Business Briefs

American Industry

U.S. Steel to close 23 plants

The U.S. Steel Company, the nation's largest producer, announced at the annual meeting of its board of directors on Dec. 27 that it would close a total of 23 plants, including closing or partially closing eight of its biggest mills . U.S. Steel produces one quarter of total American output.

The closings will shut down 20 percent of the company's raw steel production. Current tax laws will enable U.S. Steel to write off over $1 billion worth of plant, as well as its multimillion-dollar operating losses in 1983.

One of the first plants to close will be the wire and rod plant at Cuyahoga, Ohio, where 725 workers voted overwhelmingly in November to oppose a new round of wage concessions the corporation was demanding. The plants in Chicago, Johnstown, Pennsylvania, Trenton, New Jersey, and Fairfield, Alabama will also be shut.

U.S. Steel will close its seamless pipe mill in McKeesport, Pennsylvania, a number of older plate and structural steel mills, the open hearth furnaces at Geneva Works in Utah, and the Fairless Hills Works in Pennsylvania.

Africa

Ivory Coast forced to reschedule debt

The government of the Ivory Coast, the nation held up by the World Bank as the model of development in sub-Saharan Africa, is determined to attempt to reschedule its $6 billion in debt, and began negotiations with 300 commercial banks in London on Dec. 22. The nation's economy has been devastated by the worst drought in 25 years; electricity is blacked out for up to 12 hours a day.

The Ivory Coast's debt doubled between 1980 and 1983; currently, debt service costs represent 40 percent of export earnings. Public external debt corresponds to 90 percent of gross domestic product, and the country will require an estimated $1.25 billion in 1984 to finance this debt.

The liquidity crunch has been aggravated by delays in allowing the Ivory Coast to draw on a July 1983 World Bank structural adjustment loan for $250 million. The dollar-denominated debt has grown as the dollar has appreciated by some 70 percent against the CFA franc (the Central African currency) since 1980.

President Boigny warned of a difficult year ahead, with offshore oil production slower than planned and cocoa production down to 350,000 tons from 457,000 tons two seasons ago.

Although Ivory Coast officials are currently attempting to reschedule over a 13-month period, bankers, according to the Dec. 23 *Financial Times*, foresee a much longer debt stretchout. As one unnamed banker stated: "When a developing country joins the rescheduling club, it inevitably becomes a long-term member."

Brazil

Accounting tricks avert debt default

Rumors that Brazil had managed to avoid going into default on its debt on Dec. 31 only by kiting $200 million worth of checks to its creditor banks were called "crazy" by Brazilian central bank president Affonso Celso Pastore at his Jan. 6 New York City press conference. Pastore claimed that Brazil had paid all interest arrears through those due on Oct. 4 before the New Years' Day deadline for U.S. banks' annual reports. With Brazil thus in arrears for "only" 88 days, U.S. creditor banks have avoided having to declare Brazil in default for debts over 90 days late.

But an economist at an East Coast bank with heavy Brazil exposure confirmed to *EIR* the first week of January the rumors that Brazil wrote checks drawing on non-existent funds to achieve this miracle. "Dec. 31 doesn't matter," she declared. "The only thing that counts is when the accounting people get the books."

The $6.5 billion new loan package which was supposed to have been signed in time to cover all Brazil's arrears by the end of the year has yet to be arranged. Pastore told the press he was still hoping for a Jan. 16 formal signing, with all $6.5 billion committed by creditors. Citibank's William Rhodes said that the jumbo loan should be put through, even if the funds are a couple of hundred million dollars short.

The British government is still attempting to torpedo the Brazilian renegotiation, not only by refusing to participate in required export credits, but also by circulating an 86-page document titled "Brazilian Debt and the Year 1984." The report condemns Brazil's economic projections for 1984, including its expectations for lower international interest rates and a $9 billion trade surplus. It concludes that British banks should not sign anything without finance ministry approval, "because it would be very risky to continue loaning the resources requested."

Steel

Brock, Olmer: cut developing-sector output

The President's Special Trade Representative William Brock and Commerce Department Undersecretary for Economic Affairs Lionel Olmer called for a plan to put developing-nation steel production under the ruinous "Davignon Plan," which is now gutting European and American steel production, in a statement the last week of December.

The Special Trade Representative's Office has been collaborating with the export credit group of the Organization for Economic Cooperation and Development to catalogue every steel plant projects in the world outside the Soviet bloc, to determine where the projects obtain credit and how the credit can be cut off. This includes a demand that no government agency give credit assistance to steel projects and that all financing be at the usurious "free market" rates.

