

Business Briefs

Labor

Airline uses emergency measures to stay aloft

Eastern Airlines, the fourth-largest U.S. company, announced on Jan. 20 a series of emergency measures in an attempt to stay solvent. The package includes a February lay-off of 1,010 flight attendants, drastic pay cuts for 6,000 other employees, and the imposition of a new work contract to make the lines more competitive with cut-rate operators.

The Miami-based airline is under orders from its banks to obtain new wage agreements with its three unions by Feb. 28 or face technical default on its \$2.5 billion in long-term debt.

Eastern's chairman of the board, Frank Borman, says the proposed new contract calls for 20% permanent pay cuts, or 2% more than the 18% cuts already in effect for two years.

Reports are circulating that cuts in airliner maintenance will be necessary as the result of the debt crisis.

Development

Arab countries offer billions to Panama

Panamanian foreign ministry sources reported in mid-January that "several Arab countries" have offered "enormous sums of money," in the billions of dollars, to help Panama pay off its foreign debt and launch social development projects in the country.

The money is being offered at the lowest interest rates and, according to the sources, is being offered "in an effort by the Arabs to establish relations with Panama, now that the United States government, headed by Ronald Reagan, is trying to establish a blockade, in the wake of certain diplomatic frictions with the Arabs, especially with the Libyan government."

Simultaneously, the foreign relations

ministers of Egypt and Mexico opened the Third Dialogue Seminar on Jan. 20, seeking to promote cooperation between Africa and Ibero-America.

Some 50 diplomats and experts from Mexico, Argentina, Colombia, Chile, Venezuela, and 10 African nations attended. Stressing the need for "south-south" cooperation to overcome economic and political problems, Mexican Foreign Minister Bernardo Sepulveda inaugurated the meeting: "It is important that this dialogue develop so as to have a more effective role in serving interests of both continents."

Egypt's Foreign Minister Butros Ghali said, "The idea behind African-Latin American dialogue is the need to overcome the obstacle of geographic distance between the two continents and strengthen cooperation."

Industry

Argentina, Brazil, Peru launch innovative deals

Argentina's defense ministry on Jan. 17 signed an unprecedented agreement with the Brazilian government aeronautics firm Embraer to join in production of both civilian and military aircraft of their own design.

The first step in the agreement will likely be Argentine production of parts for Brazilian planes, in return for complete Brazilian aircraft.

This bond between the two nations' military-industrial complexes is probably the most significant advance toward industrial integration made in recent Ibero-American history. Argentina has the oldest airplane factory on the continent, in Cordoba. Embraer has become a major international competitor in the manufacture of light civilian and military aircraft.

Simultaneously, a Brazilian firm offered to finance a major irrigation project in Peru. The Tinajones project, which would be completed with a \$298 million deal, would permit Peru to produce 1,219,000 tons more food and to generate \$45 million worth of electricity.

Brazil's Rebras, S.A. offered the credit

at 8% with 4 years grace and a repayment period of 10 years, according to Deputy Director Cesar Limo.

Debt Bomb

Will the explosion come in 1986?

"I believe that 1986 will see the explosion of the international debt problem in uncontrollable ways": This is the assessment of a well-placed source in the London financial community, interviewed in the aftermath of the Group of Five meeting of Jan. 18-19.

The prospect of further collapse in the oil price will aggravate the problems of such major debtors as Mexico, Nigeria, Indonesia, and Venezuela, he said, while the continuing failure to resolve the three-month-old tin crisis is creating devastating problems for the economies of Malaysia, Thailand, and Bolivia.

At latest report, 213 of Malaysia's 448 tin mines are shut as a result of the trading close on the London Metal Exchange.

Oil

Spot prices tumble, threaten debt payment

The latest fall in oil prices has forced Mexico to delay its talks with leading New York creditor banks. Finance Minister Jesus Silva Herzog was to have conducted the negotiations in New York City.

Mexico exports 1.5 million barrels/day and depends on oil for 70% of its export earnings. In December, it was forced to lower its price by \$1.50/barrel to retain export markets, before the latest collapse in world prices took place. Venezuela, Nigeria, Indonesia are also being devastated by the oil price collapse.

In mid-January, the spot-market price of North Sea crude oil dropped below \$20 for April futures deliveries as market conditions

continue to worsen, and especially as Saudi Arabian production continues to climb.

