Business Briefs

Trade

U.S. continues trade war threats against EC

The United States has fired another volley in the threatened trade war with the European Community. The U.S. has agreed to sell 1 million tons of wheat flour to Egypt and thereby undercut the EC's traditional market. The U.S. has not sold wheat flour to the Egyptians on a commercial basis for 10 years. Egypt receives wheat and some flour from the U.S. under PL 480.

This brazen move by the United States coincides with the EC-U.S. talks in Washington in January to discuss American allegations that the EC is "illegally" subsidizing farm commodities. Europe is rightly afraid that this deal might effectively shut Europe out of the Egyptian wheat flour market, its chief outlet.

The United States is trying to soften the attack by saying that this sale was a political concession to the farm industry, and a move to boost falling exports.

Domestic Economy

Steel companies move to starve U.S. economy

The major American steel companies, controlled by Morgan Guaranty, have initiated legal action to enforce the rapidly growing steel shortage in the American economy.

Last December the American Iron and Steel Institute, the trade association of the steel manufacturers, filed suit under the 1974 Trade Act to "reduce steel shipments to the U.S. from Japan, by way of compensation for past harm, in the amount of 1.75 million metric tons in each of the next four years" and to impose a 25 percent import levy on Japanese steel and abolish the Japan-European Community agreement on steel.

If the steel company suit were successful, U.S. imports from Japan would be reduced to zero by the end of the third year. According to AISI figures, Japan shipped only 4.6 million metric tons to the United States in 1982, a drop of 38 percent from 7.59 million metric tons in 1977.

A shut-off of Japanese imports, coupled with the very low level of U.S. output—currently at 43 percent of capacity—would starve American industry for steel.

It is unclear from the AISI suit why the U.S. industry is claiming compensation for "damages" caused by the Japan-EC steel agreement and why it is blaming the "undervaluation" of the Japanese yen on Japanese steel producers, this being the basis for the 25 percent import duty demand.

Agriculture

Economist predicts more costly food

Excess production will continue to keep prices for edible commodities under pressure in the coming year, predicts the British *Economist* Intelligence Unit, in their World Commodity Outlook 1983 report.

Any price rises, says the report, will depend on the success of U.S. efforts to substantially reduce the 1983 crop. Crop failures elsewhere could also help raise prices.

Commenting on the U.S. Farmer Owned Reserve and the PIK program to lessen the reserves, the report says that because they are at such high levels, this puts a low limit on any wheat price rise.

Wheat stocks held in the main exporting countries are expected to rise from 51 million to 64 million tons during the season, in spite of another poor Soviet harvest and the Australian drought. "Only drought or altogether unexpected acreage reductions will cut that surplus before the end of 1984 and prices will likely remain in the lower half of the $90-$129-a-ton range."

Banking

Morgan sells Japan on Brazil bailout

The Japanese ambassador to Brasilia was awakened by a phone call in the wee hours of Jan. 13. The voice at the other end threatened that if Japan continued to balk on participating in the four-point $27.2 billion debt roll-over package being negotiated with Brazil, the Japanese would be publicly blamed for the failure of the bailout package and Brazilian-Japanese relations ruined as a result. The voice was not that of a Brazilian official, but the voice of one of the four New York banks coordinating the bailout.

There were further pressures from the House of Morgan to induce President Reagan to ask visiting Japanese Prime Minister Nakasone to ensure Japanese bank cooperation. *EIR* has no indication that Reagan acceded to the request.

Japan's Finance Ministry and central bank responded by battering their banks into agreement with the refinancing package. Thus, when the New York branch of Banco do Brasil reportedly was desperate to "close a position" and avoid default Jan. 14, it was Japanese banks that came to the rescue.

The public position of Japanese bankers is that they think they are being asked to provide an "inequitable" share of the total package. A much more profound objection is lodged, however, by the Japanese forces which believe that only through abundant credit can the world's economic crisis be solved. Officials of MITI (the Ministry of Trade and Industry), for example, favor large-scale development projects in Brazil.

IMF Policy

Treasury Secretary Regan accepts SDR plan

In a major concession to the supranational authority of the International Monetary Fund, Treasury Secretary Donald Regan indicated that the U.S. has abandoned its previous opposition to new issues of the International Monetary Fund's phony money, the "Special Drawing Right." The IMF currency is designed to replace national currencies and give the IMF dictatorial central bank powers over national governments and central banks.

Regan did not promise that the U.S. would support the proposals of the IMF staff and the Brandt Commission to issue more SDRs, but said that the United States no longer opposes it and would discuss the matter positively at next September's IMF meeting.

Meanwhile, in the tunnels of the IMF, preparations are in the works for wheeling out this supranational currency in the context of a major crisis for the U.S. dollar. Anticipating a dollar crisis, the IMF will hear plans to "substitute" SDRs for foreign central banks' existing reserves of U.S. dollars, at a private seminar at the IMF in March. The seminar will hear papers prepared by the Group of 30 and other bodies.

