# Business Briefs

*Agriculture*

## Farm co-ops get export credit

The U.S. Farm Credit System's Banks for Cooperatives can now make loans for short-term export financing to agricultural cooperatives.

This long-sought facility will benefit the cooperatives, which now control only 10 percent of grain exported. Jon Greeneisen, chairman of the BCs' international services committee, says: "I don't think that the cooperatives are ever going to displace Cargill, Continental, and Bunge. That is not the objective. The objective is to give the farmers of this country an alternative source for marketing their grain on the international markets." The United States has bumper crops which are costly to store; new markets will, among other things, help eliminate this expense.

*Trade*

## U.S. reciprocity bills will not be vetoed?

Administration sources have told *EIR* that they expect the administration to allow some of the trade reciprocity bills now before Congress to pass. "Unless we want to veto them, we have no choice, since some of them will most certainly get through," said one official.

The bills, aimed particularly at Japan, would allow the United States to restrict certain imports from any country deemed to be denying an open market to U.S. goods, services, or investment.

Hearings are scheduled to begin around March 25 on Sen. John Danforth's reciprocity bill, S.2094. By that time the administration will have to come up with a position. Currently the various Departments are reviewing a 37-page analysis prepared by the U.S. Trade Office. According to administration officials, the USTR papers take the view that the current GATT system should not be replaced by an overall reciprocity system. Currently the United States treats Japan, for example, the way it treats other most-favored nations; the new system would mean treating Japan the way it treats the United States.

Sources report that the Trade Office acted as technical advisers to Danforth's office to enable him to design a bill that would not violate GATT.

*Foreign Exchange*

## Behind Mexico's drastic peso devaluation

At 10:00 P.M. on Feb. 17, the Bank of Mexico, Mexico's central bank, suspended all support operations for the peso. Without support, the peso immediately plunged to approximately 38 pesos to the dollar, a 30 percent drop.

The Mexican move was a concession to intense pressure from outside interests, particularly Swiss financial command centers and the International Monetary Fund. According to sources at Wharton who helped arrange the devaluation, the decision was worked out when an IMF delegation was in Mexico in late January.

In February, capital-flight operations against the peso had intensified. Foreign bankers had simultaneously informed Mexico that devaluation was a prerequisite for Mexican access to the $11-$14 billion it is expected to borrow this year.

In the first two days' trading after the devaluation, the peso held to the 38 to the dollar level without great fluctuation and in the midst of what most observers termed "general calm." Many sources noted that this was different from the situation in September 1976, when Mexico last devalued.

The calm suggested that some kind of deal had been worked out ahead of time between the Mexican financial authorities and international financial centers.

The alternative to sharp devaluation, exchange controls, was debated at the highest levels up to the last moment, sources stated.

*U.S. Economy*

## Industrial production plunges in January

The Federal Reserve Board announced Feb. 16 that its composite index of industrial production fell a huge 3 percent in January alone, a 36 percent-plus annualized rate. The annualized rate of decline over the three months from November through January is 28 percent, while the rate for the last six months is a 20 percent annual rate, which shows the accelerated rate of collapse.

The Department of Labor reported last week that manufacturing hours per worker fell by 2.1 hours to 36.9 hours, or greater than 5 percent, and the total number of manufacturing jobs fell by 213,000. Construction jobs dropped by a further 140,000 beyond the 1981 postwar low.

The Labor Department published figures purporting to show that unemployment did not increase in January. By the bureau's own admission, this statistic is the result of a seasonal-adjustment-index quirk.

*International Credit*

## Shift in markets dooms Third World

A preliminary survey completed by *EIR*'s Wiesbaden economics staff shows that there has been a massive shift in world lending patterns. In 1981, $103 billion was lent on the Eurodollar market. This breaks down as follows:

The Third World was shut off the market. In 1979, it borrowed net $8.6 billion. In 1981, this fell to net $1.5 billion. The East bloc was shut off the market. In 1979, it got 14 percent of all Eurodollar market loans. In 1981, this fell to 1 percent.

The OECD nations borrowed $61 billion on the Eurodollar markets in 1981. But of this amount, according to the survey, $45 billion went to the United

States, or three-quarters of the money borrowed by the advanced-sector countries and more than 40 percent of all Eurodollar funds lent in 1981. Most of it went into corporate takeovers.

