

Business Briefs

European Industry

France and Germany set pace for collapse

The European currency crisis could lead to intra-European trade collapse in the coming months.

The German machinery sector, with nearly 70 billion deutschmarks in export sales per year, sells 30 percent of its exports to the world's most indebted countries, another 20 percent to the OPEC countries, now threatened by the effects of an oil price collapse, and the rest within the industrial countries. Eleven and a half percent of all German machinery production goes to France, 8.5 billion deutschmarks in 1982. Of German electro-technical goods, 13 percent go to France; 15 percent of German auto exports, and 15 percent of German steel exports also go to France.

In mid-March, even excluding the effects of a devaluation of the currencies seen as possible at that time, the German Machine Manufacturers Association claimed they would be lucky to get out of 1983 with a production drop of 5 percent in nominal terms—i.e., a real 8 to 10 percent collapse.

Due to its loss of Third World and other markets, German industry is extremely vulnerable if its trade with France collapses. A full third of the German export surplus of 52 billion deutschmarks worldwide last year was earned by auto exports to France. German exports of machinery to France increased last year 23 percent, of vehicles by 32 percent, of chemicals 20 percent, and of iron and steel 10 percent.

World Trade

Soviets and Chinese reach new agreements

China and the Soviet Union have reached a trade agreement which could increase bilateral trade by as much as 150 percent during next year. The agreement was disclosed at the end of two weeks of negotiations in Moscow between Chinese Vice Minister of Foreign Trade and Economic Relations Jia Shi and his Soviet counterparts. Jia's visit co-

incided with the second round of high-level political "consultations" at the vice-ministerial level.

Though Sino-Soviet trade was only \$320 million last year compared with \$5.2 billion in U.S.-China two-way trade, it was a 46 percent increase over 1981. The new agreement could take the figure to almost \$1 billion next year.

The agreement includes a contract for Chinese purchases of Soviet timber which could reach over \$100 million this year, the first large-scale trade deal between Moscow and Peking in two decades.

Border trade is also expected to increase markedly this year. China's Heilongjiang province in the northeast just signed a separate protocol for broader trade with the Soviet Union, a move that is likely to be followed by other border areas, especially if a breakthrough is made on the political issue of troop concentrations along the Sino-Soviet border.

International Finance

Fritz Leutwiler gives away the game

French-speaking Switzerland is gossiping about Fritz Leutwiler's hysterical reaction to an interview recently published by both the *EIR* and the Paris weekly *La Vie Française*.

The Lausanne weekly *L'Hebdo*, a journal friendly to the noted Lausanne resident Nazi International leader François Genoud, aired objections.

In an article by Max Mabillard, *L'Hebdo* writes: "The international press is so eager to know what Fritz Leutwiler thinks that when he refuses to give an interview, the press sometimes makes one up. That is exactly what has just been done by the leading economic and stock exchange weekly *La Vie Française*. It ran a full-page interview with Fritz Leutwiler. One full, invented page, signed with an equally invented name."

L'Hebdo then directly quotes the Swiss National Bank: "Some passages [of the interview] do report things that could have been said during a lunch. But most [of the statements] are completely idiotic. Yet this interview is going around, with a few vari-

ations. The American magazine *EIR* published this text, with the same byline, that of Christian Dahlberg."

It is not known how Mr. Leutwiler responded to the central bank's description of his remarks as "idiotic." Mr. Leutwiler was so disturbed by the publication of his loose words that he waited for three weeks before issuing a signal; he changed the story three or four times, making contradictory assertions to his own associates in the process.

Agriculture

U.N. obscures gap in grain production

The world's farmers produced a record 1,544 tons of cereal grains in 1982, 2 percent more than in 1981. But cereal grain production in the underdeveloped sector "rose hardly at all," according to *Food Outlook*, the journal of the United Nations Food and Agricultural Organization (FAO).

The cause for this disparity between production increases in the Third World and the rest of the globe *Food Outlook* attributed only to declines in rice crop production in Asia and overall cereal output in drought-stricken Africa. The journal failed to identify International Monetary Fund conditionalities or the development-suppressing policies of "balance of payment" criteria which have stifled production growth rates in the Third World. Badly needed infrastructure—such as dams, reservoirs, transport systems, and nuclear energy facilities—could have prevented much of the starvation now rampant in the Third World, especially Africa.

Nor does the FAO attribute the slower Third World rise in cereal production levels to its own food-reduction program, which it launched last year under the slogan of energy development. In 21 Third World countries, the FAO began efforts to expand low-efficiency "renewable" energy resource imports, thereby helping to "solve" the countries' balance-of-payment problems.

