

Business Briefs

Energy

Oil company shakeups portend Gulf crisis

The world's stock markets are being rocked by what the *Financial Times* of London described Feb. 15 as "merger-acquisition" fever. A scramble has begun among the oil majors to acquire "cheap" and "politically safe" oil reserves, on the assumption of a blow-up in the Persian Gulf.

To date, Texaco has bought Getty Oil for \$10 billion; Arco (Atlantic Richfield) is bidding for Gulf Oil, already the object of a takeover bid, for \$12 billion; Armand Hammer's Occidental Petroleum is planning to sell half of its Libyan concession to Sweden's Svenska Petroleum, Finland's Neste, and Austria's OeMV; Hammer himself was involved this month in a major oil deal with Yugoslavia.

"Oil company stock is massively undervalued," market sources report at a time when, in actuality, few shares are more overvalued than those of the the hyper-speculative oil companies. If there is an undervaluation, it is only with respect to the massive appreciation of oil stocks to be expected in the vent of an oil crisis.

U.S. Industry

The steel builddown accelerates further

The build-down of America's steel producing capacity was hastened by the Feb. 16 Anti-Trust Division decision to block a merger of Republic and Jones & Laughlin steel companies.

The Anti-Trust Division's action will sanction either a large-scale shutdown of Republic and J&L mills producing similar products in order to satisfy anti-trust "market share" criteria, or if the companies fail to merge, a large-scale shutdown of mills by Republic.

Two other options were offered by J. Paul McGrath, head of the Justice Department's Anti-Trust Division were to "swap" (and shut) mills in a joint venture procedure, without a formal corporate merge, or allow

a takeover by a foreign company.

The anti-trust ukase puts the administration's imprimatur on a shut-down policy already decided upon by the banks that control the steel industry. Despite Republic Steel's public fits of anguish over the anti-trust decision, the *New York Times* claims the company knew well in advance that the merger would be scotched.

The steel anti-trust action is doubly absurd since the administration has recently allowed the merger of the mammoth Getty and Texaco oil companies and because the steel trust created by the Morgan-Mellon-Hanna groups has been in undisturbed existence for half a century.

McGrath's hint that the domestic companies might escape anti-trust action if they merged with foreign companies suggests that the Justice Department is involved in shutting domestic industry on behalf of the world steel cartel initiated by the 1977 European Community's Davignon Plan.

Science and Technology

NASA to encourage industry in space

At a business briefing held in New York City on Feb. 16, National Aeronautics and Space Administration representative Bud Evans reported that policy changes will be recommended by the White House to encourage industry to do business in space. Twenty-four initiatives will be put forward which will help high technology companies to develop commercial processes and products which benefit from the unique environment of space.

The seminar, sponsored by the New York Society of Security Analysis, the Financial Women's Association, and the New York section of the American Institute of Aeronautics and Astronautics, brought together Wall Street investment specialists and the aerospace and scientific community. Evans, who came from NASA headquarters in Washington, said that possibilities for encouraging commercial ventures in space could include free flights on the Space Shuttle, seed money to companies for front-end costs, and a guarantee that the government will be the first purchaser of the new prod-

ucts, which would help guarantee a market.

To date, the most successful commercial venture in space has been a joint enterprise by the McDonnell Douglas Astronautics Company and the Johnson & Johnson Company. They are developing pharmaceuticals for the possible cure of diabetes and other chronic diseases by using an electrophoresis process that is much more efficient in space.

Other companies have begun R&D programs for space-based manufacturing. The 3M Company has announced such a long-term program in the materials processing area.

Evans reported that over 100 companies had come to his office to discuss potential commercial opportunities aboard the just-announced space station. The station, scheduled for operation in 1992, would provide a continually-manned facility.

Domestic Credit

Reagan warns Volcker against credit crunch

President Reagan met privately with Federal Reserve chairman Paul Volcker at the White House Feb. 15, columnists Rowland Evans and Robert Novak reported Feb. 17, to warn Volcker that he expects the Fed's monetary policy to accommodate real economic growth at the 4.5 percent rate the administration has forecast.

Reagan reportedly has set a deadline of the Fed's Open Market Committee meeting in March for Volcker to carry out a "perceptible monetary easing," or the administration will "ask the people whether their economic prospects should be shaped by their president or an appointed bureaucrat," Evans and Novak claim.

"Reagan won't send the Marines down Constitution Avenue to the Federal Reserve, but he seems determined to prevent the central bank from triggering another recession to calm inflationary nightmares of the creditor class," the columnists write.

Evans and Novak report that top White House staffers have come to regard Volcker "as the single biggest threat to continued economic recovery and Reagan's re-election." But, they add, "nobody in the admin-

istration is betting Volcker will accommodate the President."

