

Business Briefs

Banking

Ditchley meeting to coincide with IMF

The Ditchley group of international private bankers has announced that it will be holding its annual meeting at the same time and place as the annual meetings of both the International Monetary Fund and the World Bank: on Sept. 22 in Washington, D. C. The group will hold an interim meeting April 6 in Washington, D. C.

The creditors-cartel, founded to consolidate the monitoring of credit flows from private banks to heavily indebted Third World nations and squeeze off credit to any nation deemed uncreditworthy, precipitated the Ibero-American debt crisis in 1983.

Member banks have grown from the original 38 largest international banks to 187 banks which together account for more than 80% of exposure in the Third World.

The April 6 meeting comes during a period of financial warfare against Argentina, including the rapid fall of the value of the peso and heavy capital flight triggered by creditors' rumors that Argentina would rather repudiate its debts than submit to devastating IMF conditions.

Argentina officials have termed press reports that Argentina is facing total instability a "suspicious" sign that "some foreign interests are moving against our country."

International Trade

U.S. to sit on Tokyo policy councils?

The Japanese government has agreed to permit U.S. representatives to participate in the influential advisory councils that shape national industrial policy, U.S. trade official Clyde V. Prestowitz, the Commerce Department's counselor for Japanese affairs, stated in Tokyo March 11, according to the *New York Times*.

The exact nature of U.S. participation in the councils will probably not be known for months, Japanese sources stressed, nor will it be decided which Americans will participate in the councils.

The United States has based its demand for participation on the fact that the Japanese government gives extensive direct assistance to industry, claiming that such assistance gives Japan an unfair advantage in world markets.

The United States is most interested in placing representatives on councils that deal with rapidly expanding high-technology industries, and industries with which the United States is highly competitive, including petrochemicals, pulp, and paper. The latter are industries in which Japan is weak, and the United States would like to expand exports.

The councils are headed by government officials, and include representatives of industry, labor, and scientific groups. Council recommendations do not carry the force of law but do shape legislation.

The week of March 5, however, Federation of Economic Organizations vice-chairman Norishige Hasegawa called the idea of U. S. members on Japan's industrial policy councils "ridiculous."

U.S. Policy

Wallich demands budget deficit cuts

Federal Reserve Board Governor Henry Wallich spoke before the House's commerce subcommittee March 6, calling for slashes in the federal budget to cut the deficit.

"If the current-account deficit were to continue for long at the rate of \$80 billion that is likely to be recorded in 1984, the United States would soon become an international debtor country. . . . Our position as an international creditor has been a major support to our balance of payments so far. . . ."

"If [we] shift to a debtor country, this advantage will be eroded; it is estimated that our surplus of investment income fell below \$25 billion in 1983. Eventually the United States might find itself in the position of having to earn a surplus in the trade balance in order to cover a deficit on investment income. . . ."

"As the United States continues to borrow abroad and moves toward net debtor status, causing the rest of the world to hold ever larger amounts of dollar-denominated assets, the good acceptance our currency has had in the world may wear out. . . . I do not believe, therefore, that the current value of the dollar is sustainable.

"Reducing the trade deficit by protectionist methods without reducing the budget deficit would not resolve our problems. . . . A substantial adjustment of the budget towards balance, would lead to declines in real dollar interest rates, a depreciation of the dollar in exchange markets, and a reduction in the external deficits."

Energy

Strange bedfellows behind oil merger moratorium?

An unlikely coalition in the Senate has emerged behind an effort to introduce new legislation in the Congress placing a six-month moratorium on all major oil company mergers.

On March 16, Bennett Johnston (D-La.) teamed up with Howard Metzenbaum (D-Ohio) to introduce a bill which would retroactively freeze all such mergers, including the \$13.2 billion Gulf-Standard Oil of California merger.

According to a source, the Johnston bill is directly aimed at SoCal-Gulf as well as Mobil-Superior. In addition, it has a provision privately being dubbed as "stop Boone Pickens" clause to block the kind of stock takeovers through which the controversial head of Mesa Petroleum has recently gar-

Briefly

● **IRAN** proposed lowering the price of spot Iranian light crude oil for sale to Japanese trading houses by 20¢ a barrel, oil industry sources said March 13. The Japanese consider that the proposal reflects slack demand worldwide. Iranian crude is currently \$28 per barrel. The Iranian proposal may lead to price-cutting within OPEC.

