Business Briefs

Energy

Deregulation will up coal rates 71 percent

Coal transport rail rates will rise 71 percent and exports will fall 21 percent by 1990 if the Interstate Commerce Commission (ICC) proceeds with its decision to deregulate coal traffic, according to a study by the Energy Information Administration of the Department of Energy.

The report finds that if the ICC carries out another of its current proposals, coal rates could climb by as much as 15 percent over inflation, while domestic production of coal would drop by 5 percent. But EIA also says that if the railroads hold the rates on export coal traffic, they may compensate by additionally raising domestic rates on coal or other commodities.

Much higher rail coal rates will boost the world price of coal and shift more of the U.S. world market share to such countries as South Africa and Australia, the EIA predicts.

Economic Policy

Wall Street Journal seeks drop in population

The collapse in the number of young people entering the American workforce is the basis for real economic optimism, according to the Aug. 15 *Wall Street Journal*. Fewer workers means, simply, less unemployment, the *Journal* quotes Prof. Michael Wachter of the University of Pennsylvania.

"Whereas the labor force grew at slightly over 2.2 percent per year between 1970 and 1982, it will grow at only 1.5 percent between 1983 and 1990," according to Wachter.

The *Journal* adds: "The young workers lacked training and thus found it hard to get jobs. In 1981, when the unemployment rate averaged 7.6 percent for all workers, it was nearly 15 percent for workers aged 16 to 24. . . .

"The rise in the supply of young, unskilled workers in the past two decades has tended to reduce their relative wages. . . . Declining relative wages went right along with rising unemployment and welfare benefits. So the cost of remaining unemployed tended to decline; this has been one factor helping to keep the jobless rate high for the young."

EIR founder Lyndon LaRouche has demonstrated conclusively that the only measure for real economic growth is the increase in relative potential population density—the ability to support an ever-increasing population with increased density of energy supply, and industrial and agricultural production. The American System of Alexander Hamilton and Matthew Carey built the United States into the world's strongest economy on just this principle.

The loss of young workers—and the disastrous implications for the future of the U.S. economy—is what the *Journal* calls reason for "optimism."

"Such optimism admittedly is based in part on an assumption that the federal government in the next few years will get its budget deficits under control, that the Federal Reserve System will pursue a reasonably stable monetary policy, that the world will escape new trade turbulence or war. But the optimism also stems partly from something already known: Major changes are taking place in the work force."

Unemployment

One quarter of workers hit in 1982

More than 26 million American workers were forced into periods of unemployment during 1982, according to the yearly work-experience survey published by the Bureau of Labor Statistics.

Adult men were hardest hit, with 23 percent of all men and 36.5 percent of black males jobless at some time during the year. Only 78.2 percent of all adult men worked during the year, the lowest ratio of employed men since records were first kept in 1948. Of those employed, fewer than two-thirds (62 percent) worked steadily all year. Thus, only 48.4 percent of all adult males held a job throughout the year.

Ibero-American Debt

Bankers nervous about Argentine loan agreement

Argentine Finance Minister Jorge Wehbe signed the final agreement for a $1.5 billion jumbo loan from 300 banks in New York Aug. 16, but bankers reacted with apprehension about whether Argentina either can or will comply with the terms of the loan. A number of bankers told *EIR* that they are concerned that Argentina may declare a debt moratorium very soon.

Several of the conditions originally demanded for the loan—such as alteration of the national bankruptcy law and payment of large commissions and interest rates—have still not been met. And, according to New York banking circles, there is no real confirmation whether the one concession Argentina reportedly made—the lifting of all restrictions on repatriation of profits from British banks and companies located in Argentina—is permanent.

The Argentine central bank issued a communiqué Aug. 15 confirming that the government had finally lifted these restrictions, a major demand of the IMF. However the action was *not* accompanied by the customary presidential decree overturning the freeze, which was first imposed during the 1982 Malvinas War.

Because there is stiff opposition to lifting of the restrictions among factions of the armed forces, bankers are worried that the government may have retained the law instituting the freeze on the books, to be enacted under compelling political conditions.

The statements by nationalist leader and prominent historian Jorge Abelardo Ramos demonstrate the opposition to the repatriation of British assets. Ramos accused both Wehbe and central bank president González del Solar of "treason against the fatherland" for authorizing the lifting of the restrictions. Abelardo Ramos called on judge Martin Anzoategui, who is currently directing an investigation into the growth of Argentina's foreign debt, to haul both government officials into court and interrogate them on what kind of deal they made with the British.

