

Business Briefs

The Debt Bomb

Volcker backs looting of Third World debtors

Federal Reserve chairman Paul Volcker gave the green light for U.S. banks to set a "reference rate" for Third World debt interest payments. The scheme would defer payments for countries that are suffering the effects of the Federal Reserve's high interest rates—provided the countries are deemed cooperative with the austerity demands of the International Monetary Fund.

"I think one of the things certainly worth looking at is what arrangements could be made so that one particular important threat to their financial stability, the continued rise in interest rates, could be dealt with," Volcker said May 12 after a private meeting with the Business Council.

Volcker's plan is that the difference between the "reference rate" and the actual rate of interest payments would simply be added to the principal of foreign debt. Debtor countries would never finish paying their debts. This "generous" treatment would only be applied to "those countries . . . where enough progress has been made in their internal adjustments," he said.

Poland

Jaruzelski signs trade agreement with U.S.S.R.

Following Polish leader General Jaruzelski's recent visit to Moscow, a Soviet-Polish agreement on "industrial, technological, and scientific coordination until the year 2000" has been signed, marking what the Swiss financial daily *Neue Zürcher Zeitung* described May 11 as "a new stage of Moscow's hegemony over Warsaw."

The agreement tightens contacts on all levels of the planning hierarchies, down to ministries and institutions. Poland will supply the Soviet Union with aerospace equipment, radio electronics, computers, and communication devices, as well as food products. Traditional Polish exports such as

ships, railway cars, and construction machines will flow east in greater quantities.

The Soviet Union will provide Poland with energy, mining equipment, tractors, trucks, and "household appliances." The *Neue Zürcher Zeitung* surmised that Poland may have to close down completely its own national production of these goods. In any case, this long-term agreement means what the paper called a virtual "fusion" of the Polish and Soviet economies.

Jaruzelski also inaugurated a monument in Ryazan for "Soviet-Polish comradeship in arms," in the presence of Soviet Defense Minister Dmitrii Ustinov.

Infrastructure Development

Thai minister calls for Kra Canal project

Thai Communications Minister Samak Sundaravej told a press conference May 16 that Thailand must build a canal across the Isthmus of Kra. This is the first official endorsement by the Thai government of the idea, which has been promoted by *EIR* founder Lyndon LaRouche as part of the basis for industrialization in Southeast Asia.

Samak declared that "I'm afraid I might not see it in my tenure as minister, but we have to build it." Singapore should have no reason to oppose it, he said. And as for the United States, "American groups also want the canal, and are using our information."

The minister pointed out that using peaceful nuclear explosions would cut construction time for the project by five years.

The Invisible Hand

Regan can't believe the recession is here

Treasury Secretary Donald Regan rejected the projections of the Organization for Economic Cooperation and Development (OECD) of a sharp recession in the United States next year. He was speaking at a con-

ference of economics, trade, and foreign ministers of OECD nations in Paris May 18.

Regan dismissed the "false premise" that higher U.S. interest rates will choke off the expansion of investment in the United States, UPI reports. He said he stood by the Reagan administration's forecast of a "solid sustainable" 4% growth rate next year, compared with 5% in 1984.

Regan came under pressure from other delegations which expressed their concern that the U.S. "recovery" could not be sustained if interest rates continued to rise. He replied that the United States has been hearing complaints about its interest rates since the beginning of the decade.

Regan also disputed the views of the OECD secretariat on the impact of U.S. budget deficits. "I am very tired of hearing that the durability of the world's economic recovery hinges on a reduction of the U.S. budget deficit," he said.

Steel Industry

Mellon Bank chief defends Volcker policies

Mellon Bank chairman J. David Barnes defended high interest rates, demanded radical reductions in the U.S. federal budget, and said "nothing" can be done to halt the decline of Pennsylvania's steel industry, in an interview May 14, UPI reported.

Barnes blasted politicians who criticize the nation's banks for raising interest rates too quickly. "There's going to be an awful lot of rhetoric on the subject this year," said Barnes, who added that politicians are "loath to do anything constructive" about the cause of high borrowing costs—a cause he identified as the federal budget deficit.

Banks have no choice but to raise rates when the deficit is "piled on top of normal credit demand," Barnes said, predicting that interest rates are bound to keep climbing until sharp cuts are made in the budget.

Barnes bluntly stated that Mellon won't lift a finger to revive the steel industry in western Pennsylvania. He rejected suggestions that Mellon should earmark loans to help rebuild mills in the Monongahela Val-

ley. "There's not a whole lot we can do for this steel industry if they don't want to modernize in this area," he said. "A large part of our problem here is we're not competitive."

