Business Briefs

Africa

Ghana forced into giant devaluation

Ghana was forced to carry out a 90 percent devaluation of its currency, the cedi—of a far more drastic magnitude than it had agreed to in negotiations with the IMF last July—nine months earlier than expected.

Ghana had negotiated a deal with the IMF that included a planned devaluation last July. But because of the political impact of weakening the currency, a devaluation down to 25 cedis to the dollar was expected to be held off for a year. The government's need to attract aid for the economically strapped country from donors and lenders at a donors' conference in Paris in November could be the motivation for reversing the postponement.

This devaluation has increased Ghana's foreign debt and ratio of debt-servicing to export earnings elevenfold. The disastrous condition of the economy has been aggravated this year by the destruction of farms and agricultural plantations by drought and bush fires, cutting both cash crops for export and local food production.

In addition to the devaluation, the IMF has demanded the elimination of government subsidies on food, petroleum products, and other consumer items.

International Finance

Regan demands Japan open capital markets

Treasury Secretary Donald Regan has issued a four-point request that Japan open its capital markets to foreign investors and allow foreign acqusition of Japanese banks. Regan made the requests in what sources called "a pretty strong tone" at a Washington meeting Oct. 12 with the Japanese ambassador to the United States, Yoshio Okawara, according to the *Japan Economic Daily*. Regan intends to ensure that Japan is taking steps to strengthen the yen against the dollar and reducing the rapidly increasing bilateral trade imbalance favoring Japan, before President Reagan visits Japan in November. Regan is also asking that the Japanese deregulate deposit interest rates.

Sources report that the U.S. administration is blaming the relative overvaluing of the dollar and undervaluing of the yen on Japan's closed capital markets. Regan told Okawara that the U.S. Congress might block foreign attempts to acquire U.S. banks unless Japan allowed foreign acquisition of its banks. Such acquisitions are not a generally approved practice in Japan.

In response to Regan's demands, the Japanese finance ministry has asked its Committee on Financial System Research to speed up deliberations on allowing U.S. banks to purchase Japanese banks and on the establishment of a joint venture investment trust between Japan's Nomura Securities Company and Morgan Guaranty Trust of New York.

Tokyo officials are again studying how to float Japanese government bonds on the overseas capital markets, at the behest of Prime Minister Yashuhiro Nakasone. Nakasone has called for the study of flotation of the bonds the facilitate capital inflows into Japan and rectify the depreciation of the yen against the dollar.

Eastern Europe

Romania resisting IMF pressure

Romanian Deputy Finance Minister Iulian Bituleanu stated in an interview on Oct. 16 that the increases the IMF is trying to impose on Romania's oil and gas prices are "unacceptable." Romania is on a three-year standby credit "adjustment program" with the IMF, and has already raised its prices twice this year to bring them close to world market level prices, Bituleanu said. "Why should we give ourselves another shot of inflation when other countries are reducing their inflation?" he asked.

Romania has already curbed its consumption and imports due to IMF conditionalities. Import cuts and export increases have "improved" Romania's currency trade for first half of the year, according to the London *Financial Times*, and Romania is on track for a trade surplus in 1983 of $1.6 to $1.7 billion. Total foreign debt is expected to be below $9 billion.

Romania has rescheduled its debt payments for the past two years and, Bituleanu stated, does not want to reschedule this year. In recent developments, the U.S. Export-Import Bank is reported ready to do business with Romania, and Canada recently renewed credit for the nuclear power plant it is building at Cernavoda. U.S. Secretary Commerce Malcolm Baldrige visited Romania the week of Oct. 10.

Economic Policy

Vienna School gains in British cabinet

At the same time that intimates of former Foreign Secretary Lord Peter Carrington, Henry Kissinger's business partner, are taking increasing control of British foreign policy, a hardcore grouping of Vienna School monetarists committed to an all-out confrontation with the debtor countries of the developing sector is consolidating control of British financial policy.

London sources report that the monetarists' hand was strengthened by the ascension of Norman Tebbitt, formerly Employment Secretary, to the position of Secretary of Commerce and Industry, to replace Cecil Parkinson who resigned Oct. 14. At the same time, the new transport minister is Nicholas Redley, formerly number three at the Treasury and a co-thinker of monetarist Treasury Secretary Nigel Lawson.

The British goverment is now asserting that debtor countries like Brazil must be "taught a lesson." The British press is reporting that, under the sway of this thinking, the Thatcher government is forbidding British banks from participating in the mooted international bank-consortium lending package now being prepared for Brazil.

