Click here for Full Issue of EIR Volume 10, Number 21, May 31, 1983

Business Briefs

International Trade

Barter the 'wave of the future?'

Barter and countertrade were a principal topic of discussion among Swiss corporations and trading companies represented at a private seminar at the Geneva Institute for Higher Studies at the end of April.

The seminar, organized by the Institute's director Jacques Freymond and by Swiss National Bank chairman Fritz Leutwiler, cast gloom on developing nations' prospects of regaining the foreign exchange position required to trade normally.

In a May 18 feature by Christine Raemy-Dirks, the leading Swiss daily *Neue Zürcher Zeitung* argued, "In the last four years, as many debt restructurings have been necessary as in the preceding twenty years. In the age of foreign-exchange scarcity, more and more countries are seeking a way out through countertrade. The countries of the East bloc have extensive experience in this.

"A way of thinking has endured through the postwar period, according to which a balance of goods exchanged between two partners is better than multilateral trade in time of crisis. Imports should be paid for only by exports of one's own goods. The roundabout way to trade with third countries is left to compensation trade and 'switching.' More and more developing nations are going over to this viewpoint."

Non-Aligned

India demands Soviet support

The Indian government took the occasion of a mid-March visit to New Delhi by the deputy chairman of the Soviet Council of Ministers, I. V. Arkhipov, to press the Soviets to support the proposals of the 101 Non-Aligned nations. Arkhipov is one of the leading Soviet officials to deal with India on matters of economic cooperation.

Speaking at a dinner in Arkhipov's honor, Foreign Minister N. Rao said: "We seek your cooperation and understanding with regard to this approach. We must seek collective solutions to common problems."

Prime Minister Indira Gandhi later met with Arkhipov for 40 minutes. Press reports say the Soviets conveyed their "positive and sympathetic" response to the Non-Aligned summit, apparently after the Indians made the summit an explicit issue for public discussion.

During the Arkhipov visit, India and the Soviet Union reached agreements to expand the already extensive economic cooperation that has characterized their bilateral relations for many years. The Soviets agreed to provide to India a $140 million credit line for a steel project.

They also concluded agreements relating to coal, oil exploration, and power projects. New Delhi will consider a Soviet offer to provide India with two separate nuclear power plants, each with 440 megawatt capacity, a modification of an earlier Soviet offer.

The draft program for science and technological cooperation for 1984-87 was also discussed, under which the two nations will cooperate in various crucial frontier fields in the sciences, which will include development of lasers, bio-technology, and low-temperature physics.

Oil

Soviets ask ties with Saudis in OPEC parley

In its ongoing talks with OPEC on limiting Soviet crude oil exports to the West, the Soviet Union is reported to be asking for full diplomatic relations with Saudi Arabia and the other oil-exporting emirates of the Persian Gulf, which have heretofore been allied only with the United States.

Last month OPEC designated Algeria to begin a dialogue with the U.S.S.R. on cooperation in limiting Soviet exports, in order to reverse the constant oversupply of crude oil which continues to erode OPEC prices.

Over the past 18 months, Soviet oil exports, particularly to Western Europe, have soared. Exports are currently estimated at approximately 2 million barrels per day, a little under 20 percent of total Western European oil consumption.

Saudi Oil Minister Ahmed Zaki Yamani acknowledged the growing role of the Soviet Union in the oil market for the first time in a mid-May statement to the press. Yamani noted that both Iran and the Soviet Union represent a threat to the current delicate oil-pricing structure which OPEC agreed to in March, following the longest bargaining session in its history.

Iran and the U.S.S.R. have consistently sold high volumes of oil at prices well below the OPEC marker price.

The Soviet conditions for cooperation with OPEC is expected to be ill-received in Riyadh. Saudi King Fahd, a firm ally of the United States, is known to be resisting pressure from his factional opponent, First Crown Prince Abdullah, to move closer to Moscow.

Abdullah was the first Saudi official to acknowledge the prospects for opening ties with the U.S.S.R. in a March interview with the Kuwaiti daily *As Siyassah*.

Banking

Bankruptcy pro named to Baldwin-United board

Victor Palmieri, the Los Angeles real estate consultant who managed the asset-stripping of Penn Central, has been named to the board of directors of Baldwin-United, the Cincinnati financial services corporation which is in arrears on $900 million in short-term loans to banks.

The addition of Palmieri to the board follows the accession to the chairmanship of Baldwin-United of financier Max Karl, head of Baldwin's chief subsidiary, the MGIC corporation of Milwaukee.