Barnes's statements came in response to Democratic presidential candidate Lyndon H. LaRouche, who campaigned in Pennsylvania on a program of lowering interest rates and reopening the steel plants. LaRouche hit particularly hard at the Mellons and their deputies at U.S. Steel, whom he accused of destroying the industry through gross mismanagement.

Research and Development

Oklahoma firm seeks new oil-recovery method

Universal Energy Corporation, an Oklahoma firm, has initiated a new project to recover crude oil from tar sands. The method will utilize electromagnetic energy to heat and fluidize the hydrocarbons *in situ*. The method, developed by the Illinois Institute of Technology Research Institute, promises major advantages over older techniques, such as that unsuccessfully tested by Occidental Petroleum and others which employ direct retorting or similar thermal techniques.

A second project announced by the same company will further develop a process for stimulating production from oil wells with medium to low-gravity crude oil using electromagnetic methods to heat the reservoir.

Labor

NLRB gives green light for union-busting

The National Labor Relations Board (NLRB) on May 17 ruled that a union must show majority support on the part of the workforce to get bargaining rights for employees at a given company, regardless of any unlawful conduct by employers to prevent the union organizing.

The 2-1 decision is the latest in a series

of anti-labor moves by the NLRB since Reagan appointees became the majority. In the case at hand, the board agreed that a food distributor named Gourmet Foods of Minneapolis had engaged in continued unfair labor practices against a Teamster local that was trying to organize its workers. The board recognized that immediately after the company had been warned that the employees would seek union representation, it conducted discriminatory discharge, threats of discharge and plant closure, retaliatory imposition of harsher working conditions, and other unlawful actions. Nevertheless the board refused to order the company to bargain with the union, because the union did not show support from a majority of the workers for union representation.

Oil Industry

Oxy to become 'Oriental Petroleum'?

Shares of Armand Hammer's Occidental Petroleum Corporation apparently have been accumulated in the past few weeks by the Olayan Group, a Mideast trading and investment concern, the Dow Jones News Service reports. Occidental has been the subject of takeover rumors for the past several months.

The Olayan Group, which previously was reported to hold about 4% of Oxy's 96.7 million shares outstanding, is said to have bought enough additional shares to raise its stake to as much as 6%. Such a holding would require it to file with the Securities and Exchange Commission (SEC).

Gordon Reece, an Occidental vice-president, said that his firm is not aware of any recent purchases by the New York-based Olayan Group. The president of Olayan, Aziz D. Syriani, is a director of Occidental.

The Olayan Group is controlled by Suliman S. Olayan, one of Saudi Arabia's wealthiest businessmen. The group's assets have been estimated at \$1-\$2 billion, including heavy investments in the United States. Olayan usually keeps his holdings at less than 5% to avoid SEC disclosure requirements.

Briefly

● **THE BLACK-MARKET** dollar in Colombia has soared on a speculative wave following recent large-scale drug busts carried out by the Betancur government, which have considerably reduced the supply of dollars. While the dollar was officially quoted May 17 at 97.18 pesos, the black-market dollar was selling at 135 pesos and higher.

● **OPEC** sacrificed \$40 billion in oil revenue in 1983 by cutting its benchmark price by \$5 a barrel in March 1983, according to a recent study published by Deutsche Shell AG, the West German affiliate of Royal Dutch Shell.

● **RAUL ALFONSÍN**, the president of Argentina, declared in a speech May 14 that Argentina will not be able to pay its foreign debt on the current terms. "The efforts that the Argentine people have been making to put the country back on its feet will be in vain unless there is a fundamental change in the financial centers and the industrialized countries," Alfonsin warned.

● **LANE KIRKLAND** has been identified as part-owner of a tobacco plantation in the Dominican Republic where prevailing wages are less than \$3 per day, according to the upcoming book *Endless Enemies: The Making of an Unfriendly World* by Jonathan Kwitny, a longtime reporter for the *Wall Street Journal*. Kirkland was unavailable for comment, but an aide said, "This all sounds like stuff off the wall."

● **HENRY KISSINGER'S** appointment to the Board of Directors of American Express company was questioned by a stockholder at the company's annual meeting on April 30. The stockholder raised the charges made against Kissinger by Lyndon LaRouche, and concluded that "these types of things can be embarrassing to our company." The chairman replied that "Dr. Kissinger would have a full-time occupation refuting the charges made [against him] in the press if he chose to take that on."