

Business Briefs

'The Recovery'

Unemployment rises in Brazilian industry

Contrary to the Brazilian government's claims of a "consumer-led recovery," newly released statistics show large-scale layoffs, particularly in industry.

In June, 75,500 jobs were lost in manufacturing, 7,800 in commerce, and 6,000 in construction. The job market had been practically stagnant from March to May, following growth which continued through February. The first half of the year saw the creation of 119,000 new jobs, but jobs in manufacturing fell by 38,800.

The electric power industry has cut production by 40-60%. Auto parts production is 40% below April—with a 26% increase in exports in the first half of the year.

Nicolau Jeha, a planning staffer for the Sao Paulo businessmen's association, FIESP, told the press: "The government should not worry about [excessive] demand, but about unemployment. The Bresser Plan reached its basic objectives: lower inflation and big trade surpluses. Now the government must make room for economic growth."

According to FIESP, prices have been fixed at a level 38-40% below the level at which companies can turn a profit. As a result, many industrial firms are being forced to lay off workers and shut down production. Output is "weak, below April—a deceleration of the economy which is getting deeper."

Strategic Minerals

U.S. dependence on U.S.S.R. grows

The U.S. decision to impose economic sanctions on South Africa has led to enormous increases in purchases of strategic materials from the Soviet Union, according to an editorial in *Barron's* weekly published Aug. 3.

U.S. imports of chrome ore from the U.S.S.R. have reached 6,440 gross tons per month, over the previous average of 479 gross tons between 1981 and 1985.

Imports of antimony, essential to bullet, computer, sonar, and radar manufacture, have risen 98 times since 1981.

Congresswoman Helen Bentley (R-Md.), who raised this issue on the floor of the House of Representatives on Aug. 3, declared, "All of this, of course, is because we have imposed sanctions upon South Africa, and today we perceive South Africa to be a greater enemy than Russia. And I think that we had better decide who the real enemy is, and do it quickly."

Sen. Steven Symms (R-Id.) brought the matter to the attention of the Senate on Aug. 5, pointing out that under the Anti-Apartheid Act passed by Congress, the President is authorized to lift any provision of the bill that would increase U.S. dependence on the Soviet Union or East bloc countries.

"Who has benefited from these sanctions?" he asked. "Who have we helped? Certainly it is not the blacks in South Africa, whom the legislation was intended to help. Many black South Africans have lost their jobs because of the United States business disinvestment. The people we have assisted are the Communist dictators, the ones with the slave camps."

Banking

FDIC chairman seeks more deregulation

L. William Seidman, the chairman of the U.S. Federal Deposit Insurance Corporation, told a conference on restructuring the nation's financial system in Jackson Hole, Wyoming on Aug. 21, that an FDIC staff study has concluded that many current restrictions on bank ownership and activities could be eliminated without jeopardizing the banks' soundness. The conference was sponsored by the Kansas City Federal Reserve Bank.

Seidman said the study concludes that, with a small increase in the number of bank

examiners and some new legal authority to audit, commercial corporations could safely be allowed to own banks, and banks could have new powers such as handling securities transactions. If regulators could "build an effective supervisory wall around the bank, no matter who owns it . . . direct regulatory or supervisory authority over non-banking affiliates or even bank owners is not necessary," he said.

Officials of the American Bankers Association expressed support for the plan.

The Debt Bomb

Philippine protests mount, Aquino gives in

Philippines President Corazon Aquino bowed to pressure on Aug. 25 and rolled back by 8% a 20% oil price increase. Demonstrators opposing the hike had blocked a highway, while striking workers crippled public transport in four Philippine provinces on Aug. 24. The protests have been the broadest show of public dissatisfaction with the performance of the 18-month Aquino presidency to date.

Despite this announcement, the May First Movement (KMU), linked to the communist New People's Army, called a general strike for Aug. 26. While it failed to turn out the 2 million supporters promised, schools were closed and many offices and factories in urban areas were reportedly operating at half strength.

The price increase decision is said to have been agreed to by the Aquino cabinet in March, but its announcement was delayed until after the May legislative elections.

On Aug. 14, Aquino said that a ceiling on debt service or a limit on public funds used to pay foreign loans would be a "positive" answer to the country's debt crisis. She vowed to give priority to safeguarding the people's welfare and the economy's growth, over payment of the debts, according to a report in the *Manila Chronicle* on Aug. 15.

