

# Business Briefs

## **Domestic Credit**

### **Feds take over Utah S&L**

Utah's third-largest savings and loan bank, Utah Savings and Loan, was taken into receivership by the Federal Savings and Loan Insurance Corp. on April 12. With \$700 million in assets, this is the largest S&L to be taken into federal receivership.

The bank collapsed following a March 2 federal audit, which wrote down bank assets by \$79 million. It is suspected that real estate owned by the bank was grossly overvalued at the direction of the Utah Savings' former manager, O.J. Oldenburg. A former owner of the Los Angeles Express football team, Oldenburg is currently the subject of a grand jury investigation. Similar shady real estate and drug dealings by financier Marvin Warner of Florida's ESM Securities resulted in the March collapse of Home State Bank of Cincinnati, Ohio.

## **Asian Development**

### **Indian trade with South Korea gets boost**

The Minerals and Metals Trade Corporation (MMTC), an Indian state-sector enterprise, has just signed a 10-year iron ore export contract with a South Korean firm. The agreement is just one result of stepped-up exchanges between Indian and East and Southeast Asian trade delegations.

Iron ore exports will rise to six million tons on the condition that India undertake the development of port handling facilities to handle large ships. Increased offtake of iron ore from India is linked to the commissioning of the Pohang steel company's new steel plant in 1987.

The MMTC team also secured a contract for \$50 million worth of coal wanted by the South Korean Electricity Board, and tentative agreement for export of granite, shellac, and hand tools.

In a novel development, the MMTC team expects to sign an agreement with at least one large Korean firm shortly for "reciprocal

representation." Under this arrangement, explored with a number of South Korean firms, MMTC will represent the Korean firm in East Europe and African markets where it has strength and the Korean firm will in turn represent MMTC in those markets where it has dominance.

## **Manufacturing**

### **Steel industry collapse worsens in the U.S.**

Wheeling Pittsburgh steel company announced April 16 that it is filing bankruptcy proceedings. Lenders already hold liens on all of its assets. Wheeling Steel employs 8,200 people in nine plants in Pennsylvania, Ohio and West Virginia.

Ohio's Armco, Inc. is considering selling off parts of its steel-producing assets to employees, including its international corporate headquarters at Middletown Works. Three consecutive years of losses and the collapse of the company's speculation ventures in insurance have hurt badly.

## **Agriculture**

### **A new U.S. dust bowl worse than the 1930s**

A new Dust Bowl is starting in the Western portion of the Midwest United States and the Northern tier of states. Montana, North Dakota, South Dakota, Colorado, and Wyoming now have as much land without cover as they did during the Dust Bowl of the 1930s; a total of 10.7 million acres without cover lie open to the wind—the major culprit in the loss of soil in what was once America's breadbasket. Large portions of Kansas, Nebraska, New Mexico, and Oklahoma are also affected.

This is just the beginning. As winter ends, the land dries out from the combined effects of the sun and wind, and the worst of the windy season is yet to come. In the season thus far, four million acres of farmland in 10 states have been damaged, according to the U.S. Soil Conservation Service. Be-

fore the land is considered to be damaged, the soil loss has to be great enough to be visible to the eye. But, according to conservationists, when damage becomes visible, the soil loss is already as much as *10 times more* than the soil can stand before its productivity is reduced drastically or totally destroyed.

Soil Conservation Service Chief Peter Myers estimates that about 60% of this season's damage has occurred since Jan. 1. Of the land involved, 96% was cropland and 3% rangeland. In addition, wind-blown particles damaged nearly 200,000 acres of crops or pasture. According to Myers, most of the damage occurred on land without crops or crop residue.

In Texas, the hardest-hit state, wind has torn up 1.4 million acres. In Montana, 1.1 million acres have been affected; in North Dakota, 727,500.

By March, approximately 17.8 million acres of land in the Great Plains were reported to be inadequately protected by crops or cover, and therefore susceptible to wind erosion. This figure is higher than at any time in the last 30 years.

## **Gross National Product**

### **Balderdash from the Commerce Department**

When *EIR* correspondent Nick Benton asked Commerce Secretary Malcolm Baldrige, at a press conference in Washington on April 18, to explain the Commerce Department's use of GNP statistics which fail to distinguish between productive and non-productive sectors of the economy, he was answered with an impassioned tirade:

"To make a distinction between productive and non-productive economic activity is balderdash. We are shifting the emphasis of our economy toward a service economy, and are enjoying considerable growth in that area. . . . Every economy of the advanced sector is moving in the same direction toward a service economy as we are. . . . Service economy is not understood by people who think it only means more McDonald's hamburger stands. It means much more than that, such as software, telecommunications, banking, and insurance. It is what is provid-

ing jobs for our economy now. If we were not in the leadership in these areas, we'd be in sorry shape. It is a natural phenomenon to move in this direction, and it is also the direction in which the developing-sector nations are moving."

