the openness with which intelligence circles associated with the Carter Administration are advertising their offer to the Saudis, which they believe Riyadh cannot refuse.

The deployment of Saudi reserves is a matter of life-and-death for the New York banking group whose leading exponent, David Rockefeller, is Zbigniew Brzezinski's long-time patron. The banks were not in a good position to continue their pressure on the Saudis on the question of deposit-maturities much longer. According to figures released this week by the Department of Commerce, commercial bank liabilities to foreigners fell by $3.4 billion during the first quarter of 1977, compared to a $9 billion rise during the last quarter of 1976. There is virtually no precedent for this $12.3 billion net swing, which some officials familiar with these statistics attribute to the small banking war noted above.

Bailing Out Hotspots?

In related developments, the Gulf States group at the Paris meeting of Egypt's creditors (dominated by the Saudis) agreed to provide precisely the volume of funds required to enable Egypt to pay its current debt-service obligations, without having funds left over to continue its investment program. This took the form of $1.5 billion in rollovers and $1 billion in new money. World Bank and New York commercial bank officials say they are extremely pleased with the results of the meeting and with the cooperativeness of the Saudis.

Also, there are rumors in the Turkish press that the Saudis have placed $300-500 million in convertible Turkish lira deposits, which, if true, would indicate the Saudis are bailing out another hotspot for the New York banks.

On the basis of evidence available at deadline, it is not possible to make a final evaluation of the Saudis' overall monetary stance, in particular whether they are using their reserves to cool out every trouble area in the Eurodollar debtors' list.

Japan Yields to Blackmail

Immediately following the visit to Japan of Carter's special trade negotiator Robert Strauss, the Japanese government indicated a change in its position regarding the IMF's special facility. Japanese Finance Minister Matsakawa told a press conference May 18 that the Japanese government had abandoned its previous view that the intention of the Witteveen facility was to bail out private banks. Now, the finance minister said, Japan would support the scheme, provided that the oil-producing countries provided half of the total funds.

Some press reports say that IMF managing director Witteveen told the Japanese he had pledges from the Saudis to make such contributions during his April visit to Tokyo; if these reports are true, Witteveen was being less than candid. The Saudis have not decided on a full reversal of their previous stand against such a magnitude of contributions.

Immediately before the Interim Committee meeting last month, senior U.S. State Department officials fairly boasted that the Japanese would have no choice but to pony up funds for the IMF's special facility. Japan depends on U.S. markets for 30 percent of its exports, officials said, and would be subject to trade sanctions in the event that it failed to cooperate on the bailout question.

Since Matsakawa's at least pro forma concessions about the IMF facility coincided with the announcement that Japan would voluntarily limit color television exports to the U.S. by 40 percent, the State Department's tactic seems to be having some effect.

— David Goldman

Hambro's Norland Blunders

SHIPPING

The following statement was released May 14, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr.:

According to press reports received here yesterday, the Hambros-associated Otto Norland unwisely supported the proposal that support be withdrawn for existing shipyards, as part of the measures he deemed required to restore ocean-freight price structures. Norland's proposal is all too typical of the kind of incompetent bankers' policies which got the world into the present financial mess and depression. His proposed remedies are incompetent — typical of remedies which are more deadly to the patient than the illnesses they purport to cure.

The collapse of ocean-freight price-structures is a direct result of the current world economic depression. The collapse in tanker bookings, the kernel of the present shipping problem as a whole, dates from the 1973-1974 OPEC rise in international petroleum prices. This price rise did not cause the problem, but rather triggered it. In brief, because the debt-depressed petroleum-importing nations could not absorb the price increases at levels of petroleum-imports consistent with earlier trends, the trends in world petroleum consumption fell off sharply — excessing and beaching large numbers of tankers.

Since energy consumption is the key parameter of the total constant value of tangible industrial and agricultural output rates, the value of global production fell off sharply for reason for the fall-off in petroleum consumption trends. This was aggravated by the post-1971 speculative boom in debt-refinancing and related non-productive financial flows. The debt-equity burdens on nations and on industries, aggravated by the fall-off in constant-value production-output trends, effected a downward spiral in key categories of world commerce. This affected trends in both high tariff cargo, and in broad categories of bulk freight.

