Business Briefs

World Agriculture

USDA issues revised world forecasts

The United States Department of Agriculture (USDA), notoriously "optimistic" in its forecasts, has revised upward its 1984-85 world wheat output projections to 513.5 million tons, according to a Feb. 11 estimate. The main increases, the department claims, are expected from Australia and Eastern Europe.

Total world grain output for 1984-85 is now forecast at 1.624 billion tons, with the internationally traded portion of this totalling 238.2 million tons. The total surplus stock is estimated to be 213 million tons at end of 1984-85. This compares with 1983-84 figures of 1.486 total grain production; 225.1 million tons traded; 186.2 million tons 'carried over,' i.e. in stockpile.

Soviet maize (corn) imports are up nearly 100% for this season to 17.9 million tons, nearly twice the 1983-84 figure of 9.5 million tons. This would put the U.S.S.R. well ahead of Japan as the world's largest corn importer. Japan will import 14.1 million tons. Both buy mainly from the United States, though Japan also buys from Thailand, and the U.S.S.R. from Argentina.

The European Community pattern has been to displace maize used for animal feed mixes with cheaper grain and imported cereal substitutes. Most imported maize is used for industrial processing. EC purchases of corn are expected to drop a further 700,000 tons to 4 million tons.

Technology

Economic spin-offs of SDI expected to increase

According to an article in the March 11 *Philadelphia Inquirer*, defense contractors and related firms view the Strategic Defense Initiative as an economic "cornucopia" which has the potential to provide thousands of jobs as well as government funds for research and development. The article quotes Maj. Peter Worden, a special assistant to SDI director Lt. Gen. James Abrahamson, who estimates that SDI contracts already account for about 50,000 jobs. The figure is expected to increase to about 150,000 in the next five years.

These figures are more modest than those quoted by Defense Secretary Caspar Weinberger himself in testimony to Congress. He had suggested that about 35,000 jobs are created by every $1 billion in defense purchases. According to the article, if Weinberger's formula is applied to the SDI program, it would suggest that as many as 129,500 jobs might be created by next year with the eventual total for the $26 billion program far beyond that.

Foreign Exchange

BIS congressmen demand U.S. rein in dollar

Representative Connie Mack (R-Fla.) proposed on March 6 that the United States either join the European Monetary System or set up a similar international financial system dominated by the Swiss-based Bank for International Settlements (BIS), which would "regulate allowable fluctuations among the dollar and European currencies."

Mack's proposal took the form of a discussion at a House Budget Committee hearing with Fed chairman Paul Volcker, a BIS partisan, who replied that studies should immediately be made on "a concensus about managing the international monetary system."

Mack, a former banker, is part of a "new right" group of BIS congressmen lead by Rep. Jack Kemp (R-N.Y.) who want to implement austerity here by having America cede national sovereignty to the central banks of the BIS. In a Jan. 14, 1982 press release, Kemp called for "the convening of an international conference like the Bretton Woods conference of 1944" to implement "U.S. support for a proposal by the chairman of the Bank for International Settlements, under which major central banks would coordinate monetary policy to stablize the price of gold within an agreed range."

Kemp referred to the September 1981 speech at the International Monetary Fund's annual meeting by then-BIS President Jelle Zjilstra, who called for fixing exchange rates under "Bretton Woods-type arrangements" of "fixed but adjustable rates of exchange," which would be managed not by governments but by the BIS central banks. Zjilstra stated that the purpose of currency control was to enforce "harmonization of economic policies," i.e., force budget cuts upon the United States.

Famine

OTA proposes more starvation for Africa

A recent congressional Office of Technology Assessment report on food supplies for Africa ("Africa Tomorrow: Issues in Technology, Agriculture, and U.S. Foreign Aid," GPO no. 052-003-00984-6, Jan. 31, 1985) calls for more of the same enforced backwardness that has produced the current famine on the continent.

Prepared for Reps. Mickey Leland (D-Tex.) and Cooper Evans (R-Iowa), who, as one observer put it, "probably don't know what they're doing," the report calls for "low-risk, low-input" approaches to technologies for farming and transportation on the African continent, "suitable for the small farms, small businesses, and small incomes in Africa."

An OTA press report says, "The United States can contribute with appropriate agricultural education and research. However, many attempts to use U.S. agricultural technologies directly in African food production have been unsuccessful, because they generally are not suited to the needs of low-resource producers."

Banking

Bank cartelization wars beginning

New York's banking market is about to be divided up into two huge cartels—Citicorp and everyone else.

The chase is on between New York's Citicorp and the other eight largest New York banks as to who will dominate the city's 2.5 million consumer deposit accounts. Particularly desparate to grab some consumer business away from Citibank is Manufacturers Hanover, Citi's main competitor in the electronic banking business which has taken large losses recently and which Citicorp would like to see eliminated.

