

# Business Briefs

## **Soviet Economy**

### **East Germans pay for Soviet strikes**

East Germany is paying a high economic price for the dubious honor of remaining the favorite pet of Moscow, according to sources this news service talked to on Aug. 17. The Soviet Union is turning more and more to the East Germans to fill in for gaps left by the economic collapse in the Soviet and other East bloc economies. East Germans, one source reported, fear they'll have a shortage of coal this winter, because their coal mines have to compensate for the reduced coal production in the Ukraine and Siberia caused by the recent miners' strikes.

Increased demands for high-quality textiles, micro-computers, and other urgently required consumer and capital goods have put immense pressure on the East German economy. This has created a broad and growing sentiment against the Communist regime and the Soviet Union among workers in the factories, and many of the German refugees heading for the West these days are skilled young workers from such factories. The ruling SED party itself is in deep trouble, trying to balance out the unrest among workers and the need to meet Soviet requirements for supply.

There is even evidence of a broader trend of covert low-intensity obstruction of the production process in East German factories. Workers whose factories are deprived of spare parts or industrial components which are not delivered in time due to failures at some other place, often get reassigned to other make-work, such as painting and renovating production halls. Often, workers get reassigned to jobs outside their own plants. Doing this unpopular substitute work has increasingly turned into a form demonstration or protest: When the delayed supply of components and spare parts finally arrives, no one is there to unload them or to work on them. Workers stubbornly continue to do their substitute work, or are simply not available in time.

In response, the SED has been more frequently summoning plant directors to party meetings to testify on "problems" and receive ideological reminders on their "socialist duties."

## **Health**

### **AIDS costs overwhelm public hospitals**

The cost of caring for AIDS patients is overwhelming U.S. urban public hospitals, which have to treat a high percentage of AIDS victims, researchers from the National Public Health and Hospital Institute in Washington, D.C. announced on Aug. 10.

While the average cost for in-patient care of an AIDS victim is \$681 a day, the average revenue the hospital receives for such care has been just \$545 a day. Researcher Virginia Weslowski stated, "These hospitals are losing large amounts of money. It's eating into their bottom line. This will overwhelm the hospitals and hurt the quality of care for the other patients."

## **'The Recovery'**

### **Fed study shows U.S. output falling**

The Federal Reserve issued its "Beige" report on Aug. 9, released every six weeks before the Federal Open Market Committee meeting, which showed what the *Financial Times* of London termed the "most gloomy assessment of the U.S. economy for two years."

The report shows that the economy is indeed slowing down, with output falling in some sectors, most notably in the northern heavy manufacturing areas, and especially in auto, steel, electronics, and machine tools. Half of New England manufacturers reported flat sales, as did a third of those in Philadelphia. Sales were weak in home furnishings, electronics, and appliances. Most Federal Reserve districts report that retailers are reducing their orders for the remainder of the year, as inventories remained high or increased.

Even though mortgage rates are going down, housing construction is at best stagnant, and down sharply in the Northeast.

The report summary does not even men-

tion inflation, underscoring Fed chairman Alan Greenspan's recent report to Congress of his concern that the greatest danger is recession, not inflation.

## **Markets**

### **Computer trading underscores instability**

"The significance of the return of computer program trading on Wall Street underscores the instability of the markets," City of London banking sources told *EIR* on Aug. 15.

Program trading is a sophisticated method of computerized "arbitrage" between prices of, typically, the Chicago Major Market Index. Because margins for MMI futures are only 2.8%, it is possible for large Wall Street brokerages to shift huge volumes of stocks very quickly, exaggerating actual market prices with virtually no risk of loss.

"If you want to manipulate the market short term, and touch off program buying and selling, the easiest way to do it is with the Major Market Index," reports one New York trader. "At some time, this thing is going to explode in people's faces."

Wall Street voluntarily suspended the controversial practice after the stock market crash of October 1987, but traders report that it has increasingly come back into play, with the recent huge New York stock market rise since the early summer.

## **International Trade**

### **Colombia protests unfair practices**

Banacol, Colombia's banana company, charged that United Brands, formerly the United Fruit Company, was trying to drive Banacol out of business and take over Colombia's banana industry, at a recent meeting of representatives of 25 producing and consuming nations.

United Brands, said Banacol, was paying excessive prices for banana-growing

lands; paying producers excessive prices for bananas, thus denying Banacol its product; and using its international muscle to sabotage Banacol's efforts at independent marketing in Europe.

