

# Business Briefs

## Sweden

### Crisis grips Swedish finance companies

In an indication that an initial major blowout could occur at the edge of the Western financial system, six major Swedish finance companies had trading on their stock suspended in late September.

Trading on the Stockholm bourse has been chaotic during the Mideast crisis, with the main Stockholm index reaching its lowest point in two years on Sept. 27. On Sept. 24, the Nyckeln finance group announced it was revising its 1990 estimated profits from 175 million to 25 million Swedish kroners, due to losses in its real estate holdings in Sweden and London. Trading in the company's short-term notes soon ceased, and other firms quickly came under scrutiny.

According to the London *Financial Times*, Sweden's financial companies are particularly sensitive to the mood of the market, since they rely for their liquidity on short-term trading in their loan certificates by major institutions.

## Agriculture

### Institute calls for massive rice production

"A massive increase in rice production is needed over the next 30 years to avert extremely large-scale famine," the *Korea Times* reported on a study released in September by the Philippine-based International Rice Research Institute.

"In 30 years, the earth will be home to 8 billion people. More than half, 4.3 billion, will be rice consumers. Feeding them will require a massive increase in global rice production from today's 470 million tons to 760 million tons," which even if it could be achieved, "will merely maintain current nutrition levels which are already inadequate for hundreds of millions of people," the *Times* quoted the report.

The report documents that at the close of the decade, rice production growth in Asia

"once more fell behind growth in demand" and rice stocks fell to 13% of consumption, the lowest ratio since the world food crisis in the early 1970s. Two consecutive poor harvests have since driven world prices up and newly self-sufficient India, Indonesia, and the Philippines had again begun to import rice, illustrating the "narrow margin between self-sufficiency and potential famine in most of monsoon Asia," the report said. "Prospects for a rapid recovery of production are dim."

IRRI said surpluses and low market prices in the late 1980s gave researchers a "false impression that the world's rice problems have been solved. They forgot just how precarious the line is between sufficient rice and potential famine." The institute stressed that overall contraction of the world economy, lack of foreign exchange in many debt-ridden countries, and strong agricultural protectionism in some industrialized countries accounted for depressed prices between 1982 and 1987, as much as productivity gains.

## Environmentalism

### Reader's Digest reports Alar scare fraud

The October issue of *Reader's Digest* documents the collusion of the Environmental Protection Agency and environmentalist radicals to ban Alar, an apple growth regulator, on no rational basis.

The article by Robert James Bidinotto, entitled "The Great Apple Scare: Pesticides don't make our food unsafe, but banning them might," attacks the CBS News program "60 Minutes" which created a nationwide panic after it presented conclusions of a Natural Resources Defense Fund report which said that Americans were under the threat of cancer from chemicals like Alar.

Bidinotto reports that the EPA was so dissatisfied with the positive evaluation of its Scientific Advisory Panel on Alar that the head of the EPA Office of Pesticide Programs called scientists into his office to demand, "How can you do this to us? . . . I can't tell you what to do, but you might like to think about this one again." The EPA then ordered a new round of

rodent tests where the maximum dose to mice of the Alar by-product was quadrupled, resulting in the production of tumors.

## Energy

### Indonesia plans to build oil refineries

Indonesia plans to build four new oil refineries under joint ventures, mainly involving Japanese companies, the state oil firm announced on Sept. 25, the *Bangkok Post* reported.

Construction of one export-oriented refinery, Exor-I, began in September in West Java, a joint-venture with Britain's Foster Wheeler and two Japanese firms, Mitsui and Co. and Japan Gas Corp. Its products will include liquefied natural gas, kerosene, and fuel oil.

Negotiations are underway with the Nichimen and Mitsubishi groups of Japan for the construction of a 120,000 barrel per day (bpd) Exor-II, which is expected to start operation in 1995 or 1996. Indonesia's state-sector oil firm Pertamina this month awarded Mitsui the construction contract for a 140,000 bpd refinery in Dumai.

## Space

### Pioneer 10 spacecraft seaching for heliopause

The Pioneer 10 spacecraft, launched in 1972 with an expected lifetime of 21 months, passed the 4.6 billion-mile, 50 astronomical unit mark from Earth on Sept. 22, still searching for the heliopause. One AU is the approximately 93 million miles between the Earth and the Sun.

Pioneer 10 was the first spacecraft to pass through the asteroid belt, and is now on a search for the end of the Sun's radiative influence on interplanetary space, the boundary of which is called the heliopause. Scientists originally thought that the heliopause would be just beyond Jupiter, but the craft is 10 times that distance from the Sun and has not encountered it.

