

Business Briefs

Trade

Houdaille Petition instigated by Brock

Washington sources have revealed to *EIR* that U.S. Trade Representative William Brock was the instigator of the U.S. Senate's unanimous endorsement last December of the "Houdaille Petition." If granted, this petition would deny investment tax credits to U.S. firms for any purchase of Japanese-made machine tools. According to the sources, Brock told the legislators he needed to use the lever of Senate backing of the Houdaille petition in his own negotiations with Japan. A spokesman for Brock has denied the charge.

A cabinet-level Trade Policy Committee, including Brock, Treasury Secretary Donald Regan, and Commerce Undersecretary Lionel Olmer, among others, met on Jan. 13 to discuss the Houdaille Petition, but came to no decision.

Last May, Houdaille Industries, Inc., a major machine-tool maker, filed a petition, stating that under Section 103 of the 1971 Revenue Act, the denial of investment tax credits for imported machinery could be ordered by the President if a foreign country operated an "international cartel." Houdaille claims that the Japanese government's use of tax incentives, low-interest government credit, and directed private credit to build up its machine-tool industry constitutes such a cartel. Granting the petition would effectively put the United States in the position of declaring a major element of Japan's internal economic structure to be illegal.

Fiscal Policy

Indonesia's Suharto calls for austerity

Indonesian President Suharto, in a speech before the Parliament on Jan. 6, announced the draft budget for the fiscal year 1983 beginning April 1, and called for the Indonesian "to work harder and make sacrifices."

The draft budget, which is expected to pass following minor modifications, asks a freeze on government wages, a 25 percent cut in the subsidy of fuel oil, and an end to food subsidies.

President Suharto said that maintaining the fuel subsidy at its current level "would mean using up to one-sixth of state revenue planned for the coming fiscal year."

The Indonesian government faces serious liquidity problems presently. Due to the worldwide depression, Indonesia, which depends heavily on income from oil and other commodities, has suffered a serious setback in 1982.

President Suharto, however, made it clear that he intends to bring on line as scheduled major development projects such as four large refineries, fertilizer plants, and a coal-mining complex. Development spending, he stressed in his speech, will rise by 7.9 percent of the developmental budget; the rest would come from foreign sources. Routine government expenditures, meanwhile, will grow about 3 percent in the coming fiscal year to a net total of \$6.5 billion.

Domestic Credit

IMF declares: 'No recovery in U.S.'

The official of the International Monetary Fund responsible for the U.S. economy said the second week in January that there will be no recovery in the United States.

The U.S. budget deficit can be financed because U.S. industry will require no credit, the official stated. "We are already financing a U.S. budget deficit on the order of \$150 billion a year without a rise in interest rates, and I see no reason why that cannot continue, as long as the U.S. economy remains very, very weak. If you tell me the U.S. private sector is going to have any new demands for funds, I would laugh. U.S. industry will not be getting much in the way of new funds. So I don't see any conflict between any U.S. demand for funds outside the budget deficit. There isn't any."

Asked about plans for reflation by Secretary of State George Shultz and Treasury

Secretary Donald Regan, the official laughed. "There are statements all over the place about reflation and they don't mean a thing. They're pushing hard, but I don't think it will happen. On monetary policy, I don't think Volcker is crazy. He's not going to do more than he's already done. I don't see the Fed pushing a real big reflation. As for the administration, they still say they are committed to cutting the budget, not expanding it, despite the recession. This is what we want. We'll find out when they announce the budget.

"The Third World," he said, "can keep screaming at the United States to reflate, but who cares? In the meantime, they'll have no choice but to cut their exports. If they have no one to export to, if their goods are not acceptable on international markets, they'll just have to import less. It's not a textbook solution, it's an inevitability. If no one will lend to them, which means their capital account is zero, and their reserves are zero, then their current account [trade balance] must be zero."

Agriculture

Prince Charles: modern farming a waste

An outspoken royal opinion on the future direction of agriculture came from Prince Charles of England in a letter sent to Britain's first major international conference on organic food production at the Royal Agricultural College in Cirencester.

The letter, which was read for him at the conference, strongly attacked modern farming methods as "wasteful and probably also unnecessary.

"For some years now modern farming has made tremendous demands on the finite resources of energy on earth. Maximum production has been the slogan to which we have all adhered. . . . The supporters of organic farming, bio-agriculture, alternative agriculture, and optimum production are beginning to make themselves heard and not before time. I am convinced that the only steps that can be taken are to explore methods of production which make better and

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more effective use of renewable, natural resources.

"Even if it may be commercially acceptable, pioneer work is essential if our planet is to feed the teeming millions of people who will live on it by the 21st century."

