

# Business Briefs

## U.S. Industry

### **National/U.S. Steel merger will curtail output**

The announced buy-out of National Steel's three major plants by U.S. Steel could well mean further sharp cutbacks in steel production by U.S. Steel, the nation's largest producer. Since much of National's production is of consumer-oriented flat rolled steel, which is what U.S. Steel produces, the Justice Department is expected to object to the merger on anti-trust grounds. If this is the case, U.S. Steel will be very likely to shut down a portion of its capacity to reduce its market share of consumer product steels.

At the end of 1983, the Morgan Bank-controlled U.S. Steel announced the permanent closing of 25% of its output, about 5% of America's steel-producing capacity. National Steel will become after the merger a "financial services" company with subsidiary aluminum operations.

The Justice Department is expected to act shortly on the September 1982 announcement of a merger between Jones & Laughlin Steel and Republic Steel, which will also entail shutdowns of "redundant" capacity. The mergers are seen as a realization of the 1980 Carter administration plan to reduce U.S. steel output by 50% in the coming years.

U.S. Steel, which purchased Marathon Oil for over \$3 billion in cash in 1981, and claimed a \$1.1 billion loss in 1983, will pay \$395 million in cash and over \$600 million in stocks and debt assumption for the assets of National Steel.

## Debt Crisis

### **Swiss report Brazil bailout a fraud**

According to the leading Swiss daily *Neue Zürcher Zeitung* of Feb. 3, the \$6.5 billion supposedly raised by commercial banks to bail out Brazil may never be paid out. Banks put up the funds on condition that the industrial nations' governments shell out an ad-

ditional \$2.5 billion in export credits. However, the Swiss paper notes, the British government has outright refused to put up the funds, the American Eximbank has made its contribution conditional on all the others chipping in, while the French and Germans have said nothing. This means that any payments of the \$6.5 billion will be postponed indefinitely.

If payments are not made before the March 31 bank regulatory deadline, banks will have to start writing off \$100 billion in Brazilian paper, triggering the crisis avoided by bookkeeping fraud during the Dec. 31 payments period.

## Black Economy

### **Swiss banks fund Middle East terror**

Lebanese and Israeli sources in Europe indicated on Feb. 5 that the banking institutions of Switzerland are the center of a conspiracy to destroy the nations of the Middle East through war and terrorism. These banking institutions, with substantial ties to the Soviets, conduit funds for the Nazi International.

According to an Israeli source with extensive Swiss connections, the Swiss banks are trying to do everything in their power to encourage the continuation and expansion of the Iran-Iraq war, to make sure that oil production in these countries does not come back on line.

"My Swiss banking sources tell me that there will be an international economic crisis on an unprecedented scale if oil production goes back up and oil prices go down with a crash. This would mean that the oil producers, who still have 60-70% of their money in short-term deposits in Western banks, will start recalling the sums. Added to the problems with the international debt situation, this would be disastrous. . . . They believe that it would be disastrous for either Iran or Iraq to win the war, so they want it to keep going, so that neither country can produce oil at a higher level."

He added: "The Iran-Iraq war has become the center of the destabilization of the

entire Arab world. All the major intelligence services involved in this area, as well as the Arab Gulf states, want the war to continue for as long as possible. No one wants to face the consequences of one side winning, primarily for the reasons the Swiss, and some of their banker friends in London, are warning about."

A related story came from a Lebanese diplomatic source, who reported that the funding of "left" and "right" terrorism in Lebanon "all comes from the same source: numbered bank accounts in Switzerland." He indicated that investigations into this Swiss angle in destroying Lebanon are being launched.

West Germany's *Süddeutsche Zeitung* has recently reported that Geneva, Switzerland has replaced Beirut as the main banking center for Arab banks' financial transactions. This provides some new insights into the question of "who benefited?" from the destruction of Lebanon engineered by Henry Kissinger and his allies beginning in 1975-76.

## Credit Markets

### **European banks renew loans to the East**

Western circles allied with NATO General Secretary-designate Lord Peter Carrington are currently launching a campaign of revival of East-West trade, including the granting of credits to the Soviet Union.

The formal announcement Feb. 3 of a \$150 million loan to the Soviet Foreign Trade Bank was greeted by "friendly Western bankers" with a "warm welcome," according to the *Financial Times* of London. The loan is the first major syndicated loan to the Soviet bloc in over two years.

Granted by the British Lloyds Bank International, the West German Dresdner Bank, and the French Credit Agricole together with leading banks from Austria, Finland, Sweden, Canada, and Italy, the loan to the Soviets is described as a key step forward in thawing banking relations with the rest of Eastern Europe, which had been frozen after the Soviet invasion of Afghan-

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istan and the Polish debt crisis.