On March 6, eight banks including Manufacturers Hanover, Chase Manhattan, Chemical Bank, Marine Midland, and Britain's Barclay's Bank set up the New York Cash Exchange (NYCE), an automated bank-teller network which will allow anyone with an account at any member bank to make cash withdrawals and account information inquiries at the machine of any other bank on the network.

Leonard E. Malkins, vice-president at Manufacturers Hanover, is chairman of NYCE. More than 75 other banks in the New York, New Jersey, and Connecticut area have signed letters of intent to join the group, he said March 6. NYCE's founding banks operate more than 800 teller machines at 650 locations in New York. By the end of 1985, the group intends to service 3.5 million customers of 100 banks with 1,000 teller machines in the tri-state area.

International Credit

U.S. financial firms expanding in Europe

As part of the ongoing reorganization of U.S. banking, U.S. banks and brokerages generally are expanding massively in the Eurobond and Eurodollar markets. This is the subject of a full-page *Wall Street Journal* feature, which notes that Bank of America is taking business away from British clearing banks, etc. "American firms finance trade and orchestrate mergers, acquisitions, and divestitures. They manage individual and institutional investment portfolios. They sponsor the bulk of Europe's venture-capital industry."

Donald C. Roth, chairman of Merrill Lynch in Europe, echoed the rationale of Henry Kissinger and others at American Express when they said they wanted AMEX to expand into Japan. London is part of a trio of world capitals with New York and Tokyo, he said, with the best time zone for "an increasingly *global* capital market. . . . This is the only place in the world with a favorable time zone and sophisticated communications where you can do business the same day with every other financial center around the globe."

Europe's big banks created the $230 billion Eurorobond market, but in 1984, for the first time since the market took off in the 1970s, U.S. firms arranged the biggest bonds and four of the five top dealers are in the United States.

The Invisible Hand

Chase tied to drug-laundering bank

Officers of David Rockefeller's Chase Manhattan Bank were instrumental in setting-up the First Interamericas Bank, the bank shut down on March 1 by Panamanian authorities after the Drug Enforcement Administration discovered that it was laundering Colombian drug money.

The bank, whose major stockholders were known Colombian drug-traffickers Jorge Ochoa and Gilberto Rodriguez Orejuela, was chartered in 1973 by officers of Chase Manhattan, (on whose international board sits Henry Kissinger). The Chase Manhattan officers later passed it on to Ochoa and Rodriguez.

The founders of First Interamericas include: *Alberto Luzarrage B.*, at the time vice-president of Chase Manhattan, N.A. and now vice-president of *American Express*; *Burton A. Adams,* member of the U.S. law firm of Paul, Landis & Beiley, and president of the Interamerican Lawyer Federation; *Donald Burgess,* at the time a Chase Manhattan, N.A. vice-president, now president of *Florida International Bank,* and *Antonio Carpelo,* an adminstrative assistant of Chase Manhattan, N.A.

In early March, the opposition daily *La Prensa* excerpted a chapter from the *Executive Intelligence Review* publication, *Narcotráfico, S.A.* on "The Cash Connection," drawn largely from a 1984 report of the White House's Organized Crime Investigating Commission, which details the role of the National Bank of Panama in the laundering of drug funds. *La Prensa's* story produced an immediate outcry from several banks including the National Bank, which is charging "disinformation," and "slander" with the intent of destroying Panama's off-shore banking center.

Briefly

● **FARM PRICE** proposals by the European Community's agriculture commission for 1985-86 have met with strong opposition from the European Parliament. The opposition has declared that the program, a virtual price freeze with up to a 3.6% cut for grain producers, represents a "declaration of war on the farming community."

● **CITIBANK** is being drawn deeper into the London markets. Citicorp International, the European merchant bank of Citibank, acquired Seccombe, Marshall & Campion PLC, a London discount house on Feb. 24 for $7.65 million, making it the first non-British concern to control one of the Bank of England's nine agents in the U.K. money markets.

● **S&L REGULATORS** at the Federal Home Loan Bank Board are asking Congress to let them dun the S&Ls for an additional $10 billion in interest payments for the FSLIC (their FDIC) since the S&LS are so bankrupt that their insurance fund is going under. The Board wants to charge 3,200 thrifts 1% of their assets of almost $1 trillion, i.e., $10 billion. The FSLIC's usable reserves dropped from $6 billion to $4.7 billion in 1984. FSLIC has plans to shore up the system which will cost S&LS so much money that many will just go under.

● **BRAZILIAN** Police Chief Paulo de Magalhaes Pinto has announced that the mop-up operation against the drug mafia launched on Feb. 27 succeeded in breaking up a band of 150. The surprise factor was decisive: "They underestimated the Brazilian police. They never imagined that they would see any kind of reaction by the government, given our few resources and the size of our territory."