about inflation and commodity prices, and poorly structured debt maturities. Debt reschedulings, therefore, treat symptoms, allowing more time (and, we hope, helping to establish the framework) for dealing with the *causes* of debt problems through needed policy reform. . . ."

McNamar went on to praise the current state of the U.S. economy and "the strong record of some developing countries which have recently accepted low and even negative growth rates in order to get their economies and financial situations under control and to lay the foundation for a sustained recovery."

Public Policy

EIR editor interviewed in Brazilian journal

In a lengthy interview with *EIR* Ibero-American editor Dennis Small at the end of September, the Rio de Janeiro business daily *Jornal do Commercio* illustrates the extensive influence in Ibero-America of the ideas of *EIR* founder Lyndon H. LaRouche. *Journal do Commercio* reports: "The NASA program, which took the man to the moon in June of 1969, was the last positive moment of this impulse [of economic growth], Small affirms, defending the thesis that economic growth lies always at the frontier of development. The increase in the price of petroleum was not decisive for unleashing the problem in Small's opinion, but instead the 'disastrous and criminal policy' developed by Paul Volcker, head of the Federal Reserve. . . . The solution pointed out by the economist for the developing countries threatened with going 'broke' is the formation of an alliance between Mexico, Brazil, Argentina, and Venezuela for the renegotiation of their debts backed up by new long-term loans, to be applied to the industrial development of their economies.

"By utilizing their debts as a form of pressure . . . the Latin American countries would be able to eliminate the risk of being pushed to the International Monetary Fund."

Briefly

● **THE BANCA** Catalana group has suffered losses on the order of half a billion dollars, according to rumors in Spanish financial circles. The bank plays an important role in the financing of Catalan industry—which produces a significant portion of Spain's exports. It is doubtful any bank in Spain could survive such losses.

● ***THE WASHINGTON POST*** got cold feet Oct. 5 about its complete blackout of the speeches of Third World leaders at the United Nations. After days in which it had not run a single word on Brazilian President Figueiredo's opening presentation to the General Assembly Sept. 27, it editorialized that it was "an extraordinary speech." The *Post* warns that some bankers are tempted to cut off loans to such nations as Brazil, but this would be dangerous and could precipitate a panic. The *Post* makes no mention of López Portillo's speech later the same week. The play-up of the Figueiredo speech, belated though it was, conforms to the Shultz-Kissinger strategy of pretending to give "special attention" to Brazil to keep it from following Mexico's lead.

● **HELMUT KOHL,** West Germany's new Chancellor, announced that one of the first measures of his new government will be to oust Turkish "guestworkers" from the Federal Republic. Attempting to justify this racist policy, Kohl denied that this policy expresses hostility to foreigners, but said it is simply a fact that there are too many Turks in the country.

● **LEAKS** early this month that the Federal Reserve Open Market Committee has made a basic policy shift toward easing credit seem to be largely political theater aimed at enabling politicians who have backed Paul Volcker to escape their electoral vulnerability on that issue.