

Business Briefs

Investment

Venezuelan industrialist wants focus on production

Jorge Redmond, president of Corpindustria, the Venezuelan association of large manufacturers, called for focusing the credit system to favor industry and production, in statements in Caracas in late May. He called for "reformulating the financial system, since now the banks absorb the deposits of the public, and don't lend them out, because of high interest rates."

Redmond said that, "in fact, many banks have ceased being financial intermediaries, which has created distortion in the market, and therefore I think the banks must regain their roots as lenders of money and not keep making speculative investments with money that doesn't belong to them."

The economy needs two things, he said, "confidence and industry. Through the application of knowledge and technology, industry emerges as the only tool that can provide opportunity for growing employment." He called for investing in research and development indispensable for the creation of new products in the future.

Development

German minister tells Africa: no Marshall Plan

Concluding a four-day tour of West African countries on May 22, German Foreign Minister Klaus Kinkel said in Abidjan, Ivory Coast that he saw "no chance for any such thing as a Marshall Plan for Africa . . . because all industrialized nations that would have to support it, are faced with enough problems of their own."

Kinkel recommended that rather than counting on help from outside, the Africans should develop on the basis of their own potentials. (Kinkel did not suggest that these nations should break relations with the International Monetary Fund, but that would be their only chance to mobilize their own resources.)

The Organization of African Unity (OAU) has just reported in this context that African

states that have so far felt compelled to maintain themselves in good standing with the IMF, have been brought into a dependency on foreign aid that covers 50% and more of their respective national state budgets. This situation is a form of neo-colonialism, the report warned.

Labor

Union asks givebacks to keep Northwest afloat

In a grim reminder of what happens to trade-union bargaining in a depression, the International Brotherhood of Teamsters has asked the 9,000 flight attendants it represents among Northwest Airline's 45,000 employees to accept \$900 million in pay and vacation cuts over the next three years as part of an attempt to keep the company afloat. Ballots on approving the agreement, negotiated by the IBT and the airline's largest union, the International Association of Machinists, were mailed out on May 27. All six of the airline's unions must ratify the deal for it to take effect.

Northwest Airlines has laid off over 3,000 workers and lost \$9 billion during the last three years. In return for the union concessions, the company would give them ownership of 30% of the company and repay the lost wages in stock at the end of 10 years—if it's still around.

Currency Trading

London bankers fear revolt over speculation

"Foreign exchange managers ought to be boasting of success" of multibillion-dollar profits from currency trading operations "all over London. But they are not. One reason is that the banks are all too aware of the contempt the public has for what are deemed to be the profits of speculation. The danger is that the central banks might harness the angry public mood to try and regulate the market," the May 26 London *Financial Times* reported.

Correspondent James Blitz, in a survey of foreign exchange, repeats the Bank of England

finding of last year, that 10 banks in the City of London accounted for 43% of the \$300 billion daily foreign exchange turnover in Britain. That means that 10 London banks account for 18% of the \$880 billion daily currency trading in the entire world.

Russia

Aerospace industry to propose restructuring

The Russian aerospace and defense sector, which includes research laboratories as well as industrial production facilities, will propose to Russian President Boris Yeltsin that it be restructured, *Aviation Week* reported the week of May 24. Aerospace unemployment in Russia rivals that of the collapsing aerospace industry in the United States.

In a bid to garner more foreign contracts, a number of the design bureaus will propose that there be a consolidation of major facilities on a regional basis, and that business could include "more formal use of the U.S. dollar." The plan has been devised by German Zagainov, who heads the Central Aero-Hydrodynamics Institute, which is the world's largest research facility.

Aviation Week also reported that Chinese use of the institute's facilities is growing very fast and that the Russians are actively trying to market their aircraft in China.

Foreign Assistance

Japan to resume yen loans to Iran

Japan is to resume yen loans of up to 38.6 billion yen (\$360 million) to Iran, the first such loans since 1976, a Foreign Ministry official said on May 29. The untied loans will carry an interest rate of 3% a year over a 25-year repayment period, with a grace period of seven years. The funds are to be used to build a hydroelectric power station on the Karun River in southern Iran.

In 1990, Iran reversed a policy of not borrowing abroad and began to seek foreign loans.

Briefly

That year Teheran formally asked Tokyo for billions of dollars in low-interest loans to build a dam.

Japan's decision to resume lending comes amid reports that the Clinton administration is demanding that major trading partners with Iran impose a credit and export boycott to prevent it from "becoming a substantial threat to Western interests," the May 27 *Washington Post* reported. According to administration officials, the top priorities are efforts to convince China and Russia to cancel deals to provide Iran with weapons and nuclear reactors, and to persuade Japan, Germany, and Britain to cut off loans.

