

# Business Briefs

## **Third World Debt**

### **Mexico to take tougher negotiating stance?**

Mexico may up the ante in debt renegotiation talks with the banks, according to Salmon Brothers.

The investment firm has just issued a study entitled, "Mexico: Now Come the Fireworks," in which it is forecast that Mexican chief debt negotiator José Angel Gurria may put on the table a "demolition bomb" at the next round of talks.

The report says it believes Gurria will demand that the banks capitalize up to 80% of Mexico's interest payments due during the next six years—that is, the banks will simply pay themselves the interest, and add it to the nominal total of Mexico's debt.

He may also demand that interest on all the loans be set not at approximately one point above the London Inter-Bank Overnight Rate (LIBOR), but at a rate based on the average rates of inflation in the developed countries—presently much lower.

## **'Free Market'**

### **Heritage Foundation to host U.S.-Mexico meet**

Mexican journalist Carlos Ramírez, writing in *El Financiero* Jan. 21, reported plans for a secret Jan. 25-27 conference run by the Heritage Foundation, to bring together the top "free market" oligarchists of the U.S. and Mexican business communities. According to Ramírez, the organizers of the conference had hoped to keep it secret until after it had occurred.

In attendance from Mexico were: Eduardo García Suárez and Jorge Ocejo, presidents, respectively, of Mexico's two most important business organizations, Concanaco and Coparmex; José Angel Conchello, a top businessman and leader of the neofascist National Action Party (PAN); and Enrique Krauze, who recently made news by demanding a total purge of the ruling PRI party of all nationalists.

As the heads of Mexico's Concanaco and Coparmex, García and Ocejo issued a 155-page report to President Carlos Salinas de Gortari. The document recommends modification of the foreign investment law that now requires 51% of all shares of any company to be owned by Mexicans; destruction of state monopolies; a complete end to all price controls; bringing private investment into areas now dominated by the government; removal of the government from the Federal Electricity Commission; reduction of government spending; and giving the Bank of Mexico complete autonomy.

In other words, the complete privatization of the economy and delivery into the hands of foreign "investors."

## **Energy**

### **Argentina suffering electricity shortages**

Argentina is suffering from a severe shortage of electricity, and U.S. experts have been called in to assess the situation.

Public Works Minister Rodolfo Terragno invited a group of four U.S. electricity specialists to Argentina help solve the crisis. They will inspect the Salto Grande hydroelectric dam 350 miles northeast of Buenos Aires, which has been reduced to minimum functioning due to lack of rain and a drop in water levels in the Uruguay River. The dam, located on the river separating Argentina from Uruguay, has only 3 of 14 turbines in operation, and the lake is almost empty.

The U.S. team includes: David Pumphrey, director of international assessment for the Department of Energy, James Brown of the Office of Energy Emergencies, Ron Keuther, a member of the North American Electric Reliability Council, a group founded after power outages hit several major U.S. cities, and Robert Griffin, manager of the Bonneville Power Administration.

The electricity shortage has led to elimination of night sports events, only four hours of television broadcasting per night, three- to five-hour outages in Buenos Aires and other major cities each day, and street and

store lighting reductions.

Because of International Monetary Fund programs faithfully implemented by all recent Argentine governments, the country's basic infrastructure has seen no investment for a decade.

## **Health Care**

### **Bentsen warns of fund bankruptcy**

According to an aide to Sen. Lloyd Bentsen, the senator is warning that "we are looking at the bankruptcy of the Hospital Insurance Fund in the not-too-distant future." The fund that pays all government reimbursements for hospital care of Medicare patients is projected to become insolvent in the next decade or so.

Committee chairmen in both the House and the Senate have expressed strong concern about the situation. Proposed remedies range from a tax increase to delaying eligibility for Medicare to the age of 67.

The fund's trustees estimate that interest on the reserves will keep the fund solvent until at least 1995, but that it will probably be unable to pay all its bills shortly after the turn of the century.

The amount of money being paid out is expected to rise steeply after 1995, aggravated by expected increases in the number of older Americans and in the costs of health care.

Henry Aaron, a senior economist at the Brookings Institution, commented, "If it were an S&L, you would say that it's now insolvent."

## **Agriculture**

### **China will increase farm investment**

The People's Republic of China will increase its investment in agriculture, despite a national credit squeeze imposed by the Bank of China, the *China Daily* reported Jan. 21.

