

Business Briefs

Space

Fletcher noncommittal on NASA'S future

NASA administrator Dr. James Fletcher punted at his press conference in Washington Jan. 11 when asked by *EIR*'s Nick Benton to comment on the implications of administration support for a privately funded space station, and of Soviet efforts to beat the United States to Mars.

On the former, a joint venture between Westinghouse, Boeing, and some former NASA employees, Fletcher said only that he was worried about the demand by the private group that 75% of its space station be leased by the U.S. government over an extended period. "That might commit us for too long a period into the future," he commented.

As to the Soviet Mars project, his response was, "They are trying to accomplish what we did in 1976, which is to land on Mars. We have chosen a different objective since doing that, which is to explore planets farther out in the solar system with our Magellan, Galileo, and Ulysses probes."

Environmentalism

New Jersey may ban irradiated foods

New Jersey will ban irradiated foods, if the governor signs a bill approved by an overwhelming majority of both houses of the state legislature in early January. Maine and Vermont have already enacted such bans.

Gov. Thomas Kean said he would not sign the bill before asking the state health department for a recommendation.

Irradiation, only recently approved for certain foods by the Food and Drug Administration, destroys bacteria in treated foods, vastly increasing their shelf-life, with no deleterious effects on taste or nutritional value. It is deemed an especially important technology for transport-poor Third World countries. Nevertheless, kook environmen-

talists and malthusian genocide advocates have opposed the technology, exploiting fears of "radiation."

Among those telling Governor Kean not to sign the New Jersey bill is B.P. Sonnenblick, one of the nation's top experts on the biological effects of low doses of radiation and the author of New Jersey's radiation protection law. He scoffs at the contention of what he calls the "crackpots" from the anti-nuclear and environmentalist groups, that USDA approval of food irradiation was "hurried."

Sonnenblick informed the governor that 30 years of testing on animals found no ill effects. He characterizes the environmentalist groups as "Luddites, similar to the anti-science mob which burned the house of physicist Priestley."

Financial Policy

Will Europe, Japan force changes on U.S.?

Tensions over financial policy between the United States, on the one side, and Europe and Japan on the other, could lead Europe and Japan to use threats not to purchase U.S. Treasury Bills as a lever to force American financial reform, an aide to the former Chancellor of West Germany, Helmut Schmidt, told a caller Jan. 11.

"The question will be, one: How could the international community *oblige* the U.S. to behave more reasonably . . . cutting the budget deficit, cutting the current account deficit, stopping the import of foreign capital, and increasing taxes."

One way, he suggested, would be to impose European Community regulatory measures forbidding the export of capital to the United States.

Western financial markets' enthusiasm over the Soviets' flotation of a bond issue on Swiss markets in early January, he said, could be interpreted as a sign that certain financial groups in Europe were "getting nervous" over their participation in the U.S. Treasury market, and were showing they could "recycle money somewhere else."

This whole topic, he said, would be discussed in Moscow in May at a meeting of the Inter-Action Council, an elite group founded by Schmidt, essentially to find ways to smoothly adapt the Western democracies to life in a Soviet-dominated world.

AIDS

Infant infections high in New York

One baby in every 61 in New York City is infected with the AIDS virus, according to the results of testing just concluded by New York State health officials.

In a statewide program, the blood of every infant born during a month-long period, beginning in late November, was tested for AIDS antibodies. The blood tests were performed on 19,157 infants. Of 9,047 born in New York City, 148 carried antibodies to the AIDS virus—a sign that their mothers were also infected.

Results throughout the state varied from 1 in 43 babies infected in the Bronx to 1 in 749 infected in Upstate New York.

In a related study, city health officials said that tests on anonymous blood samples from nearly 4,000 pregnant women who had their babies or aborted showed about the same proportion of women infected as babies who tested positive for the antibodies.

State Health Commissioner Dr. David Axelrod called the results of the baby study "alarming," and wrote physicians in the state that "the implications of these findings warrant immediate attention."

Infrastructure

Security Pacific writes off Third World loans

Security Pacific Bank has become the first of the top 10 U.S. banks to officially set its Third World loan loss reserves at over 50%, which amounts to a technical admission that

the bank's management believes that at least this percentage of its Third World loans will never be repaid. As the *Wall Street Journal* noted, the action puts pressure on other large money-center banks to follow suit.

Several small bank holding companies had already increased their reserves to the 50% range.

