

Business Briefs

The Debt Bomb

Half of Colombia's exports for debt

Colombia is paying 50-60% of its export earnings for debt service, *El Espectador* columnist Rodrigo Rivera Salazar reported May 16. He noted that Colombia's treasury paid 71% more for debt service in the first quarter of this year than last year.

Rivera demanded that Colombia "stop being Latin America's 'good boy.'" It should instead adopt the policy of Peru's Alan Garcia—a ceiling of 10% of export earnings on debt service—as advocated by the document signed by five ex-Presidents. Colombia must realize "the urgency of seeking joint solutions to the problems of our condition of being indebted," he stated.

His conclusion: "Many voices call for selective or general renegotiation of our debt."

Free Enterprise

Olivetti chief may face extortion charge

Olivetti chairman Carlo De Benedetti will face interrogation by magistrates in Milan, Italy on his possible involvement in extortion. The charges stem from circumstances surrounding the bankruptcy of Banco Ambrosiano in 1982.

According to *La Stampa* and other Italian dailies, "judges Dell'Osso and Marra solicited a subpoena (since an arrest warrant cannot be issued for extortion)." De Benedetti was to be interrogated May 25 for the crime of extortion, allegedly committed when he was vice chairman of Banco Ambrosiano from November 1981 to January 1982, and came out richer by 30 billion liras despite the bank's bankruptcy procedure.

London banking sources say the Milan inquiry could be the beginning of a larger move against the powerful de Benedetti, who has enriched himself through corporate takeovers. "De Benedetti has made a lot of

enemies. His success has been made on equity markets, and his record until now has been bloody good," the source linked to London's S.G. Warburg told a caller.

He also admitted it was "quite plausible that De Benedetti and the Bank of Italy pulled the plug" on the Vatican-tied Banco Ambrosiano in 1982. He tried to downplay rumors that the Venetian financier has built a huge speculative stock market operation based on the "Chinese boxes" game of trading between various shell companies. Warburg is a shareholder in De Benedetti's Cofide firm.

East-West Trade

Soviets sponsor meeting on 'joint ventures'

The Soviet Union will sponsor a conference on "joint ventures with Western capitalists" in Geneva, Switzerland, on May 24, and has extended invitations to 400 CEOs in the West. The invitations brag that the Soviet Union is ready to fill the gap in space created by the *Challenger* disaster, and is quite serious in its proposal to use the Soviet missile program to launch Western commercial satellites.

In one example of a "joint venture," DuPont has signed a \$600 million deal with Japan's Kobay Steel to provide Kobay with the technology for a \$600 million polyester plant it will build in the Soviet Union. DuPont says that at present it sells \$100 million a year in technology to the Soviet Union, and predicts, "there will be steady growth."

In January, TASS made public changes in the Soviet legal code to facilitate joint ventures. The changes had earlier been recommended by the Paris-based International Chamber of Commerce.

The Chamber recently held a gathering on the subject in France, with Soviets in attendance. The Soviet-linked firms Occidental Petroleum, Pepsi, and Archer Daniels Midland, are playing the leading role in paving the way for "joint ventures." Among U.S. law firms involved is Arnold and Porter.

The Soviet Institute of State and Law,

which sponsored a "Nuremberg tribunal" in Europe condemning President Reagan's Strategic Defense Initiative last November, is the main back-channel to the United States on the legal aspects of joint ventures. Representatives of the institute have been meeting with the Washington-based International Law Institute regularly for years, on the subject of bringing U.S. and Soviet contract law into coherence.

AIDS

Use prostitutes in AIDS education?

One of the more bizarre notes in the bizarre international "safe sex" campaign to avoid doing anything about AIDS has come from Britain's All-Party Social Service Committee. According to the May 17 *Times* of London, the committee recommends using prostitutes to "educate" their clients about AIDS.

It also proposes to give methadone to imprisoned drug addicts, and to sell clean needles and syringes.

The report says that 40-80,000 Britons are infected, but it opposes mass screening, including of visitors to Britain except for women of child-bearing age, and opposes making AIDS a reportable disease under "infectious and communicable" sections of public health statutes.

Norman Fowler, secretary of state for social services, in response to the report, announced grants totaling £800,000 for two London AIDS hospices, i.e., death houses, where victims receive no treatment, merely "comfort."

The report also says that vaccines being developed, will be tested first on chimps, then on humans. Noting that in New York in the 1970s, the hepatitis B vaccine was tested on volunteer homosexuals, "it is argued that . . . in this way no one is exposed to a risk they were not already exposed to as a result of their lifestyle. . . . Such . . . groups are anxious for a vaccine and cooperate readily," the report says. "If that principle were accepted, African countries where

the disease is rife might also provide populations suitable for clinical trials."

