Business Briefs

U.S. Monetary Policy

Congressional maneuvers on IMF legislation

Congressional allies of Wall Street banker Felix Rohatyn hinted they may make trouble for the IMF quota bill, in order to demonstrate the bankruptcy of the current Bretton Woods system and call for a new Bretton Woods, which would turn the IMF into a world central bank.

Senator William Proxmire (D-Wis.) heavily criticized the IMF quota increase in a Feb. 23 speech. He said that the administration is trying to sell the quota increase as good for U.S. exports, but, "Mexico is already sharply reducing its imports. Mexican imports from the United States were slashed last year by $6 billion, costing America 150,000 jobs. Apparently that was not enough. Now the IMF will tell Mexicans to tighten the screws even further. . . . If this IMF technique is applied in Argentina, Brazil, and other countries, the end result of our $8 billion contribution to the IMF quota might be the loss of a half-million American jobs."

Public Policy

Shultz forms commission on foreign aid

Secretary of State George Shultz Feb. 22 announced the formation of a new "Commission on Foreign Security and Economic Assistance" which will review the goals and objectives of U.S. foreign aid and operate outside the official channels of the U.S. State Department.

The head of the 15-member commission, which will include six or eight members of Congress drawn equally from both parties, will be Frank Carlucci, former Deputy Secretary of Defense under Caspar Weinberger. Serving under Carlucci as co-chairmen will be Rockefeller Foundation director Clifton Wharton, who is also chairman of the Board for International Food and Agricultural Development; Lawrence Silverman, former ambassador to Yugoslavia and current executive vice-president of Crocker National Bank; and AFL-CIO President Lane Kirkland.

According to an Agency for International Development spokesman, the commission was proposed by Shultz after discussions with Congress during the lame-duck session. AID head M. Peter McPherson will function as Shultz's liaison to the commission, which will be funded by both public and private sources.

The commission will give a preliminary report in July 1983 and a final report in the fall, examining the effectiveness of such U.S. bilateral and multilateral foreign aid expenditures as contributions to the World Bank, the Inter-America Development Bank, Asia Development Bank, and others. The International Monetary Fund will not be scrutinized by the commission.

Conference Report

Oxford colonialists see financial crash

Oxford University's Institute for Commonwealth Studies in Britain sponsored a conference in mid-February entitled, "The Crash of '83," featuring economists from Oxford, Cambridge, and the central bank of the People's Republic of China. The event was organized by Neville Maxwell, formerly a British intelligence stringer based on the Indian subcontinent, who was forced to leave India after expressing too exuberant pro-Chinese viewpoints at the height of the Indian-Chinese war.

According to Maxwell, the consensus reached at the event was that a global financial collapse is inevitable by early 1984 at the latest. Speakers also addressed the potential for a "debtors' cartel" to emerge among Third World nations.

Maxwell described the event as follows: "We are heading toward the catastrophe that is now needed. To survive, the system has to go through collapse. It has to clear the pathological mountain of debt that its own nature has created. The whole capitalist system is based on debt and credit expansion, and credit expansion has now become morbid. We need the surgery of collapse. It will probably happen this year. . . . The history of capitalism shows that it needs collapses. . . ."

Attendees were treated to a presentation on the prospects of a debtors' cartel by the Bank of China representative. He and others considered the prospects of such a cartel likely, and perhaps salutary, if the collapse is not to get out of control. Central bankers are "scurrying around like frightened rabbits," the representative reflected in discussion on the event. "The financial situation is totally insoluble" with current blueprints.

World Trade

Japanese finds frank talk in Moscow

Japan "will sink in 20 minutes," if war breaks out, Soviet Foreign Trade Minister Nikolai Patolichev told Japanese business leader Shigeo Nagano at a Feb. 23 meeting in Moscow. Patolichev was referring to Japanese Prime Minister Yasuhiro Nakasone's comments in Washington in January that Japan would become an "unsinkable aircraft carrier" against the Soviet Union. Rather than sink Japan, Patolichev proposed that Japan and the Soviet Union cooperate in the economic development of Siberia and other Soviet areas.

Nagano, who is leading a 220-man delegation of Japanese business leaders, is under a restricted mandate. Just before his departure, Nagano was summoned by Premier Nakasone and told to limit discussion to improvement of general trade. Tokyo will not provide any additional credits for Soviet development projects, Nakasone told Nagano, until territorial disputes left over from World War II are solved.

OPEC

Iraq pulls $425 million out of Japanese bank

Over the past year, the central bank of Iraq has withdrawn $425 million, almost the entirety of its "free yen" and foreign currency deposits, from Japan's largest bank, Dai-ichi Kangyo, according to JIJI press. Banking sources in Tokyo told JIJI that Iraq needed the money to pay for its continuing war with Iran, because of falling oil prices.