● **LAURENT FABIUS**, France's industry and research minister announced March 12 that Israel and France signed an agreement for the creation of an association aimed at developing scientific and technological cooperation between the two countries.

● **JAPAN** will begin construction of the world's first offshore crude oil stockpiling base in Nagasaki. The project, approved by the transport ministry on March 15, will cost some \$935.2 million, and float seven oil stockpiling vessels at the base in Aokata bay, each vessel holding up to 880,000 kiloliters of crude oil. The program was started by Mitsubishi Heavy Industries, Ltd. in 1977 and upgraded to a national project of the Japan National Oil Corporation in 1981.

● **BELISARIO BETANCUR**, the President of Colombia, stated in an interview with the Mexican newspaper *El Universal* March 9: "We have much to learn from Mexican know-how in engineering, and much to learn in fishing and tourism. Above all we want to learn how to exploit our vast electrical energy potential to bring it to Central America and up through Mexico. This can be done through establishing binational companies." Betancur stated, "I am one of Colombia's most popular presidents, perhaps because I am so much like the people. I came from a peasant family of 22 children from the same mother and father; 17 died from a serious illness: underdevelopment."

nered several hundred millions in paper profits from unsuccessful merger attempts against major oil companies such as Gulf.

The interesting question is who might be counseling Johnston, an oil-state senator generally considered a friend of the industry. More than one source familiar with the byzantine maneuverings of the oil industry has suggested taking a close look at the industry leader, Exxon. Could Exxon be quietly promoting the Johnston-Metzenbaum move to keep the competition fragmented?

Ibero-America

Bankers roll over Brazilian debt

Brazil is to receive \$1 billion in fresh money from 700 creditor banks during each of the last weeks of March. This \$3 billion and a \$400 million IMF disbursement should suffice to pay all its interest arrears, according to Brazil's central bank. Brazil had paid nothing on interest account since the end of December, which had built up arrears to an average of 139 days as of March 9, according to U.S. regional bankers. This is far beyond the 90-day limit at which debts are supposed to be considered "non-performing."

The crisis which was building up for the March 31 quarterly accounts closing date was thus suddenly averted. The IMF gave Brazil yet another "waiver" for the technical violations of its IMF agreement last year, and the banks hurried to disburse the fresh money which they had been holding since Phase II of Brazil's debt renegotiation was signed Jan. 27.

What caused the unaccustomed reasonableness of the creditors towards Brazil? Was it fear of financial war with both Brazil and Argentina? Or did Brazil make secret concessions on the vital question of permitting worthless debt paper to be converted into ownership of Brazil's vast mineral reserves?

Brazilian officials are trying to avoid a national outcry against the secret debt-equity give-aways. But they have quietly assured foreign banks that they are happy to take any offers. Meanwhile, the Treasury and the Banco do Brazil are selling off billions of shares in the state companies which control Brazil's natural riches; the bankrupted state companies had nothing but their stock left with which to pay their debts.

Foreign creditors may soon gain substantial control over these enterprises and Brazil's resource base.

European Trade

West Germans visit Leipzig fair

More than 120 ranking West German politicians, among them chairman of the Christian Social Union Franz-Josef Strauss and Economics Minister Count Otto Lambsdorff, went on an unprecedented mass pilgrimage to the East-West industrial fair in Leipzig, East Germany the second week of March. Their purpose was, according to West German sources, to meet "not only on economic deals, but to also make new contacts."

Strauss, who was granted an unusual permit to fly in with his own private plane, was welcomed by East German official Schalck-Golodkowski, East German leader Erich Honecker's adviser on important credit arrangements with the West. Strauss met with Honecker himself Feb. 11.

Last year, Strauss brokered a DM 1 billion credit for East Germany from West German banks. Currently, there is much speculation about a large credit arrangement to help the East Germans to bridge their DM 6 billion gap in debt payments to Western banks.

Lambsdorff, who also met with Honecker, had just returned from a U.S. trip featuring a "working breakfast" with Henry Kissinger.