Business Briefs

Debt

Kissinger speaks on Ibero-America

"It is absolutely essential that the United States' foreign policy be identified with growth in Latin America, and not with the collection of interest on debt," Henry Kissinger said in an interview published in the Nov. 20 issue of *Welt am Sonntag*, a West German weekly.

How such an identification is to be achieved under Kissinger's policies, however, is not clear, since he repudiates debt moratoria and advocates "debt-for-equity" deals that will deprive the nations of the Western Hemisphere of their sovereignty, industry, and natural wealth.

"While I have my doubts about the argument—with respect to the Soviet Union—that helping them domestically will solve all foreign policy problems, in the Western Hemisphere the United States needs to identify itself with the aspirations of the people," the former Secretary of State said.

Kissinger praised Mexico's new President, Carlos Salinas de Gortari, for being "eager to reform the economy," and expressed hope that what Salinas is doing (he is committed to enforcing the International Monetary Fund's austerity demands) "could then be a model for what we do in Argentina and Brazil as they come along."

He added, there is a "window of opportunity of about 18 months in Latin America," beginning with Dec. 1, the day Salinas takes office.

Food

Chinese have fourth straight bad harvest

Mainland China is facing a poor harvest for the fourth year in a row, Britain's *Independent* newspaper reported Nov. 25. Communist Chinese grain production will probably come in 10 million tons short of target.

Panic buying is the worst since the 1950s, as tens of millions are threatened with hunger or famine this winter, said the report.

A series of editorials in the official *People's Daily* and other press have called for a return to Mao Zedong's policies. Mao's slogan was, "Take Grain as the Key Link."

China's *Outlook* magazine recently accused "some people of believing that agriculture is no longer the foundation; they do not want to put any more effort into farming." Very low state purchase prices have driven farmers into producing "cash crops" or into rural industries. Price "reforms" were recently halted in a desperate effort to stop what *China Daily* recently called "raging inflation," but the government, which already spends a crippling 12% of its total expenditures on grain subsidies, cannot increase subsidies further.

The poor harvests have been in part due to Chinese leader Deng Xiaoping's agricultural "reforms," which led to the division of communes into individual plots, and produced so much subdivision of the land that family farms are now far too small for mechanization.

Agriculture

Heritage: Slash farm subsidies

The Bush administration should "make its top priority slashing farm programs, especially programs that reward farmers for high production," according to a Heritage Foundation report, "Mandate for Leadership III," which is to be officially issued in January.

The agriculture section of the report, written by former senior USDA official Charles Grizzle, received prominent play in an Associated Press wire carried in Midwestern newspapers the weekend of Nov. 26. Farmers, it declares, "should be forced to operate in a more competitive environment" and "break out of the cycle of dependence on federal subsidies."

Outgoing budget director Joseph R. Wright is quoted saying that a "principal place for the new administration to look for budget savings" in order to avert a tax hike, should be the sphere of agriculture.

The Heritage report notes that Congress will soon have to deal with the "subsidy issue," because the 1985 Farm Bill expires in 1990, and the 1985 bill pushed taxpayers' costs up to a record $25.8 billion in 1986.

"Despite media portrayal of the average farmer as hard-pressed," states Grizzle, "the farm family has had a higher net income than the median American family every year since 1980, and, more important, the net worth of the family farmer far exceeds that of the American family." Farmers who are in trouble got that way because of the "get-rich-quick land speculation" of the 1970s, and "it is unfair to expect the taxpayer to bail them out."

The Heritage Foundation is a covert operation launched by the socialist British Fabian Society at the outset of the first Reagan administration, to cloak anti-production policies in "free-market" garb, for the edification of credulous conservatives, as its founders bragged to *EIR* in 1980.

Europe 1992

Business leaders warn of shutdowns

"Europe 1992" will mean "drastic and painful restructuring," a London conference on the scheme to eliminate customs barriers among the 12 members of the European Community was told by Sir John Harvey-Jones, former chairman of Imperial Chemicals Industries.

He warned that within the next 10 years, more than half of Europe's factories would be closed and half of its companies would disappear or be absorbed by mergers.

His remarks echoed similar warnings three weeks ago from the secretary general of the Confederation of British Industry. Percy Barnevik, president of the joint Swedish-Swiss electrical group, ASEA-Brown Boveri Corp., told the London group that it would not be easy for the EC simultaneously to restructure overcrowded sectors and to open markets to competition from other countries. "These are the hard realities behind the nice words 'higher productivity' and 'more competitive.'"

