

Business Briefs

Ibero-America

Wells Fargo banker quits under fire

Rodríguez Pastor, the Wells Fargo banker filling in as Peru's economic minister for the past year, resigned March 19 under attack from nationalist labor and business leaders. Prime Minister Fernando Schwalb, Rodríguez Pastor's protector in the Peruvian government, is now rumored to be considering resigning in solidarity with the banker.

Peru's labor unions mobilized a general strike March 22 to protest the austerity agreements which Rodríguez Pastor had signed with the International Monetary Fund. One of the unions' demands had been the resignation of Rodríguez.

Violent clashes broke out between the police and the communist trade unions during the strike. A union chief was injured by a tear-gas canister which he claims was hurled at him at close range, and the leftists are demanding the resignation of the interior minister. The interior minister in turn charges that the communist leader injured himself purposely in order to be able to wave a "bloody shirt."

Debt Bomb

'Would Roosevelt have turned to the IMF?'

Brazilian Vice-President Aureliano Chaves, who is also a candidate for the presidency, recently invoked the name of Franklin Delano Roosevelt in commenting on the policies of the International Monetary Fund toward Ibero-American debtors.

"In order to confront an atypical crisis, Roosevelt innovated," Chaves told reporters. "Imagine if he had had to turn to the IMF. Do you think he would have resolved the problems of the United States? I have great respect for the IMF. But it has to understand that well-tailored clothes on the wrong body can look terrible."

Chaves has often attacked the IMF's austerity policies. In regard to the current debt crisis, he remarked: "Our creditors knew

our reality at the time they were lending to us, and they must remain conscious of our reality at the time of being repaid. . . . Conditions must be created so that a debtor who wants to pay his debts can do so."

In a press conference in New York March 22, Chaves emphasized that Brazil "must resume development in order to meet its commitments," and again cited the U.S. experience of the 1930s: "The American nation at that time had a population of about 120 million with about 17 million unemployed. Industry was in trouble from the sharp and continuous drop in production. American agriculture, which had always been strong, was in an immense depression, foreign trade at perilous levels. The picture of social unrest and national demoralization was disquieting. . . ."

"The American depression coexisted with an important fact: economic liberalism was carried to an extreme. All of Roosevelt's messages to Congress were filled with 'free enterprise,' and 'market economy,' but he found himself required to make incursions"—such as the Tennessee Valley Authority.

Chaves welcomed the upcoming visit of Mexican President Miguel de la Madrid to Brazil. The two countries should "trade information" on their debt renegotiations, he said.

Mining

Eximbank loan to Morocco attacked

An American association, The Fertilizer Industry (TFI), is urging the U.S. Export-Import Bank not to fund further phosphate mining activity in Morocco on the grounds that it will undermine U.S. phosphate production and sales.

"The world phosphate industry is already over-built," said Gary D. Myers, president of TFI, in a recent press release, "and further funding of the Moroccan mining activity, currently under Exim Bank consideration, would only contribute to further imbalance." Myers claimed that such funding also would serve to increase Morocco's share of the existing world phosphate

fertilizer market at the expense of the U.S. industry.

In 1983 U.S. mines were operating at 70% capacity, while those of Morocco were at 81%.

Middle East

Soviets to build nuclear reactor in Iraq

The Soviet Union will build Iraq's first nuclear power plant, according to an agreement signed in Baghdad in March. A contract has been concluded for the Soviet Atom Energy Export company to construct the first stage of the nuclear power project.

This is seen as a Soviet bid to regain influence with Baghdad after a period of coolness owing to Soviet support for Iran's Khomeini government.

The reactor will be Iraq's first for electric power production. A French-built nuclear research facility was destroyed by an Israeli air attack in 1981.

Food Crisis

Zimbabwe, South Africa must import corn

Hot, dry weather in South Africa and Zimbabwe has undercut the production outlook for the main crop—corn—to be harvested in May-June of this year, according to the Foreign Agricultural Service of the U.S. Department of Agriculture.

The U.S. agricultural counselor in Pretoria estimates 1984 corn production in South Africa at 5.0 million tons, up 28% from the drought-reduced 1983 crop, but 66% below the record crop of 14.6 million tons harvested in 1981.

The 1984 corn crop in Zimbabwe is estimated at 1.0 million tons, about the same as last year's drought-affected crop, but 67% below the record crop harvested in 1981. Little opportunity exists for any improvement in the yield outlook for corn in both countries, as most of the crop is past the

moisture-sensitive grain-filling period.

South Africa and Zimbabwe have traditionally exported corn. These drought-devastated crops, however, combined with depleted stocks, are expected to result in record corn import needs by both countries.

