Business Briefs

Food Supply

EC's poultry industry criticized for efficiency

The Swiss-based research and consultants GIRA has criticized the Western European poultry industry for the productivity gains made over recent years. GIRA claims that the rapidly growing "surplus" of frozen poultry products will eventually force a reduction in exports to Third World countries as producers attempt to dump their products "at crisis prices" within the EC countries, beginning in 1985.

The European Community is the chief exporter of poultry to nations in the Middle East and North Africa. These countries absorbed 670,000 metric tons in 1981; however, GIRA predicts a decrease to 500,000 metric tons in 1990. The "impressive take-off of indigenous production which started in the late 1970s," will make these countries self sufficient, and force the EC to find other markets in a highly competitive world situation.

"The most likely outcome is that the EC exporters will have a surplus of frozen poultry growing rapidly after 1985. They will probably unload this excess . . . at crisis prices, particularly on the German market," the GIRA report stated.

Energy

Japan vulnerable as oil trade with Iran soars

The latest industry figures show that Japan is making a potentially dangerous shift in its oil imports. Data released at the end of November by the Petroleum Association of Japan show that imports of crude oil from Iran have soared 157 percent in the third quarter over the same period a year ago, despite the instabilities of the Iran-Iraq war.

At the same time, Japanese dependence on moderate OPEC suppliers such as Saudi Arabia and Indonesia has dropped substantially. Saudi origin imports have dropped 24 percent while those from Indonesia have fallen more than 19 percent. Because of its increased Iranian offtake, Japan—which imports 100 percent of its needs—is dependent on the Mideast for 70 percent of its petroleum imports.

Japan's economic and strategic ability is demonstrated by the fact that Iraq has sent the government repeated formal and other warnings stating bluntly that the multibillion-dollar joint Japan-Iranian petrochemical complex at the port of Bandar Khomeini would be a prime target for Iraqi bombing. The complex has been 85 percent complete since 1980. Iran has also issued repeated threats to bomb and seal the narrow Straits of Hormuz. At present more than 8 million barrels of crude flow through these straits every day to the world market, primarily Japan, Western Europe, and the United States.

By undercutting official OPEC production and pricing agreements, Iran has managed to bring its total take in oil revenues to levels equal to that of the peak achieved by the Shah's government, despite the depression in world demand.

Defense

Volcker allies assail U.S. budget

International financial networks are threatening to blow out the U.S. financial markets and destroy Ronald Reagan's re-election chances if the President goes ahead with a crash program for building a beam weapons defense system.

Volcker began the attacks on Nov. 21 at a monetary conference when he said that "the President . . . was wrong" to have his spokesmen complain about tight money. Only if Reagan cuts the deficit, which would mean a drastic cut in U.S. defense programs, will interest rates fall, he stated. The longer the deficits go on, "the greater the risks on the financial markets and on the economy generally."

Lehman Brothers Kuhn Loeb chairman Peter Peterson, the head of the World Bank's Brandt Commission in the United States, is putting out the word that the U.S. financial markets will blow out if Reagan implements any large defense program. Peterson runs the bipartisan budget-cutting committee, which includes Robert McNamara, Henry Fowler, and other investment bankers with the power to control the U.S. Treasury bill market.

If Reagan goes with a big defense program "the markets will react very, very negatively," Peterson's aide stated Dec. 2. "There would be a major rise in interest rates, and it would be the end of the Reagan recovery. If Reagan makes another big defense initiative now, rates will definitely go way up. If the timing coincides with another blow up of the debt crisis, then Reagan has a contradiction on his hands."

White House chief economic adviser Martin Feldstein, who may be on his way out, announced Nov. 21 that the $200 billion deficit has been caused by "increased defense spending." He said the deficit would be double the percent of GNP from when Reagan took office in 1980, and the entire rise in the deficit from 2.3 percent of GNP in 1980 to 4.2 percent in 1988 will be due to the defense budget, he said, virtually accusing Reagan of deceiving the public by refusing to admit he plans a big tax hike after the election.

A just-released report by Lord Harold Lever and former U.S. Treasury Secretary Robert B. Anderson threatens that unless the United States submits to IMF supranational surveillance and cuts the budget, there will be a crash.

