

Business Briefs

International Trade

Japan to go ahead with Soviet project

In an unprecedented rejection of U.S. attempts to sabotage Japanese economic cooperation with the Soviet Union, Tokyo has reportedly decided to press ahead with its cooperative venture with Moscow for the development of the rich fossil fuel deposits of Sakhalin Island. According to Japanese wire services, the Japanese public and private sectors have resolved to circumvent the Washington-imposed ban on the use of U.S. equipment in the multi-billion dollar project by developing their own technological capabilities to continue the venture.

Jiji press agency reports that the government-backed private Japanese company involved in the project, whose representatives are now in Moscow, has reached a provisional agreement to go ahead with portions of the project early next year with an eye to completing the entire project without U.S. technology if necessary. A Japanese embassy official close to the project said that in his country "there is no view to discontinuing the Sakhalin project. . . . It has to proceed." At the same time, Japanese government officials are trying to persuade Washington to reconsider its action.

Agriculture

Texas floods threaten the cotton farmers

Senator Lloyd Bentsen (D-Tex.) has asked Agriculture Secretary John Block to authorize economic emergency disaster payments to West Texas farmers hard hit by bad weather. Predictions are that 50 percent of the cotton crop has been wiped out by tornados, hail storms, and dust storms. Farmers are now mopping up and trying to plant another crop of sunflowers or soybeans so that they can

recoup some of their lost earnings.

West Texas grows some 4 million acres of cotton, of which, according to the USDA task force that visited the area, about 2 million acres have been destroyed. Disease brought on by cool, wet weather has added to the losses. An informal estimate from USDA is that 30 to 40 percent of the farmers might be driven out of business.

Bentsen, in his letter to Block, said "many farmers were already in dire economic straits, and the many problems associated with the Federal Crop Insurance program resulted in very few farmers taking this coverage. This disaster could not have come at a worse time, and it threatens to wipe out large numbers of farmers."

Comecon Policy

Soviet mobilization: do without East-West trade

The Soviet Union has moved from denouncing the Reagan administration sanctions against trade with the Soviet Union to a mass mobilization of the population to get along without the West. The prevailing theme is: "build Fortress Russia."

Soviet newspapers are displaying on their front pages pledges from factory workers at Leningrad's Nevskii Zavod machinery plant and elsewhere to produce turbines for the Siberia-West Europe pipeline to replace any machinery whose delivery is blocked or slowed by the sanctions. *Pravda* invoked the memory of the blockade against Soviet Russia in its first years as the precedent for this mobilization.

In the trade-union daily *Trud* July 3, Academician Oleg Bogomolov of the think tank on Eastern European economies declared that the Soviet Union should now be developing technologies to replace imports from the West. "In the past decade," wrote Bogomolov, socialist countries "have frequently obtained

in the West expensive technology, which could have been gotten quite well domestically. . . ." But "fundamental innovations have been introduced in domestic technology precisely at those times when a ban on supplying technology to us was particularly stringent."

U.S. Labor

Industrial collapse spurs workforce disintegration

Inland Steel has laid off an additional 2,200 workers at its Indiana Harbor plant. The facility, one of the largest steelworks in the nation, already had 2,200 hourly workers on layoff out of a total production force of 18,000, plus 5,200 on short work-weeks. The *Wall Street Journal* portrayed Inland—in past years the most efficient and profitable of the major steelmakers—as the "big loser" in the present industry shake-out due to its failure to follow U.S. Steel and others in diversifying into non-manufacturing, i.e., speculative, areas.

The bid by Cyclops Steel Company to acquire the Alloy Division of Crucible Steel in Midland, Pennsylvania, is stalled by the inability to reach agreement on a package of concessions with the United Steelworkers of America. The firm was demanding total labor-cost reductions of \$3 per hour, including a bailout of \$1.80 per hour in loans to the company at 5 percent interest.

Meanwhile cutbacks in federal support for extended benefits for the unemployed have already abruptly terminated coverage for some 73,000 Americans in New Jersey, Massachusetts, Missouri, Maine, and Arkansas.

