

Business Briefs

Energy

China-Japan accord on nuclear facilities

Japan and China are expected to sign a pact on the sale of Japanese nuclear power equipment to China, after talks in which the Japanese agreed to limit themselves to "visitation" rather than "inspection" rights of nuclear power facilities built with Japanese assistance in China.

The pact is scheduled to be signed during Prime Minister Yasuhiro Nakasone's visit to China in late March. China is continuing talks with the United States on nuclear cooperation, and a U.S.-China agreement may take precedence over a pact with Japan, according to JIJI press.

The agreement with Japan is meant to ensure that nuclear power equipment will be used for peaceful purposes only. "Visitation" would permit visual inspections by Japanese experts to verify the proper disposal of spent nuclear material.

The two nations had called for cooperation in the peaceful use of atomic energy in regular bilateral ministerial meetings last September. China entered the International Atomic Energy Agency (IAEA) in November, but called the IAEA's demands for on-site inspection of facilities a violation of national sovereignty.

Tokyo has apparently decided that it is not in its best interest to maintain the inspection policy. The Japanese government was particularly concerned that competitors such as the United States and West Germany would take over the Chinese market. France has already exchanged notes with Peking on nuclear power development.

Agriculture

Cattle production cycle collapsing

The U.S. Department of Agriculture's (USDA) 1984 cattle inventory report indicates that U.S. cattle producers are abandoning the seven-to-nine-year cycle of

building and culling their herds. Farmers are now selling cattle on the basis of immediate profits or losses, not long-term planning of production, according to agricultural economist Ed Uvacek.

This means, Uvacek says, that producers "will no longer be subsidizing consumers with cheap beef"—i.e., farmers can no longer sustain long-term investment to guarantee high productivity and the nation's future food supply.

The report shows what Uvacek calls a "slight" liquidation of the U.S. cattle herd. USDA figures claim that the beef breeding herd has decreased by 1% since a year ago, and beef replacement heifers decreased by 2%.

"These relatively minor adjustments imply that cattlemen are no longer following the typical cattle cycle," in which a producer builds up his herd over an extended period before sending any large number of cows to slaughter. Now, producers are selling off cattle on the basis of immediate financial needs, no matter what the size of their herds or their future reproductive capacity.

Trade

Italy expands relations with East bloc, Libya

Italian national oil company ENI signed a \$2 billion deal with Libya March 7 to drill for oil in the Mediterranean.

ENI president Reviglio and Libyan Oil Minister El Maghur arranged for Italy to buy 750 million barrels of Libyan gas per year at the same time that the Italians assist the Libyans in drilling for oil in the Bouri oilfield in the Mediterranean near Tripoli.

The drilling at Bouri, the most accessible oilfield in the Mediterranean, will be operative in 1987. ENI will build two huge floating platforms and develop 50 drilling sites.

The day before, the large-circulation leftist daily *Unità* reported that Italy has decided to expand its economic relations with the Soviet Union, and the first step will be to purchase natural gas supplied by the Siberian pipeline. The decision to expand re-

lations was made at a recent meeting between Italian Foreign Minister Giulio Andreotti and Soviet Foreign Minister Andrei Gromyko in Moscow, according to *Unità* reports.

Bank of Italy governor Carlo d'Azeglio Ciampi went to Budapest in late February to discuss improved financial and trade relations with Hungarian central bank head Timar.

Econometrics

Commerce Department admits fraud

A Commerce Department specialist who provides the White House and the general public with statistics on the U.S. economic "recovery," told a reporter March 3 that the figures the Commerce Department published for 1982 and 1983 industry and product shipments, in dollar terms, are not real; they are only "estimates."

Commerce's reports to the White House on any area of the economy are based on two-year-old figures. In 1981, the Bureau of the Census did its last Census of Manufacturing. On the basis of 1981, estimates were made for 1982 and 1983. In the 1981 *U.S. Industrial Outlook* published by Commerce, they only had firm figures for 1978. And so forth.

Explained the specialist, "I consult those at Commerce on farm equipment production, and also on machine tools, since whether the food industry buys machine tools is a sign of whether they are expanding production levels."

"Then," he continued, "I consult Data Resources, Inc.," the giant econometric forecasting service. "Finally, I throw a couple of dice in the air, and use that to pick out a number."

The reporter asked: "Did you ever compare actual figures with earlier estimates, to check your method of estimating?" "No," he replied, "I don't look back."

