

Business Briefs

International Credit

Western banks make new loan to East Germany

The Deutsche Bank and 35 other Western banks announced on Nov. 23 that they have put together a \$400 million loan to East Germany at an interest rate 1% above the London interbank rate. No U.S. banks are participating. The loan, which will arrive in East Berlin before Christmas, has been issued without any conditions.

West German banks loaned \$80 million to the East Germans in early November, and, as announced on Nov. 23, the three major Bavarian banks have issued an additional 100 million deutschemark loan. There are rumors that German and Swiss banks are about to grant another favorable loan of 100 million Swiss francs before Christmas.

While it is not quite clear to what use the East Germans will put the money, it is known that the Warsaw Pact needs large amounts of credit to fund new armaments programs. East Germans have always had the least problems of all Warsaw Pact nations in getting Western loans.

The Debt Bomb

Schmidt: Debts make nations 'violent'

On Nov. 20, former West German Chancellor Helmut Schmidt addressed a non-public gathering of leading German economists and industry managers at the Friedrich Ebert Foundation on "world economics."

He began by emphasizing that "remaining largely unnoticed by the Germans, there are changes occurring in the outside world which are important to mention," which he had the great luck to observe during his recent international travels.

Schmidt said that there are "many factors of instability in the present situation of the world monetary system" which are largely due to the "problem of immense indebtedness of many countries." Especially

in Latin America, he emphasized, "the debts have made some nations more violent than before." This, he said, will have "repercussions on the situation of the American banks and the U.S. dollar, but also on the world monetary system at-large."

Schmidt concluded: The world monetary system and its institutions are basically faced with "one alternative: either a collapse of the present world monetary system, or a continuation of the present policy of immensely high interest rates and further decline of investments on a world scale."

Economic Theory

'More people mean more famine'

United Nations Relief Coordinator for Ethiopia Kurt Jansson told reporters in New York on Nov. 24 that Ethiopia's famine situation is worsening. "As of now, an estimated 7 million people are directly affected, as against the 6.2 million last week. Since then we found some 800,000 more starving in the south." Jansson said that the "actual crunch" of famine would hit in January and February 1985 "when whatever some of the shrewder people in the country have stashed away will be gone."

In response to this almost unimaginable tragedy, leading Malthusian organizations in the United States have come up with a simple solution: Eliminate people in Ethiopia and the famine will not be a problem.

The *Washington Post* on Nov. 24 carried a story headlined "More People Mean More Famine," written by Robert J. Gray, the director of policy development for the American Farmland Trust, a Washington, D.C.-based organization which has recently received a substantial grant from the Rockefeller Brothers Fund to present recommendations for the restructuring of American agriculture. "Although government indifference in Ethiopia is partially to blame for the widespread famine, the fact remains that increased population growth . . . has brought about a crisis situation that will continue for years to come," Gray writes. "Eastern Af-

rica has a great amount of fragile land subject to erosion, desertification, and other problems of land degradation. . . . Clearly, the ability of this land to support its population has failed. . . ."

A campaign along similar lines is being conducted by the D.C.-based Environmental Fund, on whose board sit individuals such as William Paddock, Linus Pauling, and Norman Cousins. "The whole concept of food relief is wrong," a Fund official stated to a caller. "Sending grain to Ethiopia just worsens the problem of population growth, which in turn makes famine worse. . . . And, besides, population growth degrades the environment."

International Trade

Steel embargo furthers decoupling

The unilateral decision by the U.S. government during the week of Nov. 26 to impose an immediate embargo on all imports of European Community tubular steel and pipe threatens to trigger a potentially devastating trade war which will further the economic decoupling of Western Europe from the United States.

Following a Nov. 17 preliminary agreement between U.S. Special Trade negotiator William Brock and the European Community (EC) negotiator Viscount Davignon to limit European exports to 7.6% of the U.S. market beginning Dec. 1, Brock and Commerce Secretary Baldrige asked Treasury Secretary Regan to impose a total embargo for the rest of the year, to be followed by a 5.9% limit after that.

As soon as the embargo was declared, Davignon announced that the EC would immediately prepare a list of U.S. exports against which the EC would impose retaliatory sanctions. "We have no choice but to act against the U.S.," Davignon stated. Sources at the EC headquarters revealed that countermeasures will be directed against U.S. agriculture exports to Western Europe. The German daily *Frankfurter Rundschau* editorialized that "whether one calls it trade

war or not, this time it will presumably run in exactly that direction."