But the report does note for the first time, albeit with bureaucratic detachment, that Africa experienced a "serious deterioration in the food situation in 1982." More than 70 percent of the continent's 450 million peo-

Briefly

ple are on the verge of starving.

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Banking

Volcker says he never liked dereg

U.S. Federal Reserve chief Paul A. Volcker, after three and a half years of driving the United States into depression, is now currying favor with the White House because he would like to be reappointed when his term as Fed chief expires in August.

On March 22, one of Volcker's closest associates, Minneapolis Federal Reserve head Gerald Corrigan, held a press conference and issued an article attacking the "diversification" of U.S. banking institutions which has occurred since passage of the 1980 Omnibus Banking Bill. Since Corrigan's personal association with Volcker is widely known, the Corrigan statements are being talked up in banking and government circles as speaking in behalf of Volcker.

In 1980, when the Omnibus bill was passed, Volcker was one of its most aggressive supporters. The bill has enabled diversified financial institutions, typified by such merged giants as Shearson/Amex and Prudential/Bache, to gain enormous control over the flow of credit. In 1980, it was obvious Volcker supported the emergence and extension of power of these financial giants, which have been undermining the deposit base and lending activities of traditional commercial banking institutions.

Among the criticisms Volcker is now wielding against these diversified holding companies is the fact that their status allows them to bypass regulation by the Federal

Reserve system. Volcker would like to broaden the regulatory powers of the Fed at the expense of other agencies now also authorized to monitor banking, such as the Treasury Department. Revision of banking regulatory procedures is expected to become a prominent topic of debate in the U.S. Congress by September, when a special task force working on this subject, under the chairmanship of Vice-President Bush, is scheduled to release legislative recommendations for streamlining bank regulatory procedures.

Summit Policy

St. Germain supports Rohatyn policy

A House Banking Committee staffer said March 16 that House Banking Committee chairman Fernand St. Germain (D-R.I.) will introduce a resolution the week of March 21 proposing Felix Rohatyn's agenda for the Williamsburg heads of state summit with the backing of congressional leadership.

The resolution, which is still being worked on, will call for pro-growth monetary and exchange rate policies in general terms. The key points, the staffer said, are a call for the adoption of the Rohatyn proposal for the restructuring of Third World debt through multilateral institutions [i.e., a global Big MAC, operating in parallel with the IMF], and a call for discussion of the need to create "new systems" to deal with credit allocation and supervision and currency exchange rates. St. Germain has written a letter to the President, because he "prefers to work with the administration," and is looking for Republican support to get it passed. The Eurocurrency crisis over the March 19-20 weekend should aid getting the resolution passed, the staffer said.

The Democratic Party leadership is now operating from the perspective that a serious international financial crisis will erupt sometime between October and January of this year, the staffer said. At that point, the Rohatyn plan will be the only real item on the agenda, and the Democratic Party will make it part of their platform.

● **TATI SANTIESTEBAN**, Texas state senator from El Paso, called a press conference attended by news media from both sides of the U.S.-Mexican border March 17 to say that gambling casinos are the "solution for unemployment in Mexico and for the devaluation tendency in its currency." According to Santiesteban, the proposal comes from a group of interested Texas merchants and businessmen.

● **JAMES JONES** (D-Okla.), House Budget Committee chairman, is preparing re-write of the monetary policy component of the old Humphrey-Hawkins labor legislation. It will stress the need for the Federal Reserve "to stimulate GNP growth." Hearings will take place in July, and the proposal is planned as a major Democratic Party 1984 campaign issue.

● **REP. JACK KEMP** (R-N.Y.) and Columbia University are sponsoring a conference entitled "Agenda for Williamsburg" in Washington, D.C. on May 17. Speakers will include Henry Kissinger, who is reported to support the Felix Rohatyn "global Big Mac" policy, although he will not yet say so publicly, and former West German Chancellor Helmut Schmidt. Rohatyn may also be on the speakers' list.

● **SAUDI ARABIA** has announced on March 17 that it was cancelling a number of water desalination and power plant deals, according to Kyodo press. The Saudi Saline Water Conversion Corporation told the Japanese-South Korean consortium that they would not build a 120,000-ton-a-day desalination plant planned for Asir province, and a 360-megawatt thermal power plant, which was to have been built by Mitsubishi Heavy Industries, Ltd. was also cancelled. The notice gave no reasons for the decisions.