According to Group of 30 sources, the idea is to use the dollar crisis expected for later this year to force an agreement on "currency stabilization" at the Williamsburg summit meeting of world leaders in June. This would give the IMF powers to dictate economic policy to governments on the pretext of enforcing sound currency management, and replace national currencies with SDRs.

Friedmanism

Israeli debt service soars to 40 percent of budget

The Israeli budget approved in early January by Menachem Begin's cabinet allots 40 percent of the entire budget to debt service. This includes both internal payments and foreign debt service. The 40 percent figure compares to 30 percent in 1982 and 20 percent in 1981. At the same time, inflation is running at a 130 to 140 percent annual rate.

Due to the world trade depression, Israeli exports fell 5 percent in 1982, making it even harder for Israel to service its $21 billion in foreign debt, the highest per capita debt level in the world. Meanwhile, the Friedmanite economic policy carried out by Begin has lowered Israel's capital investment to 20 percent below its 1973-75 peak levels, and reduced labor productivity to zero growth. In 1982, for the first time since the 1950s, Israel's Gross National Produce registered zero growth. Industrial production also failed to grow. This has left Israel without the surplus to pay its debt.

So far Israel's economy has survived mainly on the basis of foreign aid. The latter allowed Israel to run a trade deficit equal in real terms to almost 25 percent of GNP. If the foreign aid and contributions from world Jewry slow, Israel faces catastrophe.

Business Press

French weekly attacks creditors' cartel

The editorial in the Jan. 17 issue of *La Vie Française*, the French business weekly with a circulation of 100,000, may cause a few heart attacks in international banking circles.

Under the title "The Law of Force," editor-in-chief Bruno Berthez writes that "The world financial crash is the only thing that matters as the new year is dawning. The world is bankrupt. Two main alternatives appear: either politicians condone the crash, and all ficitious assets collapse . . . or politicians recoil from the disaster and create even more fictious assets to postpone the inevitable. . . ."

In a devastating attack against "liberalism," the editor lets the free-marketeers speak: "More solidarity! More cooperation! More cartels!" He quotes them ironically, and adds, "To the law of the market, the apologists of free market economics are presently busy substituting a generalized cartelization. The establishment last week of the Institute for International Finance [the 'Ditchley Group'] is nothing but the setting up of a gigantic creditors' cartel aimed at preventing the laws of the market from cutting to zero the value of world claims. There are two rules and two fates, the rule of force always sets the rule of the game. Is this vulgar anti-Americanism?" Bertez asks—"No, for the people of America and the American nation must not be confused with the financial powers. . . . Those who take the decisions are the representatives of the major international oligarchies. . . ."

"It is sadly the case that these attempts at cartelizing are launched within the framework of a global plan of crisis management, the ultimate element of which is general austerity. . . . social regression, . . . and, finally, adventure," Berthez concludes.

The same issue of *La Vie Française* devotes another article to documenting the Ditchley Cartel "the entente between the world's banks—the creditors' cartel."

Briefly

● **RAILWAY CLERK** Interchange, the monthly magazine of the Brotherhood of Railway Clerks claims that 92 percent of its members in Conrail, the remains of the Penn Central Railroad, want to buy the railroad when it comes up for sale in June.

● **JAPAN'S EXPORTS** fell 8.7 percent in 1982, the first year-to-year fall in dollar terms since 1952. Japanese imports fell 7.9 percent. Regarding the U.S. alone, Japanese exports fell 5.9 percent and imports dropped 4.5 percent.

● **THE FEDERAL RESERVE** Board is working on scenarios for a new Bretton Woods monetary system, a Washington consultant told *EIR* Jan. 21, including the possibility that the Soviet Union might join such a new system. "Volcker's people are studying the responses of overseas governments to such an idea, including the Soviet response," he said.

● **THE ATLANTIC COUNCIL,** NATO's thinktank, is completing a study on the linkage between a new Bretton Woods monetary system and a New Yalta arms control pact between the U.S. and the Soviet Union, Council executive Francis Wilcos told *EIR*. "Arms Control, Defense, and Economic Policy" will explore the idea of bringing an arms control deal into the Heads of State Economic Summit this June.

● **MOTOR VEHICLE** Manufacturers Association president V. J. Adduci said, in a Jan. 14 press release that "it now seems appropriate to ask the Japanese government to revise its restraint program so it is more likely to accomplish its original objective and at the same time thwart U.S. protectionist legislation." Adduci blamed soaring interest rates, general recession, and a distorted yen-dollar rate as the reason for poor U.S. auto company performance.

Adduci did not explain why the Japanese should take the rap for Volcker.