Business Briefs

International Trade

Democrats seize trade as campaign issue

Protectionist trade legislation is being pushed hard by congressional Democrats, who feel they have their "first solid issue for 1986." Rep. Tony Coelho (D-Calif.), chairman of the House Democratic Congressional Campaign Committee, declared: "If we can't deal with other countries on the trade issue, then we're weak. It becomes a Democratic macho issue. We're for American strength."

On Sept. 19, the House Democratic Caucus adopted a national trade policy that ordered committees to send protectionist trade bills to the floor by Oct. 30. The policy accused the administration of abdicating its responsibility to protect U.S. exports.

On the same day, the House Ways and Means Trade subcommittee passed H.R. 1562, sponsored by Rep. Ed Jenkins (D-Ga.). The bill, which seeks to reduce textile and apparel imports from Thailand, Korea, China, and Taiwan by more than 30%, was characterized by Rep. Cecil Heftel (D-Hawaii), one of its 292 co-sponsors, as "a terrible bill," but one that would goad the administration.

Touted as the protectionist measure with the most political clout, however, is a proposal by Sen. Lloyd Bentsen (D-Tex.) and Reps. Dan Rostenkowski (D-Ill.), and Richard Gephardt (D-Mo.), which would impose a 25% surcharge on imports from countries such as Japan, Taiwan, Korea, and Brazil, which have "excessive" trade surpluses with the United States.

Transportation

White House pushes trucking de-reg

The Reagan administration has made a legislative proposal for total trucking deregulation that will complete the destruction of both the trucking industry and the Teamsters' union.

Transportation Secretary Elizabeth Dole said that the proposal would "remove the last economic restrictions on trucking" and allow truckers "to carry whatever commodities they choose, over whatever routes they choose, at whatever rates are mutually agreeable to them and their customers."

The *New York Times* claims that the White House had delayed action on trucking deregulation because of pressure from the Teamsters' Union.

Several *EIR* special reports have documented deregulation's destructive effects.

Development

Proposals for new Panama Canal

Japan, Panama, and the United States announced their intention to sign an agreement on Sept. 26 laying out the specific measures to build a second Panama Canal, according to a German News Agency release on Sept. 17, datelined Tokyo.

Foreign Ministers Shintaro Abe of Japan and Jorge Abadia of Panama and U.S. Secretary of State George Shultz are to sign the agreement.

Three proposals have been discussed: building a new sea-level canal to allow the passage of ships up to 500,000 tons, the repair and expansion of the current canal to allow passage of ships up to 250,000 tons, and the building of another transport system including a pipeline and modern rail and automobile systems.

The current canal can only accommodate ships up to 65,000 tons, which has led to nations' placing a priority on building such smaller, inefficient ships.

'Free Enterprise'

Brazil selling off state enterprises

Petrobras stock, the largest state-sector company in the Third World, is being sold to speculators. The Brazilian government is selling off 24% of the stock on the Brazilian stock market. For a mere $800 million, speculators will gain almost one-quarter ownership of refineries, pipelines, ships, oil wells, petrochemical complexes, and minerals in the ground worth more than $100 billion.

This partial privatization of Petrobras follows years of campaigning by Mont Pelerin Society circles which claimed that state-sector great projects were the cause of Brazil's bankruptcy.

The move is very popular in Washington, official sources in Brasilia told the daily *Gazeta Mercantil* on Sept. 18. They said that, during his visit to the IMF, World Bank, and the U.S. Federal Reserve, Brazil's new finance minister, Dilson Funaro, found that the officials he met "were concerned about the wage policy, but were happy about the destatization [sic] of state enterprises through the sale of their stock."

Solomon Brothers says that foreign speculators would love to play the Brazilian stock markets, if only Brazil would end regulations limiting repatriation of profits.

The new policy was not so popular in Brazil itself. "It is illegitimate to denationalize state enterprises," Carlos Honorio Ribeiro, a Brazilian economist, stated in response to the the government's move. He declared: "It does not seem legitimate for the immense efforts made to have an economic infrastructure for the country, like steel, energy, petrochemicals, and communications, handed over to foreign groups. These are projects which have already been finished, which cost great sacrifices to the country."

International Credit

IMF adds insult to Mexico's injury

On Sept. 19, shortly after news that the worst earthquake since San Francisco in 1906 had struck Mexico City and other areas in Mexico, the IMF announced that it was suspending $450 million in loans to Mexico for failure to adhere to previous austerity agreements.