The prince, who is president of the college, promised to apply the fruits of "natural" research to his lands in the Duchy of Cornwall.

France and Spain set 'common projects'

Spanish Foreign Minister Fernando Moran and his French counterpart, Claude Cheysson, emphasized "common international political projects" in Latin America, the Mideast, North Africa and the Mediterranean, in a press conference in Paris Jan. 11 following a two-day informal "summit." Though no concretes were mentioned, Moran told press that "Spain and France can do many things jointly in the world and, above all, in Latin America."

"Neither France nor Spain . . . consider that relations between North and South are significant and cannot be reduced because of confrontations between East and West." Both expressed their desire for a "more just and fluid international economic order." In reference to NATO, both emphasized a desire to maintain "an autonomy that permits [Spain and France] to work with views toward peace and stability in the world." This statement concerning NATO is significant, since Spain, though it has signed the NATO charter, has not yet decided to integrate militarily, and has shown a desire to maintain a "French-style" distance from the pact.

This statement of "common international political intentions" by the two Socialist governments could represent the basis for an important intervention in the Third World—particularly Ibero-America—perhaps on a track quite distinct from that of the Willy Brandt Malthusian controllers of the Socialist International.

As one Swiss source pointed out Jan. 12, the "romantic Socialists" have tended to be a different political strain than the "Teu-

tonic" crew about Olof Palme and Willy Brandt.

Foreign Exchange

Zambia forced to devalue its currency

Zambia has unilaterally suspended payment on principal of medium- and long-term debt and announced its intention to seek renegotiation of its foreign debt. At the same time, the nation was forced to devalue its currency by 20 percent and institute further austerity measures.

The decisions were announced Jan. 7 by Finance Minister Kebby Musokotwane, who also reported that Zambia will freeze existing trade. The measures adopted include a limit on wage increases for low-paid workers to 5 percent for this year.

The Zambian decisions were taken after protracted negotiations with the IMF, and Musokotwane sought to reassure foreign creditors by reporting that Zambia had opened negotiations with the IMF for a standby credit. Zambia will continue making interest payments.

Zambia, the world's third largest copper producer, earns over 90 percent of its foreign exchange from exports of copper and cobalt. Zambia has been selling copper at a loss merely to keep the economy from collapsing altogether. The world depression has further aggravated the problem. Sections of Zambian industry are now operating at only 25 percent capacity, while others will soon shut down completely because of the foreign-exchange shortage, according to Basil Kabwe, Zambian Minister of Mines.

In April 1981 Zambia was granted a \$1 billion loan by the IMF for three years. This loan was cancelled by the IMF on the grounds that Zambia had violated its agreement by exceeding the IMF-set domestic borrowing limit to keep its domestic industries functioning.

Of about \$2.5 billion in foreign debts, Zambia is in arrears on \$800 million. Most Zambian debt is held by American and British banks, but the Americans are now more exposed than the British.

● **A BIS SPOKESMAN** confirmed Jan. 14 the plan for turning the IMF into a new world central bank. Speaking from Basel, Switzerland, a senior official there claimed that the world debt crisis would be handled "case by case" this year, but then added that by the end of the year there would be a creditors' cartel run by the IMF. "The IMF knows how to coordinate world credit flows," he said.

● **THE IMF** announced Jan. 14 that the IMF's regular mid-year meeting, normally held in late April-May, will be moved up on a crisis basis to Feb. 10 and 11 in Washington, D.C. The so-called IMF interim committee, which is chaired by British Treasury Chancellor Sir Geoffrey Howe, will meet to vote the IMF some \$50-\$60 billion in new money from the pockets of the taxpayers of the world to bail out the Ditchley creditors cartel. "So much progress has been made on negotiations to vote new quotas from various governments for the IMF that we feel confident and justified in calling a meeting at this time," an IMF spokesman told *EIR*.

● **THE GROUP OF 10** industrial countries will meet to plan a common strategy in Paris Jan. 18, the U.S. Treasury confirmed. "We want a large increase in IMF funding and we don't anticipate any problems with that," the Treasury official said. According to a Jan. 14 London *Financial Times* report, which the Treasury confirmed, the "North" will call for a \$35-\$50 billion increase in IMF quotas and a \$10-\$20 billion increase in the IMF's General Arrangement to Borrow emergency bailout fund.

● **THE U.S. FARM** parity index lunged to its lowest annual level in recorded history in 1982. The index, published by the U.S. Department of Agriculture, showed that for the month of December parity was 54 percent, making the year parity average somewhere between 56 and 57 percent. The previous record low of 58 percent was set in 1932.