
TRADE

Tories, Labour agree; war is our growth industry

This week the British-directed staff of the European Community released a 17-page confidential memorandum to the nine Common Market nations which calls Japan "a land of work maniacs who live in what Westerners think are hardly better than rabbit hutches" and thus cost-cut their exports. The EC memo gives Japan until the time of the June Tokyo Summit to change its export policies, and recommends that the EC nations abandon any real hopes of exporting to Japan and

instead turn to protectionist surcharges against Japanese goods.

On the U.S. side, from John Connally's own demagogic pledge in New Hampshire recently to make the Japanese "sit in their Toyotas eating oranges on the docks of Yokohama" to the decision by U.S. Special Trade Neogiator Robert Strauss last week to unilaterally suspend trade negotiations with Tokyo due to "Japan's intransigence," hostility to Japan's trade-oriented economy is becoming more openly

accepted. What American businessmen who give credence to these attacks on Japan fail to understand is that the key circles organizing the attack on Japan — notably Henry Kissinger, whose private business connections in addition to his routine freelance geopoliticking now include Goldman Sachs and British General Electric — are using the issue of Japan's trade balance to wreck growth in world trade. Kissinger hopes to have tension between Europe and Japan grow so intense that the upcoming Tokyo summit degenerates into vicious bickering between Europe and Japan while the U.S. sits in the middle playing both sides off against each other.

Kissinger will shortly be leaving for Tokyo along with Henry Fowler, the Goldman Sachs investment banker and co-chairman of the Committee on the Present Danger.

CORPORATE STRATEGY

Divest oil, push coal: following Ashland's lead

Ashland Oil is attempting to lead U.S. and other oil companies into Energy Secretary James R. Schlesinger's low-growth, high-cost energy program. The multinational's strategy is to sell off oil holdings, invest heavily in coal, and prove that they can make a windfall doing it.

With the depressed U.S. equities market, divesting assets and acquiring company stock on the market is a highly profitable operation in itself, and Ashland, which is controlled by Lord Cowdry, hopes

that this maneuver will help convince oil companies to pull out of oil.

Ashland announced last week that by the end of the year it expects to have sold \$1.5 billion worth of assets, including all its crude oil production capacity, and to have bought 15 million Ashland common shares. According to Ashland President Orin E. Atkins, "We can sell assets at 12, 15, or 20 times earnings and buy back our own stock at five to eight times earnings, and automatically pick up an increment of

earnings." Atkins also explained to the *New York Times* on April 3 that Ashland is moving into coal: "We will be expanding in the coal area. We're still convinced that one of these days the government is going to wake up to the fact that the only real indigenous energy resource we have is coal, and that it will get on with the show." Ashland in the last few years has emerged as one of the nation's major coal producers — it owns the Ashland Coal Company and has a 50 percent share in Arch Mineral Corporation

The Department of Energy and the anti-energy media are doing their part to wedge oil companies out of the oil business and into coal schemes like that of the Energy Corporation of the Northeast (ENCONO).

There is every reason to believe that both oil and other corporations will go along with the Ashland-ENCONO strategy.

•EXXON, according to the Lon-

While in Tokyo Kissinger will push for Japan to drop its policy of promoting technology transfer deals with the Third World, especially Mexico, and instead adopt a policy of military rearmament. Kissinger, according to Japanese business sources in New York, will also push for Japan to stop making direct deals with Iran's National Oil Company.

The strategy inside Japan

Ironically, the country where the success of Kissinger's tactics are most apparent is Japan itself. Led by Prime Minister Masayoshi Ohira, who is personally weak when it comes to dealing with, especially, American pressure, the dominant mood in Tokyo is thus far to maintain a "good on economics, weak on politics" profile.

Last week, in a speech to Japan's Defense Agency, Ohira called for a

major buildup of Japan's military forces — an implicit threat against the Soviet Union. An increase in Japanese military spending, linked to a growing "NATOization" of Japan, has long been one of Kissinger's own recommendations as a way to increase industrial production in Japan while reducing the nation's exports.

At the same time, key sections of Japan's press have shifted their outlook on the European Monetary System, and are now denouncing the EMS as another example of European "protectionism." In a March 21 editorial headlined "EMS Cause For Alarm," the major daily *Yomiuri Daily News* attacked France's President Giscard d'Estaing for wanting to hold a development conference involving the EEC and the nations of Africa and the Middle East. "It is apparent that the EEC is bent on forming a large trading bloc with itself as the

nucleus," *Yomiuri* stated. "Under the circumstances, it might be wise for Japan to consider forming an economic bloc of its own." This, of course, is a remarkable statement coming from the leading liberal daily in Japan.

The recent protectionist assault on Japan, and Tokyo's all-too-predictable defensive reaction, has already put the Tokyo Summit on the road to failure. Whether Kissinger and the Carter Administration succeed in derailing the Tokyo meeting from the track of planning for world development, depends largely on how much longer business circles in the United States, Europe and Japan tolerate the line that Japanese exports are "the root of all evil."

— Kevin Coogan

don *Economist*, has for some time been divesting some of its oil holdings and picking up coal holdings, primarily in Latin America.

•In a discussion April 2 with *Executive Intelligence Review*, an oil company senior vice-president explained that his company is glad to get out of the nuclear business, and predicted that gasoline would rise to \$1.50 a gallon by summer. "You Americans," he said, "just want your cars to get you to church on Sundays, and you are going to have to learn to do without." This oil major has acquired large coal holdings in the last several years.

•Continental Oil, one of the nation's major coal producers through its subsidiary, Consolidated Coal, was one of the first public backers of the presidential candidacy of NATO General Alexander Haig, whose energy program is Schlesinger's.

—Leif Johnson

GOLD

Bullion price still rock-hard

Despite the rush into dollars last week, the gold price has failed to react and has continued to oscillate around the \$240 per ounce level. What happened?

Investors have pulled funds out the former "hard" currencies, the West German mark, Swiss franc, and Japanese yen, out of fear that these economies will be hurt relatively more severely by energy and raw materials price hikes than will the U.S. in order to take advantage of the higher interest rates on dollar-denominated securities.

At the same time, investors have maintained their positions in gold to "hedge" against continued double-digit inflation in the dollar sector, which could be exacerbated if President Carter's plan to deregulate domestic oil price wins acceptance from Congress. Gold's rock-hard stability reflects as well widespread recognition of the war danger, especially in the Middle East, where the barest hint of a conflict prompts large-scale hoarding of the metal.

—Alice Roth