This campaign could also be aimed at weakening the German and Japanese economies, especially Germany, which is Iran's biggest western trade partner. This plan is suggested by the Australian Zionist Martin Indyck, the senior director for Middle East policy for the National Security Council. According to Indyck, if the United States fails in its efforts to modify "Iranian behavior," five years from now "Iran will be much more capable of posing a real threat to Israel and to western interests in the Middle East." Indyck fought for Israel in 1973.

Trade

Russia, Ukraine hurt by collapse of markets

A main cause for the fast economic disintegration of Russia and Ukraine is the "collapse of traditional trade relations" and the "complete lack of new economic structures," a report by the Vienna-based Institute for International Comparative Economic Studies (WIIW), which compares both former Soviet republics, has concluded.

While Gross National Product in 1992 dropped by 19% in Russia and 15% in Ukraine, investments in both countries declined by more than 40%. Russian inflation ran at 1,300-1,700% or 15% of GNP, compared with 1,600-2,000% or 40% of GNP in Ukraine.

The key conflict area between the states is the energy supply. This year, Russia will produce less than 350 million tons of fuel (393 million tons in 1992), and exports in the former

Soviet republics will fall from 75 million tons to less than 60 million tons. Since Russia urgently needs hard currency, supplies outside the ruble zone will be accounted in world market prices.

According to the WIIW report, Ukraine will have to spend more than \$10 billion for Russian oil and natural gas. The main conflict of interest between the two countries however derives from the fact that their bilateral trade volume shrank to 50% of the 1989 level. Successful economic reforms in Russia and Ukraine depend on stable political conditions, the report concludes, and therefore the economic crisis in both countries will be further aggravated in 1994.

Research and Development

NASA to join bio-industry in fight against AIDS

The National Aeronautics and Space Administration announced on May 17 that under an agreement signed on April 26, it has teamed up with American Bio-Technologies, Inc. in Massachusetts to do research to combat AIDS.

NASA scientists at the Marshall Space Flight Center in Huntsville, Alabama have developed advanced X-ray crystallography technology which is used on the Space Shuttle materials-processing experiments which allow larger samples of pure crystals to be produced in the microgravity of space. This emerging technology of high-brilliance X-rays, access to experiments on the Space Shuttle, and "novel crystallization approaches," will be made available to the researchers at American Bio-Technologies. The company is the major world supplier of recombinant HIV proteins and will provide the NASA researchers with such samples, and related retroviruses, for space experimentation.

Dr. Daniel Carter, chief of the Biophysics Branch of Marshall's Space Science Laboratory, explained: "We will use our unique capabilities to grow crystals of the proteins and then use our analytical and computer-based technologies to attempt to determine the accurate three-dimensional structures of the biological molecules. Our group previously determined the first structure of a human antibody which recognizes the AIDS virus."

● **CAPITAL** investment needs for U.S. waste-water treatment facilities is \$110.6 billion, Robert L. Bowen, vice chairman of the Municipal Utilities Division of the Associated General Contractors of America, told a House subcommittee on May 11. He stated that every \$1 billion so spent creates nearly 50,000 jobs.

● **ESTONIA** is buying weapons from Israel in order to enable the country to "adopt NATO standards" and end its dependency on "Russian armaments," Reuters reported on May 25. Israel has reportedly offered Estonia a \$50 million loan to buy automatic pistols and Stinger missiles for its Army.

● **THE ISRAELI** government, in a first step to privatizing its major banks, on May 27 sold 20% of its shares in Bank Hapoalim, the nation's largest bank. Earlier in May it approved structural reforms designed to strengthen competition, reduce banks' control over other sectors, and prevent conflicts of interest in the capital market, Reuters reported.

● **MALAYSIA** has launched a crackdown on illegal financial futures-trading, officials of the country's new Securities Commission said on May 29. Raids have been carried out against companies believed to be involved in the trade, which centers on futures in the Hong Kong Stock Exchange's Hang Seng Index.

● **THE ANGOLAN** government has further liberalized the economy, the state news agency Angop reports. Central bank governor Generoso de Almeida has announced that foreign currency to be used for imports will now be sold by commercial banks.

● **CHEVRON** Corp. has announced that it will sell two refineries, in Philadelphia and Port Arthur, Texas, and 150 service stations in 11 Midwest and Atlantic Coast states. The plan is projected to save \$2 billion in marketing and refining capital investments over five years. Both refineries are operating in the black.