

Business Briefs

Banking

Hungary initiates 'Swiss style' banking

Westerners will now be given "tax shelter" secret banking facilities through a group of four Hungarian banks, according to reports in the Swedish and Danish press at the end of August. The four banks are effectively headed by Janos Fekete of the Hungarian National Bank, who himself has ties to the Club of Rome and the Aspen Institute and has served as a key link between certain Swiss-Venetian interests and Moscow. The president of the OTP Bank, Beszedes, told the *Danish Berlingske Weekendavis*, "Our conditions will be much better than the Swiss for accounts of foreigners. In Switzerland, there is a 30% tax on interest. We will have no tax." He added that whereas Switzerland has an agreement with the United States to provide private-account disclosure in some cases, Hungary has no such agreement.

The four Hungarian banks are the Hungarian National Bank, the Hungarian National Savings Bank, the Central European Bank, and the Hungarian Foreign Trade Bank. The new Hungarian banking haven obviously introduces yet another link between the Central European oligarchy and the Russian Empire.

International Trade

Peru repays Soviet debt through barter

The governments of Peru and the Soviet Union have signed a barter agreement whereby Peru will repay a \$1 billion debt to the Soviets through the export of manufactured goods—largely textiles—plus some commodities. At a time when Peru is under ferocious pressure from the International Monetary Fund, and the collapse of world trade has dramatically affected its exports

abroad, government officials see this arrangement as a godsend, "a creative approach" to the continent's debt crisis.

According to the *Washington Post*, the Soviet-Peru debt-barter arrangement started in mid-1983 and a definitive agreement was signed in November 1983, allowing for Peruvian exports valued at \$220 million. Since then, Czechoslovakia and Romania have signed similar debt renegotiation agreements with Peru, and talks are taking place with the governments of Hungary and Yugoslavia. Thus far, Peru has signed contracts for delivery of \$12 million, 90% of which are textiles.

Peruvian government officials insist that this type of arrangement has kept the country's textile industry alive in the middle of the worst domestic recession in history. Jesus Maria Hume, the president of Peru's export agency, goes further. He told the *Washington Post*: "The U. S. lost its chance. We would negotiate to remove one trade barrier, and another one would be put in its place." In mid-1982, the United States imposed countervailing duties and quotas on three Peruvian textile products because the government used subsidies to promote exports of manufactured goods.

International Credit

London cool on Mexican bank deal

The much-heralded "deal" whereby Mexico's debt falling due between 1984 and 1990 will be rescheduled to 1984-98 at apparently better terms than hitherto has received a cool reception in London, outside those bankers directly involved in the negotiations, London sources indicated in late August.

The deal, calculated to take wind out of the Cartagena debtor-group's sails before the Mar del Plata meeting, derives from Margaret Thatcher's policy of offering "rewards" and meting out "punishments" to debtor nations according to their degree of

subservience to the IMF and the creditors' cartel. "Why should we take any commitments to Mexico that exceed the term of President de la Madrid?" a City of London source said. "Who knows what kind of radicalization might occur there?"

Creditors are, however, compelled to dangle such "rewards" in front of debtors' noses, for fear of radicalizing them now. The Mexican deal, which extends the maturities of loans by stretching repayment over more years, also implies an *increase* of net debt repayment, as interest accumulates over the years.

Technology

Reagan supports long-term space goals

According to a UPI release of Aug. 28, "President Reagan has approved a new space strategy . . . that could lead to a Moon base and a manned flight to Mars." The UPI report is based on an article from the most recent issue of *Aviation Week & Space Technology*.

The UPI report notes that "the Reagan administration's emphasis on new rocket boosters reflects an awareness of new civil and military space requirements. . . ." The report notes that this could take the form of development of a new, heavy-lift space shuttle and resurrection of Saturn-5 class boosters used in the Apollo moon program.

Simultaneously, there was a report in the Aug. 29 *Chicago Tribune* that the official word from administration sources, speaking privately off-the-record, is that President Reagan intends to delay a major drive for his Strategic Defense Initiative (SDI) program until after the U. S. presidential elections in November. While Reagan considers the Strategic Defense Initiative a "moral imperative," the *Tribune* reports, he will tactically backpedal away from pushing the program in the face of the opposition to the program from leading anti-"Star Wars" or-

ganizations in the United States.

