Business Briefs

Trade

240 agreements signed by Japanese in Mexico

The chief of Japan's trade mission to Mexico, Mitsubishi's Bunichiro Tanabe, announced Nov. 18 that 240 separate agreements with Mexican firms totaling $340 million had been signed in the course of his 10-day visit. Most of the agreements are for increased Mexican exports to Japan; others involve transfer of technology and joint production ventures for export to third countries. Mexico's Ministry of Industry established a special office devoted to promoting joint Mexican-Japanese investment. A similar agency already exists in Japan.

In conversations with *EIR*, the Vice-Chairman of the Japanese mission, Miyamoto of the Ministry of International Trade, stated that Japan sees Mexico as a world power in the not-too-distant future, and stressed that Japan will cooperate with Mexico in a wide range of fields because it views Mexico as the "stabilizer" of Central and even South America.

Nuclear Energy

U.S. fusion program under new attack

According to fusion scientists at the DOE and staffers at the Office of Science and Technology (OSTP), the Reagan administration is trying to "restructure" the U.S. magnetic fusion program.

The Assistant Director of OSTP for energy and natural resources, under OSTP Director and Presidential Science Adviser George Keyworth, told *Fusion* magazine that he advocates a return to the "go-slow" program of the Schlesinger-Carter years. Some programs are too optimistic, industry should not be involved in any engineering effort, and fusion will only make a contribution after the year 2040, he said.

This perspective was first floated in the Reagan administration by Doug Pewitt, a Carter DOE holdover, last spring. Pewitt is now at OSTP advising Keyworth on fusion policy.

Fusion scientists report that between the OMB and OSTP, the budget level recommended to Congress will be in the $400 million range, more than $50 million below the current FY 1982 budget. This would cancel every construction project and new start in the fusion program, including the mirror-program expansion at Lawrence Livermore, the EBT-P program, and the FMIT materials facility at Hanford—all basic research projects on which fusion's future hinges.

Public Policy

Marshall Fund moves to control U.S. economics

The German Marshall Fund, an adjunct of the World Bank's Brandt Commission, announced in mid-November it is establishing a new Institute for International Economics in Washington, D.C., "to strengthen the formulation of international economic policy particularly in the United States." The new IIE will be endowed by the Fund at over $4 million, the largest commitment in the Marshall Fund's post-war history, and its entire budget for 1981-86.

The new IIE proposes to study in particular:

- International banking reform to control private bank credits to the Third World, and set up "defensive mechanisms which would seek to limit the systemic damage from any breakdown" in the banking system due to LDC debt defaults.
- Reform of the International Monetary Fund to give it greater control over world lending and development.
- Reform of the international trade and industrial investment system to set up supranational regulations on trade and capital formation in order to quash high-technology industrialization in the West and the LDCs.

The IIE intends to give advice and write policy for "officials of governments and international organizations," especially the U.S. government, the Marshall Fund has announced.

The board of the IIE will be chaired by Peter Peterson, Chairman of Lehman Brothers Kuhn Loeb investment bank and a member of the Brandt Commission, which promotes zero-growth.

Monetary Policy

U.S. Gold Commission dodges the issue

Hearings of the President's Gold Commission Nov. 12 and 13 became a grand exercise in changing the subject, with testimony focusing on whether a domestic gold standard is possible. Only a few of the 23 economists and businessmen who testified addressed the major topic under discussion internationally, that is, how the United States would use its gold to restore some order to the international monetary system.

International Monetary Fund adviser Peter B. Kenen, a professor at Princeton University, punched holes into arguments for a domestic-only gold standard, but let drop at the conclusion of his testimony: "The United States should keep its gold for the same reason that it holds stocks [of armaments], because the future is uncertain and unsafe. One can conceive of circumstances in which gold might be the only acceptable means payment internationally."

In an interview with *EIR*, Kenen insisted that a world depression was possible starting 1982, and his remarks to the Commission about the failure of other means of payment represent a fairly short-run, not a hypothetical, perspective.

University of Chicago Prof. Robert Aliber took a similar tack, arguing that "It is important that we begin to develop trading arrangements, probably based on the market price so that central banks and countries with payments deficits can have some assurance that they can trade gold with countries in the payment surpluses on off-market transactions as a way to help finance their payments."

