Business Briefs

Eurodollar markets

Japanese bankers look toward Europe

Senior Japanese bank officials are coolly preparing to switch their primary consortium relationships to European rather than American banks during the next several months. According to bankers interviewed in New York and Tokyo, the principal weight in the Eurodollar market has shifted over to the European side, on the basis of the flow of petrodollars into Europe and Japan.

Previously, the main Japanese activity in the syndicated Euroloan market, the primary market for international lending, was in consortia with large American banks. However, the Japanese expect the Americans to play a secondary role in consortium lending in the immediate future, giving way to "aggressive European competition.

European banks have not made dramatic moves in the market, but Japanese observers expect a jump in activity through some channels or other by the end of summer.

OPEC surplus

The case of the purloined petrodollars

Puzzled because the expected flood of Arab petrodollars from the estimated $10 billion per month OPEC surplus hasn't arrived at their tellers' windows, American commercial bankers are furiously searching for "missing petrodollars." Locations suggested by some bank economists include secret Swiss bank accounts or esoteric private placements.

However, like Edgar Allan Poe's purloined letter, the petrodollars have been hidden—about $50 billion of them are "missing" from the normal commercial bank reporting channels—in the most obvious possible place. Rather than invest them through the Saudi Arabian Monetary Agency or the Kuwait Investment Company, Arab countries are depositing their surplus revenues into their own banking consortia, which have burgeoned steadily during the past two years. These institutions, instead of placing the funds on the Eurodollar interbank market, supply them to the European and Japanese monetary authorities or cooperating commercial banks. This explains, among other things, where Japan got the $10 billion it borrowed from unspecified foreign sources during the first four months of 1980.

Econometrics

PEMEX discusses the EIR model

Dr. Steven Bardwell, director of plasma physics at the U.S.-based Fusion Energy Foundation, conducted a six-hour seminar on econometrics July 24 at the Mexican Petroleum Institute, the R&D entity of Mexico's state-owned oil company, PEMEX.

Using slides and graphics, Dr. Bardwell demonstrated the hydrothermodynamic notion of an economy employed in *EIR*'s LaRouche-Riemann economic model, which the foundation helped to develop. Bardwell showed the 25 Mexican engineers, physicists and mathematicians how the U.S. economy has entered a thermodynamic "phase change" in which an irreversible productivity decline will occur if the trend is not quickly reversed.

The audience—familiar with Mexico's "promote tourism" advocates—was struck by Bardwell's example of investment in gambling casinos. A casino uses roughly the same amounts and kinds of raw materials as a steel plant, he said, but the expenditure is categorized as nonproductive in the LaRouche-Riemann model because it produces no surplus that can be reinvested to increase productivity.

Following discussion among seminar participants, Bardwell described how the Indian government invested heavily in nuclear energy as a basis for upgrading the entire economy to provide sufficient energy for an industrial infrastructure buildup. Mexico, he said, can use its vast oil reserves as the basis for expanding its industrial capacity, though Mexico must develop nuclear energy as well.

Basic industry

British Steel reports large losses

The British Steel Corporation (BSC), one of the United Kingdom's largest government-owned industries, announced July 29 a loss of $1.3 for the fiscal year ending March 29—the largest yearly loss ever recorded by a U.K. business enterprise.

Ian McGregor, the company's new chairman, in a written statement accompanying BSC's annual report, called for "further retrenchment" and production cutbacks "to bring supply closer to the depressed level of demand." McGregor is rumored to be considering the complete shutdown of steelmaking in South Wales, formerly one of Britain's major steel-producing areas.

The day before the British announcement, all the steel-producing countries in the European Community with the exception of Italy voted to slash steel production by 10 percent across the board in the second half of this year, to maintain prices in the face of shrinking demand.

British Steel is scheduled to lay off 53,000 workers—one-third of its remaining workforce—by the end of the year.

Energy

Mexican oil output now number five

With an production at 2.76 million barrels of oil per day, last week Mexico became the fifth largest oil producer in the world and the biggest in Latin America, displacing long-time leader Venezuela. The announcement was made by a spokesman for PEMEX, Mexico's state-owned oil company, who explained that the new level of production was originally the goal set for 1982.

