Business Briefs

Nuclear Energy

U.S. signs fusion agreement with China

The U.S. Department of Energy and the Chinese Academy of Sciences have signed an agreement laying the basis for cooperation in the field of magnetic fusion research. The protocol, signed in early May during a visit to Peking by the U.S. President's Science Adviser George Keyworth, treats the exchange of personnel, information, and instrumentation for engaging in fusion research and experimentation. Under the terms of the agreement, each government will commission universities as well as private and government-run facilities to participate in the exchanges.

Preliminary discussions had already taken place in 1982, which led to the signing of the protocols. Last year, at Keyworth's invitation, Chinese Minister of Science and Technology Fang Yi lead a delegation to the United States which toured a number of high-technology laboratories. Following this, several American fusion scientists attached to the Lawrence Livermore Laboratories reportedly visited fusion research facilities in China.

The exchanges convinced both sides that expanded cooperation in the area of magnetic fusion research was of mutual interest.

China's fusion research program has existed for over 30 years. The nuclear research program is one of the few areas which has remained relatively unscathed by changes in economic and political policy since the founding of the People's Republic of China. Recent demands by the military that science and technology be upgraded make it likely that China's nuclear program will be assigned even greater importance.

Public Policy

A record Treasury receipts shortfall

For the first seven months of the 1983 fiscal year, U.S. Treasury receipts are $22 billion short of the income in the comparable seven month period last year. For the first time in 20 years, the April receipts were lower—by $3.3 billion—than outlays, and the 1983 fiscal year-to-date deficit is $32 billion larger that the total 1982 fiscal year deficit.

Although much of the shortfall is attributable to the effects of both individual and corporate tax rate reductions, and to the carrying foward of corporate tax losses, reduced revenues from excise taxes and customs duties belie the popular "recovery" myth.

The largest revenue loss came from corporate income taxes, whose gross receipts total $33.3 billion to date, compared with $39.6 billion in the first seven months of 1982. That subsumes a 73 percent increase in corporate tax refunds, which reduced net receipts to only $17.1 billion, compared to last year's $30.2 billion.

Surprisingly, given the increase in consumer durables manufacturing and sales, excise taxes (including the windfall profits tax) fell by 23 percent, from $18.4 billion to $14.2 billion. Customs receipts, which also would be expected to turn up in a recovery, are off by 12 percent, from $5.5 billion to $4.8 billion. Even highway trust funds receipts from the gasoline tax, which was increased in April, fell off by 11 percent.

International Credit

OPEC deficit minimum $50 billion in 1983

With exports stuck in a trough of 16 million barrels per day, and selling at a price of $29, the oil-producing countries of OPEC are expected to run a deficit in 1983 of no less than $50 billion. This compares to a zero payments balance in 1982. Saudi Arabia, which posted a $10 billion deficit last year, is now expected to post a deficit closer to $20 billion in 1983.

These forecasts, based on interviews with Middle East departments of leading U.S. commercial banks, are based on the assumption that in the fourth quarter of 1983, OPEC exports will rise to 18 million barrels per day—an assumption which is by no means guaranteed. As *EIR* warned in a Special Report in our Feb. 15 issue, if exports stay at 16 million barrels per day to year-end, the deficit will be close to $60 billion; if prices drop further, the deficit could hit the extraordinary level of more than $70 billion.

In 1982, OPEC imports declined 4 to 5 percent compared to 1981. This year, a decline of at least that same magnitude is expected. To finance these reduced imports, oil-producing countries have started to withdraw investments from Western government securities markets, and to draw down longstanding deposits with Eurodollar banks. On June 8, West German central bank head Karl-Otto Poehl held a press conference in Frankfurt, reporting that oil-producers had declined to renew investments in currently redeemable government bonds. This withdrawal of investments is largely responsible for the decline of the German mark on foreign exchange markets, Poehl stated.

Banking

FBI steps into Butcher case

The Federal Bureau of Investigation (FBI) has sent numbers of officers into Knoxville, Tennessee to oversee the breaking scandal surrounding the shutdown of $3 billion in banking assets previously headed by the family of Tennessee banker Jake Butcher.

In addition to opening office space under a non-existent corporate name in the city, the FBI is in contact with a "former" agent, who was recently relieved of responsibilities for the Kentucky state cabinet. Having been caught engaged in an illegal wiretapping operation, the FBI's Kentucky point man was permitted to retain his state government office to oversee a large dossier on the Butcher case.

On June 8, the *Wall Street Journal* made mention of the FBI's dominant role in the investigation in a page-one lead article. The article additionally lists several other companies, in Texas, Alabama, and other parts of the Southeast, which are now being investigated in an atmosphere of heightened scandal-mongering, as part of the continuing Butcher investigation.

