

Business Briefs

Capital Flows

Foreign investment in U.S. lost momentum in 1982

At the end of 1982, Japanese corporations' direct investment in the United States totaled \$8.7 billion, according to the U.S. Commerce Department, up 25 percent over the 1981 level.

Total direct foreign investment was \$102 billion at the end of 1982, an increase of \$11.4 billion or 13 percent. It had increased by \$22.1 billion in 1981. The Commerce Department attributed the slowdown to the absence of large-scale investments, reflecting the recession in the United States, high interest rates, and high investment costs due to the dollar's appreciation.

British investment was calculated at \$23.3 billion, up 50 percent; the Netherlands \$21.4 billion, down 7 percent; Canada \$9.8 billion, unchanged; West Germany, \$8.2 billion, up 13 percent; Switzerland \$4.8 billion, up 11 percent; and France \$4.7 billion, down 6 percent.

Infrastructure

New York feels the brunt of Big MAC policies

A New York City water main broke the morning of Aug. 24, flooding a large area, halting subways, and disrupting water and telephone service for hundreds of area customers.

Two weeks earlier, a 12-inch water main broke in downtown Manhattan, flooding Con Edison's area underground substation and blacking out entire blocks for four days.

Water main pipes have a life expectancy of 75 years. The 36-inch pipe that broke Aug. 24 had been put down in the 1880s. Sixty percent of the city's 6,200 miles of water pipes were installed before 1900.

The number of water main breaks in New York peaked in 1979, at 547. Felix Rohatyn's Big MAC fiscal austerity plan had cut

out all maintenance in 1975. Minimal maintenance by the Army Corps of Engineers was resumed in 1979. The program—replacing 6-inch pipes with slightly larger ones, and installing computerized “leak detectors” in areas where breaks have occurred—could not prevent the recent large breaks because no previous leaks had been detected in the area.

Department of Environmental Protection Deputy Commissioner Jeffrey Sommer called the proximity of the two breaks a coincidence.

New York City Comptroller Harrison Goldin stated recently that 10 percent of the city's water system will reach the retirement age in the next decade, and that at least \$1 billion would be necessary just to maintain the current system. The city has earmarked \$12 million over the next four years.

Agriculture

Crop shortfall puts a crimp in PIK

Extensive damage due to a severe heat wave and drought this summer make it unlikely that the U.S. Department of Agriculture will continue its Payment-in-Kind (PIK) program for corn and other feed grains next year, Agriculture Secretary John Block stated Aug. 23.

Drought damage means that 1983 crops will be insufficient to provide excess grain to distribute to farmers in exchange for not planting crops.

This year's corn crop will be at least 38 percent below the 1982 record crop of 8.8 billion bushels. Corn farmers were the biggest participants in PIK: 21.3 million acres were left idle under the program. The planted area, 52.3 million acres, is the smallest since 1965.

Since the onset of the summer heat, USDA officials have reduced their predictions of corn production by over 1 billion bushels. Total production is estimated at 5.24 billion bushels; total exports and use by livestock producers will be at least 7 billion bushels this year.

The wheat crop has not been as adverse-

ly affected, the USDA claims, and therefore an acreage-reduction program, which will include payment in kind, has already been announced for 1984. However, Deputy Agriculture Secretary Richard Lyng had announced a program to increase wheat supplies, called “Plant for PIK,” in early June, after it was revealed that government wheat supplies were 80 million bushels short.

No PIK program is planned for either cotton or rice for 1984, USDA officials also announced Aug. 23. A program was instituted to encourage farmers to abandon cotton stored with the government as loan collateral to increase the government's holdings; however, USDA was about 700,000 bales short of what it had committed to the PIK program.

Ibero-America

New austerity program forced on Peru

Members of the Peruvian Senate were left speechless the week of Aug. 22 when Minister of Economics and Finance Carlos Rodríguez Pastor presented his countrymen with a long-awaited report on the country's debt renegotiation plan—speaking in English!

Pastor, for 14 years vice-president of Wells Fargo Bank in San Francisco, immediately entered the economics and finance ministry when he returned to Peru.

Opposition party senators protested the impossibility of approving a plan which was not presented in Spanish, the constitutionally mandated language of the Peruvian republic. Many senators, were unable to understand the contents.

The \$2 billion debt refinancing package—an agreement with the Western nations' “renegotiating body,” the Club of Paris, is premised on a brutal austerity program dictated by the International Monetary Fund. The program was passed, since the ruling party, Acción Popular, holds an absolute majority in the congressional body.