### **Black Economy**

## **India biggest drug transshipment center**

There are now 68,518 heroin addicts in the city of Calcutta, India, the Minister of State for Welfare, Mrs. Rajendra Kumari Bajpai, told the Indian Parliament the week of Aug. 1, the *Hindustan Times* reported. The *Times* said in its editorial that India is now the biggest drug transshipment center of the world, with 37% of world heroin routed through its territory.

In 1988, some 80% of that heroin came through the Indo-Pakistani border, but the last six months have also seen an unprecedented increase from the Golden Triangle region of Southeast Asia. The Narcotic Control Bureau, the *Times* wrote, has only 106 officials to deal with the drug menace, with only 10 officials to oversee the 11 regions in the northeast and east, where the new influx of heroin is coming from.

Heroin addiction is also a scourge in Bangladesh, the *Times* reported July 29. There are at least 100,000 addicts in the northern regions—not including Dhaka and other cities. Crime is becoming a very serious problem, with 80% of crimes now being committed by addicts desperate for drugs.

### **Free Trade**

## **Venezuela agriculture submits to IMF diktat**

The daily *Diario de Caracas* reported Aug. 4 that the World Bank was conditioning the disbursement of the second part of a \$353 million loan, approved June 13, on Venezuela reducing tariffs and restrictions on ag-

ricultural imports, as it has done on finished goods.

Venezuelan Senate Agriculture Committee chairman Pedro Pablo Aguilar responded Aug. 6, "It is hard to understand why [Venezuela] accepted, in its negotiations with the IMF, measures that are destroying our agricultural production capacity, unless we accept going back to being a mining country obliged to buy from abroad our food and the vegetable raw materials required by our industry. It is understandable that the IMF and the World Bank wanted to help the U.S. and Europe in their trade policies of selling agricultural surpluses, but there is no justification for our accepting."

### **Infrastructure**

## **Kra canal boosted at Thai Defense College**

The proposed construction of a canal across Thailand's Isthmus of Kra is a project capable of creating a revolution in Thailand and enhancing its role in maritime transportation, Dr. Boonrod Binson, president of the Administration Council of Chulalongkorn University, said on Aug. 14. He was addressing the Kra Canal subcommittee of the government's Strategic Committee, at the National Defense College of Thailand Aug. 14. The college is attempting to accelerate the canal project.

The Kra Canal concept has been vigorously promoted by Lyndon LaRouche, *EIR*, and the Fusion Energy Foundation for many years, and bitterly opposed by monetarist financial circles typified by Henry Kissinger, who personally intervened to block the project.

"I have stopped contemplating whether the project is financially profitable or not for a long time, because for me, I am convinced that it is. The Kra Canal is a very special one. It has the power to generate further wealth and therefore, considerations must go beyond normal cost-benefit analysis," Dr. Binson said.

The rest of the meeting was spent discussing how to take studies further and what organizing activities should take place in order to push the project ahead.

## **Briefly**

● **PRESIDENT BUSH** admitted, "We're in a period of hard times," during an Aug. 15 press conference, when asked whether reallocating resources for the war on drugs would mean hard times for the military or other social programs. "We don't have all the money that we would like to spend in several areas."

● **MALARIA** is resurfacing, the World Health Organization warned Aug. 11. There are now more than 100 million new cases each year. Cases are up 30% in sub-Saharan Africa since last year, and have tripled in Central and South America in the past decade.

● **THE MEDELLIN**, Colombia-based Banco de Occidente pleaded guilty to laundering up to \$400 million in cocaine money of the Medellín Cartel in a U.S. court Aug. 14, and agreed to pay a \$5 million fine. The laundering was alleged to have taken place through the branch of the bank located in Panama City.

● **NEW TIMES**, a Soviet weekly, endorsed euthanasia for the elderly and for AIDS victims in two August articles: "It is absurd to tell a lonely woman of 88 or so, suffering, suffering from open fractures [she cannot die]. The doctors would be only too glad to terminate her suffering. . . . But euthanasia is not provided for by law."

● **CHINTER**, is the name of a new Red Chinese state-owned company based in Brussels to encourage European companies to set up factories in China. The deal includes a ready-made factory, land, and a limitless supply of cheap and disciplined labor—provided by convicts.

● **WANG LABS** announced on Aug. 16 that it will default on nearly \$1 billion in debt, while continuing discussions with its bankers for better terms. The day of the announcement, Wang's stock fell 8% in value, with its bonds trading at only 50% of par.