Conditionalities

IMF threatens Arab world: banker

"The IMF is a threat to the stability of the Arab world," declared Makram Sader, general secretary of the Arab Union Bank, in a May 15 interview with the new, Saudi-financed Paris monthly, *Arabie*. The IMF, Sader said, is always implementing the same recipe with the same results:

"Egypt, Tunisia, and Morocco have been faced with internal disorder because of such measures. In fact, IMF measures can only lead toward internal troubles."

Sader's interview came a few weeks after his bank's general congress, where the Arab countries' debt situation was reviewed. Sader reported on several ideas discussed there, such as the creation of an international consortium of Arab banks to help indebted nations. "Rescheduling debts is necessary because they cannot be paid back. . . . IMF demands mean destabilization. The more they are implemented, the less a country is able to pay debts."

Sader said discussions included having Saudi Arabia play a greater role in the situation.

Dope, Inc.

Panama drug busts attacked by 'opposition'

In early May, a joint investigation by U.S. and Panamanian anti-drug authorities cracked one of the biggest Colombian drug rings at its most vulnerable point, the laundering of its money through secret accounts in Panamanian banks. More than 350 drug traffickers were arrested and \$54 million in bank accounts frozen.

The international cooperation that came into play in the investigation and arrests was

established by Panama's Law 23 in 1986. This was its first application.

But as a result, the government of President Eric Delvalle and Panamanian Defense Forces commander Gen. Manuel Noriega have come under attack from a certain predictable "opposition" quarter.

Roberto Eisenmann's *La Prensa* and *Extra* newspapers squawked that Law 23 ending banking secrecy for suspected narcotics money launderers "will devastate the Panamanian banking center." Wrote Eisenmann, "The U.S. attorney has more power to investigate bank accounts in Panama than he has to investigate bank accounts in his own country. This would send bank secrecy to the trash bin."

Eisenmann's *La Prensa*, in its May 12 edition, said: "Matters dealing with drug trafficking and money laundering are handled by the Panamanian Defense Forces and the current government solely for propaganda and to serve U.S. interests."

Eisenmann's is typical of "opposition" figures closely associated with the "Project Democracy" networks operated in Central America by those behind Lt. Col. Oliver North. Eisenmann and his drug-linked friends were used by Sen. Jesse Helms, the State Department's Elliott Abrams, and the liberal U.S. media to slander Noriega for protecting narcotics traffic in a 1986 destabilization attempt.

Domestic Credit

FDIC head forecasts 200 bank failures

Falling profits and bad loans are squeezing many of the nation's commercial banks and about 200 of them will fail this year, said William Seidman, chairman of the FDIC.

"It seems clear that the risk in the system has been increased by deteriorating loan portfolio quality," said Seidman.

"If the current pace continues, we can anticipate at least 200 failures and assistance transactions this year." He insisted, however, that the banking system "remains viable despite the record numbers of problem and failed banks."

Briefly

● **ECONOMISTS** Stephen Cohen and John Zysman had nothing but harsh words for the past "post-industrial society" and "service economy" myths, in their op-ed in the May 17 *New York Times*. The two directors of the Berkeley Roundtable on the International Economy state: "The fact is, manufacturing matters mightily to the wealth and power of the United States and to our ability to sustain an open society. . . . We cannot shift out of manufacturing and into a service-based post-industrial economy. . . . We must reorganize production, not abandon it; automate, not emigrate. . . ."

● **THE POLISH** government has earmarked \$7 million for purchase of materials to carry out AIDS tests. However, Poland, saddled with a foreign debt of \$33 billion and pressure from international creditors, is "having a very, very difficult time paying for the 1.5 million units that it needs," said a Western observer. Only 5% of Poland's blood supply has been tested.

● **TURKISH** workers traveling across Bulgaria from Western Europe are being asked by communist authorities to produce health certificates proving that they are not carrying the AIDS virus.

● **THE PENSION** Benefit Guarantee Corporation could face bankruptcy in the near future. The government agency guarantees pension-retirement benefits of one out of three U.S. workers today. But after the bankruptcies filed by large steelmakers, saddling the agency with their pension obligations, if other large companies fail and do likewise, the PBGC could collapse. The Labor Department estimates that nearly 10,000 of the 110,000 pension plans insured by the agency carry a shortfall of about \$45 billion.

● **IGOR KANEV**, vice president of the Soviet Chamber of Commerce and Industry will visit Brazil to speak at a seminar on new forms of trade and cooperation between Brazil and the U.S.S.R.