According to a Reuters report: "Sources said that, under IMF rules, once a country's economic performance falls behind the targets set for it by the global lending agency, the Fund cannot continue loan disbursements. Mexico's IMF program, under which roughly $400 million could still be paid out, runs out in December. Bankers said that Mexican inflation, currently 56%, was running far ahead of Fund targets. Bankers said the IMF move could complicate a recently signed agreement with commercial banks to stretch out almost half of its roughly $100 billion of foreign debt. Mexican officials recently estimated that the country would need . . . between $2 and $3 billion in new money in 1986, but the bankers said its deteriorating economy could mean its needs are far higher, possibly as much as $7 billion. They also said the country would almost certainly need a new agreement on economic reforms with the IMF."

IMF loans to Brazil were suspended in February.

When *EIR* asked Reuters' editor in Washington, D.C., about any linkage between this move and the earthquake, he responded, "It was not because of the earthquake, but that didn't stop them, either."

Agriculture

Farm Credit Bank sees further losses

Peter Carney, president of the Federal Farm Credit Bank Funding Corp., said it was "too early to predict the size of the loss in 1986," but estimated the agency had lost between $350 million and $400 million in 1985, with 1986 even higher.

The statement came at a meeting of the Farm Credit System in Jackson Hole, Wyoming, organized to discuss what sort of federal aid to request. In early September, Farm Credit Administration Governor Donald Wilkinson said government aid in the "multi-billions of dollars" was needed to deal with the farm credit crisis. But the White House reacted negatively, asserting that the Farm Credit System had sufficient resources to deal with its own problems.

President Reagan told news reporters in mid-September that his administration was searching for a long-term solution to the problems of America's farmers and wanted to phase out assistance programs at some point in the near future.

U.S. 'Recovery'

Fannie Mae to auction homes

The Federal National Mortgage Association (FNMA) now holds 7,800 repossessed homes, against 3,400 early in 1984 and none five years ago. One hundred were to be put on the auction block in the Miami area in the last week of September.

For the first time ever, there is press speculation concerning whether FNMA will come up with a profit during the next several quarters. It is officially "congressionally sponsored and stockholder owned."

The homes now on the block will go at 20-25% below "market value," real estate sources told UPI.

Debt Crisis

World Bank to tale IMF's place?

Federal Reserve chairman Paul Volcker is pushing for a $40 billion, five-year special bailout fund at the World Bank to contain the exploding international debt crisis, Washington sources told this news service.

"He sees this as the only way to avoid disaster," a well-informed source reported.

Meanwhile, Reuters reported: "The United States, in a major change of strategy, is asking the industrial world to consider measures to boost the World Bank's role in the debt crisis, U.S. monetary sources said today. . . . 'There's a surprising degree of consensus' on the U.S. initiative, a European monetary official said."

Bolstering the World Bank as an agency to impose murderous "conditionalities" on debtors was first proposed by former bank head Robert McNamara, who
posal on the fact that the International Monetary Fund is now discredited and hated.

Briefly

● **SIR JOHN RIDDELL,** a director of Crédit Suisse First Boston, has become the new private secretary to the Prince and Princess of Wales, Charles and Diana, the *Financial Times* of London reported on Sept. 17. With this appointment, the *Times* says, CSFB has "really clawed its way into the British Establishment." CSFB, based in London and Switzerland, incorporated White Weld's European operations in the late 1970s, as Merrill Lynch incorporated its American operations. All three are implicated in drug-money laundering.

● **SILVA HERZOG,** Mexican finance minister, stated at the International Industrial Conference in San Francisco: "We are convinced that Mexico needs to open up its economy. . . . We will be moving toward an export-oriented economy and . . . are changing all our protectionist policies and moving out of the import permits to the system of tariffs."

● **THE IMF** has foreceast slower growth in the developing world, according to the Sept. 18 *Financial Times* of London. This "gloomier projection," says the report, comes "amid signs of slower economic growth in the industrial world this year and continuing uncertainties about the outlook in 1986." The main "uncertainty" confronting the IMF, says the paper, is the U.S. economic situation.

● **CHINA'S** economy, is leaping ahead, despite government attempts to rein it in, with national income predicted to grow by 22% this year. The government has warned that this level of growth could be too high, with officials fearing it may trigger dangerous energy and raw material bottlenecks.

● **GREAT BRITAIN** has invited leading industrialists, financiers, and businessmen from 18 countries to a one-day conference on Oct. 14 to discuss funding for Europe's Eureka high-tech project.