

Business Briefs

World Trade

Japan mission to Germany an apparent failure

Japan's top-level industrial mission to West Germany ran head on into trade-warfare threats from both German government and industry delegations, according to Oct. 19 Japanese wire service reports. A possible contributing factor to the apparent failure of the mission, which the Japanese had hoped would focus on the potential for massive trade expansion with the developing sector, was the illness of Helmut Schmidt, which forced cancellation of a scheduled meeting between the Chancellor and the Japanese business leaders.

Japanese wire services reported that Hans-Gunther Sohl, spokesman for the German Industry Federation (Bund Deutscher Industrie), warned the Japanese that unless they limited their exports to Europe, Germany could not, in the interests of European Community solidarity, stand in opposition to protectionist attacks on Japanese trade. This view was echoed by the West German Economics Minister Count Otto von Lambsdorff.

EIR's Bonn Bureau Chief, George Gregory, reported Oct. 23 that some productive discussions took place behind the scenes, however.

Energy

State Department pushes World Bank plan

A top State Department official said at the start of the Cancún summit that he believed President Reagan would accept the World Bank Energy Facility, despite the President's repeated rejection of the idea.

He explained that the Energy Facility and possibly a food fund would be used to "leverage the Third World" into accepting IMF and World Bank condition-

alities. These would include elimination of the food and fuel subsidies less-developed nations use to sustain their populations.

"Reagan might not endorse it, but now that the Saudis have agreed to fund it, after discussion with the British and us, Reagan will be much more flexible," he said.

"We can't use the United Nations for these negotiations because that is too dangerous. Every nation has a vote there. We want a body of 'presidential representatives' which meets every three months to work out the Energy Facility." The International Monetary Fund and World Bank would be the agencies best suited for this, he said.

Reagan was pressured toward acceptance of the Energy Facility by the surprise press conference given by British Foreign Secretary Lord Carrington at Cancún. Carrington endorsed both the Energy Facility and the Brandt Commission theory of "global negotiations."

International Credit

Bangladesh becomes IMF's latest victim

Less than six months after neighboring Sri Lanka suffered the exact same treatment, and while India is negotiating credit from the same facility, it has become known that the IMF has ordered a freeze on disbursement of credit from the Extended Fund Facility (EFF) to Bangladesh. The credit involves an agreement reached in 1980 authorizing \$912 million over three years in several installments. Only two quarterly portions have thus far been issued, and an IMF team visiting Bangladesh earlier this year assessed that this country had failed to live up to the Fund's "performance criteria."

Among what were deemed the country's failures were a delay in raising petroleum prices, an inability to expand its export earnings through greater jute production, and "reckless" expenditures on

its 1980-85 development plan. Bangladesh produces no oil and spends 60 percent of its export earnings on petroleum imports. Its per capita energy consumption is one of the lowest in the world.

To raise jute production, the country would have to cut food production, a recommendation the International Monetary Fund's sister agency, the World Bank, has pushed since Bangladesh became independent in 1971.

For Bangladesh, whose foreign exchange reserves have sharply fallen to meet only about four weeks of its import needs, the World Bank/IMF verdict means mass deaths.

Banking

U.S. S&L League excuses Volcker

Though Federal Reserve Chairman Paul Volcker's high interest rates are bankrupting the savings and loan industry, spokesmen for that industry's trade organization are managing to turn the other cheek.

According to the newsletter of the U.S. League of Savings Associations issued Oct. 15, "The chief economist of the nation's savings and loan associations today praised Congress, President Reagan, and the Federal Reserve for trying to control high interest rates."

In testimony before the House Banking Committee Oct. 15, Dr. James Christian, the S&Ls' chief economist, admitted that Volcker's high rates have been borne most heavily by the "interest-sensitive sectors of the economy," then added: "It cannot be a part of any plan that these sectors of the economy be crippled while putting new policies in place."

Christian explained that the economy was simply going through a change and that "recent declines in short-term interest rates indicate the financial markets are beginning to believe the new policies are pointed in the right direction." Disregarding Volcker's recurrent statements

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that interest rates will not fall, Christian stated that he hopes that "1982 may bring the economic recovery and the beginning of stable economic growth that the American people are anxiously awaiting."