Of the large banks, "two other Top 10 lenders, First Interstate Bancorp and Wells Fargo and Co., can also readily afford a reserve of 50% or more. But some, including BankAmerica Corp. and Manny Hanny [Manufacturers Hanover Trust], have too little capital to support such a reserve increase now. Others, including Citicorp, may be reluctant to emulate Security Pacific because of the potential damage to earnings and equity capital."

The Debt Bomb

Wild new scheme on Brazilian debt

"Lend us the collateral for your own holdings of our bonds," is the brilliant "new idea" of the new Brazilian finance minister, Mailson de Nobrega, to permit foreign-exchange poor Brazil to reach an accord with its creditors not unlike that obtained by Mexico through Morgan Bank and the U.S. Treasury.

Morgan's Mexico scheme, primarily a public relations stunt, ostensibly aims to ease the Mexican debt service burden by having creditors exchange \$20 billion in debt for \$10 billion in U.S. Treasury-guaranteed bonds. For creditors, it amounts to a 50% write-off, and in the end, it would only save Mexico 2% of its annual debt service.

Nobrega explained his "new idea" this way: "Our idea is to make viable, through access to official and multilateral financing sources, accumulation of enough reserves to let Brazil obtain exactly the same scheme. I believe we are going to have the understanding of the industrialized countries so that Brazil could fulfill the conditions to go on accumulating reserves, acquire a zero-coupon bond from the U.S. government, and use that as collateral to guarantee Bra-

zilian bonds to the banks." The bonds would be exchanged at a hefty discount for the bank loans to Brazil.

In other words, Brazil is asking to borrow both money, and the collateral to back up that borrowing—and to make the banks eat a 50% discount into the bargain.

Austerity

Romanian measures may require repression

Nicolai Ceausescu's Romania, which experienced severe riots in several cities at the close of 1987, has continued to reduce its foreign debt by rationing both food and electricity. Observers both inside and outside the country are now bracing for a new social explosion.

Electricity rationing consists of allowing only one 40-watt bulb per apartment, and a room temperature not exceeding 57°F. This, as Romania enters what will probably be its coldest winter in years.

The national conference of the Romanian Communist Party, nevertheless, recently concluded by hailing its own leadership of the country "along a difficult and unpaved road toward the highest peaks of civilization—communism."

"One expected a certain relaxation of the harsh economic measures in food and electricity supplies to the population," commented Yugoslavia's *Politika*, "particularly after the mass demonstrations of workers in Brasov and the publicly expressed dissatisfaction in some other big cities, but this did not happen." The conference closed by announcing merely that there would be a 10% increase in food products available on public markets.

Former Romanian ambassador to the United States, Prof. Silviu Brucan, told foreign correspondents that he believed that the leadership of the country faces a choice: "Either mass repressions . . . or a sincere effort to meet the workers' justified complaints." He added, "Repression may result only in total isolation, this time not only from the West, but also from the East."

Briefly

● **JAPAN** has completed rail links among its four main islands, a network of tunnels and bridges connecting some 12,000 miles of railroad. A train did the first test run through the Seikan tunnel between Honshu and Hokkaido on Jan. 11. It is the world's longest passenger tunnel at 32.3 miles.

● **COLOMBIA** finally obtained approval for a \$1.06 billion "jumbo" loan which an international banking consortium had first promised in 1986. Some \$560 million will go to the government, \$260 million to the Cerrejón coal project, and \$200 million to the electricity sector. Each of these sectors, however, has enormous foreign debt, with combined debt service payments exceeding the loan. In effect, the loan is merely a rollover of that debt.

● **GRAIN STOCKS** in the European Community are at a record low. According to the latest figures from the EC Commission, there are now 7.5 million tons of grain stored as "intervention stocks," about half the stocks of 1986. Large sales of wheat to the East bloc and rye to Japan and Korea account for the present low stocks, say EC sources.

● **MILTON FRIEDMAN** has called for the Federal Reserve to remove its restrictions on monetary growth. Unless this happens, Friedman warned, there will be a recession that will not be reversible before the 1988 elections, hurting the chances of any Republican to be elected.

● **A.G. AGANBEGYAN**, Mikhail Gorbachov's chief economic adviser, is coming to the United States on Feb. 21. The visit will be hosted by the Esalen Soviet-American Exchange. He will visit New York, Pittsburgh, Washington, and Los Angeles, in the company of "Timur Timofeyev," the son of a leading California Communist Party member. His real name is Tim Dennis.