Banking

Regional pulls out of Citibank corsortium

Michigan National of Detroit, one of the United States's 50 largest banks, announced Aug. 11 that it had taken the unheard-of step of bringing a lawsuit against Citibank of New York, in order to pull out of a $5 million participation in a $45 million syndicated loan to Mexico's national oil company Pemex.

A worried *Wall Street Journal* reported Aug. 12, "Although the credit is a small one, the Michigan National suit could have wide repercussions. The syndicated loans through which billions of dollars have been extended to Mexico, depend, in effect, on the unanimous consent of many large and small lenders. If any one lender in a syndicated loan refuses to accept major provisions, such as postponement, the entire credit structure could unravel."

Numerous cases in which regional banks have opted not to join loan refinancings have never been reported in the press. On Aug. 18, New York's *Journal of Commerce* stated editorially that the Detroit suit must not become a precedent for other disgruntled regional banks, adding, "The major money center banks will feel more comfortable if it is resolved, as is generally expected, in Citibank's favor."

In its suit, Michigan National reported it had joined a Citibank-led $45 million loan syndicate to Mexico's state oil company, Petroleos Mexicanos (Pemex) on May 3, 1982. The loan was to run 90 days. Pemex was unable to pay the loan back, and Michigan National extended.

But after July 26, Michigan National refused to refinance, and when Citibank refused to let Michigan National out of the loan syndication, Michigan National launched its suit.

The other banks which have loaned to Pemex have indicated that they may use the Michigan National suit to get out of the syndication.

A frightened U.S. government official admitted Aug. 11 that the Michigan National suit opens "a small but potentially deep crack" in the "coordination and cooperation that has developed over the past year in dealing with illiquidity in some countries."

International Trade

EXIM bank opens credit lines for Brazil and Mexico

The Export-Import Bank's opening of $1.5 billion in credit guarantees for Brazil and $500 million for Mexico is a belated attempt to ward off a Brazilian declaration of debt moratorium. Exim will assume the risk for banks financing U.S. non-agricultural exports.

In effect, this is an offer to restore the ability of Brazil to import vital industrial components and materials from the United States. That trade channel was closed following the Brazilian central bank's July 29 decision to make let the trade bills go into arrears along with interest owed to banks.

The inability to import vital goods has left Brazil with little to lose by declaring a debt moratorium and either substituting imports or bartering with countries in similar straits.

This is the first of an expected series of state-to-state agreements to encourage sticking to IMF rules. Other government export agencies may provide similar import relief for Brazil. In addition, Brazilian Planning Minister Delfim Netto began trying to get a Paris Club renegotiation of $2 billion in debt service due public sources this year and next.

All this, however, may be too little and too late. Neither the Exim's import guarantees nor the Paris Club rescheduling will go into effect until after the IMF provides formal approval of Brazil's performance. That means October at the earliest—*if* Brazil accepts tough IMF conditionalities. Meanwhile, Brazil will find other ways to trade.

Briefly

● **SOUTH KOREA** wants to expand the Pohang Iron and Steel facility from its present 9.5 million ton annual capacity to a 12 million ton capacity. The Japanese have made what is being called a "political decision" to participate in the project, according to *Kyodo News*. The United States and European steel producers are strongly opposed to the construction of the new Korean facility. EC members think the project violates the spirit of the Davignon plan.

● **ECLA,** the Economic Commission on Latin America, released information Aug. 15 showing that a half-point increase in U.S. interest rates this year will force Ibero-American nations to pay an additional $1.5 billion in debt service. Total foreign debt for the continent at the end of 1983 is estimated at $320 billion. ECLA Secretary-General Enrique Iglesias reported that every one-point increase in interest rates will increase Ibero-America's debt-servicing costs by $3 billion.

● **IBERO-AMERICAN** debt increases by millions with rise in the London Interbank Offered Rate (Libor) which, according to the London *Times*, has risen to 11.3 percent compared with 8.8 percent at the beginning of May, and 10.3 percent a month ago. In the case of Brazil, every 1 percent increase in Libor adds $510 million to the cost of servicing its debt. Chile pays an additional $70 million for every 1 percent rise in rates; Argentina pays an additional $210 million for every 1 percent rise; and Mexico pays $620 million for every 1 percent rise.

● **LASER** technologies offer yet another scientific capability, according to the following United News of India dispatch from Rome: "Holding out fresh hope for the bald, researchers here have found a method of making hair grow with the help of medium laser beams."