The paper claims that the administration is discussing the SDI with defense contractors in private, "to foster development of a national commitment to the SDI." Several high-technology companies are "participating in the conceptual design" for the SDI, says the *Tribune*, and spending for the SDI is expected to "increase dramatically through the decade"—but this process will only take off after the November elections.

Ibero-America

SELA officials moot 'Bank of the South'

Officials from the Latin American Economic Organization (SELA) met with President Munoz Ledo of the Group of 77, an organization of Third World nations (G-77), to discuss the creation of a "Bank of the South." The purpose of the new financial entity would be to facilitate South-South trade, and would be based on a "Third World dollar"—a new currency. Each member nation (whether from SELA or G-77 or both) would provide an initial contribution of \$12.5 million, and the bank's global assets would be originally \$500 million. The report implies that the final decision to set up the bank has already been made, and that its creation will end some difficulties created by the existing debt crisis and the lack of foreign exchange.

Agriculture

Farmland prices fall; credit triage underway

"In the Midwest, farm land values have fallen between 25% and 40%" since their peak in 1981, according to a leading agriculture expert.

In Minnesota, land values have officially fallen 22%, but land which sold for \$1400/

acre in 1981 was offered for sale recently at \$700/acre and no bids were received. In Illinois, where the U.S. Department of Agriculture estimates an 18% decline, and the Federal Reserve Bank of Chicago a 22% drop, a local professor and auctioneer places the drop between 25% and 30%. However, in specific cases, especially in the southern areas of the state, the drop is from 33% to 50%.

Other examples abound throughout the Midwestern states. Meanwhile, the federal government has moved to tighten credit and to triage those farmers who attempt to expand. The Farmers Home Administration, the official "lender of last resort" for the farm sector, is unable and/or unwilling to keep up with the demand. In Kansas, 40-50% of the non-disaster loan requests were denied this year.

Economic Theory

Amstutz: The price of freedom. . . .

Daniel Amstutz, an undersecretary in the USDA and formerly with Cargill of Minneapolis, told NSIPS on Aug. 30 that the administration "favors farm policies that allow farmers the freedom to use productive resources as they see fit. In other words, we oppose any programs which force reductions in production, but for this approach to be economically viable, the price of freedom is a more market-oriented approach. We have to take note of areas where this will create disruption, and I think that can be addressed meaningfully, fairly and adequately."

When asked about the stranglehold which the cartel of Cargill, Continental, and Armand Hammer have on the productive capability of the American farmer, Amstutz responded, "These supply balances are being replenished. They are now generous, more than adequate for our own needs. I don't know what you mean with your comments on a stranglehold."

Briefly

● **SEBASTIAN** Alegrett, secretary general of SELA, gave a press conference on Aug. 29 in which he supported the decision of the Bolivian government to suspend debt payments. He says it was "realistic, serious, and quite responsible," given that Bolivia did not have the resources to pay for the debt.

● **CHARLES** Manatt, Democratic Party chairman and a native of Iowa, has increased his ownership of Iowa farmland from 1,000 to 2,000 acres. Banks are putting property up at auction after foreclosing on farmers, but the going price for land is often below the amount of the loan. According to local reports, Manatt finds out how much the bank needs to recover on the land and sends his lawyers and friends to bid for it. The bankrupt farmer gets nothing, the bank recoups its investment, and other farmers who might be able to buy the land at the extremely low market price are unable to compete.

● **PRESIDENT** Reagan, speaking at the Goddard Space Flight Center on Aug. 30, attacked Mondale's proposed tax increases. "We support high-tech, not high taxes," Reagan said. The space program, he added, "has given us benefits far more valuable than our original investments." Mondale opposes the space program.

● **GPU Nuclear**, according to unofficial sources, is considering shutting down both TMI 1, where there are no problems, and TMI 2, the accident-damaged plant. The company apparently cannot afford to maintain the plants in their present non-functional condition.

● **CARNEGIE** Corporation announced an award of \$250,000 to the Institute for Global Conflict and Cooperation of San Diego, California. The Institute was founded at the University of California in July 1983, and is headed by Herbert York, a leading anti-defense, anti-nuclear, sometime top-level adviser to the Pentagon.