*Domestic Credit*

## Wall Street talks about depression

Some of Wall Street's leading economists are dropping their "recession has bottomed out" line, without noting the error in their past forecasts, or calling for the ouster of Paul Volcker, who along with their employers pre-planned the economic collapse.

Robert Parks, chief economist for Moore, Schley and Cameron, and formerly chief economist for DuPont and Blyth, Eastman Dillon, told *EIR* Feb. 16, "We are in a maxi-recession and there is a one in three chance that it will turn into a depression. The current recession is worse than 1974-75 as far as the financial sector is concerned. Look at the savings and loan industry. As for the non-financial sector, there is a Sahara Desert liquidity crisis. The high level of interest rates is killing the private markets."

Parks stated: "Reagan is an economic illiterate, who can't get re-elected President. He's a cowboy who draws a line in the dirt and says, 'Don't cross over that line.' " Parks pointed out that "Reagan's economic recovery program is based on encouraging savings that would end up financing industrial investment. But this is proving a failure because the funds are being diverted into building aircraft carriers and the large military build-up."

Edward Yardeni, the chief economist for E. F. Hutton, stated that he also thought there is a one in three chance of the economy going into a depression, adding that "this would involve an extended decline involving serious structural damage to the economy." He concluded: "The danger is that lenders will refuse to extend credit to their weaker customers, initiating a liquidity crisis and a string of bankruptcies. . . ."

*Banking*

## Swiss balk at Italy's dirty-money investigations

In at least two incidents this February the Swiss blocked official Italian investigations into links between organized crime, terrorism, and Swiss bankers.

Officials of the Swiss-based Banco del Gottardo were accused of using the Swiss banking-secrecy law to protect millions of liras smuggled out of Italy to their bank. Banco del Gottardo is a subsidiary of Banco Ambrosiano, whose chairman, Roberto Calvi, was arrested in May 1981 for conduiting money for the secret Freemasonic lodge Propaganda-2.

Reports are that the Swiss Banking Association held a meeting on the Banco del Gottardo trial and answered that Swiss banking secrecy is sacrosanct. The Swiss banking newspaper *Neue Zürcher Zeitung* has complained that Italy has not been trying the Banco del Gottardo, but the entirety of the Swiss banking system.

Two Italian parliamentarians, Senators Bussetti and Martorelli, traveled to Switzerland in mid-February to track down an estimated $14 million of alleged under-the-counter earnings from the Italian state-sector oil company, ENI. They traced the money to two Swiss banks, Crédit Suisse, the third largest commercial bank in Switzerland, and to one of the oldest banking houses in Geneva, Pictet & Compagnie.

Bussetti and Martorelli turned over the results of their investigations to the Geneva district attorney, Judge Harari, and asked for the names of the holders of the bank accounts. According to the Italian daily *La Repubblica,* Harari categorically refused to divulge any information and blocked all means by which the names could be discovered. He issued a ruling prohibiting any further investigations.

Bussetti and Martorelli officially notified Harari that if the investigation could not proceed on a judicial level, then it will become a matter between the Swiss and Italian governments.

## *Briefly*

- **JAPAN'S** plant and equipment exports, primarily to the developing countries and the East bloc, are expected to show a 30 percent increase to $15-$16 billion in the fiscal year 1981 ending March 1982. Japan's boom in plant exports centered on plants for steel, fertilizer, cement, etc., particularly in Southeast Asia, Mexico, and Brazil, as well as the Soviet Union.

- **U.S. COAL** industry leaders are pressuring the Reagan administration to sabotage the Soviet-Western European natural-gas pipeline project. At a February meeting between coal-industry representatives and the 10-agency government task force on coal policy, lobbyists said the gas supply to Western Europe would replace 90 million tons of coal imports. The coal companies are largely controlled by the major oil companies, which have promoted zero economic growth internationally.

- **USDA's** research center at Beltsville, Maryland, using the techniques of cloning through meristem tissue cultures, has produced orchards of dwarf trees that will bear fruit of normal size, enabling an increase in the number of trees per acre, shortening the growing time, and permitting mechanization from planting to picking.

- **ROBERT HUNTER,** head of the National Insurance Consumer Organization, claims in a report that the United States spent $235 billion for insurance in 1981. This, he estimates, cost America 30 work days per employee or $1,025 for every American man, woman, and child.

- **A WASHINGTON** lobbyist for various independent oil and gas interests tells *EIR* that "natural gas decontrol is absolutely dead" this session of Congress for a variety of political reasons.