Indications are that the disappearance of skilled jobs, with only low-wage service employment taking up any of the slack, is leading to the "recycling" of the labor force into jobs at lower rates of pay and skill in mainly non-productive industries. For example, Michigan's unemployment commission reports that 55

percent of the people it placed in jobs in April started at the minimum wage of \$3.35, compared to only 22 percent in April of last year. A check of the equivalent figures for Ohio confirmed that trend. The implication is the destruction of the skilled industrial workforce.

International Credit

'Time for an association of debtor countries'

Mario Guzman Galarza, economic commentator for the Mexican newspaper *El Dia*, published a July 7 policy statement on the Third World debt crisis. His thinking was in the direct line of economist Lyndon LaRouche's call for a full-scale debt reorganization in Ibero-America, in tandem with the formation of an Ibero-American Common Market.

Guzman notes that any one of dozens of insolvent countries around the world could destroy the international debt balance "upon which rests \$500 billion of international bank loans. . . . If that is the worry of the international banks, I think the time has arrived for the countries of the Third World, particularly those which find themselves trapped in the power of the international banking system, to make their interests concrete in the form of an association of debtor countries, as the only way to confront the pressures and avoid strangulation of their national economies."

The international banking system knows that if it shuts us out of the advanced sector markets, and collapses the prices of raw materials, we developing countries will have nothing to pay the debt with, Guzman continued. "Therefore, either they help us without conditions which limit our sovereignty, or we don't pay. . . . If the oppressed, dependent and marginalized countries of the Third World unite, they can face down the maneuvers of the powerful countries. If they stay divided, they will continue in backwardness and stagnation."

Polish Debt

'Don't be surprised if the bear bites'

The latest issue of the Polish weekly *Polityka* carries a full-page discussion on the proposal for Poland to declare a moratorium on the \$27 billion in debt it owes to Western banks. An Austrian specialist on East bloc affairs commented on the item, "Right now, a debt moratorium is the talk of all the ruling circles in Warsaw. It is very openly discussed."

Considered one of Europe's leading specialists on Soviet bloc affairs, the Austrian observed in connection with the Reagan administration's sanctions against East bloc trade, "The Pentagon is very foolish to precipitate a liquidity crisis [in the East] which would mean a return to the cold war, with grave political repercussions. . . . The Soviet Union was bled dry by World War II; then in the postwar period, the West embargoed them. In 1957, the Americans woke up to Sputnik. . . . It is exceptionally dangerous to play with the debt, as the United States is presently doing."

The arguments which manipulated the Reagan administration to adopt its recent sanctions policies were laid out in a private discussion with a leading German member of *Le Cercle*, one of the oligarchical clubs that bring together the black nobility of Europe and Anglo-American forces. "Over the next five years, the shortage of liquidity of the Russians will be continuous," he said. "The aim is not to bankrupt the U.S.S.R., that would never happen. But, we have a chance to impose a cash-and-carry basis for trade. This forces them to short-circuit military spending," which is some 42 percent of the Soviet budget. Such a policy, he added, is the underlying basis for disarmament negotiations.

Top French sources reached by the *Executive Intelligence Review* called this viewpoint insane, saying the Soviet military economy will not be affected by the obstacles to Western trade.

Briefly

● **PAUL VOLCKER** told a delegation from Japan's ruling Liberal Democratic Party early this month that he has no intention of bringing down U.S. interest rates, according to the leader of the delegation, Ichiro Sato, who chairs the LDP's Research Commission on Monetary Problems.

● **THE ENVIRONMENTAL** Protection Agency and the Federal Aviation Administration have denied a request by the Friends of the Earth to restrict aerial application of pesticides. The group had proposed buffer zones of several hundred feet around roads and creeks, as well as mandatory notice to all persons adjacent to the spraying area. "You'd end up being able to spray just a little strip in the middle in a lot of areas," said an Oklahoma Agriculture Department entomologist.

● **THE BUILDING** and Construction Trades Department of the AFL-CIO has filed suit in federal court to block implementation of new regulations governing the Davis-Bacon Act, slated to take effect July 27. The act requires that locally prevailing wages be paid on federally supported construction projects. The new rules, according to the Washington, D.C. lawsuit, substantially dilute several key provisions of the law, including definition of prevailing wages and regulation of semiskilled helpers, contradicting the legislation's intent.

● **THE U.S. LABOR** Department has announced that as of April, employment in the consumer, financial, and service sectors exceeds the job total in production industries for the first time in American history.