Business Briefs

Food

U.S. Congress legislates shortages

In Congressional agriculture committee and subcommittee votes in mid-July, measures for the new 1985 four-year farm bill were legislated that are guaranteed to create huge food shortages and world starvation.

The chief provisions, ordered wrapped up before the end of July by GOP Senate leader Robert Dole, include: 1) putting 20 to 30 million crop acres into a "land reserve" over a 10-year period, to permanently reduce by close to 10% the current 421 million acre food base of the country; 2) reinstating the milk "PIK" program in which dairy farmers will be paid to cut output and slaughter more milk animals; 3) offering grain farmers a national referendum to decide how much to reduce their grain acreage. Farmers who refuse to cut back enough, will have all supports withdrawn, letting the "free market" put them out of operation.

Technology

Fiat opts for SDI

Giovanni Agnelli, chairman of the Italian firm Fiat, said in an interview July 15 that his company is ready to participate in research on the U.S. Strategic Defense Initative, according to the July 17 *International Herald Tribune*. Fiat announced that a company representative would be based in Washington, D.C. to compete for contracts. Agnelli said that Fiat would focus its research in the fields of rocketry, robotics, and laser weapons.

Fiat will also seek participation in the Eureka program, launched by the French government as a "European" counter to the SDI. East bloc participation in Eureka is already being mooted.

"I believe that both the SDI and Eureka can be done, but we are going ahead with the U.S. program first because it is ready with staff, and will start soon," Agnelli stated. Fiat has been given government approval to participate in the SDI while waiting for Eureka to get off the ground.

Vice-President George Bush said that the SDI and Eureka were compatible, after meeting with French President François Mitterrand earlier this month. Bush said that Eureka was a "research program that does not relate predominantly to strategic defense."

A meeting of high-level officials from 17 European countries to organize financing for Eureka will begin in Paris July 17. French officials said the estimated five-year budget for Eureka will be $6.29 billion.

Participation in the SDI could have "colossal implications," not only for Fiat but for the future development of high technology in Europe, Agnelli said. "Europe is out of most Pentagon programs, but this represents a major opportunity."

Agnelli was emphatic that he did not share Mitterrand's fears that participation in the SDI would relegate European industry to a "subcontracting role."

Foreign Exchange

Dollar teeters on the brink

Informed London financial sources expect that U.S. Federal Reserve head Paul Volcker will soon reverse his "hands off" policy to avert "too sharp a fall" of the U.S. dollar. Confirming the estimate, Volcker made one of his characteristic Oracle-of-Delphi statements indicating that "no one should assume there will be another interest rate cut."

Within minutes of Volcker's announcement, the Fed funds interest rate began rising from 7.5% in the morning to slightly more than 8%, while the dollar rose from a low of 2.82 deutschemarks to 2.84. It had hovered slightly above 3.00 last week.

The same sources point out the danger of reading too much into present dollar trading. "The markets are extremely thin because of summer holidays, so that dollar rates can move very rapidly up or down on very small volumes. This is a very tricky situation."

The recent decline of the dollar is reportedly partly linked to heavy dollar liquidation, mainly through New York banking institutions, by the financially hurting Saudi government. Saudi balance-of-payments deficit problems are aggravated by an oil output averaging 2.5 million barrels per day against an official planning estimate of revenues based on 4.5 million bpd.

Austerity

IMF surveillance for Yugoslavia

Yugoslavia has agreed in principle to International Monetary Fund surveillance of its economy during negotiations in New York of its $3.5 billion debt due by 1988 to Western creditors. The IMF has refused to release the next installment of its loan unless debt rescheduling is negotiated. Creditors are demanding 1.25% higher interest payments over Eurocurrency deposit rates, while Yugoslavia is holding out for only a 1% margin.

Yugoslavia's economy is being ravaged. Retail prices last month were up 76% over the same month last year, and imports were up 10%, while exports went up only 4%. Trade for hard currency went up only 1%.

Debt

More rope to hang with

Poland signed an agreement July 15 with the "Paris club" of Western bankers, to put off the repayment on the principal of its 1982-84 debt until 1990—well after the Soviet target date for taking control of Western Europe.

An initial agreement on Poland's government-to-government debt was reached six months ago. The agreement will allow Poland, under heavy pressure to pay from both the Soviets and Western creditors alike, to schedule payments on $11.3 billion over 11 years, with a five-year grace period. However, $1.3 billion will have to be paid by the end of this year.