## Briefly

The Agriculture Bank of China opened a meeting in Beijing to discuss how to get the funds for the increased investment, in an effort to turn around a four-year stagnation in grain production, now at around 394 million tons. Cotton and edible oil production have also dropped sharply. By 2000, China will need 500 million tons of grain a year to feed its people.

Deputy Governor Wang Jinshi said the Agriculture Bank will increase farm investments by \$2.47 billion, up 21.8% over last year. Rural Credit Cooperatives will increase investment in farm businesses by \$2.2 billion. The total increase in investment is 68% over last year, Wang said. A high percentage of funds will go to purchasing grain, cotton, oil, and other products from farmers, with banks now trying to redeem the \$500-800 million in unpaid "IOUs" the government owes farmers for crops already delivered to government agencies. Last year, farmers were paid only 20-40% of what they were owed for delivered crops.

Meanwhile, it has been announced by the grain cartel giant Cargill that it is opening China's largest edible oil processing plant as a "joint venture" with Shandong province.

### Trade

## Reagan applies sanctions to Thailand

President Reagan, on his final day in office, withdrew import duty concessions from eight Thai products, in retaliation against Thailand's failure to satisfy American demands that U.S. computer software and pharmaceuticals exports be given "intellectual property" protection.

In a separate statement, then-Trade Representative Clayton Yeutter warned that unless Thailand changes its policy significantly in the next few months, the country would be a priority target for stronger action under the 1988 U.S. Trade Act. The eight products will now face import duties averaging 5-10%, but in some cases as high as 20%.

But Thai press have been praising Thai Premier Gen. Chatichai Choonhavan's

boldness in resisting the U.S. demands. The newspaper *Thai Rat* editorialized Jan. 21 that Thailand cannot allow itself to be an underling of the United States because the United States betrays every friend it has ever had.

"The first example is President Ngo Dinh Diem of Vietnam," said the editorial. "Next is Prime Minister Nguyen Cao Ky of Vietnam, who is now living as a second-class citizen selling hot dogs in the United States. The Shah of Iran, the king of kings and a loyal friend of the United States, again could hardly find a hospital to admit him when he was ill. Chiang Ching-kuo, the son of Chiang Kai-shek, remained loyal to the United States until he was abandoned because the latter shifted its stance from Taiwan to court mainland China. The most recent victim of another shameful U.S. act is President Ferdinand Marcos of the Philippines, who protected U.S. interests all of his life. Now an exile in the United States, he is being sent to court and will probably end up in a U.S. prison. I have to refer to what Mrs. Imelda Marcos, 'The Iron Butterfly,' said: 'The United States is killing my husband.'"

The United States is "going bankrupt," concludes the editorial. "Why should Thailand be dragged along?"

### Science

## First clear photo of DNA molecule

The first high-resolution image of the DNA molecule, magnified 1 million times, has just been published by a team of California scientists in *Science* magazine.

The team used a scanning tunneling microscope, which can record details as small as a single atom.

Rod Balhorn of the Lawrence Livermore National Laboratory team said, "This is the first high-resolution picture where you can see the detailed, twisting structure within a DNA molecule. . . . Ever since Watson and Crick proposed the structure of the DNA molecule, everything has depended on deduction without actually being able to see it."

● **2,000 SCHOOLCHILDREN** in Massachusetts are homeless, according to a state Department of Education study. Boston is said to have a total of 138 homeless children enrolled in school. However, the study excluded children who are outside the social care system and the education system.

● **YASUHIRO NAKASONE**, the former prime minister, is the latest target of the insider trading scandal around Japan's Recruit real estate firm. Japanese media report that he received \$800 a month from the firm from 1982 through 1988.

● **'POLAND needs money,'** was Polish Premier Mieczeslaw Rakowski's blunt message to the West German government. Rakowski spent four days in talks in Bonn, and warned that without new Western credits, Gorbachov will fail. "The fate of *perestroika*," he said, "will also be determined in Poland." Rakowski called foreign debt a "blood-drain for Poland," and said his country needs "several billion dollars urgently." Bonn officials promised credits and exports.

● **MOSCOW** gave prominent coverage to an interview with the head of South Korea's Hyundai Group, Chong Chu-yong, also chairman of the Federation of Korean Industrialists. The interview was featured in the Jan. 12 *Izvestia*. Chong discussed how South Korean businessmen want to build up Siberia and the Far East, in response to Gorbachov's plans.

● **A STUDY** commissioned by outgoing U.S. Trade Representative Clayton Yeutter (Secretary of Agriculture-designate), has designated South Korea for possible sanctions because Seoul restricts imports of American telecommunications products. The sanctions would most likely take the form of 100% duties.