This broad fall-off in demand for ocean-freight bookings hit most directly at the estimated $35 billion tankerexpansion portfolio syndicated through key lower Manhattan banks. The result was a savage leap in debt income ratios in the shipping industry overall, and cannibalistic combinations of "mothballing" and competitive rate-cutting.

Properly viewed, the crisis in the ocean freight field is overall a by-product of the downward spiral of the current world depression, a special situation acutely aggravated by the unmanageable debt-overhang in the tanker field itself.

The overall situation is typified by the catastrophic downward slide in U.S. balance of trade. Highly-placed cretins in the USA and elsewhere blame that downward trend upon "excessive" petroleum import levels. In simple truth, it is most immediately a collapse of developing sector demand for capital imports, a collapse caused chiefly by the diversion of even prime costs of production in those nations to nourishing the IMF-World Bank-Eurodollar debt-refinancing bubble.

A certain base level of energy consumption by modern industrial economies is properly regarded as an element of fixed cost. Merely to keep an industrial economy and its technologically advanced agricultural sector "ticking over" and maintained in working order, a certain base level of current energy consumption is required. This includes the maintenance of the infrastructural and cultural levels of existence of the labor force. To reduce energy consumption below those levels is to destroy the future potential for economic recovery.

Savings on the production of unsavory gas by the White House is not only an admissible but eminently desirable measure of conservation; however, no significant reductions in overall energy consumption levels of U.S. industry, agriculture and households could be effected without perpetrating criminal economic insanity.

Respecting the shipping and shipyard industries themselves, the following broad policies are clearly mandatory. Any contrary policies are economic insanity.

First, we must work from the policy assumption that we are going to end the current world depression. Provided appropriate measures of international financial reorganization are promptly effected, all the means for fission-fusion technology-centered, broad, global economic recovery firmly exist. Unless that policy is firmly resolved, all issues of finance and economy are reduced to the question of whether we prefer to give a dying world-economy a cheap or glorious funeral celebration.

Second, therefore, under such necessary financial reorganization ocean-freight bookings will rise substantially above pre-1971 levels during the near-term.

Third, economy in freight rates, as well as environmental considerations, demand a fairly rapid upgrading of fleets, combined with a rational approach to using up obsolescent and becoming obsolescent units.

Fourth, therefore, this will require a maintenance of modern shipyard production and maintenance capacities. The only relevant question here is that of modernization of shipyards.

Fifth, shipyards are not properly viewed as merely ship-building and maintenance facilities. The complex of facilities directly and indirectly associated with shipbuilding industries represents a working group of productive technologies for various kinds of large-scale engineering undertakings.

Instead of weeping away the hours projecting a cheap funeral for the world economy and its shipping industry, the most recent conference should have occupied its energies better with establishing planning and negotiating teams to work up appropriate, rationalized approaches in behalf of the cited five points. (1) Given indicated leaps in demands for ocean freight bookings, what is the scale of the global fleets, by category, required for near- to intermediate-term requirements, and what are the outlines for long-term requirements? (2) What is the best range of approaches to combining modernization of fleets with an economical and otherwise acceptable program of phasing out obsolete and becoming obsolescent vessels and facilities? (3) How many shipyard facilities, in what ranges of capacities, will the world require for the maintenance and development programs indicated? (4) What programs are properly defined as in sight for greater economies and expeditiousness in the ocean-freight-docking-inland transport interface? (5) What are the prospects for balanced diversification of the complexes of industries and labor forces, through which to maintain a ship-building industry of the highest rates of technological progress, by spreading the costs of developing such capacities over an appropriate range of applications to visible engineering undertakings?

The pathetic feature of Norland's reported observations, overall, is that the recommended cost-reduction approach is representative of the thinking of accountants lacking the barest insights into the realities of economics. When the world becomes uneconomical because its output has fallen overall below economic breakeven points, the remedies are absolutely not to either reduce operating levels still further, or to shift labor employment from high-productivity high-technology to socially unproductive labor-intensive occupations.

British finance would accomplish the equivalent of an astronomical-unit-sized leap upward in competence if the City of London would immediately project an official ceremony devoted to placing the works and memory of John Maynard Keynes and similarly afflicted nominalist mentalities into a museum for obscure and deranged cults. Hambros, in particular, ought to know better than to tolerate the sort of nonsense to which we have objected here.