Business Briefs

Food Industry

Armand Hammer bids for big meatpacking firm

Soviet-tied financier Armand Hammer's Occidental Petroleum, through its Iowa Beef Processors (IBP) subsidiary, made a bid in mid-January to buy a large Oklahoma meatpacking company, Wilson Foods. IBP, bought by Occidental in 1981, is already the nation's largest meat packer.

Occidental Petroleum spokesmen have made no secret of the fact that they anticipate global food shortages by the end of the decade. "Our strategy for the 1990s," said president Robert Abboud, "is to be prominent in the food area."

Competitors predict that Occidental will slash wages, break unionization, and drive costs down, forcing the same shakeouts in the pork-packing industry as it did when it took over IBP.

Hammer's involvement in the U.S. food sector is of concern in another respect. The son of Julius Hammer, who, together with Jay Lovestone was a founding member of the Communist Party U.S.A., Armand, now in his 80s, has enjoyed intimate ties with Soviet intelligence since he lived in Moscow during the 1920s.

Hammer made Occidental into a major company through his close ties with Muammar Qaddafi in Libya, where Occidental maintains a large presence. As *EIR* exposed in 1979, he was complicit in the hushed-up "Billygate" scandal about large Libyan payoffs to then-President Jimmy Carter's brother through the Hammer-linked Charter Oil Company.

Nuclear Energy

Indiana utility cancels $2.8 billion plant

Public Service of Indiana announced Jan. 16 that it had voted to scrap two units at its Marble Hill nuclear plant site, despite investment of more than $2.8 billion to date. One unit, Marble Hill-1, is more than 56 percent complete, while unit 2 is 35 percent finished.

The two nuclear plants, large 1,180 megawatt units from Westinghouse, were cancelled following issuance of a governor's task-force report which estimated a final price tag of more than $7 billion for completing the twin units. Regulatory delays from post-Three Mile Island changes by the Nuclear Regulatory Commission, combined with related cost runups, have led to severe cash problems for the utility.

The U.S. nuclear industry received a second blow the week of Jan. 16 when the NRC told the nation's most experienced nuclear utility, Commonwealth Edison, that it could not operate its nearly completed $3.4 billion Byron Nuclear Power Station near Rockford, Illinois because of inadequate construction quality controls. This kind of pre-emptive decision from the NRC has never before occurred.

The nuclear utilities have cancelled more than 100 reactors to date, putting future expansion of the nation's industrial base in severe jeopardy by constraints on cheap nuclear electricity.

East-West trade

Business back channels flourish under crisis

"East-West tensions will not prevent expansion of East-West trade," Soviet Trade Minister Patolichev is reported as saying in the Jan. 19 issue of the French weekly *La Vie Française*. The article documents some of the facts of East-West trade in the 20th century since Otto Wolff, Sr., the father of German Chamber of Trade and Industry Otto Wolff von Amerongen, initiated contact with Comintern envoy Karl Radek. Wolff's contacts helped created the 1922 Rapallo Treaty of 1922, and this channel has since remained operative.

In the 1920s, the Eastern Committee of the German Reich's Industrial Association—now the Federal Association of German Industrialists, BDI's Eastern Committee, chaired by Otto Wolff, Jr.—was an adjunct to the secret R Division of the German War Office.

East-West trade is now run from Moscow by such long-term officials as Patolichev, one of Stalin's pre-war secretaries, and KGB four-star general Pitrovanov, first deputy head of the Soviet Chambers of Commerce. Politburo member in charge of agriculture Gorbachev is now working on expanding a pilot project for agricultural production set up in conjunction with Finnish and German "agribusiness" experts, which has produced impressive yields over the past three years.

Britain's Eastern trade depends to a great extent, according to City circles, on the "Foreign Office's own bank," Morgan, Grenfell, whose former top officer in charge first made a career at the British Embassy in Moscow. "For some reason, our diplomatic representation in Moscow has the Number One on the car plates given by the Soviets," a British expert noted. Trade also depends on individuals who politically broker business, such as Czech-born Robert Maxwell, the owner of Pergamon Press and a Club of Rome member, or left-wing Labour MP Ian Mikardo, and Lord Harold Wilson, who is taking lucrative fees in return for opening doors in Eastern Europe.

Oil

Will a price drop cause another crisis?

Oil-industry sources are predicting another replay of the March 1983 crisis, when demand drops off once winter fuel consumption ends. An OPEC spokesman said that the only way that the already sagging world oil price can be upheld is that the OPEC states cut output by 1.5 barrels a day, to about 16 million barrels per day (mbd).