Olmer is also attempting to cancel an Export-Import Bank financed sale of $100 million worth of steel-making equipment to the Pohang Iron and Steel Company of Korea, a move that will put several thousand American workers in Dravo, Air Products and Chemcials, and General Electric plants in Virginia and Pennsylvania on unemployment.

Soviet Union

Aid to Third World far less than claimed

The Soviet Union is contributing far less aid to developing-sector countries than its own figures claim, according to a British government study released the first week of January. For 1976-80, the Soviets asserted that they had given $44 billion in aid, but the British study only found $8 billion. And most of these funds, it concluded, are used to refinance previous Soviet loans.

The U.S.S.R. gives most of its aid to six countries: Cuba, Mongolia, Vietnam, Laos, Cambodia, and Afghanistan.

A second group includes Morocco, India, Turkey, and Bangladesh. "Soviet net aid to Group 2," the study details, "has been negative since 1980." Net flow during 1976-82 amounted to minus $82 million.

In a letter to Eximbank chief William Draper III, Olmer called for an "international consensus on not financing any additional steel capacity," citing steel imports into the U.S. from developing nations. Olmer said that "any new plants built now are bound to harm more than help in the long term," claiming that developing-nation exports of steel was disrupting the international steel markets.

Steel development projects in Mexico, Indonesia, the Philippines, Brazil, Taiwan, and Korea have been delayed by world depression and the effects of IMF conditionalities. Faced with nearly complete loss of domestic steel markets, and with grossly undervalued currencies, countries such as Brazil and Mexico are forced to export to the advanced sector at prices under the cost of production in order to obtain hard currency for debt repayment.

The American Iron and Steel Institute reports that imports for the first 10 months of 1983 are 5.7 percent *less* than for the corresponding period in 1982.

Nuclear Energy

Work on Indiana plant halted pending shutdown

Public Service of Indiana has suspended all work on its $7.7 billion Marble Hill nuclear project until it decides whether to cancel the two-unit plant altogether. At a special meeting Dec. 30, the utility's board ordered construction work on the project halted immediately and began notifying contractors that the plant was being closed. The utility said that all but several hundred of the 4,000 workers on the project would be laid off. A Public Service of Indiana spokesman also stated that unless an "emergency rate hike" is approved there will be no money to proceed with construction of the plant.

In addition, the Fichtburg Gas and Electric Light Company, which owns less than 1 percent of the Seabrook nuclear generating project in New Hampshire, said it no longer supported the completion of Seabrook Unit II. This decision could halt the construction of the plant. A 75 percent vote of the 16 companies participating in the Seabrook unit is needed to cancel the unit, and to date owners with over 33 percent of the interest have voted to cancel.

It should be noted that during the summer 1983 meeting of the Soviet Politburo, Foreign Minister Andrei Gromyko's speech called for the environmentalist movement in the West to merge with the peace movement and force the shutdown of Western nuclear power facilities.

Briefly

- **ARGENTINA'S** program for repayment of only a small portion of the $18 billion in debt due in 1984 is based on an projected—but very unlikely—$3.5 billion trade surplus. Debt repayments will absorb $3 billion of this surplus, and the remainder is to be used for internal investments. There remains approximately $9 billion of unpaid debt from 1982, and some $16 billion from 1983 to be refinanced. Without an agreement from the IMF granting Argentina easy terms and low interest rates on this debt, the Alfonsin goverment warns it may have to suspend interest payments. The goverment, which is not planning to start debt renegotiation until June, has in effect declared a six-month moratorium.

- **MEXICO** negotiated a $4 billion loan package for 1984 at lower than customary interest rates, with an extended repayment schedule, during the last week in December. The package comprises over $1 billion in new money, and almost $3 billion in rescheduled old debts. To get the funds, Mexican labor unions were forced to accept a 30 percent limit in minimum wage increases; real wages declined by over 60 percent in 1983. However, many bankers consider the terms given Mexico too generous. As one banker quoted by the *Wall Street Journal* stated, "some of Mexico's lenders can now argue that the rates don't reflect the risk, and that they simply can't justify the loan to their shareholders."

- **THIRTY** infants have died in the past two months of an unidentified disease in a poor neighborhood of Santiago, Dominican Republic. Several dozen more have already been stricken. Physicians suspect that clogged sewers, which the goverment cannot repair because of IMF-ordered cutbacks, are spreading the disease.