NASA scientists describe its weak signal

as "four billionths of a trillionth" of a watt of power when it reaches NASA's Deep Space Network antennas. It is expected that communications will be lost around the year 2000 when the spacecraft will be 6.9 billion miles from the Sun.

## Banking

### Manny Hanny attempts to steal Brazil's money

Manufacturers Hanover, the New York-based bank which is having its own financial problems, seized \$320,000 belonging to the Brazilian government which was to be forwarded to Jordan and presumably then to Iraq as payment for the use of an Iraqi Airways flight to bring Brazilian citizens out of Iraq. The bank did eventually pay the money to the Jordanian Central Bank.

The New York branch of Banco do Brasil made the payment to Manny Hanny the week of Sept. 19, but the latter then refused to transfer the funds. The flight had been contracted to fly the 260 Brazilian citizens from Baghdad, Iraq.

Paulo Tarso Flecha de Lima, head of the Brazilian delegation which has been negotiating with the Iraqi government for the release of the Brazilians, violently protested the move: "This is an unspeakable procedure coming from a bank which says it is serious, yet plays in this way with the fate of 260 Brazilians. If this has something to do with the arrears of Brazil's foreign debt, this attitude is even more shocking and scandalous."

## Debt

### Columnist admits debt magnitude startling

"Be afraid. Be very afraid," of the financial crisis warns financial writer John Liscio in the late September *Barron's Capital Markets* weekly.

"Total [U.S. public and private] debt at \$11 trillion is now more than twice the size of the \$5 trillion GNP," Liscio writes. "That puts

the debt-GNP ratio at the same level it hit in 1931. Net interest payments are at an all-time high of 9% of GNP. Even in the depths of the depression net interest got no higher than 8%. Aggregate corporate debt is now about 16 times greater than corporate profits. At the bottom of the past two recessions (1973-5, 1979-82) debt exceeded profits by no more than six times."

Liscio warns that "With the U.S. financial system so overloaded with debt, there's just no place to grow. . . . Data show total deposits plus currency in circulation from all insured deposit institutions gained no ground at all in the year ended March 31, the slowest rate of monetary and credit growth since the 1930s.

"The financial dislocations take more time to filter through to the economy because the fuse is longer. But the resultant layoffs and cutbacks in capital spending are just beginning to pick up speed, so it's only a matter of time until the GNP numbers get real ugly."

## Development

### World Bank targets Nigerian steel-making

The World Bank is attempting to prevent steel-making in Nigeria by pressuring that nation to scrap the \$5 billion Ajokuta Steel Co. plant, the largest in Africa, the Oct. 1 *Journal of Commerce* reported.

Ajokuta, which is planned to produce 5 million tons of steel annually, was supposed to be finished by 1986. Now, an optimistic date is late 1991. The upgrading plant to process ore to the quality needed for steel-making is still on the drawing board.

Technocrats at the World Bank insist that annual demand for steel is less than 1 million tons a year, but the Nigerian government violently disagrees. "New industries will spring up when we've achieved the technological breakthrough Ajokuta will provide," said Victor Jegede, an assistant general manager at the plant.

The World Bank is blocking a \$500 million support loan to Nigeria until Nigeria agrees to "scale down its 1990 steel spending plans."

● **COMMUNIST CHINA'S** exports to the U.S.A. rose 43% last year to \$11.99 billion, according to U.S. Commerce Department figures, the Sept. 26 *Journal of Commerce* reported. China's exports to Japan fell 3.5% to \$3.43 billion in the first half of 1990 and imports from Japan fell 39.9% to \$3.22 billion.

● **THE DOLLAR COLLAPSE** has boosted Mexico's debt—the dollar value of Mexico's non-dollar foreign debt—more than its bonanza from higher oil prices, the Mexican Secretariat of Finance and Public Credit reported Sept. 28. Debt rose \$1.124 billion since early August; extra oil revenue only \$1.1 billion.

● **THE DEBT BURDEN** of U.S. corporations is more than twice the level of the 1970s with 26% of cash flow spent on interest payments, up from 25.5% in the second quarter of the year, up from 15.1% two years ago, and up from 10% in the 1970s, the Sept. 27 *New York Times* reported.

● **THE FEDERAL DEPOSIT** Insurance Corp. has extended deposit insurance to the \$300 billion kept in overseas branches of U.S. banks even though the coverage is not authorized by U.S. law and banks do not pay insurance premiums on those funds, the Oct. 2 *Washington Post* reported. FDIC director of supervision Paul Fritts said the move was made to avoid "negative repercussions" and "confusion in the international markets."

● **BRITISH SPENDING** on research lags far behind that of France or Germany, a report issued by the U.K.'s Science and Engineering Research Council states. The report's author Dr. Henry Atkinson concludes that the German research worker is better equipped and better supported than is the British research worker.