Business Briefs

Energy

West German physicist urges U.S. to 'go nuclear'

Opening the United Nations-sponsored World Eenrgy Conference in Munich Sept. 7, Prof. Klaus Knizia of West Germany stated forcefully that whether the United States decides to develop nuclear energy will determine whether the future will be one of mass starvation and mass unemployment in both the Third World and the industrialized sector. It should be clear to any scientist, Knizia added, that oil resources should be increasingly devoted to petrochemical use while nuclear power takes up the slack and enables international trade and consumption to expand.

Knizia said politicians must fight for such a program against the environmentalists, who, he said, are jeopardizing the survival of the human race. If the U.S. does not adopt nuclear energy on an aggressive scale, he added, Europe will have to make up the gap in global energy production.

Chinese economy

Peking renegs on oil export contracts

China is unable to fulfill its oil export contracts to Japan, reports Tokyo's Vice-Minister for International Trade and Industry, T. Yano, just back from a trip to Peking. China will meet its 8 million ton pledge for this year, but cannot supply the 9.5 million tons contracted for next year, and certainly not the 15 million ton obligation for 1982, because its oil industry is experiencing zero growth. If the problems remain, Peking may have to halt all oil exports within a couple of years, removing what it had hoped would form its chief source of foreign exchange.

Foreign-exchange problems now preclude the ambitious import-aided development scheme announced two years ago to the applause of the U.S. State Department. China's State Planning Commission chief, Yao Yiling, told the just-concluded National People's Congress that calamities permeate the entire economy. He reported that summer crops in 1979 fell more than 10 percent from 1978. Yao also revealed that earlier success stories about model communes were based on sheer statistical lies.

The two giant steel projects, Pohang and Baoshan, totaling over $8 billion, have serious financial and technical difficulties. Economic strictures have already produced a $2 billion cut in the military budget.

International trade

Food weapon urged against oil price indexation

Reports from London now indicate that OPEC is about to officially "index" the price of its oil to some other price index, probably the rate of Western inflation. The OPEC states are further considering a British-authored plan to add an additional 1 percent every three months.

Lyndon H. LaRouche, Jr., *EIR* contributing editor and chairman of the advisory board of the new National Democratic Policy Committee, said Sept. 8 that if OPEC implements the plan, the West would be justified in retaliating by linking the price of its exports to OPEC to the price of oil. The commodity most aptly linked, he said, is the price of food exports to OPEC.

The indexation plan was originally devised by the international advisory group of British Petroleum, and developed further in a series of planning meetings at Oxford University, at OPEC energy seminars like the one that began Sept. 9.

LaRouche stressed that the "food weapon" tactic he proposes must be primarily directed at those OPEC countries currently under the control of the British-created Muslim Brotherhood, especially Iran, Libya, and Algeria. If properly applied, the policy would dissuade OPEC from its "get-rich-quick" susceptibilities and set OPEC talking with the West about technology transfer, nuclear energy development, and Third World industrialization, he said.

European industry

Auto showdowns shock for Italy

Italian government officials and trade unionists want to hold negotiations with the Fiat auto manufacturing giant, after Fiat announced that it is committed to laying off 24,000 employees by the end of 1981. This would be part of a Fiat plan to reduce output by 20 percent, or 457,000 vehicles. The unions are hoping to convince Fiat to phase employment out, through job relocation and early retirement programs.

The announcement comes along with a series of devastating reports on the Italian economy. Indesit, the second largest electrical appliance firm, reports it is on the brink of bankruptcy. Larger industrial groups are also suffering. This is partly due to the very high costs of borrowing, which have been sitting on a 21.5 percent prime rate for months. In the near future, 8,000 layoffs are expected to be announced by chemicals firms, while 20,000 steelworkers may soon be unemployed.

Transportation

Rail deregulation to cut U.S. branch lines

The railroad deregulation bill sponsored by Rep. James Florio (D-N.J.), which passed the House 337 to 20 on Sept. 9, established a threshold level on rates, above which the Interstate Commerce Commission can intervene and investigate whether or not the rates are justified. According to an aide to Representative Florio, the threshold is sufficiently high

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that there "won't be any regulatory interference from the ICC."