EIR did look back. On the basis of 1978 figures, Commerce estimated 1979 and 1980 shipments by the Food Processing and Packing Machinery industry at slightly over \$2.5 billion and \$2.9 billion, respectively. But in

fact, the 1979 and 1980 figures, now in, show that shipments were only \$2.2 and \$2.3 billion, respectively. The Commerce Department's figures are wrong by between 11% and 20%.

Moreover, they always appear to be wrong on the side showing a "recovery." In 1982, it was estimated that 1981 shipments figures for the same industry were \$2.374 billion. The current *U.S. Industrial Outlook* puts the confirmed, real 1981 shipments figures at \$2.084 billion. The margin of error: 12.2%.

International Credit

Regan to visit Japan to demand 'Euro-yen'

Japan is under intense U.S. pressure to liberalize its money and capital markets, as well as its market for manufactured products, to resolve bilateral trade friction with the United States. U.S. Treasury Secretary Donald Regan will visit Japan in late March for talks with Finance Minister Noboru Takeshita to demand concrete action on internationalizing the yen.

The U.S. request for the decontrol of Japanese financial markets was renewed at the first meeting of the bilateral Joint Ad Hoc Group of Financial Authorities on Yen-Dollar Exchange Issues held at the Japanese Ministry of Finance Feb. 23-24.

The panel is one result of President Reagan's visit to Japan last November. Beryl Sprinkel, treasury secretary for monetary affairs, represented the United States at the talks with Japan's Deputy Finance Minister Tomomitsu Oba.

The United States and the governments of Western European nations are demanding that Japan internationalize the yen to the same degree as the dollar, making it the second key currency for payment reserves and settlement of trade accounts.

The role of the yen has risen with the growth of the Japanese economy, now the second largest in the advanced sector.

Until recently, the finance ministry and the Bank of Japan have protected the yen from the fate of the U.S. dollar by maintain-

ing tight control over Japanese markets and restricting foreign-exchange transactions. Under the current pressure, however, the finance ministry considers the internationalization of the Japanese financial markets "inevitable."

The United States is demanding "sweeping reform" and not "cosmetic changes," including the creation of a "Euro-yen" investment market in Japan, greater access of U.S. financial institutions to Japanese money markets, and liberalization of control of Japanese interest rates. The Bank of Japan has held interest rates for business investment several percentage points lower than U.S. rates.

Steel

Cuts will mean massive French layoffs

Between 25,000 and 35,000 French steelworkers will lose their jobs as the result of supplementary reductions in steel production demanded by the European Community (EC). French steelworkers unions met Feb. 28 in Lorraine to plan action on imminent layoffs.

France was scheduled to report its plan to enforce supplementary reduction in steel production of 630,000 tons to the EC headquarters in Brussels the first week of March.

The French machine-tool and shipbuilding industries are also being cut drastically. The loss of 20,000 jobs in the shipyards is projected.

The steel cuts are based on the collapse of markets over the past decade. Approximately a decade ago, France was producing more than 25 million tons of steel per year. In February, the government projected maximum production of 17 million tons and minimum production of 13.5 million tons. Previous projections of 24 million tons by 1986 were called "illusory" by French industry minister Laurent Fabius.

Current government policy is to focus economic activity away from heavy industry to avoid "surplus" production.

The two state-owned French steel companies, Usinor and Sacilor, are fighting for the remains of the market.

● **IN MOZAMBIQUE**, more than one third of the population is facing famine, or more than 4.7 million people. More than 100,000 have already died from starvation following drought, floods, and rebel activity supported by the South Africans. Reports say that 350,000 people are looking for food in camps set up by the government. The rebels have destroyed more than 500 agricultural centers. Mozambique is officially pro-Soviet, but received no help whatever from them, and has been forced to make a peace treaty with South Africa in exchange for some limited food aid.

● **YASUHIRO NAKASONE** will meet with Chinese leader Deng Xiaoping, Premier Zhao Aiyand and General Secretary Hu Yabona of the Chinese Communist Party during his state visit to China March 23-26. The Japanese prime minister's discussions are expected to focus on recent developments in Russo-Sino relations. Nakasone stated March 5 that he will cooperate to promote interchange between China and South Korea. He described stable bilateral relations between Japan and China as underpinning world stability.

● **THE JAPANESE** government has developed a plan for development of the large Sanjian plain in northeast China, to be submitted to the Chinese government in mid-March, through Japan's International Cooperation Agency. It calls for construction of a dam and other facilities to irrigate 46,000 hectares of land. Tokyo is prepared to give China a \$1.65 billion loan for the project.

● **ISRAELI** scientific experiments have raised winter rainfall by up to 20% in parts of the Middle East. The scientists are now transferring their knowledge to governments in other arid and drought-hit regions, including Egypt, Peru, and South Africa.