In U.S. spot markets, West Texas intermediate grade crude traded at below \$22 on Jan. 20. The futures price for North Sea oil has dropped a dramatic \$8 a barrel since the first of December, to the lowest level since the Iranian oil shock of 1979.

One immediate result, since the vast share of world oil today is traded on the spot markets, was a sharp fall in the British pound, reaching its lowest level against the German mark to date.

London banking sources report commonplace speculation in that city's financial community that the oil price may not stabilize until it hits \$15/barrel.

"We must suspend debt service," if oil prices continue to collapse, the Mexican daily *Excelsior* warned on Jan. 23. A second editorial called on the Ibero-American nations to take a more energetic and unified position, first as debtors, but also as producers.

Mexican Energy Minister Francisco Labatida Ochoa said that oil price warfare would end up "without a winner but with many losers."

Money Laundering

Bank of America fined for secrecy violations

The nation's second-largest bank, Bank of America, was fined \$4.75 million on Jan. 21 for violating the Bank Secrecy Act on 17,000 occasions, the Treasury Department said. Bank of America is the 11th U.S. bank to be fined under the act, and its fine is the largest yet imposed.

"The violations by Bank of America were widespread throughout the units and branch system of the bank," said Francis Keating III, assistant treasury secretary for enforcement and operations.

Keating said further that while Treasury has no information that Bank of America engaged in criminal activity, the failure to file the information "deprived the government of timely law enforcement leads in drug, tax and other investigations."

Steel

'National emergency' requested by union

Approximately 550 local leaders of the United Steelworkers of America called on President Reagan on Jan. 23 to declare a "national emergency" in the nation's steel communities and to take immediate action to soften the impact of unemployment.

In its 1986 policy statement, the Basic Steel Industry Conference also proposed a "domestic Marshall Plan" to repair the country's aging infrastructure and revitalize its industrial sector.

In making its request for a national emergency, the policy statement pointed out that 250,000 steelworkers have lost their jobs in the last seven years, and predicted that another 30,000 would be unemployed in the next few years.

"The disaster is of such severity that we call on the President to acknowledge that a 'national emergency' exists in steel communities and to issue the appropriate declaration so that these communities may obtain much needed government economic relief," United Steelworkers head Lynn Williams said.

Agriculture

Soviets to buy Argentine grain

The Soviet Union will buy at least 4.5 million tons of grain per year from Argentina, in a deal announced on Jan. 21, to be signed by Argentine Foreign Minister Dante Caputo in Moscow in late January.

This renews until 1990 Argentina's existing economic relationship with Moscow. The big change is that Argentina, which has been buying \$30-\$60 million worth of goods from the U.S.S.R. annually, now pledges to buy \$500 million, a 10-fold increase.

The grain deal is for at least 4 million tons per year of feed grains, such as corn and sorghum, and 500,000 tons per year of soybeans.

Briefly

● **IRAN AND INDIA** have signed a comprehensive three-year agreement on bilateral cultural, scientific, and technical cooperation. The agreement was signed Jan. 13 by Indian External Affairs Minister B. R. Bhagat and Iran's Foreign Minister Ali Akbar Velayati after a five-day session of the Indo-Iranian joint commission.

● **DEPOSITORS' CHECKS** cannot be held by banks beyond a fixed time limit, before the customer's account is credited, according to a bill passed by the U.S. House of Representatives on Jan. 23. The bank can waive the time limit, however, if the institution has "reasonable belief" that the depositor is about to go bankrupt or is involved in check fraud.

● **BOLIVIAN WORKERS** began a general strike on Jan. 23 to protest the fact that their wages have been frozen since August, while prices have more than doubled in the last month. The Bolivian minimum wage is now \$12 per month; and the average industrial worker earns \$20.

● **DANTE CAPUTO**, the Argentine foreign minister, stated on returning from a trip to Guatemala on Jan. 17, that conditions were not right for an Ibero-American presidential summit to discuss the debt crisis and that he doubted that such a meeting would take place.

● **WEST GERMANY** is facing a financial bankruptcy of huge proportions. The real-estate company "Neue Heimat," linked to the Social Democratic Party and trade unions, has accumulated debts of 17.8 billion Deutschmarks, and cannot pay the annual debt service of DM 1.2 billion.

● **MEXICO'S** public expenditure in investment in infrastructural works dropped in 1985 back to the level of 20 years ago, according to the deputy ministry of planning, Pedro Aspe.