

Business Briefs

Trade War

Citibank's Wriston to head U.S. Trade Dept.?

If just-retired Citibank chairman Walter Wriston is named to succeed Bill Brock as U.S. Special Trade Representative, as the *New York Times* mooted on March 22, trade war between the United States and its allies in Western Europe, Asia, and Ibero-America is about to begin in earnest.

Wriston is an architect of the "Fortress America" policy of the British "Ditchley Group"—pulling the United States out of world markets and bringing all the cash back home. According to the *Times*, Wriston will be hand-picked by his Wall Street buddy Donald Regan, the White House chief of staff. The *Times* reports that Wriston "has been a frequent visitor to the White House and is one of a small group of business leaders who counsel the President on economic matters."

East-West Trade

Enthusiasts predict a spring trade 'thaw'

The U.S. Commerce Department announced on March 20 that Secretary Malcolm Baldrige will meet in May with Soviet Trade Minister Nikolai Patolichev, the first high-level meeting on trade between the two countries in seven years.

The bid to revive East-West trade is coming from Control Data Corp. and related Soviet-linked firms and lobby groups. William C. Norris, chairman of Control Data, told a conference on East-West trade at Duke University on March 21 that "spring" is coming. "There are some warming currents, and there are reasons to believe the climate will continue to moderate, albeit at a slow pace," he said.

The conference on "East-West Multi-national Co-Ventures" was co-sponsored by the Austria-based International Institute for Applied Systems Analysis (IIASA), Duke University, Case Western Reserve University, and Ohio State University. The Reagan

administration had withdrawn American funding from IIASA when it discovered that the Soviet KGB was using it as a cover for intelligence operations and to tap into Western computer data bases. IIASA was founded by Eastern Establishment Brahmin McGeorge Bundy and KGB official Dzhermen Gvishiani during the 1960s.

Organizers for the conference circulated a document claiming that expanded trade with the East bloc is critical because "the so-called smokestack industries" of the United States have been hit by the "worst recession since the Great Depression." Record bankruptcies and the vast Third World debt are putting heavy pressure on the nation's banks, and "an increasing number of American companies are looking for new markets in unlikely places such as the Soviet Union and Eastern Europe."

Domestic Credit

Ohio S&L problems could spread

Maryland Savings and Loan banks are paying some of the highest rates of S&Ls nationally, in a desperate bid to keep depositors, because the state-chartered S&Ls, like those in Ohio, are not federally insured. Meanwhile in Massachusetts, some privately insured S&Ls are threatened with runs, and are taking steps to get federal insurance. The FDIC reports a "dramatic" increase in inquiries from Massachusetts S&Ls, from zero to 15 applications in one week.

In Oklahoma, state bank examiner Empe announced on March 21 that 25% of his state's 310 state banks have substandard loan portfolios.

Dope, Inc.

Caracas magazine joins attack on Cisneros clan

The current issue of *Resúmen*, a Caracas monthly, runs a two-page editorial denouncing the wealthy Cisneros family for

abusing public and private power through its attacks upon *EIR* and the book *Narco-tráfico, SA (Dope, Inc.)*. Four *EIR* correspondents were expelled from Venezuela Feb. 7, under orders of the Cisneroses, for circulating the best-selling book describing the role of this elite family—and its northern friends like David Rockefeller—in the Ibero-American drug trade. The expulsion and subsequent banning of the book created a scandal throughout the continent.

At issue, said *Resúmen*, is not whether the book's charges are true, but how the Cisneros family used the government for its private ends in this case, meeting with President Jaime Lusinchi and government ministers, accusing everyone from their commercial enemies to Interior Minister Octavio Lepage of being behind *EIR*'s attack. The Cisneroses, according to *Resúmen*, bought off judges, the political police, attorneys—and still no one defended the *EIR* journalists when they were illegally deported.

Banking Secrecy

Swiss to discuss U.S. access to bank documents

Six Swiss government officials are scheduled to be in Washington, D.C. March 26-28 for "consultations on judicial assistance, a mechanism that would allow U.S. authorities to get their hands on documents and testimony in Switzerland," a Swiss government official declared. "Were Swiss banks involved, or used, in certain ways? That is the question to be discussed."

The idea for the discussions was initiated by the United States last year as part of consultations in the Marc Rich case, which involved the financial swindles of a fugitive from American justice who had taken residence in Zug, Switzerland. "There is a difference in principles between the Americans and the Swiss about how that case could be solved," the official said.

Rich is connected financially to, among others, the Atlantic Richfield Oil Company of Kissinger Associates director Robert O. Anderson.