Ibero-America

The Dominican Republic rejects IMF demands

Resistance to the International Monetary

© 1983 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

Fund's conditionalities is continuing, despite Brazil's recent capitulation. Opposition has come from an unlikely source, the Dominican Republic, which Cyrus Vance and Henry Kissinger have treated as their personal playground. On Dec. 1 both the finance minister and the head of the central bank attacked the IMF for demanding "conditions inimical to the national interest." In exchange for providing some funds to the bankrupt country in 1984, the IMF is demanding a formal devaluation of the peso; tax increases; and payments for all imports except oil at the parallel market rate, meaning that 80 percent more must be paid for each dollar of imports.

Finance Minister Avinades termed the IMF conditions "unacceptable." Central bank head Bernardo Vega, in a separate statement, said that they would lead to increased prices for raw materials, medicine, and other basic imports. In mid-November the IMF negotiating team was forced to break off negotiations and return to Washington, when Dominican authorities refused to adopt these measures on the ground that they would inevitably lead to "social chaos."

On Dec. 1, Willard Butcher, chairman of Chase Manhattan, arrived in Santo Domingo to tell the Dominicans that they had nothing to worry about, since he was "cautiously optimistic" about a recovery in the United States, which would alleviate their plight.

Trade

West German exports go East

The third quarter import-export figures published by the West German office of federal statistics show the dimensions of the economic deals between the Soviets and the Hans-Dietrich Genscher faction of West German industrialists.

Within the context of overall decreases or at best stagnation of German exports, the sharp increases of trade with both the Soviet Union and Khomeini's Iran are remarkable. German exports to Iran for 1983 will top the figures for 1978, the biggest year for West German exports to the Shah's Iran. Exports rose in 1983 nearly 150 percent over 1982, with machinery and machine tools, chemical, electro-technical, and trucks leading the boom.

A spokesman for the German economics ministry commented Nov. 30 that the statistics demonstrate that Iran is going back to a more pragmatic course, allowing foreign technical experts into the country again. He also stated that Iran plans to finish industrial projects which were interrupted during the first years of Khomeini's Islamic Revolution. Now, Daimler-Benz will finish a truck plant and the Siemens subsidiary KWU has been asked to finish the nuclear power plant construction started under the Shah.

West German exports to the Soviet Union show a similiar rapidly growing trade relationship. Already in 1982 West German industrial exports to the U.S.S.R. jumped from DM 6.6 billion to DM 8.5 billion, and the figures for the first three quarters of 1983 have already equalled those for all of 1982.

Especially dramatic is the situation in the machine-building industry. Exports to the Soviet Union rose 51 percent in the first half of 1983 compared to the 1982 figures. A spokesman for the machine building industry in Frankfurt reached for comment by *EIR* Nov. 30 stated, with some pride that the Soviet Union is now the fifth biggest market for the West German machine building industry and is about to overtake the North American market, which includes both the United States and Canada. German exports to the Soviet Union already lead those to Italy, Austria, and Switzerland.

The spokesman called this development a real sensation. The Federal Republic has little competition in supplying East bloc countries with machines and machine tool equipment. More than 5O percent of all the machine-building companies in Germany are heavily involved in East-West trade.

There have been above average increases in exports to Russia in the chemical and high technology field, as well as synthetics, fuel, and special steel.

Briefly

● **A GERMAN** industrialists association (BDI) delegation, led by BDI president Rodenstock, returned from a four-day visit to Thailand in late November, calling Thailand the "number one country" in the ASEAN community in terms of investment climate and growth potential. The delegation had also visited Australia, the Philippines, and Singapor. West German financial daily *Handelsblatt* reported that Rodenstock called the Pacific basin one of the most decisive poles of economic growth for the coming 20 to 30 years.

● **PRESIDENT MARCOS** announced at the end of November that the Philippines want to reschedule foreign government credits due in 8 to 10 years. The volume of those credits is not known, but it is assumed to be very high, as most of the country's $24 billion foreign debt is in foreign government credits.

● **CARGILL CORPORATION** was permanently enjoined from acquiring the meatpacking division owned by the Land-O-Lakes farm cooperative on Dec. 1 by Federal Judge Sherman Feinsilver. The ruling states that if Cargill increased its market share of beef processing any more, it would be in a position to increase meat costs to consumers and depress prices for farmers.

● **THE USDA** announced Dec. 2 that it has 50 million fewer bushels of corn available for its emergency drought animal-feeding program than it had previously estimated. Instead of making 80 million bushels available for assistance to drought-state farmers—the amount Agriculture Secretary John Block said was available in November—they now say only about 27.7 million bushels can be made available, because the rest has gone into other programs. Earlier this fall, USDA "lost" 62 million bushels of soybeans, due to a miscalculation of the total number in storage.