Among the new measures are a new 25 percent reduction of the budget, which has already been reduced by \$2 billion from approximately \$5 billion; the elimination of

food subsidies; an increase in gasoline and electricity prices; and slashed defense expenses.

A full 50 percent of Peru's export earnings has been dedicated to debt payments at the moment when both extended drought and torrential flooding have destroyed significant portions of the country's crops.

This comes on top of the collapse of Peru's productive sector under IMF-imposed austerity measures. Minister Pastor has generously pledged to pay the bankers their debts at a usurious 4 percent above LIBOR.

Debt Policy

OAS meeting to revive the Drago Doctrine?

A "Drago Doctrine" against forced collection of Ibero-America's \$350 billion unpayable debt will be approved at the Sept. 5 meeting of the Organization of American States (OAS), according to the Caracas daily *El Mundo* the third week of August.

In 1903, Argentine Foreign Minister Luis Maria Drago sent a note to the United States protesting the blockade of Venezuelan ports by British, German, and Italian gunboats demanding payment of debts upon which Venezuela had declared a moratorium.

Drago's assertion, that the public debt of a nation is not sufficient reason to justify armed intervention by a creditor state, is still valid, *El Mundo* stated, and the doctrine needs to be broadened to apply to the continent's current debt crisis.

International Credit

Elite London bank: 'no more LDC loans'

Morgan Grenfell, the British merchant bank which heavily interfaces the Carrington faction of the British Foreign Office, has just

issued an assessment of the world financial system which announces that an "era" in international banking "has ended."

The report states that it will take "many years" to solve the debt crisis which has erupted in the Third World, and that during that time, new bank loans to developing countries will be, practically speaking, unavailable.

London's *Financial Times* ran an Aug. 19 editorial commentary on Morgan Grenfell's prognostications, stating: "Developing countries, which depend heavily on imports of capital, may find that not even the soundest credit rating will secure new bank loans on acceptable terms."

If these countries want external funds, the *Financial Times* explains, they will have to be prepared to exchange equity—i.e., ownership of their national wealth—with their lenders.

Morgan Grenfell also predicts that official government agencies will probably play a greater role in international financing over the next decade than they did during the 1970s.

Even by British standards, Morgan Grenfell is no ordinary bank: it includes on its board the son of former British Foreign Secretary Alec Douglas-Home, and its Africa division is run by the son of former British Foreign Secretary Peter Carrington.

As one of its officers told *EIR*, "The presence of such gentlemen gives us access to important, informal channels of information on what is occurring abroad." It is through such Foreign Office channels, additionally, that the bank interfaces the Swiss financial community on the Freemasonic level.

Research and Development

India plans 'science city'

The Indian government is planning to create a "scientists' city" to "provide a nucleus for research and development in new frontiers in science and high technology and promote an appropriate blend of emerging and traditional technologies," Prime Minister Indira Gandhi announced in late August.

Briefly

● **THE ST. LAWRENCE** Seaway Corporation reports that the number of ships using the seaway in July was 14 percent below that of July 1982, and total tonnage was off 3 percent. In the first six months of 1983, tonnage through the seaway was down 20 percent compared to the first half of 1979. Seaway official Robert Lewis says: "International shipping is down everywhere. The recovery has not hit the shipping industry yet."

● **JULIO GONZALEZ** del Solar, the former IMF employee who is now president of the Argentine central bank, told reporters in late August that "to eliminate inflation, we unfortunately have to forget about the less fortunate. . . . This social injustice will have to continue for a while longer. . . . until the pie becomes bigger."

● **JESUS SILVA HERZOG**, Mexico's finance minister, was besieged by reporters at the gala ceremony to celebrate signing an \$11 billion plan to restructure Mexico's debt, held in New York Aug. 26. When asked how his country viewed the Sept. 5 Caracas meeting on the Latin American debt crisis, Herzog smiled and said, "With interest—as you do."

● **ZUG**, the Swiss canton which houses the international headquarters of the commodity-trading firm Marc Rich, is considering giving financial backup to the company, which has found itself in a hot showdown with U.S. law enforcement authorities. Zug financial director Georg Stucky claims the United States can't demand back tax payments from Marc Rich, because the company pays taxes to the Canton. To underline the point, Stucky may give Marc Rich a substantial tax refund to finance the firm's delinquent U.S. payments, Swiss newspapers report.