Business Briefs

Privatization

Fort Knox up for sale; gold, too.

In what a White House press spokesperson hailed as a "bold, revolutionary new program of budget austerity," the Reagan administration announced on Feb. 12 plans to sell Fort Knox. *"40% off! From barbed wire to bullion, everything must go!"* proclaimed the U.S. Treasury television commercial announcing the sale.

"It's time we got the federal government out of the business of sitting on a pile of money, which has always been far better accomplished by the private sector," declared Treasury Secretary Fenwick T. Faker III. "And I'm sure those little gold bars will be much happier knowing that they are being put to some useful purpose, like guaranteeing construction of the new Khanga Ruh fast food chain or bankrolling another Las Vegas, instead of backing up nasty old weapons purchases, or helping to keep useless eaters alive with kidney dialysis."

As a side benefit, the Treasury stressed the inevitable quick collapse of the U.S. dollar that will occur as the news spreads that the United States is stripping itself of its cash reserves. "Then we'll really be able to export!" Faker gleefully exclaimed. "Your sister, for example."

Third World Development

Attempts made to block Italian moratorium

Italian Foreign Minister Giulio Andreotti and Treasury Minister Giovanni Goria are trying every trick in the book to block the decision of Prime Minister Bettino Craxi and Vice Foreign Minister Francesco Forte to make Italy the first country to grant a debt moratorium to a Third World country, Somalia.

Andreotti and Goria, both Christian Democrats, are in a delicate situation because of the work of certain forces in the Vatican for a moratorium. "We do not know anything about it. What Forte said about giving a moratorium to Somalia is a wish," the Treasury Department said.

The foreign ministry commented that the moratorium to Somalia is being discussed, but we must have "much prudence and attention because . . . how can we prevent the 'avalanche effect,' and what consequences will this act of generosity have in relations with other creditor countries?"

The Italian press indicates that a battle is under way inside the government:

"The Italian government, with the support of the Catholic Church, is going to break the creditors' cartel," wrote Claudio Lanti in the Feb. 10 *Il Giornale*. Lanti, a well-known insider of Rome salons, reported on the Italian decision to cancel the debt of Somalia and other Third World countries that need it. "Without coordinating internationally such a decision, our relationships . . . with France, Germany, Great Britain, and mainly the United States would suffer, and these countries . . . would be forced to follow unwillingly the Italian example. Only the Catholic Church would be enthusiastic about such a decision. . . .

"In the eyes of the world, such a step would destroy some pivots of international morality."

Commodities

Tin market opens; price plummets

The price of tin collapsed 40% to £5,200 per ton on Feb. 3 as formal trading resumed following a three-month emergency closure of the International Tin Council.

The market, which opened in the Kuala Lampur Tin Market, will set the reference price for tin sales on other markets, especially when the London Metal Exchange finally resumes trading, according to tin traders.

Speaking at the European Management Symposium in Davos, Switzerland, Malaysian Deputy Prime Minister Datuk Musa Hitam said that his major tin producing country is prepared to abandon the 22-nation cartel agreement on tin if necessary, according to a report in the *Financial Times* of London.

Datuk Musa Hitam criticized non-cartel nations for helping create the present crisis—a not-so-veiled reference to recent U.S. actions in pursuing a "free market" policy against the London metal cartel.

International Credit

Swiss banker proposes moratorium continue

Dr. Fritz Leutwiler, former head of the Bank for International Settlements, has proposed a one-year continuation of the present de facto moratorium on South African payments on some $10 billion of short-term foreign debt frozen since last August. At that time, Chase Manhattan and Bank of Boston triggered a liquidity crisis by refusing to roll over credits.

The recommendations of Leutwiler, the official mediator between the South African Reserve Bank and a group of 30 creditor banks, were formally presented for consideration at the Feb. 20 meeting of the banks.

According to the *Financial Times*, the creditor banks consider recent reform proposals made by Botha to be "insufficient to permit a rescheduling of the country's $24 billion foreign debt."

Germany

Annual government economic report bleak

The *Annual Economic Report* of the Bonn government, issued in the first week in February by Economic Minister Martin Bangemann (Free Democrat), calls for significant "privatization" of German state-owned industry, such as is presently being undertaken in Britain, France, and the United States.