Labor Policy

Ford Motors asks 50 percent pay cut

"Your income or your job" was the grim message conveyed to the workers of Ford's aluminum casting plant in Sheffield, Alabama on Oct. 21. Management gave the Sheffield local of the United Auto Workers the choice of seeing their plant, which employs 1,100, close on Nov. 15, or taking a 50 percent cut in total income.

"If it was me, I'd be pretty unhappy," said Ford spokesman Mike Davis, "wouldn't you?" But Davis indicated that the workers had a dismal prospect of finding alternate work if they refused to take the cut and lost their jobs, because unemployment in that part of Alabama was over 12 percent, the highest in the state.

Davis cited Japan's ability to deliver a car to the United States at \$1,500 below the cost of producing it in the U.S. as the basis for the decision. The plant has been selling aluminum castings for pistons and other parts to other Ford divisions at an alleged loss for years, and Ford says it will no longer take the losses.

Davis stated that if the workers accept the cut, then they will be offered the choice of profit sharing, or of buying the plant outright. He declared that either arrangement would give the workers the incentive to increase productivity to regain some of the lost income.

Davis added that Ford was talking to employees in "a lot of places" about productivity and wage issues designed "to make us more competitive."

The issue left unaddressed by Ford's decision is how, with a wage structure considerably higher than foreign levels

at present, U.S. automobile-makers kept themselves competitive through the 1960s.

Insurance

Is the Labor Department in cahoots with LTV?

The recent suit by the Department of Labor (DOL) charging the trustees of the Grumman Corporation pension plan with breach of fiduciary responsibility in their use of Grumman pension money to thwart a takeover by LTV Corporation, has drawn fire as unethical and unfounded.

The three Grumman trustees bought 1.16 million shares of Grumman stock at \$38 a share, while LTV, a defense-based conglomerate, has offered \$45 a share for 70 percent of Grumman stock.

"Since the trustees could sell that stock tomorrow to LTV, for \$45 and probably could sell to the fortune hunters for at least more than \$38, the DOL has no basis for charging breach of fiduciary responsibility," a pension analyst stated today. "The DOL's enforcement of the 'prudent-man rule,' the principle in law that protects the private worker pension systems, has been one of the most abused laws ever passed," he said.

"For instance, the DOL used it against the Teamsters in 1976 when the Teamster Central States fund was outperforming the average fund by almost double. The DOL never looked at the [bank] trust departments that were unloading billions in weak stocks onto the pension funds. They never investigated the trustees and fiduciary agents who dumped Penn Central stock on the pension funds."

The pension consultant stated that in this case, the Department of Labor has probably intervened to assist the LTV takeover. "I'm not sure why, but you have to remember that when you take over a company, you also take over its pension system, and Grumman has a well-funded system."

● **KARL-OTTO POEHL** called for Britain's entry into the European Monetary System in an Oct. 21 speech before a Conference Board meeting in London. The Bundesbank chief did not comment on Britain's stated conditions for entry, which include German subsidies for United Kingdom industry. Grindlay's Bank independently reports that Britain will join the European Monetary System on Dec. 31.

● **MARGARET THATCHER'S** policies have now succeeded in riding the British economy of "dead wood," according to an analyst from Williams & Glyn. The London analyst said that companies which are still in business are now deserving of bank credits to keep them afloat until such times as the economy revives. The basis for the judgment that only "good industries" now remain in Britain was not revealed.

● **C. FRED BERGSTEN**, former top Carter economic official, insisted once more in an interview in the German economic daily *Handelsblatt* that the U.S. dollar is headed for a shellacking.

● **A BIS OFFICIAL** commented Oct. 22 that "previously we worried about the high-flying effects of the dollar, but now we're growing increasingly concerned about the possibilities of a dollar fall."

● **JAPAN'S** Ministry of International Trade and Industry (MITI) has completed a report proposing that summits between advanced-sector and developing nations should be made a continuous process. MITI is reported to have offered this proposal as a compromise between confining North-South discussions to the International Monetary Fund, World Bank, and GATT, and centering such discussions at the U.N.