Poland's Western debt may reach $30 billion by the end of the year. Using the debt pressure, Western trade partners have forced Poland to pre-pay for goods, and have cut off even short-term trade credits.

Polish chief Gen. Wojciech Jaruzelski told union leaders over the weekend that the country's economy was improving, but he nonetheless made clear that heavy austerity policies would not be lifted. Industrial production growth was behind target, Jaruzelski said, and wages are still rising too fast.

But next year, Poland will face another $1.5 billion in payments falling due. Officials said that hard currency export earnings are 5% behind that of last year. Poland is attempting to achieve a $2 billion payments surplus this year.

Poland also owes some $1.4 billion to private banks this year, and must start repayment on debts rescheduled from 1981. The country is desperately trying to land some $600 to $800 million in Western trade credits to cover the payments gap, but at this point only Germany, Austria, and Italy show any interest in lending.

Poland's bid to join the International Monetary Fund, first made last year, has still not been accepted.

Invisible Hand

Occidental, Mannesman financing guerrillas

Major-General Jaime Hernandez Lopez, commander of the fourth division of the army of Colombia, issued a statement July 10 in which he called upon Armand Hammer's Occidental Petroleum and the West German firm Mannesmann, not to collaborate with guerrilla organizations such as the terrorist National Liberation Army.

Charged Hernandez, "I am in the possession of documents proving that representatives of the Mannesmann Company regularly meet with subversive elements toward very definite ends." He explained that Hammer-connected companies have been providing funds to the ELN, the terrorist group which two years ago kidnapped Jaime Betancur Cuartas, brother of Colombian President Belisario Betancur.

Occidental recently made a financial killing in Colombia when it received $1 billion for the sale, to Royal Dutch Shell, of 50% of its exploitation rights in the Colombian oil reserves of Cano Limon, located in the eastern plains of the country. Since Hammer had only invested some $70 million in the area, Hammer reaped a neat 1,400% profit on the deal.

But meanwhile, Shell is vying to buy up 20% of the holdings which Colombia's state coal company, Carbocol, has in the massive coal mining project Cerrejon Norte, plus a neighboring coal mine in Cerrejon Central.

Cerrejon Norte was intended to be one of Colombia's main sources of foreign exchange in coming years, to give the nation a way out of its severe foreign exchange shortage. Shell's offer is therefore a concrete example of the implementation of the "debt for equity" proposals floated by Henry Kissinger and his associates, as an ostensible solution to the debt crisis.

Health Care

Massive New York hospital cuts

New York City is experiencing the most significant contraction in hospital care since Medicare and Medicaid were created 20 years ago. Said Anthony Watson, director of New York's Health Systems Agency, "We are not talking anymore about closing beds, or even wards and services. We're talking about closing hospitals."

New York Hospital and Columbia Presbyterian Hospital have cut back nearly $2 billion in rebuilding plans. At Montefiore Hospital, entire floors have been closed and nurses laid off. Over the past decade, 5,114 beds have been eliminated in the city. Said Watson: "We will concentrate on shrinking large institutions and closing unneeded ones."

Briefly

- **THE IMF** is holding back on a $310 million credit to Morocco, because Morocco has failed to meet IMF conditions in the first half of this year. The credit was to replace one expired last March. Morocco is also late in paying service on its state debt. After two years of negotiations, Morocco came to agreements with Citicorp and the "Club of Paris" bankers in mid-July, to reschedule principal payments from 1983-84. The IMF made the reschuling agreement a condition for extending new credit.

- **DAIRY QUOTAS** of the European Economic Community are having their impact: Over the first five months of 1985, the EC countries produced 20% less skimmed milk powder than over the same period last year. The sharpest drop was in West Germany, where milk powder is down 26%.

- **THE U.S. FDA** has ordered a nationwide recall of dairy products distributed by Cacique Fine Foods of suburban Los Angeles, because Listeria monocytogenes bacteria were found in samples of Cacique cheese distributed in 13 states. Only one month ago, dairy products from Jalisco Mexican Products of Artesia, California were also recalled. So far, 61 deaths and stillbirths, and 187 illnesses in California and six other states, are blamed on the consumption of cheese products carrying the Listeria bacteria.

- **6,400 STEELWORKERS** employed by Wheeling-Pittsburgh Steel Co. will soon have their wages cut to below the official poverty level, if the Pennsylvania courts approve the company's plan for reorganization under Chapter 11 of the bankruptcy laws. The average wage would be cut from its current $21.40 per hour, down to $15.20, which, after insurance, pensions, and other deductions, amounts to a mere $6.00 per hour.