In a related development, it was also announced on Feb. 3 that Occidental Petroleum Corp. and the government of Yugoslavia have signed an \$800 million-a-year trade agreement—the first ever of its size between a U.S. company and Yugoslavia.

## International Trade

### Commerce tightens control on high-tech exports

The Commerce Department announced in late January that it wants new rules to tighten its program of distribution licensing of U.S. exports. The proposal is the result of a review of export procedures controlling shipments of high-technology, military related goods.

The new rules would exclude from export semiconductor devices and production equipment, lasers, and electron beam recorders under a distribution license which allows exporters to make multiple shipments over an extended period. They will also restrict use of distribution licenses to firms with proven compliance, and require lists of expected end-users and tighter controls on reexporting overseas.

On Jan. 30, Commerce temporarily denied all U.S. export privileges to Sven Olof Hakanson, a Swede who is suspected of dealing with an individual previously charged with illegally reexporting U.S. goods to the U.S.S.R.

Hakanson is suspected of dealing with Richard Mueller who was denied all export privileges until May 31, 2001 because he failed to answer Department charges that he illegally reexported U.S. commodities to the Soviets. The Commerce Department suspects that Hakanson will attempt further transactions in U.S. commodities and technical data.

The Mueller-Hakanson incident involved the attempted reselling of a Vax computer, Digital equipment's most modern computer, to the Soviets via a Swedish firm. The Swedes had purchased the computer from a German company.

The *Financial Times* of London report-

ed that the Trade and Industry Department was very much opposed to the U.S. rules. The Department complained Feb. 4 that "the U.S. was needlessly blocking the flow of commercial and scientific information to friendly countries." Britain's Trade and Industry Secretary Norman Tebbit is expected to raise the issue when he visits Washington in mid-February.

The British are particularly disturbed about a regulation requiring British companies to get licenses when reselling advanced U.S. computers to customers in the United Kingdom.

## Southeast Asia

### IMF team renews talks in Philippines

Only after the International Monetary Fund is satisfied with a rescheduling and economic program agreed to by the government will the commercial banks be prepared to provide the nation fresh funds, according to a report from Hong Kong in the *Journal of Commerce* Feb. 8. Foreign exchange rationing, the Philippine Central Bank has announced, will continue much longer than originally expected. Central Bank governor José Fernandez has asked a joint committee which will include the private sector to help draft a longer-term, more equitable means of allocating foreign exchange. The Central Bank announced that GNP had plunged to an all-time low last year, and inflation hit a high of 25%.

The Philippines has approached Australia for an immediate \$90 million loan for raw materials imports, of a total \$200 million sought from that country. Japan has already been approached for an unspecified amount of credit and approval to convert a project loan into a commodity fund.

The U.S. Export-Import Bank reportedly has granted \$105 million in antee facilities for import financing. And Economic Planning Minister Vincente Valdepenas reports that \$95 million will come through First National Bank of Chicago, Crocker National Bank and its Pacific Overseas Finance Corp subsidiary for 180 days.

● **A JAPANESE LASER** research group at Keio University in Tokyo has developed a hydrogen-fluoride chemical laser which has an output of 4.4 kilojoules, exceeding the previous world record of 4.2 kilojoules achieved in the United States in 1976. The group plans to improve the laser to output 5 megajoules so that it can be used for nuclear fusion, cancer treatment, and other functions, said group leader Prof. Tomoo Fujioka Feb. 9.

● **YASUHIRO NAKESONE**, Prime Minister of Japan, stated Feb. 8 that his cabinet will try to retain the current ceiling of spending 1% of Gross National Product on defense. Naksonne was responding to a question by Japanese Socialist Party chairman Mashasi Ishibashi on the FY84 defense budget, which is 6.55% higher than that for FY83.

● **BERNARDO GRINSPUN**, Argentina's Economic Minister, told David Rockefeller's Council of the Americas' Winter Conference in New York Feb. 3 that, as a matter of national honor, Argentina will not allow the International Monetary Fund to revise its budget. But when he was asked during the question period if he expected the IMF to go along with Argentina's non-negotiable budget, Grinspun replied: "We have no doubt that the IMF will accept our budget. We are preparing it in accordance with IMF guidelines. . . . Our fiscal deficit and our rate of inflation will be lower than that accepted by the IMF from the previous military government."

● **THE CLUB OF LIFE** will hold a conference on "An Emergency Program to End the World Food Crisis" in Rome, April 3 and 4. The conference will focus on immediate measures to save the nations of black Africa from continued starvation and famine. The Club of Life is proposing to double world grain production.