Business Briefs

Corporate Strategy

Inchcape drug empire targets Latin America

The Inchcape International trading company, the London and Hong Kong-based company sitting at the center of Dope, Inc. since the opium days of China and India, is "making a bold bid to establish itself as a power in Latin America," the *Financial Times* of London proclaimed Jan. 26.

Buying up a string of companies from Lloyd's Bank International throughout the continent, Lord Inchcape plans to quickly extract one fifth of the company's "business and profits" from Latin America, today the source for only 3 percent of the Inchcape empire profits. Already the company's new South American managers have been sent to "visit other parts of the Inchcape empire to see what products and ideas they can pick up," the *Times* reports, and a massive increase in cross-Pacific trade is projected.

The Inchcape move signals a consolidation of the Asian Golden Triangle and Latin America's drug production from the very top.

GATT

Change in U.S. trade strategy?

Special Trade Representative William Brock told a private conclave of industrial nation representatives, including officials of the IMF and World Bank, that the U.S. would press for an agenda including "structural adjustment" of industry and promotion of service rather than manufacturing exports at this year's ministerial meeting of GATT, the Swiss daily *Neue Zürcher Zeitung* reported Feb. 3. The meeting was held during the European Management Forum conference in Davos, Switzerland.

The U.S. would not seek to protect old industries, Brock reportedly said, because this would encourage obsolescence and incompetent management, but would instead push for elimination of "non-tariff barriers" to service exports and investment. (In a related development, Senators Chafee and Roth have introduced legislation that would give services parity with manufactures in U.S. exports programs, on the grounds that the U.S. is a "post-industrial society" and a "service economy" that no longer need export goods).

Brock also said that credit flows to the East bloc diminish potential lending to the developing sector and therefore went against Western basic interest, and argued that the problems of "trade with non-market economies" should be on the GATT agenda.

Foreign Exchange

Saudi economist proposes Arabs break from dollar

There is now an increase in the Arab world of calls for dumping the U.S. dollar, and replacing it with an "Arab currency," and forming an Arab trade bloc. These calls parallel the calls coming from Belgian Royal Household economist Robert Triffin to divide the world into rival currency and trade blocs.

Saudi economist Wadi Ahmad Kabli told the *Arab News* daily newspaper Jan. 24 that Saudi Arabia and other Arab nations may split from the International Monetary Fund to form their own Arab Monetary Fund. Kabli said that such a move "would free the economies of Arab and Islamic countries from the restraints and dominations imposed by the industrialized nations majority within the IMF." He added that an Islamic monetary fund would enable Arab and Islamic nations to print a unified currency to fight against "the predominance of the dollar and the pound sterling."

The same theme was also sounded Jan. 28 at a meeting in Riyadh, Saudi Arabia of the six-nation Gulf Corporation Council, which includes Saudi Arabia, Bahrain, Qatar, the United Arab Emirates, Oman, and Kuwait. At this meeting, these nations called for "the creation of a unified currency of the [Arab] Gulf," and for "unifying the economies of these six Arab nations into an Arab common market."

Trade

Senate holds hearings on embargo cost

The Senate Agriculture Committee Subcommittee on Foreign Agricultural Policy called hearings for Feb. 3 and 5 on the economic effect of agricultural embargoes both on the U.S. and on the countries affected by an American trade suspension.

"The possibility of any type of trade interruption looms ominously over our agricultural economy," said Agriculture Committee Chairman Jesse Helms.

The hearings coincide with a formal appeal from the conservative Farm Bureau Federation, nominally the largest U.S. farm organization, to the Reagan administration not to impose a grain embargo against the Soviet Union. Illinois Farm Bureau President Steele made a special point of urging the administration to put an end to public speculation over the possibility of an embargo. "Even the threat of an embargo over the Polish crisis is depressing grain prices as much as if an embargo were declared," Steele reported he had told Secretary of State Haig.

Agriculture Secretary John Block will be a witness at the hearings, and is expected to deliver a full report of the costs inflicted by the 1980 Carter embargo. A recent GAO report on the subject showed that the embargo was a net drain on the federal government, but did not concern itself with the income and long-term market losses which producers suffered.

Block recently held a press conference to defend the administration's decision to suspend negotiation of a new long-term grain supply agreement with the Soviets, and took the opportunity to assure the public that there were no plans for an agriculture-only embargo against the Soviet Union. "We offered the Soviet Union 23 million tons of grain and to date they have purchased 10.9 million tons," Block stated in an effort to prove that grain exports wouldn't be affected by the suspension, "so there's a great deal more grain that they can go ahead and buy in accordance with what we have offered, and of course, they are still free to do so."

