

Business Briefs

U.S. Industry

Tripartite steel commission formed

Commerce Secretary Malcolm Baldrige and Special Trade Representative William Brock are said to be responsible for convincing President Reagan to form a new "tripartite" Steel Advisory Committee to study the industry and advise the White House on the future of U.S. steel production.

Like the policy-making bodies established by Benito Mussolini in the 1920s, the commission will be made up of representatives of industry, labor, and government.

A previous steel tripartite committee, established in 1979 by the Carter administration, advocated large-scale dismantling of the U.S. steel industry. That committee was disbanded when President Reagan took office.

Military Policy

Problems foreseen for Soviet defense base

The recently released report on the Soviet economy by the Defense Intelligence Agency, presented June 28 at a closed hearing of the Joint Economic Committee's subcommittee on international trade, finance, and security economics, said that Soviet leader Yuri Andropov "appears to be straddling the fence" in a major policy debate over whether to shift emphasis from heavy, defense-oriented industry to consumer sectors.

The report, however, predicted a growth rate in Soviet military spending of between 8 and 9 percent through 1985, which is about 17 to 19 percent of the gross national product. The military growth rate should slow in 5 to 10 years. This information updates a recent CIA study which predicted a growth rate in military spending of only 15 percent of the GNP.

The report states: "The Soviet Union's resource allocation pattern continues to re-

flect the leadership's commitment to a strong defense establishment. However, if improvements in the economic structure do not occur, the Soviet defense establishment is unlikely to be able to sustain high rates of growth for very long without undermining its own economic base,"—an analysis of the Soviet economy and military investment presented in a Washington, D.C. conference Feb. 17-18, 1982.

The DIA noted that there has been wide-ranging debate on whether to shift Soviet resources to areas such as light industry and agriculture, but said no changes are expected in the short term.

"Interestingly, in this debate on investment issues, Andropov currently appears to be straddling the fence. Although he has supported heavy industry in the past, his present emphasis appears to be on those areas required to break bottlenecks in the economy, such as transportation, unfinished construction and retooling and modernizing of machinery."

Mexico

Giant trade surplus far from a success

Jesus Silva Herzog, Mexico's Finance Minister, told a group of Wharton School officials in Chihuahua July 29 that his country is doing extremely well under IMF pillaging. For the first time in 39 years, he said, Mexico has chalked up a semester trade surplus—an incredible \$6.5 billion for the first half of 1983.

These figures are impressive only, however, until it is noted that imports have been demolished by 70 percent and real wages cut by 50 percent, while everything not bolted down is being sold abroad for pennies. Every penny of "earnings" under this package goes into the pockets of foreign creditors.

One of Mexico's senior oligarchist financiers, Adrian Lajous, published an article July 26 titled, "Why Mexico Must Not Declare a Moratorium on its Debt." Lajous, who was the only financial official to voluntarily resign last fall when José López

Portillo nationalized the banks, "warned" that after Benito Juárez stopped paying foreign creditors, Mexico was invaded. Then, Lajous continued, in 1910—the Mexican Revolution—payments were again suspended, and it wasn't until 1940 that Mexico was able to get credit again.

International Trade

U.S.-China trade agreement

The United States and China have settled their long dispute over textile exports, in a move showing that both sides want to improve relations following the Reagan administration's decision to allow the sale of higher levels of technology to Peking. Tensions over trade were high point last winter when Peking curtailed imports of U.S. agricultural goods in retaliation for Washington's refusal to accept Chinese demands for a 6 percent increase in textile imports for 1983. The two sides reportedly agreed on an increase in textile imports of 3 to 4 percent.

Two previous rounds of talks were fruitless, but agreement was reached quickly this time, reflecting an atmosphere substantially improved by recent U.S. concessions in an area considered much more important by the Chinese: high-technology transfer.

During a visit to Peking last May, Commerce Secretary Malcolm Baldrige informed Chinese leaders that their trade status would be raised to allow for the transfer of high technology goods previously blocked on the grounds that such technology might be used for military purposes.

In late July, the United States withdrew its opposition to the sale of a Belgian advanced communications system to China while Japan, according to Chinese press reports, has been given the go ahead to sell China a similar system which had been blocked by the United States.

The United States is now negotiating a protocol with Peking which would lay the basis for bilateral cooperation in nuclear energy development, including the transfer of U.S. nuclear technology to China. It is not

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yet known whether Washington will permit the sale of the advanced Hyshare-700 computer now being sought by a military-linked University in Northeast China. However, Peking will make great efforts to persuade Defense Secretary Weinberger, an opponent of the sale, when Weinberger visits Peking on Sept. 25.