South Africa had imported about 2 million tons of corn to supplement last season's drought-reduced output, despite large stocks and virtually no exports. Zimbabwe, on the other hand, was forced by the International Monetary Fund to cut exports last season, and drew upon stock rather than import.

This year, South Africa may require as much as 4 million tons of corn imports and Zimbabwe may need about 600,000 tons.

Grain Markets

Cartel cons farmers with 'grain bloc' hoax

Leading farm organizations in the United States are organizing a "grain bloc" in an attempt to obtain increased prices for their crops, *EIR* has learned. But investigations suggest that it is only the large grain companies that will benefit, obtaining grain from farmers at the cheapest possible price.

Under this scheme, farmers' grain is shipped to the Gulf to be sold to an elevator for export. In the past the National Farm Organization (NFO) has been successful in increasing the price of beans by such methods.

But according to a veteran NFO member, this type of "bloc" is only successful if there is a known destination, a prior contract, and an immediate second shipment. None of these conditions holds in the present case.

Since grain elevators throughout the country are nearly empty, and the grain giants Cargill and Continental have had to buy directly from the farmer to obtain grain, the "bloc" could be a grain company move to buy grain sitting in farm storage at low prices. The farmers are paying for the shipment of the grain, and since there is no contract, the grain companies will be able to dictate purchasing prices at the Gulf. If the farmers object, they can always pay for the return shipment.

Petroleum

Japan becomes largest crude importer

Japan replaced the United States as the world's largest importer of crude oil in 1983, according to new data released by the Japan Petroleum Association. Unlike the United States where imports fell a hefty 9% last year, Japan relies on imports for virtually all crude needs. Of Japan's import total, OPEC supplies 80%, with two-thirds of that coming from the vulnerable Middle East nations bordering the Persian Gulf. Imports from Iran to Japan were up 72% in 1983 over the previous year.

Japan's suppliers provided the following in the last quarter of 1983: Saudi Arabia led with 3.015 million barrels/day; UAE, .573 mbpd; Iran, .489 mbpd. From the Far East, Indonesia led as supply source with .551 mbpd while Mexico increased its exports to Japan by 41% to .148 mbpd.

Corporate Takeovers

Tax incentives favor U.S. oil merger fever

A former head of the Bureau of Competition of the Federal Trade Commission (FTC) reveals that a major incentive favoring oil company takeovers in the currently glutted market is not the presumed relative cheapness of acquiring reserves from existing companies compared to undertaking new exploration, but tax incentives.

Thomas J. Campbell of the Stanford University Law School said in a recent interview that "crude is always worth more to an acquirer than it is to a company which has produced it. This is because the acquired company has in most instances fully depreciated its costs, and taken full advantage of the oil depletion allowance. A newly acquiring company can commence depreciation anew."

Campbell points out that the present tax structure for the oil industry provides a substantial disincentive against a company undertaking a long-term strategy for development of new oil reserves.

Briefly

● **W. R. GRACE & CO.** has concluded a major agricultural deal with the Soviet Union. The company will provide scientific cattle-breeding equipment and technologies, including technical seminars and exchanges. "In addition to the monetary reward such an agreement brings," a spokesman said, "there is great satisfaction in knowing that our two-way consultations will also help lower some of the barriers to a better understanding between the people of our two nations." Chairman J. Peter Grace is advocating a \$150 billion U.S. defense budget cut over three years.

● **HUMBERTO LUGO GIL**, the head of the Mexican House of Representatives, rejected the imposition of foreign "conditionalities," in a speech March 22. "Mexico does not accept conditionalities that could offend the dignity of the Nation or that compromise its independence," he said.

● **JAPAN** will unveil the world's first public magnetically levitated train at the Science and Technology Exposition in Tsukuba in 1985, according to the *Jiji Press*. The United States abandoned its R&D effort in maglev trains more than five years ago. The small pilot train will hold 48 passengers and will "float"; it is levitated by the interaction of magnetic fields inside the train and in the track. The maximum speed of the first demonstration in July will be 30 kilometers per hour; maglev systems could potentially go hundreds of miles per hour. The limit of wheel-on-rail trains is about 200 miles per hour.

● **BUSINESS WEEK** prescribes a \$2-\$3 billion dollar cut in "the President's Star Wars satellite defense program" and a slashing of tens of billions in defense by "halting work on the big-ticket items designed to replace equipment that is already adequate." "The key items: the B-1B bomber, the MX intercontinental missile, the Maverick air-to-surface missile, the Navy's two new carrier groups, the 29 DDG-51 destroyers, the armored Bradley Fighting Vehicle and the DIVAD air defense system."