She appealed to the country's foreign creditors "to appreciate what our problems are. The very survival of the Filipino people

depends on better terms for the nation's debt-restructuring program."

Ecological Holocaust

New herpes virus is similar to AIDS

Reports in the Aug. 15 issue of the British journal *Lancet* indicate that a newly discovered herpes virus, which has been shown to infect B lymphocytes, can also grow in, and destroy, T-cells, as does the AIDS virus. Two isolates of this virus were reported from Uganda and one from Gambia.

This virus, originally called Human B-cell Lymphotropic Virus (HBLV), has been named as a potential cause of chronic mononucleosis syndrome. In light of its ability to infect T-cells, the authors propose to call it Lymphotropic Human Herpesvirus (LHV).

This follows a recent report of a T-cell lymphotropic herpes virus isolated from two AIDS cases in South Africa, one of whom had no evidence of infection with HIV, the usual AIDS virus. It would thus appear that in addition to HIV, the widely prevalent herpes viruses are acquiring the ability to produce increasingly severe disease among immunosuppressed populations, and represent a significant potential for epidemics of immune deficiency and nervous system disease.

International Credit

North Korea is first country to default

In the first formal default by any nation since the advent of the world debt crisis in 1982, two Western banking syndicates led by Morgan Grenfell and the Australian ANZ banking group have notified communist North Korea that it is in default and that it could soon face legal proceedings to seize

some of its property abroad.

The amount of money involved is relatively small—in the range of \$770 million, according to a report in the *New York Times* on Aug. 23. In their search for assets to seize, the creditors say they have located offices in Paris and Vienna of North Korean firms, adding that ships passing through Western ports might also be vulnerable.

Health

Soviets set penalties for spreading AIDS

The Supreme Soviet of the U.S.S.R. on Aug. 26 announced the world's strictest anti-AIDS law, mandating stiff penalties, including jail sentences, for anyone knowingly spreading the virus.

According to Radio Moscow's report, " . . . up to eight years in prison for those who have AIDS and knowingly transmit it." It provides for mandatory testing of Soviet citizens, foreigners, and "stateless persons living or staying in the territory of the U.S.S.R.," when there are "grounds for assuming that they are infected with the AIDS virus." If suspected carriers dodge voluntary testing, they "may be brought to medical institutions by health authorities with the assistance, if necessary, of authorities from the interior ministry."

Radio Moscow added, "An international convention is needed against AIDS, along the lines of the International Convention Against Drug Use."

The broadcast claimed that there are 130 cases of AIDS in the U.S.S.R. and "only 19" are Soviet citizens. "Despite these low figures, the U.S.S.R. is taking decisive measures against this plague. Experts are working on special drugs and vaccines. Centers for anonymous tests have been opened. The Supreme Soviet has asked the government to take necessary measures in international cooperation to stop AIDS and to take quarantine measures if needed."

Briefly

● **THE U.S.S.R.** will boost its investments in the Soviet Far East, according to Anatoly Reut, first deputy chairman of the state planning agency Gosplan, in an interview published in *Pravda*. New factories will be built from Lake Baikal to the Pacific Ocean to process mineral wealth; the fish industry will be transferred to the Far East; oil and gas deposits on Sakhalin Island will be developed. The aim is to make the Far East self-sufficient in energy and most agricultural products by the year 2000.

● **FRENCH AGRICULTURE** Minister François Guillaume toured Africa at the end of August to promote his "Marshall Plan" proposal for developing agriculture. His itinerary included Mali, Ivory Coast, and Chad. On Aug. 25, his plan was endorsed by Ivory Coast President Houphouët Boigny.

● **PERUVIAN POLICE** on Aug. 21 raided three clandestine cocaine-processing labs and captured 6,000 kilograms of basic cocaine paste. This was the largest drug seizure since President García came into office two years ago. The raid was part of "Operation Lightning Strike," which began on July 15.

● **BRITISH FIRMS** have spent \$18 billion in acquiring American companies so far this year, compared to \$13 billion in all of 1986. They intend to take advantage of the deregulation and regionalization of American banking.

● **ZAMBIAN PRESIDENT** Kenneth Kaunda rejected pressures from the International Monetary Fund, in an interview with the Italian newspaper *Il Giornale* published Aug. 23. "We cannot shoot at our population," he said. "We already devalued our currency 900%. The result has been that people are starving and planned investments have never taken place. . . . We are on the brink of economic catastrophe, but we will not accept the dictates of the IMF."