## **Chemical Industry**

### **Pesticide shortage will reduce crops**

A shortage of pesticides based on methyl isocyanate, or MIC, has resulted from the shutdown of Union Carbide—the major supplier of the chemical—in Institute, West Virginia. The factory was closed on Dec. 3 following an MIC leak at the Union Carbide plant in Bhopal, India.

Company spokesmen stated that MIC is included in the formula of about 25% of all the pesticides in the world, reported the *New York Times*. Growers said the shortage in the United States and abroad would force them to use less effective alternatives that would raise costs and reduce yields. Some distributors said they had less than half of what they needed of one pesticide, Temik. Other countries that face shortages are West Germany, France, Spain, Britain, Brazil, Egypt, and Sudan.

## **Ibero-America**

### **Chembank: War on drugs is bad for business**

The Bogota daily *El Espectador* charged April 17 that New York's Chemical Bank, whose analysis on Colombia's financial situation says that the government's war on drugs has hurt the nation's liquidity, is intervening in the country's internal affairs. "One could conclude . . . that unhealthy intentions" stand behind Chemical's study of Colombia, *Espectador* says, constituting "a veiled order of counter-march designed to align our country with the semi-colonialist sphere of lackey governments."

The study, commissioned by Chemical Bank from Frost and Sullivan investment

risk consultants, declares that "the fight against drug trafficking, in the wake of the murder of Justice Minister Rodrigo Lara Bonilla, has reduced the flow of foreign exchange to the country, and it has contributed to increase the problems of the country's international reserves."

*Espectador's* economics editor Marcela Giraldo was told by sources at the International Monetary Fund and the World Bank that "observations are made about the economy, about the loss of exchange because of the effort and continuity in fighting drug trafficking, but which, paradoxically, and according to the same sources, was one of the determining aspects for the recent support that the U.S. government" gave to Colombia in negotiations with international banks.

## **Soviet Economy**

### **1st quarter production criticized**

An April 19 meeting of the Soviet Council of Ministers issued a communiqué criticizing "unsatisfactory results" in industrial production during the first quarter of 1985. Production rose by only 2%. The communiqué attacks energy and transport sectors, as well as other industries, noting "short-comings in the organization of production," and "irresponsible mismanagement."

In the past, these attacks have usually preceeded purges in the government. On March 23, Pyotr Neporozhni was removed after 23 years as minister of power and electrification, one day after a *Pravda* editorial attacked his ministry's record on rural electrification. If *Pravda* editorials are any guide—editorials which have been scoring the performance of the ministries of mining, coal production, and transportation regularly—then other heads will soon be rolling. At the April 18 session of the Soviet politbureau, the iron and steel industry ministers of the Soviet Union and the Ukraine were reprimanded by name.

The purges are a continuation and consolidation of the conversion of the Soviet economy to war-footing begun under Andropov and continued under Chernenko and Gorbachov.

# Briefly

● **'IT'S PREPOSTEROUS** to say there is any link between IMF conditionalities and epidemics in Africa," World Bank President A.W. Clausen told a reporter April 19 at the close of the IMF's Interim Committee meeting in Washington. He said he was "unaware" that there is a significant problem of epidemic diseases in Africa. Clausen insisted that deep cuts in spending on health and nutrition programs are necessary in the developing countries "to ensure long-term growth. We can't just consider short-term factors when dealing with these economies," he said.

● **MITSUBISHI** and Chrysler announced agreement in principle for construction of 180,000-capacity car factory in the United States. The cost would be \$500 million, split 50-50, with Mitsubishi taking the lead in day-to-day operations and plant and car design. The plant is scheduled to go on line in the second half of 1988 and employ 2,500 workers at full capacity.

● **THE BRITISH POUND** is rising sharply against the dollar's decline in the past six weeks. According to a number of London financial analysts, the recent rise of sterling is due to massive British interest-rate rises "magnificently timed to coincide with Central Bank intervention last month against the dollar," as well as growing concern over U.S. internal banking troubles. One rumor, as yet unconfirmed, is that certain Middle East banking interests are also helping the pound against the dollar.

● **'A GAMBLING MECCA** could rise south of the border," reported syndicated columnist Liz Smith April 19. Representatives of the Las Vegas and Atlantic City casinos are in Mexico, pressuring the government to turn the country "into the new gambling capital of the world." This would provide "booming employment." Smith also hints that recent publicity over crime against tourists in Mexico might be part of the pressure campaign.