Operation Juárez

French weekly *Minute* endorses debtors' cartel

A two-page feature in the late July issue of the French conservative newsweekly *Minute* on the Latin American debt crisis describes the potential benefit of Lyndon LaRouche's Operation Juárez for European industry. *Minute* has a weekly circulation of 400,000.

The article, titled "Regrouped in a Cartel, Most-Indebted Nations Organize Against Their Creditors," describes the devastating effects of the \$860 billion developing-sector debt, and how "Western exporters now pay the price of the deflationary austerity imposed upon debtors. . . . The latter . . . are presently establishing a cartel to declare a general debt moratorium and . . . change the rules of the international financial game so that financial cancer does not prevail, but economic development."

The article details the history of the present crisis and "the mafia of the central banks, which in turn takes its orders from the discrete but very influential private banks, the London merchant banks, the Geneva banques privées and the New York investment banks. . . . 'The interest of financiers and those of nations differ. It's sad but real,' a Paris financier says.

"The moratorium is but a first step. 'Operation Juárez,' as the Latin Americans call that policy, includes the establishment of a 'Latin American Common Market,' and also the idea of catalyzing an anti-Malthusian reflex in the United States and a long-term debt consolidation with low interest, a discounting of the old debt in order to generate productive credit and the launching of a string

of great infrastructure projects for energy, roads, canals, ports, and equipment, which would be enormously beneficial for re-launching the economies of France or other European countries."

Developing Sector

Depression hinders Japanese aid

In accordance with Prime Minister Yasuhiro Nakasone's declaration that "there can be no prosperity in the northern countries without developing in the South," Japanese agencies are trying to find ways to implement transfer of industrial technology to the Third World. They are finding their efforts hindered by the world trade decline.

The International Committee of the Industrial Structure Council, an advisory body to MITI, has proposed, among other steps, expansion of official development aid to the South, along with stepped-up renovation of existing factories in developing countries and training of engineers. The committee is headed by Isamu Yamashita, chairman of Mitsui Engineering and Shipbuilding. MITI is about to send a mission to Southeast Asia to explore renovation needs in plants originally built with Japanese assistance.

In a similar vein, the Atomic Energy Commission has proposed setting up a government-business-academic forum to promote cooperation with developing countries on the utilization of atomic energy, particularly Southeast Asian countries. Proposed cooperation includes personnel exchanges and aid in research reactors.

However, the depression in world trade is slowing down the actual transfer of technology to developing sector. Japan's Export-Import Bank reports that its loans to businesses for investment in industrial nations is ballooning, but private investment in developing countries is shrinking rapidly, due in large part to fears generated by the debt crisis. The bank is considering lowering interest rates still further to promote Third World investments.

● **JAPANESE** finance ministry councilor Toshihiro Kiribuchi blasted as a "lethal drug with side-effects" Paul Volcker's tight money policy and consequent high interest rates, during a recent public seminar in Tokyo, according to *Kyodo News*. Among its effects are unemployment in America and capital flight from other countries to New York, Kiribuchi declared.

● **ALAN GREENSPAN** told the governors' conference in Portland, Maine on Aug. 2 that, after the 1984 election top officials of both parties, as well as the White House and Congress, should join "the equivalent of a domestic economic summit" which would aim to create a bipartisan committee to prescribe "solutions" to "tough problems" of cost-of-living increases and taxes. The deficit cannot be dealt with "without political pain," Greenspan said. "The major entitlement program to be addressed is Medicare, and it must be done rather quickly."

● **WILLIAM RUCKELSHAUS** stated that "whatever we do is going to have the potential for very large costs and economic disruptions," when discussing proposals on dealing with acid rain at the National Governors Conference Aug. 2.

● **HENRY KISSINGER'S** aspirations and connections were inadvertently noted in an editorial error in the Aug. 4 edition of New York's *Journal of Commerce*. In a commentary on the atmospheric in Washington, D.C. surrounding the signing of the U.S.-Soviet grain trade package, the *JOC* slipped: "Is it mere coincidence that the Soviet grains and Chinese textile pacts were concluded a week after Henry Kissinger became chairman of a Central American East-West policy committee?" Kissinger's committee, of course, is formally a Republican-Democratic group, with no publicly recognized Soviet involvement or East-West negotiating power.