

Business Briefs

Defense & Aerospace

Pentagon: Europe to get SDI contracts

A Pentagon official told British defense correspondents in London on June 17 that European countries would play a leading role in constructing ground-based defenses against short-range Soviet missiles, and that contracts of up to \$2.6 billion could be involved.

The unidentified official said that the Strategic Defense Initiative was beginning to win wide acceptance in Western Europe, where the debate about the program was "more rational than in the United States, because there is a more sophisticated understanding of the issues of nuclear deterrence." The official denied reports that the SDI would be seriously delayed following the Space Shuttle disaster, but acknowledged that the United States would have to develop alternative ways of launching satellites into orbit.

Transportation

Conrail union leader: Stock sale blocked

Numerous American railroads are willing to participate in a public stock offering to sell Conrail, but top administration officials have prevented the plan from coalescing, Fred Hardin, a railway-union leader, said on June 17.

Speaking before the House Subcommittee on Commerce, Transportation, and Tourism, Hardin said that seven or more railroads have "indicated a willingness" to buy Conrail stock to ensure the success of a public offering, providing the government with \$1.6 billion to \$2.3 billion.

"Everytime we get them [the railroads] almost to the kitchen door, somebody calls them and they run away," Hardin told the subcommittee. "There are high-ranking officials who don't want this thing to get going too fast."

One railroad official did admit to interest in Conrail: Ron Raimenn, vice-president for

corporate affairs for Burlington Northern, said his railroad had attended preliminary discussions on the Conrail sale. "We're interested in a strong, independent Conrail. We're willing to participate in any proposal that would lead to that."

Transportation Secretary Elizabeth Dole has opposed a public offering of Conrail stock, and has urged Congress to approve a \$1.9 billion offer for Conrail by Norfolk Southern Corp., a Conrail competitor.

Austerity

West Germany adopts new budget cuts

West German Finance Minister Gerhard Stoltenberg announced a program of austerity measures, Gramm-Rudman-style, following a federal cabinet meeting in Bonn on June 18.

All ministerial budgets will be affected by a cut of expenses, which will freeze 1 billion deutschmarks in expenditures. Since additional compensation payments have been promised to farmers, because of income losses related to the Soviet Chernobyl nuclear disaster, the budgetary freeze will hit hardest at non-agricultural budgets.

The cuts of DM 1 billion are not great, seen against a total budget of DM 260 billion, but the Stoltenberg decree will set a precedent for a new round of harsh fiscal austerity and budgetary cuts.

Oil

Libya not worried about U.S. pullout

"Frankly, this will not affect us at all," said Abdullah al-Badri, head of the Libyan National Oil Co., in an interview with Reuter in mid-June about the effect of five U.S. oil companies pulling out of Libya.

"We've been working for the past two months to try to find avenues for selling our oil, and we have," he said. The Libyan official added that the five American oil companies are not keen on selling, but were

forced to by U.S. government action.

"They found it a silly idea," he said. "It is not profitable for them." Al-Badri said that three of the firms have interests in a 60% Libyan-owned company, Oasis Petroleum: Marathon has 16%, Conoco 16%, and Amerada Hess, 8%. "Customers are used to our oil. If they don't buy from the Americans, they will buy directly from us."

International Trade

U.S. technology restrictions eased

The U.S. Commerce Department has published a proposed radical change in its export licensing procedures which, if not blocked in the next 60 days, will effectively end attempts to restrict sensitive technology sales to the Soviet bloc nations.

Paul Freedenberg, assistant secretary for trade at Commerce, said a new "gold card" system will use a list of thousands of certified foreign users which it "trusts" would not pass sensitive technology to the East bloc. These select firms would then need no special export license.

Initially, according to a report in the European edition of the *Wall Street Journal*, the system will cover buyers in Japan and 14 other countries, but would be expanded to such neutrals as Sweden, Austria, and Switzerland. Sweden recently has become notorious for allowing advanced technology to be exported into the Soviet Union.

A major backer of the project, according to the report, is Pentagon export-control official Stephen Bryen. Bryen's name has come up in connection with the Jonathan Pollard espionage revelations recently.

Domestic Credit

Louisiana closes down more banks

Louisiana banking officials on June 13 ordered the Bank of Commerce in Shreveport and Bossier Bank and Trust Co. in Bossier

city to close operations, while a search began for new owners.

Bad loans were blamed for the failures which caused the banks to shut their doors on the afternoon of June 13. Large numbers of depositors tried to make withdrawals from the banks, and some were still trying when the doors were locked.