As documented in the May 24 *EIR*, Karl's MGIC is a financial swindle, which has been repeatedly used for political dirty tricks operations against both Republican

© 1983 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

and Democratic officials.

In addition to being a bankruptcy consultant, Palmieri acts as adviser to several private pension funds, whose funds Palmieri has been known to deploy to finance his bankruptcy reorganization schemes. Presumably, such funding will now be forthcoming for reorganization of Baldwin-United.

Wall Street insiders insist that the objective of the reorganization is to protect Karl's MGIC at all cost, even if it means shutting down the Baldwin-United holding company.

Both Karl and Palmieri are long-term associates of New York's Goldman Sachs investment bank.

Informed sources report that Palmieri's stature as a management consultant was established by Goldman-Sachs in 1970, when the investment bank hired him to reorganize the Great Southwest corporation. Palmieri also managed the real estate holdings of the Teamsters' Central State pension fund.

International Finance

Commerce: massive 1982 flight capital

The U.S. Department of Commerce's current account analysis for 1982 shows that $42 billion entered the U.S. banking system during that period in the form of flight capital from abroad.

While the actual volume of flight capital was probably $10-$15 billion higher (*EIR* analysis shows that $40 billion came in from Latin America alone), this figure, which appears in the "errors and omissions" side of the Commerce Department account, would reflect that volume of foreign funds which has not been put through the regular reporting channels.

This volume was double the errors and omissions for both 1980 and 1981.
mulative non-reporting flight capital registered for the three-year period is $96 billion.

Commerce comments on the sharp rise in non-reporting, foreign held accounts in the March *Survey of Current Business:* "Such unusually large unrecorded flows probably reflect a number of factors: the international demand for dollars . . . which both resulted from and added to the attractiveness of the United States as a 'haven' for foreign funds and to the strength of the dollar in exchange markets; very high real interest rates in the United States; and a myriad of financial, economic, and political problems . . . in both the developing and industrial countries. . . .

"Even if the dollar should depreciate somewhat in exchange markets in the period ahead, net unrecorded inflows . . . are likely to persist in a global environment of continued financial, economic, and political uncertainties."

Brazilian Debt

Banks uable to reach consensus

Tensions are mounting in negotiations over the Brazilian debt. Finance Minister Ernane Galvêas confirmed to Brazilian reporters in New York May 20 that Brazil objected to a telex sent May 16 by the largest banks in the liaison committee to Brazil's 400 U. S. bank creditors, which implied that Brazil would give state guarantees to debt owed by the Brazilian private sector. Galvêas said he sought to stop the telex "in order to let the banks reach a consensus."

Tony Gebauer, Morgan Guaranty's Brazil officer, was overheard after a May 19 dinner in New York reassuring central bank president Carlos Langoni about "a second telex."

Morgan and Citibank, erstwhile partners in forcing the original renegotiation of Brazil's debt on other banks, are now at each other's throats, according to a *Wall Street Journal* reporter.

Galvêas denied that Brazil was seeking a new medium-term jumbo loan, and characterized a *Journal of Commerce* story, "Brazilian debt moratorium likely," as "a story planted in London to create a certain environment."

Briefly

● **THE STEELWORKERS** Union took out advertisements in journals across the United States May 19 attacking British Steel Corporation and U. S. Steel. The ad appeared under a headline: "The British Are Coming," with the text warning that a deal to be signed between the two firms could "be the beginning of the end for America's steel independence." The union is outraged that U. S. Steel is going ahead with the global rationalization scheme, after the union agreed to large wage and employment cuts.

● **PIK,** the USDA's payment-in-kind program set up to reduce production by awarding farmers surplus grain, has already proven futile on its own terms. According to the May 9 USDA Crop Production report, wheat yields will be at record levels, since many farmers are either leaving the program or sowing rented land. Production will be less than 2 percent lower than last year. USDA had predicted an inventory decline of 10 percent.

● **THE SHIPBUILDERS** Council of America's latest summary of merchant vessels on order shows that Sweden, which was the world's second largest shipbuilder in 1974 with orders logged at 9.8 million gross tons, reported only 524 thousand tons of unfilled orders at the end of September 1982. Sweden, which now has only one-third of the orders registered by Poland, has suffered a 94.6 percent decline.

● **THE AMERICAN** Iron and Steel Institute reports that imports of steel dropped 31.
months of 1983. Largest losers were the most efficient producers Italy, West Germany and Japan, while relatively inefficient primary producers in less developed nations saw only a 3.0 percent decline in their shipments to the U.S. The greatest drop in imports occurred on the Gulf Coast as the market for pipe and structural materials for the oil industry evaporated.