For their own reasons, Milton Friedman and Treasury Undersecretary Beryl Sprinkel are also reportedly challenging Volcker.

Ibero-American Debt

Peru forced to join blocked accounts system

When portions of the new Peruvian Letter of Intent with the International Monetary Fund were released Feb. 16, it was found that Point 9 authorizes the establishment of "blocked accounts" whereby foreign debt payments are made in Peruvian soles, for "future payment" in dollars—and in the meantime sit in Peru ready to be used by the creditors to buy whatever they want in Peru.

Point 12 denies the Peruvian government the sovereign right to establish effective exchange controls. The net result of this is the legalization of the drug-linked hot-money flows which can only be halted with exchange controls.

The Black Economy

Venezuela and Colombia joint anti-drug fight

During a visit to Venezuela on Feb. 16-17, Colombian Defense Minister General Matamoros and his Venezuelan counterpart drew up an initial agreement to "coordinate efforts in the battle against marijuana production and cocaine processing on their common border, as well as drug trafficking into Venezuela."

The drug problem in Venezuela was, until the 1983 economic crisis, limited to a subsidiary role to Colombian production, as Venezuela served as a money-laundering center and traffic route to Europe. Today, the narcotics problem—consumption, production, trafficking and financial activities—is out of control. "Drugs Are All Over the Place," ran the lead headline of the Caracas daily *El Universal* on Feb. 16, reporting on testimony by the defense ministry to

a congressional commission. A government study reports that a half-million addicts now exist in Venezuela, a country of only 15 million people.

Colombian authorities have impressed upon the new Venezuelan government the need to cooperate. On Feb. 10, Colombian Justice Minister Lara Bonilla gave an interview to Venpress, Venezuela's official press agency, arguing the need for the two countries to fight this "plague that is threatening the youth of our countries and our economies."

Lara Bonilla stressed that governments have the "obligation to attack without quarter the drug traffic and the people who carry it out, those who have no country nor any feeling of nationalism, who are only motivated by profit from this criminal activity. There are international interests and organizations which operate from our territories, and from that stems the necessity of joint action among governments to combat it."

Population Policy

Helmut Schmidt on Club of Rome tour

Former West German Chancellor Helmut Schmidt addressed a gathering of Asian journalists in New Delhi on Feb. 17. The associate of Henry Kissinger and George Shultz attacked the Roman Catholic Church for its "obstructionism to effective birth control," and termed the Vatican's opposition to the Club of Rome's call for massive population reduction on a world scale an "inherited cultural obstacle" which had to be overcome.

Schmidt added a call for a new "world agreement on borrowing" which would establish strict rules as to who would be allowed access to credit and for what purposes. Should the Third World nations fail to curb excessive population growth and excessive borrowing on the world financial markets, threatened Schmidt, a world financial collapse will ensue.

Schmidt's stay in New Delhi is part of a world trip on behalf of a recently created "world population and world debt advisory group" set up at the United Nations by the Club of Rome.

Briefly

● **THE EUROPEAN** Community is on the verge of "disintegration," according to the *Financial Times* of London Feb. 17. The Community's Common Agricultural Program (CAP), which subsidizes European farm production, has already spent one third of its budget in the first quarter of this year.

● **RAYMOND BARRE**, the former French prime minister, attacked the "recklessness with which the U.S. administration has behaved concerning its budget deficit," in a speech Feb. 16. Barre stated that "there is no predicting how low the dollar could go." Barre is a leader of the Trilateral Commission and a friend of Henry Kissinger.

● **A CITIBANK PLAN** to have Brazil pay \$4 million of its debts in cruzeiros "will set an example that will be followed by many others," said a top London merchant banker. "It will be like trading with Germany before 1939: You did not get paid in convertible currency when you exported there; you got an account in inconvertible Reichsmarks and you bought things inside Germany. So, it's back to Schacht, once again, and this is only the beginning of it!"

● **FEDERAL JUDGE** Bruce Van Sickle ruled in Bismark, N.D. Feb. 18 to grant a permanent debt moratorium against the Farmers Home Administration (FmHA). A lawsuit had been filed by nine North Dakota farmers against the FmHA, which the judge expanded to cover 230,000 farmers in 44 states. Judge Van Sickle commented: "This will give the farmers a chance to get back on their feet."

● **A CONSORTIUM OF BANKS** led by First Chicago has granted \$100 million in short-term and \$200 million in long-term loans to the Philippines National Bank. The move was backed by the U.S. Eximbank, and appears to be a step toward reversing the recent credit cutoff to the regime of President Ferdinand Marcos.