Both banks were under consent decrees to refrain from what were described as bad loan practices. Gus Mijalis, chief fundraiser of Louisiana Gov. Edwin W. Edwards (D), is a former officer of the Bank of Commerce. He resigned when he and several others were indicted, along with Governor Edwards, in a federal racketeering case. All were eventually acquitted.

Herman K. Beebe, a Shreveport businessman, convicted of conspiracy, wire fraud, and other felonies in 1955, had sold his interest in Bossier Bank and Trust. He had been acquitted of charges of conspiracy and misapplication of Bossier Bank and Trust funds.

Agriculture

Argentine production declines

In 1986, Argentina, one of the richest agricultural nations in the world, will lose \$1.2 billion in income from agricultural exports, given that production will drop from 44 million tons in 1985 to 37 million in 1986, at the end of the current harvest, and that international prices have dropped.

Private researchers told *Somos* magazine that, as of next year, taxes on agricultural exports will stabilize at 15%; the drop in number of hectares under cultivation will lead to a further drop in production, down to 30 or 32 million tons.

Worsening conditions resulted in an agricultural producers' protest strike in mid-June, lasting four days. The strike was effective, despite the fact that two of the four agricultural confederations did not participate. The Sociedad Rural (SRA) and the Rural Confederation (CRA) organized the nationwide protest around a series of demands which include: elimination of taxes on exports; fewer taxes overall; suspension

of "dirigist and interventionist" measures; more credit; resolution of problems of infrastructure (ports, storage, and transport); measures to avoid bankruptcies; reduction of public expenditures.

In several parts of the country, producers organized tractorcades on major highways and handed out leaflets. The CRA and SRA issued a statement saying that support for the strike was total among the membership of those organizations. All agricultural entities are considering further protest action, claiming that the government has failed to respond to their demands, and that agriculture in the country is collapsing.

Armaments

Lavi jet program delayed

In mid-June, Israeli Prime Minister Shimon Peres and Defense Minister Yitzhak Rabin received "almost identical letters" from U.S. Secretary of State George Shultz and Defense Secretary Caspar Weinberger, indicating a "major shift" in the Reagan administration's attitude toward Israel's Lavi jet program, and indicating an increasing U.S. unwillingness to commit itself to a \$300 million investment in the Lavi over the next 15 years, the *Jerusalem Post* reported June 10.

The Lavi program has been the center of intense controversy since 1983, with Weinberger and Shultz on opposite sides. The conflict centered around the fact that the Lavi program could not be implemented without the Israelis receiving sophisticated component designs from the United States that had been previously protected by U.S. national security classification.

Following receipt of the letter addressed to him, Rabin, on June 9, called an "urgent meeting of the top echelons of the Defense Ministry, the Air Force, and the Israel Aircraft Industries to reassess the Lavi fighter jet program," the next day's *Jerusalem Post* reported. The *Post* quoted an unnamed Israeli source saying that Rabin had been "more than upset" at the "unbending attitude" of a Pentagon delegation in Israel during the first part of June, headed by Assistant Deputy Secretary Dov Zakheim, toward the Lavi project.

Briefly

● **EIGHT MIDWEST** governors called free trade a "mystical dream" in a message to President Reagan on June 17. "We live in a world of quotas, export subsidies, and government incentives," the governors said. "Clearly, the mystical dream of world 'free trade' is a world that never was and never will be."

● **EGYPT'S ARMS DEBT** is the subject of ongoing negotiations between the United States and Egypt, said Frank Wisner, the U.S. ambassador-designate to Egypt, in testimony to the Senate Foreign Relations Committee on June 19. The United States had begun, in 1985, to give Egypt outright grants to make arms purchases. "Now it's important to go beyond that and find other options," such as rewriting existing 14% loans at a lower interest rate, Wisner said.

● **MULTI-FAMILY** housing starts in the United States dropped by 21.9% during May, to bring the overall rate of housing starts down 7.4% in May, to 1,888,000, the lowest level for the year. This was predicted by the housing industry in response to the elimination of tax breaks for apartment buildings.

● **AN AGRICULTURE** Department survey indicates that farm foreclosures accounted for more than one-fifth of all farmland that changed hands in the United States during 1985. The report indicates that there is an upward trend in foreclosures, showing 3.8% of farmers were in bankruptcy last year.

● **GENERAL MOTORS** is considering closing 6 of its 25 North American plants by 1990, according to *Metalworking News* magazine. The closings could occur because GM has scaled back its GM-10 program, aimed at putting out a new line of GM intermediate-sized cars starting in 1988. The program was intended to counter the opening of new Japanese car plants in the United States.