The actual trade flows of tubular steel, used mainly in the oil and gas drilling and transmission sector, indicates that the Brock move is a premeditated provocation designed to feed economic decoupling between the United States and its European allies. According to official figures from the U.S. Commerce Department, non-EC imports to the United States, especially from South Korea, Japan, Brazil, and Mexico increased dramatically in the past two years, while EC tubular steel exports to the United States dropped from 107,000 metric tons in 1982 to 36,000 tons in 1983, following a non-binding restraint agreement between the United States and the EC. One German steel industry source reflected the prevalent European perception that U.S. policy makers are deliberately turning a blind eye to their Pacific Basin trading partners while aggravating pressures on Europe as part of a shift in long-term interests away from Western Europe.

Technology

Microwave amplifier developed by U.S. labs

Two research teams using a new kind of laser amplifier say they have found a way to boost microwave radiation power by 250,000%—an achievement which they say may eventually contribute to the rapid development of fusion power.

The free-electron laser used promises to be the most powerful and versatile ever made, researchers for the Lawrence Berkeley Laboratory and the Lawrence Livermore National Laboratory announced on Nov. 30.

Application of the powerful microwave source is anticipated in the confinement of fusion fuel in magnetic fusion reactor designs.

"In fusion, the energy process of the sun and the stars, light nuclei join together to form heavier ones, releasing enormous quantities of energy in the process," Andrew Sessler, a Lawrence Berkeley theorist, stat-

ed. "Because the fuel is abundant and cheap, fusion could serve as a virtually limitless energy source for energy, electricity, or heat."

The researchers also expect that the demonstration of the high-gain free-electron microwave amplifier will lead to success at shorter wavelengths—infrared, visible, and ultraviolet light—where it could be used for many laser applications.

Budget Cuts

Feldstein says growth no cure for deficit

Speaking on Nov. 25 on ABC's "This Week with David Brinkley," Martin Feldstein, the former head of President Reagan's Council of Economic Advisers and renowned data masseur, offered the sort of advice that would make Reagan's economic policies even worse.

Feldstein deemed it "wishful thinking" on the administration's part to imagine that economic growth itself would solve the problem of the federal budget deficit. To reduce the deficit, Feldstein said the government would have to both raise taxes—to which Reagan is opposed—and reduce spending. "I think you need a balanced package . . . I think he [Reagan] will try as hard as he can to get spending down but in the end, I believe he will aim for a package that will have to include taxes."

Even conservative Democrats are now joining the "deficit cutting" bandwagon. On "Meet the Press" on Nov. 25, Rep. Jim Wright of Texas denounced the argument that growth could wipe out the deficit as a "fantasy," saying that "we are going to have to bite some hard bullets to lower the deficit."

Wright proposed the freezing of new tax cuts and the stretching out of proposed military growth over five years instead of four.

Reagan, said Wright, fails to realize that "a dollar spent on bombs adds as much to the deficit as a dollar spent on roads." He said that one reason for the deficit was "enormous military growth—doubling the Pentagon budget in four years."

Briefly

● **UNITED ARTISTS** has removed Henry Kissinger and Gerald Ford from its board of directors. An unofficial spokesman for UA said this was part of a process of "cutting the fat."

● **EXXON** Corporation, the world's largest oil company, announced on Nov. 28 that it is holding discussions for sale of its electronic office-systems business. Exxon entered the office-systems business in the early 1970s, but has been unable to compete effectively against such companies as IBM and Xerox. If Exxon cannot find a buyer, industry sources say the office-systems division, expected to lose \$65 million in 1984, will be closed.

● **THREE ARGENTINE** nuclear energy specialists met on Nov. 30 with Rep. Marilyn Lloyd (D-Tenn.), chairman of the House Science and Technology Committee, in her office in Oak Ridge, Tennessee. One of the Argentines is a deputy of the Province of Neuquen, the second a councilman. The third individual, an engineer with a major Argentine nuclear-service company, was asked to draft a proposal for Argentine collaboration with the U.S. fusion program. All three men attended the Schiller Institute conference in Virginia on Nov. 24-25.

● **CHRISTMAS** morning will feature an artificial comet which will be a special treat for early risers in the West and will provide priceless data for scientists around the world. The man-made comet is the result of a three-nation three-satellite study of how the streaming solar wind interacts with the Earth's magnetic field. "We expect it to be of an apparent angular size of about one-sixth the diameter of the full moon," said one scientist. Anyone west of a line running from Houston, Texas north through St. Louis, Missouri, should be able to see the comet, weather permitting.