Foreign Exchange

City of London demands end of Reaganomics

In an editorial Nov. 30, titled "Reaganomics Warmed Over," London's *Financial Times* warned that there will be no support for the U.S. dollar without the enforcement of what that paper's editors deem appropriate U.S. fiscal policies.

When the Reagan era opened in 1981, the paper comments, high economic growth, combined with tight control over public expenditure, was supposed to bring about the desired result. "It did not work out then—and it is very unlikely to do so now."

"Given the growth of Japan and Western Europe this year," the paper wrote, "those countries can afford to be quite relaxed about weakness of the dollar. Certainly, dollar depreciation is more dangerous for the U.S. than for the rest of the world. So the G-7 should make it quite clear that there will be no major dollar support operations without a fully credible program of fiscal adjustment in the U.S. A repeat of Reaganomics Mark 1 is precisely what the world does not need. So it is up to the leaders of the other major countries to help save Mr. Bush from himself."

Energy

U.S.-China joint venture to develop gas field

Chinese and American oil companies have agreed in principle to jointly develop a large natural gas field with reserves of 100 billion cubic meters in the South China Sea. The China National Offshore Oil Corp. (CNOOC) and Atlantic Richfield Co. are scheduled to sign a second suplementary agreement on the development of the Ya 13-1 gas field in the Ying-gehai Basin, south of Hainan Island.

Arco China Inc., a subsidiary of the Los Angeles-based Arco, holds a 34% interest in the project.

CNOOC spokesman Wu Xunduo said that the gas field will begin operation in 1993, with an annual output of 3.25 billion cubic meters.

International Credit

Central bankers hope to control the collapse

Federal Reserve chairman Alan Greenspan "is at one with his central bank colleagues to impose austerity and plunge the world economy into recession, not only the U.S.," stated a senior City of London banking source on Nov. 30. "Like with Paul Volcker in 1979, Greenspan and the Bank of England are embarking on a 'controlled disintegration' to liquidate the over-leveraged financial paper in world financial markets," he said.

The source reported that likely some time in January, with the new U.S. Congress in office, the central banks will precipitate a new, far more serious dollar crisis, which then would lead to a threatened repeat of "Black Monday" on the stock markets. Interest rates under these conditions would be sharply and steadily increased.

The expectation among City of London circles is for a U.S. prime interest rate of at least 12% by summer, and comparable U.K. interest rate levels of 16%. "Unlike before Oct. 19, 1987," said the source, "when political finance ministers were controlling the process, now the central banks are quite confident they have the process under their control. Under such conditions of economic recession, all the demands about Gramm-Rudman budget cuts would be quietly forgotten. That is just a pretext to set the stage."

Briefly

● **MIGUEL DE LA MADRID,** the outgoing President of Mexico, did the best possible job for his country, the *New York Times* thinks, even though he leaves office with real wages 40% lower than when he entered six years ago. "Most foreign bankers and economists here agree and praise Mr. De la Madrid for his willingness to absorb the domestic political costs and to take other long-overdue economic adjustments," purred the *Times.*

● **HUNGRY CHILDREN** and the elderly are rapidly growing in numbers in the state of Maryland, according to a study released by the Maryland Food Committee. It said that 25% of the families receiving food assistance at Thanksgiving were people who were never served before, two of five served were children, and one in five was a senior citizen. Forty percent of the adult clients are working poor.

● **INSURANCE** may be hard to come by for people temporarily living in or making business trips to Africa, because of AIDS, London's *Guardian* newspaper reported Nov. 26. Some British life insurance companies are also shunning business from anyone planning to live in parts of the United States, and are treating applications from regular travelers to high-risk areas with caution.

● **THE CHINESE** government will put strict controls on importing cars, electrical goods, wine, and other "luxury consumer goods," the *China Daily* reported Nov. 25. The People's Republic of China's trade deficit has been as high as $3.8 billion over the past year, and measures to curb it began in October.

● **OIL PRICES** will not go significantly higher over the next several months, report industry traders in Western Europe, despite an appearance of a new OPEC production restraint. The Brent North Sea price is expected to hover in the $13-14 range for several months.