In February, Nigeria withdrew $42 million in deposits from Japanese banks, and Kuwait sold off $425 million in Japanese government securities.

Saudi Arabia has not yet withdrawn money from Japan, but its investments into Japan have shrunk drastically. Saudi Arabia accounts for 55 percent of oil-producers' investments in Japan. From $400 to $500 million per month investment level in 1981, the Saudi average dropped to $200 million per month in 1982, and only $100 million per month so far in 1983. *EIR* expects Saudi Arabia to run a deficit for the first time in 1983, leading to a possible net withdrawal of investments from Japan.

Technology

Soviets: 'Lasers revolutionize economy'

Laser technology "within our century . . . will come to occupy in science and the economy a place roughly equivalent in importance to the place electricity came to occupy at the beginning of the century," wrote a prominent Soviet scientist Feb. 5 in the armed forces daily *Krasnaya Zvezda (Red Star)*. Academician B. Stepanov's review of laser applications in medicine, industrial processes, and soon in the achievement of controlled thermonuclear fusion power was one of several new published testimonies by the U.S.S.R. to this imported technology. As *EIR* has documented, lasers and other directed-energy beams have great potential for military as well as civilian use.

In the first 1983 issue of the Soviet party Central Committee's economic weekly *Ekonomicheskaya Gazeta*, State Committee for Science and Technology head G. A. Marchuk described a national program called "Laser Equipment and Technology," one of several high-priority projects that are "under the trusteeship of coordinating councils headed by top scientists and specialists." The laser program is run by Academy Vice President and fusion physicist Ye. P. Velikhov. Other programs cover nuclear power, including fast breeder technology, under Academy President A. P. Aleksandrov, and gas pipeline technology, under the Minister for the Gas Industry, V. A. Dinkov.

Academician Aleksandrov turned 80 on Feb. 12, which was the occasion for the Soviet press to publish appreciations of his long career, spanning the wartime nuclear program, the first stages of fusion research alongside physicist V. Kurchatov, and his work in the Academy today. Marchuk wrote in *Pravda* that Aleksandrov "possesses the gift of being able to determine precisely the time when the results of fundamental research should be taken up in technology, and when a given new technology can make possible better experimental work." Here and in *Krasnaya Zvesda*, the articles stressed Aleksandrov's collaboration with industry.

Foreign Exchange

Venezuela enacts currency controls

The Venezuelan government enacted exchange controls on Feb. 23 in an effort to stop wild capital flight. However, dollar trading was suspended through Feb. 25 and, as of this writing, pressure from the international banks to devalue the bolivar is expected to continue. The government also announced the creation of a two-level exchange system that barely skirts the devaluation issue: the bolivar will continue to be pegged at 4.30 to the dollar for all essential exports, such as oil, iron, and steel. A free-floating bolivar will be used for "non-essential" transactions, and speculators in New York are saying the rate will be in the range of 6 to 9 to the dollar.

The action puts some pressure on speculators, but unless the Venezuelans are prepared to abandon what has so far been a very defensive position, the bankers will unquestionably continue to strip the country. The Feb. 24 *Journal of Commerce* published the bankers' line: Venezuela's problems are due to Venezuelan "mismanagement."

Caracas press reports that capital was flying out of the country at a rate of $200 million per day the week of Feb. 21. Venezuelan reserves are down to $8.7 billion from a high of $16 billion last October.

Briefly

● **THE U.S. TREASURY** is still conducting two studies on a new currency system ordered at the 1982 Versailles summit, Treasury Secretary Donald Regan told the Senate on Feb. 23. "There is a 'convergence study' to see if we can get inflation and interest rates down and more in sync with each other, so that we don't have flows of hot money around the world, which will stabilize currencies," he said. "There is also an 'intervention study.' It's obvious, and I remain skeptical on whether intervention can really stabilize currencies." Group of Five deputy finance ministers will be meeting in Washington soon, and then the finance ministers will meet in April on these two reports, he said.

● **A. W. CLAUSEN,** chairman of the World Bank, thinks the world financial system is "robust," or so he claimed Feb. 24 in a speech at Harvard University. In defense, Clausen cited the concentration of world debt among a handful of "dynamic" developing countries which, before 1980, had growth rates of over 7 percent. Clausen also reported that if bank lending to the Third World stays at 1982 levels, income in the Third World will decline by 10 percent.

● **"THE GREENS** and Social Democrats would accomplish . . . what Marx and Morgenthau were unable to do . . . the deindustrialization of Germany." This is an election campaign claim of the Christian Democratic Party in West Germany, according to a Feb. 23 New York *Journal of Commerce* editorial.

● **ATARI, INC.,** the ultimate "sunrise" company, announced Feb. 22 that it was moving its home computer and video games operations to Hong Kong and Taiwan from California. Atari is looking for "much cheaper" labor costs in Hong Kong or Taiwan, the model for the free-enterprise zones proposed for U.S. cities.