Both Kenen and Aliber follow the argument made during the last IMF meeting of Bank for International Settlements President Jelle Zijlstra. But Zijlstra's conclusion comes down to an argument that national monetary authorities are no longer competent to make decisions about their monetary programs, and will have to pool their decisions through the Bank for International Settlements, effectively eliminating national sovereignty in monetary affairs.

Otherwise, the remainder of the Commission hearings devolved into an academic debate between proponents of a purely domestic gold standard—something that could not exist, as Peter Kenen explained with some irony—and opponents of a domestic gold standard. In background briefings to the press, Commission Chairman Anna Schwartz, a longtime collaborator and co-author of Milton Friedman's, said that the Commission would follow Kenen's recommendation: "Don't just do something, stand there."

Judging by the quality of the last hearings, the White House will not obtain the advice it wants from the Commission on the subject.

Gold

Mitterrand tries to grab private bullion holdings

For the first time since the abortive efforts of the 1930s Daladier government, French President François Mitterrand is planning to nationalize private gold holdings, in response to a building financial crisis that threatens the new Socialist government.

Although French citizens will resist government attempts to force an exchange of their gold hoards—the French equivalent of life insurance—nationalization of only a tiny part of the estimated 5,000-ton private stockpile would immensely improve the official French balance sheet. At current market prices this gold is worth close to $100 billion.

Meanwhile, according to informed sources, French police have conducted spot raids against brokerage houses in an effort to determine the identity of gold purchasers, in some cases holding employees incommunicado for up to 18 hours of interrogation. Telephone wires of gold dealers have reportedly been tapped in order to locate the identity of investors engaged in major gold transactions. Meanwhile, officers of Paribas, top on the government's bank nationalization list, have been threatened with prosecution for spiriting a relatively small amount of gold across the Swiss border.

Banking

Hill Democrats seek emergency Fed powers

The Democratic congressional leadership is blocking with the Fed to give Paul Volcker emergency powers over the failing U.S. banking system, Treasury sources said Nov. 10. The Democrats "intend to make it impossible for Congress to pass any kind of legislation on bank regulation and deregulation in this session, and I don't think we're going to see a banking bill this year," said a top official at the Comptroller of the Currency's office. "The banking system is in an emergency state, however, and if there is no banking bill this year, the result will be that Volcker will just exercise his own emergency authority," as *EIR* reported Nov. 17.

The House has already passed legislation written by Democrats that would give Volcker the power to merge and shut down failing savings banks. A second set of Republican bills would "restructure" thrifts into the speculative lending track, but would allow some S&Ls to survive. "All [Volcker] wants is his emergency powers to merge those banks; he doesn't want them further deregulated, because some of the dereg plans would loosen his authority," said the spokesman, who did not comment on the housing implications.

Briefly

● **INDIA'S** oil reserves, according to the Petroleum Secretary, have been estimated at 1.7 billion tons, twice the amount known in 1975-76. This new estimate indicates that India would be able to meet its oil demand for the next 40 years at the present rate of oil consumption.

● **INDUSTRIAL** production in India was up 10 percent for the first seven months of this year compared with the same period last year, while the increase for the first four months of the current financial year (April-July) was 11 percent.

● **JAPAN'S** Ministry of Industry and Trade continues to stress that a prerequisite for diminishing trade friction with the U.S. is lower U.S. interest rates.

● **NIPPON** Electric Corporation, the Japanese manufacturer of facsimile transceivers, is set to introduce three new models that will demonstrate that Japanese technology is "years ahead" of current U.S. equipment. Current Japanese machines, many of which are marketed by American copier and electronics companies, can transmit images with a resolution of 200 dots to the inch at costs as low as $200 a month for each terminal. Exxon has poured larged sums into its QWIP system, low-speed machines.

Exxon will soon be selling Japanese equipment.

● **S. G. WARBURG** of London wants to use the resources of the new $10.5 billion North American General Corporation, formed by merging the Warburg asset INA with Connecticut General Insurance Corporation, to invest U.S. pension funds worldwide. Last July, S. G. Warburg and Aetna Insurance, a division of Connecticut General, formed a $200 million investment trust to buy foreign stocks and bonds with pension assets.