This new production level will allow Mexico to undertake larger development projects. Two days after the announcement was made, PEMEX head Jorge Díaz Serrano made public an ambitious agro-industrial development plan for the north of the state of Veracruz.

The "Chicontepec Plan," the first Pemex-sponsored agricultural project, calls for investment in 16,000 more oil wells, increasing food production to the level needed to feed 3 million more people, constructing hydroelectric dams and a highly advanced irrigation system, expanding capital goods and medium-sized industries, and building a new railroad system on the Gulf coast of Mexico.

Díaz Serrano asserted that the plan will show how it is possible to make agriculture and industry "coexist" in a development effort.

International trade

Canada drops out of U.S. grain embargo

Canadian Wheat Board official Hazen Argue announced July 28 that "from a practical standpoint" Canada is no longer part of the U.S.-led embargo on grain sales to the Soviet Union. Canada will not, however, endeavor to sell the Soviets more than normal in any given year, Argue said.

The Canadian government made a "blunder" in January in complying with U.S. demands to limit sales to the Soviets to 3.8 million tons of grain, Argue stated. The U.S. itself, he pointed out, according to the London *Financial Times*, kept intact its own agreement to export 8 million tons and the Australians made record sales to the U.S.S.R. while participating in the embargo. "Canada was the only country that sold less to the Soviets," Argue told the press.

The Carter administration has stated that it is making 8 million tons of grain available to the Soviet Union again this year in compliance with the last year of the five-year pact signed in 1975, while maintaining the embargo on any additional quantities. But so far, with the exception of 200,000 tons of wheat and feed grains purchased last week, the Soviets have declined to take up the offer. Meanwhile, Australia has allocated 4 million tons of grain for sale to the Soviet Union in 1980-81. And Argentina has signed a five-year pact with the Soviet Union covering the sale of 23 million tons of grain.

Development strategy

Iraq, France reaffirm nuclear energy aims

The Iraqi government stated this week that it will maintain its commitment to a nuclear energy program, which it considers vital to national and regional interests. Iraq said that it intends to use nuclear power to "fertilize the desert" and achieve permanent "climatic and agricultural changes" in the region, allowing Arab nations as a whole to "increase and diversify agricultural production." A primary goal is "the desalination of seawater for irrigation."

At the same time, the French foreign ministry publicly reaffirmed France's commitment to supply nuclear power technology to Iraq. The Carter administration this week had sent an emissary to Paris to "persuade" the French to cancel the deal.

Meanwhile, top Israeli military officials have said officially that unless France halts the sale under diplomatic pressure, "other means" will become necessary. Israeli intelligence is thought to be responsible for the assassination of a top Arab scientist in Paris working on the program, and has admitted blowing up two reactors destined for shipment to Baghdad. In the present context it appears that Israel's objective is not to prevent Iraq from building "an Islamic bomb," as claimed but to prevent the economic development of the Arab world.

Briefly

- **SEN. HENRY JACKSON** may have the best wishes of Boeing Co. management in his reluctant bid for the Democratic presidential nomination, but Boeing privately "wishes that [Republican] George Schultze were the nominee," according to a company source.

- **BRITAIN'S ROYAL** Institute of International Affairs predicts America's relations with Europe, the Mideast, and the Third World would collapse if Reagan is elected President. "But that's all right," a top official told *EIR*. "The Soviets will be more cautious if they think there's a lunatic in the White House."

- **EUROPEAN** businessmen, on the other hand, are scouting for a viable Democratic alternative to Carter and Reagan, the chief of one of West Germany's big economic research institutes said this week.

- **LES ECHOS,** the French financial daily, carried a commentary July 28 on the death of the Shah of Iran: "Viewed from abroad, he will remain the man who, like Alexander, dreamed of reuniting Persian civilization and culture with that of Europe. Thanks to him, an agrarian reform; thanks to him, the liberation of women; thanks to him, the birth of a bourgeoisie, *grande* and *petite*—a crucial factor of all economic growth."

- **WILHELM HANKEL,** a West German banker and financial adviser to Saudi Arabia, said in a July 30 interview on West German TV that the Eurodollar market is an engine of inflation; current world monetary problems are not due to OPEC, and industrialized countries must work out an agreement with OPEC on how to dvelop the Third World. The European Monetary System, he stated, is too restricted, and should expand to include non-European currencies in its gold-backed arrangements.