International Credit

Foreign influence factor in U.S. Polish policy

Foreign influence is playing a substantial role in the current fight in Washington around what U.S. policy should be on Poland's debt due to U.S. banks.

The most recent flareup around Poland's payments, which are expected to be in arrears through most of this year, occurred on Feb. 3, when U.S. Secretary of Defense Caspar Weinberger suddenly attacked President Reagan for refusing to declare Poland in default. Last month, Reagan announced the U.S. will finance Poland's January payment to U.S. banks of $70 million, in the interest of helping to stabilize the troubled nation.

It has now emerged that Weinberger's attack was conceived by Swiss-based financial interests. According to a well-placed East coast think tanker, Weinberger was put up to launch the attack on Reagan by Fred Iklé, the Undersecretary of Defense who has been revealed to maintain closest contacts with relatives in the Swiss banking community who are of the same name. Iklé told Weinberger to spring loose an attack around Poland, the source claims, after Iklé's return from an international banking conference in Davos, Switzerland. The objective of such a confrontation for Iklé and his friends was not so much Poland itself—but rather to use the problems around Poland's finances to foster destabilization of West German Chancellor Helmut Schmidt, the source added.

On Feb. 4, the *Wall Street Journal* in its editorial called for a complete shutoff of all financial and economic relations of the West with the Soviet Bloc. When Iklé was in Davos, he went so far as to demand in a public speech that the U.S. enact reprisals against Western allied countries which refuse to back such boycotts. What the Swiss hope to gain from such extreme gameplans is a profound economic destabilization of Europe and the United States.

Monetary Policy

Some observations from the gnomes

Here is the current Swiss view of the U.S. economic situation, as told by the chief of one of the big Swiss banks' international department:

"We are not worried about the administration's attacks on Mr. Volcker. After Secretary Regan's remark last week concerning better European management of money supply, Volcker told Regan and Stockman that he would be happy to resign, if they thought they could manage money supply better than he. After Regan and Stockman recovered, they implored Volcker to stay.

"For the next four to six weeks Fed policy will be very tight. But Volcker is a realist. He has to fight inflation. But it is impossible to imagine that he will hold out for more than six weeks, because that would lead to an uncontrolled crisis in the U.S. credit system. After six weeks, he will gear monetary policy to significantly increased defense spending, and the effects of the tax reductions, increased depreciation allowances, and so forth. Interest rates will have to come down. What Volcker wants is a stabilized recession: he is trying to hold onto the situation.

"But, ach! that idiot Helmut Schmidt! He has ruined the independent Bundesbank, he has forced [Bundesbank President Karl-Otto Poehl] to reflate. He may win this week's vote of confidence, but he'll never last the 957 days until the next elections!"

Briefly

● **SAID RAMADAN,** an Egyptian national exposed by *EIR* years ago as a key Muslim Brotherhood leader stationed in Geneva, is now the object of a full-scale security operation by the Egyptian government aimed at dismantling the drug- and gun-running networks. The Swiss bank-connected Ramadan is son-in-law of Hassan al-Banna, cofounder of the Muslim Brotherhood in 1929, and has reportedly assumed the leadership of the newly formed London-based Brotherhood group set up in December as part of the reactivation of Brotherhood activities in Europe and the Middle East.

● **THE INTERNATIONAL** Wheat Council estimates the 1981-82 coarse-grain crop by the six major world net exporters at a record 316 million metric tons compared with 265 million in 1980-81, a 19.2 percent increase.

● **DUKE POWER COMPANY** has officially dropped its plans to build a 3.8 gigawatt three-plant nuclear complex in North Carolina, which has been on hold since 1979. Citing "financial and regulatory concerns," the utility announced the end of a project which was started in 1974, when the total cost of the plant was estimated at $1.4 billion. Today the projected cost is over $6.7 billion, and $6.5 million has been spent without beginning construction.

● **THE DITCHLEY** Foundation, the elite British intelligence unit whose American branch includes as members Cyrus Vance and Paul Volcker, will meet Feb. 5-7 at Ditchley Hall, England, to discuss the "International Technology Development in Telecommunications." The meeting will be chaired by Peter Benton of British Telecommunications and will have as speakers E. R. Nixon of IBM-United Kingdom, and Richard Pitts of AT&T International. Also to attend is James Robinson, the head of American Express.