# Business Briefs

## *Economic Policy*

### Nakasone tells Americans new ideas are needed

Hours after his May 27 meeting with President Reagan, Japanese Prime Minister Yasuhiro Nakasone gave a speech at Johns Hopkins University which reflected the Japanese-Indian discussions on resolving the developing country debt problem through a North-South monetary conference. Nakasone told his audience:

"We have to formulate policies that will turn the still-fragile recovery into a long-term and sustainable growth for the world economy. . . . *For this purpose we can no longer rely solely on the standard economic policies or on existing domestic and international systems and institutions.* . . . We should improve the rules and institutions for the management of the world economy. . . . I believe it is high time we cooperated further on a global basis in areas of trade, currency, finance, and natural resources. . . . There will be no prosperity for developed nations without prosperity of developing nations."

As the *Times* of India commented, this passage reflects to some extent the pre-summit meetings in Tokyo between Nakasone and Indian Finance Minister Pranab Mukherjee. Nakasone's thinking was affected by Mukherjee's communication of the results of the Non-Aligned Movement summit in New Delhi and Indian Prime Minister Indira Gandhi's view on the developing country question—that IMF austerity cannot solve the problem and that a North-South conference on debt is needed to formulate a solution.

## *U.S. Industry*

### Machine tool industry runs out of work

The Machine Tool Builders Association reported that orders for cutting and forming tools were $119.2 million for April, down 21 percent from April 1982 orders. For the first four months of 1983, machine tool orders were down 34 percent from the level of the same period in 1982. Total 1982 orders were about half of 1981 orders, which in turn were half 1980 orders.

The continued depression of orders, including a 65 percent drop in foreign orders, means the 500 American machine tool manufacturers will be facing harder times in the future. The order backlog, which the industry counts on to tide it over during slump periods, is now down to one tenth of what it was in 1980, and many companies are being forced to slow down shipments to keep their plants open. Shipments thus far this year are 50 percent below last year's levels, while employment is now 65,000, about half the average 1981 level.

The industry has focused on imports as the alleged cause of the collapse of orders, and the Machine Tool Builders Association is calling foreign competition a national security threat. However, although foreign machine tool companies had captured 40 percent of the U.S. machine tool market by the end of last year, the overall market is so small that the numerical difference in orders is negligible. Japan, which has captured 20 percent of the U.S. market, is said to have thousand of unsellable machine tools in Texas warehouses.

## *International Trade*

### Baldrige proposes high technology sale to China

At a time when China is seeking to rapidly obtain the means to modernize its armed forces, Commerce Secretary Malcolm Baldrige and Presidential Science Adviser George Keyworth are reportedly supporting the sale of an advanced U.S. hybrid computer with the full knowledge that the technology would likely be used in China's nuclear missile program.

Washington-based columnist Jack Anderson recently published a memo from Baldrige to National Security Advisor William Clark which listed the basic "facts" of the proposed sale by a U.S. firm of a Hyshare-700 computer to the Harbin Polytechnical University in northeastern China. The memo noted, "The Harbin Polytechnical Institute . . . is subordinate to the the Seventh Machine Building Industry, which presently contributes to the development and manufacture of strategic missiles."

The memo also cited intelligence sources as saying they expected "the hybrid computer to be used for missile development." In 1981, the Pentagon strongly opposed the sale and convinced the White House to remove several militarily crucial components from the computer before approving the sale. But Peking refused to buy the computer without the full complement of components, and the issue has remained a barb in U.S.-China relations. The American company involved, Electronic Associates, Inc., has since re-submitted its request to the administration for full approval of Peking's request. A final decision on the proposal has yet to be made.

During his recent visit to Peking, Baldrige told his hosts that the United States had every intention of easing restraints on exports of high technology to China, and promised that Chinese requests for technology would be expedited and given a definite yes or no within 60 days. Though Baldrige did not specify which technologies he was referring to, a Washington source said he expected something more definite to be revealed within the next two months.

Keyworth, who also visited China in May, has been at the forefront of efforts by administration officials to promote high-technology cooperation between the United States and China. While Keyworth was in Peking, the two countries signed an agreement for cooperation in magnetic fusion research. Keyworth is reportedly also in favor of the computer sale to China.

## *International Credit*

### Summit reaffirms 'multilateral surveillance'

World leaders approved an "annex" to the May 31 Williamsburg declaration reaffirming the "multilateral surveillance" scheme first introduced at the 1982 summit meeting at Versailles. Under the surveillance plan, the International Monetary Fund gains "foot in the door" to pressure major industrial nations on such problems as large budget deficits.