U.S. government and legislative officials have indicated that discussions with Swiss officials would involve wider aspects of Swiss banking secrecy regulations and the international drug trade and dirty-money laundering. The Swiss official said these issues would come up "indirectly."

The Swiss delegation is headed by the director of the legal department of the foreign ministry, Herr Kraft, and will have representatives from the Swiss equivalent of the Department of Justice and the Treasury. It will meet with American counterparts under the direction of the legal division of the State Department.

Industrial Production

Falling prices for U.S. producers' goods

While President Reagan watches the paper dollar recovery, prices received by producers of all real goods are collapsing this year the way farmers' prices have been collapsing for some time—bankrupting the productive part of the U.S. economy. Industrial purchasing departments surveyed by the *Wall Street Journal* said, "We're in a buyers' market and will be for the rest of 1985" for industrial materials.

Prices have fallen recently on oil, plastic, paper, and building materials. Purchasers for Kaiser Aluminum and Bechtel expect no more than 2% cost increases in industrial materials they buy for all of 1985, well below the rate of inflation. "Suppliers are on the defensive" said Bechtel's buyer.

Budget Deficit

Senators call for cuts in farm, student loans

Senators Patrick Moynihan (D-N.Y.) and Frank Lautenberg (D-N.J.) called on March 19 for the U.S. government to slash the federal deficit by selling off its portfolio of \$245 billion in loans to farmers, students, veter-

ans, and small businesses. The portfolio is expected to grow to \$280 billion by October 1986.

The loans would be sold to private institutions such as the Student Loan Marketing Association. Moynihan claims that this would slash the deficit by \$145 billion over three years, "a way of converting an asset that is questionable, to cash in the register."

Because many of the loans are risky and carry low interest rates, they would have to be sold at a deep discount from face value and the move would end up costing the government money and hurting the debtors, Sen. Slade Gorton (R-Wash.) pointed out.

The Southwest

Lending policies of Texas banks under fire

First City Bancorp of Houston, Texas, one of the biggest lenders in the state, has disclosed that internal controls and lending policies at three of its largest bank subsidiaries were deemed "inadequate" by federal regulators. First City, with assets of \$17.3 billion, disclosed in its annual report that the U.S. Comptroller of the Currency had taken disciplinary action to force two subsidiaries to write down problem oil loans, and the Federal Reserve moved against a third subsidiary. The regulators' actions are expected to affect stock and bond ratings of the banks and of Bancorp holding company.

The *Houston Post* reported on March 19 that problem loans and charges of money-laundering will hurt all Texas bank stocks. Texas Commerce Bancshares is in trouble because of \$51 million in problem loans to directors Pat R. Rutherford, Jr., and R.W. Moncrief, and may face civil penalties. First City Bancorp's First City National Bank of El Paso has been connected to a money-laundering scheme.

Duff & Phelps has downgraded its rating of Texas Commerce Bancshares' senior debt due to a "large and significant" drop in expected first-quarter earnings. TCB's debt issues had been on the firm's "watch list" due to concerns about asset quality which had been slipping moderately.

Briefly

● **NUCLEAR ENERGY** development in Argentina is seriously threatened by budget cuts, Alberto Constantini, the director of the Nuclear Energy Commission, declared. Reduction of the Commission's budget to \$420 million will mean that work on the Atuch II nuclear plant and the Arroyito heavy water plant cannot be completed. All research and work on pilot plants, including cyclotron production, will have to be halted, and many physicists will have to be fired.

● **A SPECIAL** prosecutor will be appointed in Ohio to investigate the circumstances surrounding the closing of Marvin Warner's Home State Savings Bank. A special legislative investigating committee and a Republican Party investigating team may also be named to look into the ties between Warner and Ohio Gov. Richard Celeste. Celeste co-signed a loan with Warner; his campaign manager became the chief lobbyist for Home State Savings Bank after leaving Celeste; and a fundraiser was held for Celeste at Warner's farm. Yet the appointment of the special prosecutor had to be approved by Celeste himself!

● **LLOYDS OF LONDON** insurance company chairman Peter Miller called on Britain to become a full member of the European Monetary System, in a March 20 speech in London. Lloyds complains that the pound sterling's fluctuations vis-à-vis the EMS currencies are causing too many accounting problems. The Bank for International Settlements is proposing that the United States join the EMS for the same reason.

● **ARGENTINE FARMERS** organized a 1,000-car caravan into Buenos Aires in mid-March to protest government austerity policies which are destroying agriculture. Although police prevented them from entering the capital, they promised future nation-wide action if President Alfonsín does not respond to their demands for immediate changes in credit and tax policies.