Informed Wall Street sources have told *EIR* that a similar pattern of broad investigation and indictment is expected to occur soon in connection with the ongoing reorganization of the Cincinnati, Ohio-based Baldwin-United financial services company. The Butchers were owners of Baldwin-United debentures before their closure, and had received loans from the Ohio firm.

Debt Crisis

Banks shake up their international sections

Three major banks have shaken up their international departments in anticipation of a Brazilian debt crisis at the end of June.

Bankers Trust executive committee member Carlos Canal, who directed the Brazilian crediter banks' attempt to shore up Brazil's short term debts, announced his resignation June 8.

Canal was in charge of Project 4—the portion of the Brazilian rescheduling package that dealt with overnight interbank loans between American and Brazilian banks. Swiss and other continental European banks sabotaged the Project 4 program by pulling out short-term funds from Brazilian banks.

At Chase Manhattan, a major overhaul of the international department is also occurring, banking sources report, involving reduction of the department size and high level executive assignments.

In addition, Morgan Guaranty Trust's top international trouble-shooter, Tony Gebauer, is reportedly leaving the bank. (He is also marrying into a Brazilian oligarchic family.) Gebauer is one of the founders of the Ditchley Group creditors' cartel.

Comecon

Polish journal proposes Colbertism

The Polish economic management magazine *Zazzadzanie* stated in an article in its early June edition that debtor countries have the advantage over creditor countries, because they can make policy on the basis of freeing themselves from their debt burden, while the latter have "no means of counting on repayment." Poland, therefore, is in the position of being able to present its creditors with an ultimatum.

The main problem with the Polish economy, the article continues, is that "our state-run [economy] instead of giving our economy a direction, indulges more and more in a bureaucratic administration." The state's intervention is certainly necessary, but "on condition that it does not stifle individual energies, but frees and multiplies them."

The paradigm of a correct policy is that of Colbertist France under Louis XIV. Then, the "individual expansion of different enterprises [was unified with] the economic expansion of the whole nation's and the State's power."

It is essential, continues the magazine, to "develop creative initiatives, professional ambition and the energy of the masses. A government which is not capable of inducing in the nation a sincere and authentic enthusiasm for its actions and faith in the slogans it puts forth, is incapable of achieving anything great."

To overcome the crisis, "a great creative effort of the whole nation, of all the citizens and of the State is necessary." If this is not realized, if the money supply keeps on growing faster than production, inflation will be the only result."

The article also proposes elminating the "Byzantine methods of education which destroy any noble ambition."

Japanese Industry

MITI law to promote venture capital

Japan's Ministry of International Trade and Industry (MITI) has proposed new legislation, which is intended to help promote the formation of venture capital for such high-technology industries as computer software and semiconductors.

According to JIJI press, the proposed law would provide tax incentives for investment by allowing businesses to set aside larger-than-normal reserves for investment losses. It would also exempt such businesses from certain sections of the anti-monopoly law.

Briefly

- **JAPAN'S EXPORTS** rose to $11.6 billion in May, 0.5 percent above May 1982. This is the first month in which exports have surpassed year-before levels since January 1982. Imports, however, down 11.7 percent from May 1982, showed the sixteenth consecutive month of a year-to-year slide.

- **MELLON BANK,** which froze the accounts of the Mesta Machine Corporation when that company declared bankruptcy in February, was ordered to release the $350,000 payroll account for Mesta's laid off workforce by a Pittsburgh court June 7. The United Steel Workers had brought a motion before the Pittsburgh City Council demanding that the payroll checks be immediately released.

- **EGYPT** and Japan are scheduled to hold a working-level meeting in Cairo June 15 to promote cooperation in industrial technology and science. According to *Japan Economic Daily*, this is the first session of the joint Japan-Egypt committee inaugurated during President Hosni Muburak's visit to Tokyo in April. The meeting will be conducted on the deputy foreign minister level, and will sign an agreement for technical and scientific exchange. The meeting represents a further indication of Mubarak's commitement to economic development, and of Japan's to aiding Third World development.

- **AIR DEFENSE ARTILLERY** magazine, a quarterly publication of the U.S. Army Air Defense Artillery School at Fort Bliss, Texas, has published in its Spring 1983 issue a five-page article by *EIR* military editor Steven Bardwell on directed-energy antiballistic weaponry. The article covers not only the scientific and technological questions involved, but the economic effects of the implementation of the antiballistic weapon systems which will mark the advent of the plasma age.