Questioned about the impact of the bill, one financial analyst predicted an accelerated abandonment of branch lines, especially in the farm belts. "There should be a lot of abandonment. Presently something like 50 percent of the track miles in the country haul 95 percent of the revenue ton miles. This could be traumatic for some little farm towns in Iowa, but it will be good from the macro point of view. It will free up financial resources for other investment."

The major anticipated growth area is coal freight. Revenue-originated freight in coal has already jumped from around 400 million net tons in the early 1970s to 473.7 million net tons in 1979, due to the enormous escalation of petroleum prices since the 1973 Mideast war.

International credit

A new international central bank?

The Sept. 30 annual conference of the International Monetary Fund will institute a new policy of IMF borrowing on the Eurocurrency markets. IMF Managing Director Jacques Larosière will propose that the IMF enter the international capital markets for the first time in early 1981, which the IMF is already empowered by the Bretton Woods charter to do, IMF officials told the *New York Times* yesterday. The recent refusal of Saudi Arabia and Kuwait to loan the IMF the $24 billion it needs to deal with pressing Third World debt rollovers has triggered the move to the private markets, they said.

U.S. Fed insiders in touch with the Bank of England and Bank for International Settlements say that the central banks have decided that the petrodollar surplus is now "too big and too dangerous" to be recycled by the private banks alone. "The central banks are discussing having the IMF issue large amounts of bonds, taking in large amounts of Arab funds, "the sources said. "The IMF would then lend out to the Third World using co-financing," the source said.

Cofinancing is a loan in which the IMF joins in each consortium of private banks lending to the Third World, so that each private loan can have rigorous conditions enforced by the IMF. "This would mean that the IMF will become a new global central bank," the Fed sources say.

North-South policy

Helmut Schmidt demands technology transfer

"We must not close our eyes to the economic and political risks of a war for energy supplies," stated West German Chancellor Helmut Schmidt in his address to the World Energy Conference in Munich Sept. 7. Schmidt bitterly deplored the oil-price increases of recent years, but warned that traditional protectionist measures will not succeed in rescuing payments-strapped national economies: "Such a policy would aggravate the world economic situation even more and in the long run could lead to a catastrophe like that of 1929." Schmidt underscored the effects oil price increases have had on Third World countries: in Turkey, 60 percent of export earnings go for petroleum imports; in Brazil, 40 percent; and in India, 30 percent.

The Chancellor endorsed both Mexican President López Portillo's proposal that oil producers stabilize the price in exchange for technology transfer from the consumer nations, and Soviet President Brezhnev's call for a pan-European conference on energy. He also referred favorably, however, to the Brand Committion's "North-South dialogue" approach, which downplays nuclear energy.

In conclusion, Schmidt attacked both the U.S. and U.S.S.R. for blocking the spread of nuclear energy technology to other nations, stating that unless East and West collaborate on such transfers, there is no hope that nuclear technology will be used for peaceful purposes rather than for war.

Briefly

- **CARGILL GRAIN** officials predict that the administration will lift the Soviet grain embargo before the election as a sop to farmers. Since the grain companies have been buying grain back from the government after the government purchased the Soviet contracts, they stand to gain a windfall.

- **PAUL VOLCKER** might be forced out of his office and "bring down the Carter administration" with his departure, a well-placed New York investment banker believes. Volcker shocked the White House by roundly condemning President Carter's tax cut plan.

- **RONALD REAGAN** decided to publicly back up tax-cutter Jack Kemp after the latter's enemies showed the candidate that his 30 percent three-year tax cut plan was no cut at all, Republican insiders say. Inflation-induced tax increases will just counterbalance the Kemp-Roth tax cut, allowing the GOP candidate to have his cake and eat it, too.

- **A EUROPEAN** Bankers Federation report says that the European Unit of Account should become a functional currency with a full-fledged deposit market. The report was prepared for the European Commission, now considering further extension of the European Monetary System (EMS).

- **THE IMF QUOTA** Increase Act of 1980 granting the Fund an additional $5.5 billion from the U.S. goes to a vote on the floor of the House Sept. 17 and "is in real trouble," House Banking Committee sources say. "From the left, Tim Harkin [D-Iowa] is saying the IMF must liberalize what he characterizes as 'vicious' conditions," the sources commented. From the right, Jack Kemp [R-N.Y.] has publicized a letter saying funding the IMF is just a bailout for the banks, let the banks go."