The document, which explicitly calls for a "dismantling of dirigism," suggests selling off such assets as VEBA, the largest German industrial concern (oil and energy), and Salzgitter, the huge steel and engineering firm, among others.

The report, if fully implemented, would extend deregulation and speculation in the West German bourse by repealing longstanding tax restrictions on stock speculation.

According to the report, new orders for German manufacturing industry in December dropped 2% below November levels on a seasonally adjusted basis. Compared with December 1984, the figure is unchanged, the ministry said.

The report predicts that economic growth in 1986 of 3.0% will result from, not export increase, but "domestic" demand.

Agriculture

Price freeze announced by European Community

An effective freeze of farm prices to "bring farm output in the EC in line with world demand" was announced by European Community Farm Commissioner Frans Andriessen (Netherlands) as part of the EC's 1986-87 budget proposals. Andriessen also announced plans for sales of EC food surplus in storage, an almost $9 billion three-year surplus liquidation.

German Agriculture Minister Ignaz Kiechle has promised to fight the austerity budget proposal. According to EC farm organization sources, the new Brussels budget will hit the German farm budget most severely because of Germany's proportionately high food stocks in storage.

But it will mean huge windfalls for France's "Red Billionaire," Jean Baptiste Doumeng, who has made millions in recent months through a monopoly of export of surplus beef, butter, and other products from EC stocks to Russia. Andriessen is denying charges that his dramatic proposal will start a new international farm produce trade war with the United States.

For grain, the Commission is demanding so-called "higher quality standards" and a producer tax of 3%—measures that together will cause a drop of 12-15% in grain prices.

For beef, also a very important component of farm income, the Commission wants to abolish minimum prices. Farmers now earn $300 less per animal than one year ago. Products such as olive oil and butter are being cut by 5%; other products' prices remain at last year's levels—meaning a net loss.

After a 20-40% drop in farm income throughout Europe during the last two years, two-thirds of the continent's farmers are now surviving only by selling off their stocks and equipment.

Labor

Colombian unions attack the IMF

The regional labor federations based in Bogota, Colombia issued a joint statement the first week in February attacking the International Monetary Fund (IMF) and terrorism, and giving their support to Colombian President Belisario Betancur's peace policy toward guerrilla movements.

The statement was signed by Schiller Institute Ibero-American Trade Union Commission member Pedro Rubio; Abel Galindo of the UTC; Guillermo Pedraza and Hugo Becerra of the CTC; and Redor Nuñez and Rafael Mayorga of the CGT.

The statement calls for a torchlight march of workers on Labor Day, the night of April 30.

The unity statement comes at a moment when the IMF, through the American Institute for Free Labor Development (AIFLD), is attempting to divide and otherwise pressure the Colombian labor movement into yielding to its austerity prescriptions.

Briefly

● **AIDS** has been contracted by a woman from her two-year-old child through contact with blood or "contaminated fluids," the Centers for Disease Control has admitted.

● **U.S. FARMS** lost $111 billion in 1984 after capital gains, according to a report by the President's Council of Economic Advisers. According to the London *Financial Times*, the Council's report attacks the 1985 Farm Bill, calling instead for "dismantling the complex farm program" and simply paying income supports directly to farmers.

● **TRILATERAL** commission members will be hosted at a special reception given by the Juan March Foundation in Madrid during the mid-May international meeting of the Commission in Madrid.

● **THE U.S.** took on $5.1 billion of new debt in December. This raised monthly loan payments slightly from the month before. Revolving credit typical of department stores and credit cards was $1.3 billion in December, a 13.8% increase. Loans for automobile purchases rose to $1.4 billion in December. Loans for home improvments, mobile homes, and miscellaneous items grew to $2.4 billion in December. Americans were making monthly payments on $541.37 billion of debt, not counting mortgage payments.

● **EASTMAN KODAK** suffered a decline in profits and will be firing 13,000 workers and reviewing bonus programs for employees. Eastman says it plans to reduce its worldwide work force by 10% in 1986. The company plans to cut 130 top managers by eliminating the 1986 merit increases. Kodak is expected to take a large write-off against 1985 earnings because of the decision forcing it out of the instant camera market in the Polaroid case.