However, oil exporting nations, including the Soviet Union and OPEC member Nigeria, may undercut this policy. The Soviets were forced to drop the price for Urals crude, which is sold on West European markets, by $.90 a barrel to about $28.60 in

December. The current OPEC marker price is $29.00. With short-term spot prices for crude unusually low even in the high-demand winter months, the Soviets had to cut their prices in order to maintain their position in the competitive European market. Reportedly the Soviets privately assured the OPEC producers that this was not meant to upset the cartel.

Moscow, which relies for most of its foreign exchange on oil sales, would be seriously affected by a precipitous drop in oil prices. The Soviets have already expressed concern about a replay of the measures Washington took last March to drop the world oil price in small, controlled steps.

Heavily indebted OPEC oil exporters, including Nigeria, are already calling for production quota increases. The head of the new Nigerian military government stated the week of Jan. 16 that Nigeria's current 1.3 mbd quota must be increased by 50 percent to about 2 mbd. He stated that Nigeria may have to resign from OPEC if its membership is no longer in OPEC's interests. Nigeria made the same threat last year, but the far more serious economic crisis may force the break now. Acting on its own, Nigeria could set off an all-out oil price war. It is reported that the IMF and Nigeria's creditor banks are demanding that Nigeria either help destroy OPEC and increase its own oil production or devalue its currency, a step Lagos is resisting.

Ibero-American Debt

'Quito Document' begs IMF to be rational

The Latin American Economic Conference that took place in Quito the week of Jan. 9 involved representatives of 30 nations, including several presidents and vice-presidents and dozens of ministers. *EIR* correspondent Carlos Mendez, who was in Quito, reported that diplomats who had seen the "debt bomb" and the debtors' cartel debates lose all momentum over the last year left Quito "pessimistic."

The final "Document of Quito" appeals to banks, the IMF, and the industrialized world to act "rationally," but sets no plan for stopping the looting of the Ibero-American economies. The declaration backs the Contadora Group's peace plan for Central America, emphasizing the need for economic growth as the only way to end the chaos in the region—without formulating any plan of action to ensure that economic growth.

Presidents at the conference detailed the unemployment, hunger, and economic collapse facing their countries, the results of the IMF's "adjustments" and the extraction of debt payments. All agreed that such economic dislocation would cause unprecedented political and social instabilities if it continued into 1984.

But the document merely stated: "The only way the continuity of payment of the debt service will be guaranteed," is if banks and international institutions allow "flexible and realistic criteria for debt renegotiation, including longer terms, grace periods, and interest rates compatible with the recovery of economic growth." The plan demands more money for the IMF, and a greater use of SDRs in creating world liquidity.

Debt renegotiation should take into account a "reasonable" percentage of a nation's export earnings for crucial imports "to maintain adequate levels of accelerated internal production" before debt-service payment.

Colombian President Belisario Betancur underlined the irrationality of idle capacity and unemployment in a region with resources, infrastructure, and a productive work force. He called for an increase in regional trade and "new mechanisms of compensation and financing" requiring "a monetary unit of account which would permit the use of convertible foreign exchange in the payment of goods and services not produced in our region."

A system of economic defense through common market-type mechanisms was agreed to in principle, and could be crucial as the first quarter payment's crisis hits and capacity for imports collapses even further. Food and energy security agreements were also quietly put into place, representing an important defense, but one totally inadequate to the continental crisis.

Briefly

● **BRAZIL'S** $6.5 billion jumbo loan, which was supposed to have been arranged in time for Brazil to pay off its arrears by Dec. 31, has been postponed again. The loan was to have been signed Jan. 16. The ostensible reason is Brazil's refusal to accept the $6.36 billion committed, and its creditors refusal to put up the missing $140 million. Citibank vice-president William Rhodes, however, is reported livid at Brazilian rumors that the banks are demanding more looting rights in Brazil.

● **JOSE MARTINEZ DE HOZ**, Argentina's former finance minister, was indicted for political crimes in mid-January. Investigating judge Martin Anzoategui found probable cause that Martínez de Hoz is guilty of fraudulently quintupling Argentina's foreign debt and of destroying national industry by overvaluing the peso and encouraging capital flight. The federal judge sent his report to President Raul Alfonsín and the Congress, declaring that "it is up to the other powers of the state to take appropriate measures."

● **A SWISS** source describes his colleagues' outlook as follows: "A powerful faction among bankers, financiers, and businessmen here has decided that the Americans are losers and the Soviets winners, and therefore they should accommodate themselves to coming Soviet hegemony." The source, closely linked to Swiss military industries, added that the powerful Crédit Suisse bank was at the center of this Russophile faction. The Basel-based Bank for International Settlements and the Swiss National Bank hold the Soviet gold accounts in the West, and help market Soviet gold, silver, platinum, and other rare metals.