At the same time, Tebbitt is pushing for the Thatcher government to demand that Japan "open up" its currently tightly controlled financial system. Tebbitt will host a Japanese business and trade delegation to the United Kingdom in late October.

Arms Traffic

West German-Iranian connection surfaces

The former German ambassador to Iran, Gerhard Ritzel, a participant in the "mediation" of the American hostage crisis, is unofficially promoting economic and other relations between the Federal Republic and Iran and Libya. Ritzel is now employed at the federal chancellory in Bonn, responsible to German Foreign Minister Hans-Dietrich Genscher, who intervened personally to arrange the release from jail of Sadegh Tabatabai, an Iranian on trial in Germany in 1982 for possession of heroin.

The special intelligence unit at the chancellory with which Ritzel works is responsible for "operations abroad," and reportedly secretly handles relations with Iran on the question of arms. The Rheinstahl Company, the "mother company" of several arms manufacturers, is known to supply small arms of all kinds to Iran, Libya, and various groups in Lebanon, with West German government approval. Ritzel is known to use a certain Herr Floer, officially employed by Mercedes-Benz in Bonn, to deliver messages to Libya, Iran, and Somalia in particular, via Paris. Mercedes-Benz provides many facilities for the German foreign ministry, and Mercedes-Benz executives give top-level intelligence briefings to foreign ministry staff on their return to Bonn from trips to Libya and Iran.

German trade relations with Iran are once again booming. Exports to Iran are up 144 percent for the first half of 1983 compared to same period in 1982, and imports are up 76 percent over the same period. Exports in the first half of 1983 reached more than DM 4 billion, and imports from Iran were DM 874 million. In comparison, German exports to pro-Western Saudi Arabia during the same period were DM 4.5 billion, a drop of 10.8 percent compared to the same period last year. Germany sent a 300-man delegation to the recent Teheran Trade Fair.

Mercedes-Benz employees receive VIP treatment in Iran, where they are welcomed at the airport by government representatives, and do not have to go through customs. The firm has provided a number of armored cars for the use of mullahs who fear for their safety, as well as troop transporters and also military vehicles.

Agriculture

EC freezes farm subsidies

The European Commission (EC) imposed an unprecedented 10-day suspension on advance payment for farm export subsidies and producers from the Athens ministerial-level meeting on Oct. 12 that will prevent agriculture exporters from claiming 80 percent of normal export subsidies once their shipments have cleared customs. Advance payments will be halted to producers of olive oil, cotton, certain dairy products, soy beans, tobacco, wine, sugar, and other commodities.

The suspension was presented as a precautionary move to ensure that Common Agriculture Program (CAP) spending be kept within the budget, although the short suspension will not save any funds.

The BBC reported Oct. 20 that the actual plan to curtail farm spending went into effect 10 days after the freeze. Europe now faces the same threat to food production as the United States.

The EC has consistently bemoaned the costs of the CAP, but the current crisis is due to the fact that European bankers are not willing to put up the funds for the EC budget. The farm sector, which accounts for most of the budget, is being asked to cut spending because the EC will run out of money by the end of 1983. Most immediately under attack is the milk subsidy.

Briefly

● **ASEAN** members have "moved closer" to carrying out the proposed Agreement on Industrial Joint Ventures, to encourage joint manufacturing among the member nations—Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The nations' economic ministers agreed to amend a proposal to give special tariff treatment to goods produced by ventures which include companies from several member nations. Already planned projects have been delayed by lack of agreement on tariff cuts. A provision that all member countries must offer special treatment—a 50 percent tariff cut after three years—to products of any venture owned at least 51 percent by two or more ASEAN states was amended to allow countries to give special treatment at their own discretion.

● **GOLDMAN SACHS** International Corporation, the Panama-based subsidiary of Goldman Sachs, will open a branch office in Tokyo in November after being granted an official license to deal in securities in Japan.

● **CHINA** is seeking assistance from Japanese companies to develop what may be one of the largest coal deposits, in Jungar, inner Mongolia. The coal mine will be a key project in Peking's 1986-90 economic development program, according to the *Japan Economic Daily*. Planning calls for production of up to 25 million tons of steam coal per year, and the construction of two coal slurries to move the coal over 1,000 kilometers to power plants.

● **DONALD REGAN** expressed opposition to "industrial policy" for the United states in a lecture at the University of Kansas Oct. 14. Regan claimed that Honda and Sony succeeded in the automobile and transistor fields because they ignored the advice of the Japanese Ministry of Trade and Industry (MITI) that the future of these fields was poor.