The scheme involves twice-yearly (or more frequent) meetings of the finance ministers of the Group of 5 with the managing director of the International Monetary Fund, Jacques de Larosière. The IMF director will present a report evaluating how the economic policies of each country affect its exchange rate as well as the policies of the others. No binding commitment to take action is involved, but the format permits the IMF to exercise at least some degree of pressure on individual countries.

The Williamsburg "annex" is essentially identical to the year-earlier one, with the exception that specific policy questions, including fiscal and monetary policy, are named as subject to surveillance.

According to a British government spokesman at Williamsburg, the agreements cuts both ways. European countries who want the United States to cut its deficit, even at the expense of cutting the defense budget, will continue to have the opportunity to batter the United States along with the IMF.

*Domestic Credit*

## Volcker out at the Fed?

Federal Reserve Chairman Paul A. Volcker will not be re-appointed, according to well-placed White House sources. A "senior official" identified as Treasury Secretary Donald Regan told reporters at Williamsburg May 31 that he would argue against Volcker's re-appointment in any event.

The two front-runners for the Fed remain former Council of Economic Advisers chairman Alan Greenspan, now an economic consultant and a director of Morgan Guaranty Trust, and present Fed vice-chairman Preston Martin. Although no final decision has been made, Greenspan currently has the edge in the competition and is said to want the job badly.

*Steel*

## Executives see mergers and shrinkage

Executives of American steel makers and finishers told the June annual meeting of the American Iron and Steel Institute to expect numerous company mergers which will close down "inefficient" capacity in the industry.

Donald M. Trautlein, chairman of Bethlehem Steel, argued for a new round of rationalization through mergers using the principle of "failing companies" used by the Carter administration in approving the buy out of Youngstown Sheet & Tube Corporation by the Jones & Laughlin Steel Corporation in 1978. The "failing company" thesis was used to circumvent anti-trust laws.

U.S. Steel chairman David M. Roderick said that since steel companies are now international companies, anti-trust laws should be obviated. "We should have another statute reflecting world competition of 1983 instead of the domestic competition of 1890."

Father William Hogan, a Jesuit priest and "futurist" spokesman for the steel industry, also spoke at the conference. Hogan predicted that "it would be quite possible that some companies might merge within a year or so if the [economic] situation does not improve." Hogan said that mergers will only entail combinations of parts of companies and "shutting down marginal operations so that what is left is competitive."

Since much of American steel production is only marginally competitive internationally, Hogan is implying large-scale production cutbacks.

The industry, which was cartelized by J. P. Morgan at the turn of the century and which is still controlled today by that banking house, is run by the corporations formed in that period. Many companies, however, like U.S. Steel, National Steel, and Armco Steel have acquired large non-steel holdings. The acquisitions of the latter two companies been largely finance-based conglomerates.

# Briefly

● **PAUL VOLCKER'S** meeting May 31 with chief executive officers of six leading Brazilian creditor banks was the occasion for unprecedented "bailout" proposals from the Federal Reserve chairman. Full details would be quickly available from *EIR*'s Access Service (see back cover).

● **TRUCKING** tonnage and operating incomes set record lows in 1982, according to the Regular Common Carrier Conference of the American Trucking Association. Haulage by the nation's common carriers fell to 105.5 million tons from 131.5 million tons in 1981 and 170.3 million tons in 1979, the first year of deregulation. The 38 percent drop in tonnage has caused far greater losses in operating revenues (revenue less expenses), which fell in 1982 to \$64.2 million. Operating income was \$330.9 million in 1981, \$501.6 million in 1980, and \$475.2 million in 1979.

● **THE CPUSA** (Communist Party of the United States) is calling for a jobs program employing 15 million Americans in public works jobs at union wages. At average unionized industrial wages of \$20,000 a year, the program would cost the Federal government \$300 billion yearly. The CP proposes to finance this by "cutting the fat from the White House" and by cutting the defense budget.

● **EL UNIVERSAL** of Caracas, *La Republica* of Bogotá and *Excelsior* of Mexico City, have printed *EIR*'s May 24 story on the devastating effects of their massive international debt on the economies of Latin America. The article, titled "Kissinger and Shultz Created the Debt Crisis," details how some \$200 billion of the \$310 billion owed by Ibero-America are a result of "usurious practices, capital flight, and growing disequilibrium in trade."