

Business Briefs

Trade

Whitehead urges Western dependence on East

"Secretary of State George Shultz has quietly turned over policy control for all Eastern Europe to Deputy Secretary John Whitehead," say Evans and Novak in their March 7 syndicated column. Whitehead appears to be using the position to press for greater economic dependence of Western nations on Eastern European markets.

In a March 5 speech, Whitehead called on the American business community to seek "economic opportunities" in Eastern Europe. He told the American Committee on U.S.-Soviet Relations: "I would like to urge the businessmen in the audience to pay some attention to developing business relations with [East European] countries, as well as the Soviet Union."

What he called the "winds of change" that are blowing across the East bloc, "both politically and even more particularly economically . . . provide opportunities for the U.S. private sector that have not existed in those countries for many years. . . ."

He noted that the United States had already "eased some restraints that . . . were unnecessary impediments to U.S.-Soviet trade."

Agriculture

EC suspends crop purchase guarantees

For the first time in the history of the European Community (EC), farm ministers have agreed to suspension of purchase guarantees for surplus butter and milk powder. EC Agriculture Commissioner Franz Andriessen of Holland said the deal will pave the way for the ministers to adopt a controversial \$3.5 billion plan to get rid of more than 1 million tons of surplus butter stocks over the next three years.

The Danish head of the European farm organization, COPA, Kjeldsen, responded to this and other EC measures on March 3 by telling farmers they were finished. He

called on Danish farmers to stop farming and seek early retirement, since the EC measures would force 40,000 full-time farmers out of business anyway.

Austerity

Bolivian bishop blasts IMF

The head of the Bolivian Bishops Conference, Julio Terraza, said in Hanover, West Germany March 5 that the "adjustment programs" of the International Monetary Fund were responsible for most of the misery in Bolivia and other nations. "Under the IMF's recommendations, teachers were laid off, schools were closed, many public programs for social welfare and health were called off."

Two-thirds of Bolivia's zinc miners were out of work because of the IMF and collapsing zinc prices, Bishop Terraza reported. He also charged American banks, multinationals, and the U.S. government with working against Bolivia, with the IMF, and called on the United States to change its policy. "Instead of paying the interest on debts, we should use the money to fund development projects," he said.

He and five other bishops from Peru, Bolivia, and Colombia attended a Third World conference in Mannheim, West Germany March 7-8.

Foreign Exchange

High yen threatens Japanese industry

The long-term effects of the high yen will force major Japanese manufacturers to idle much of their most advanced roboticized facilities, harming Japan's export position and undermining the purpose of the recent yen-dollar realignment, according to Masaya Miyoshi, senior managing director of Keidanren, the Federation of Economic Organizations.

Sanyo Electric Co. has increased production in offshore plants, and in late February announced that it was firing 1,200 part-time workers to save full-time jobs. Toyota announced Feb. 24 that it will no longer take surplus workers from companies outside the Toyota group, and sent 500 workers back to Nippon Steel, Sumimoto Metal Industries, and Ishikawajima-Harima Heavy Industries, all hard-hit by the rising yen.

Mazda, Mitsubishi, and other automakers are said to be considering purchasing parts and components from Korean makers.

According to Shinji Fukukawa, vice minister of international trade and industry, there is a limit to how much Japan will "hollow out" its export industry, given the need to import energy, food, and raw materials.

Industry

German machine sector in trouble

German machine-builders are concerned about gloomy sales prospects for 1987. Frank Paetzold, the new president of the German Machine-Builders Association, told the press March 6 that the industry had suffered a drop in foreign orders of 13% in 1986, and had 8% fewer orders in January 1987 than in January 1986.

The association is critical of the Bonn government's "much-too-positive" economic forecasts for 1987.

Farm and construction equipment have been selling especially badly in the past year, and "with the unresolved trade conflict between Europe and the United States," warned Paetzold, "even bigger problems are to be expected."

West German capital goods sales plunged 38% in January compared to December. Industry spokesmen stress that, while there is normal year-end fluctuation, the latest result is worrisome because of the renewed fall of the dollar in January. Compared with the same period a year ago, January "new orders" for capital goods were down 12%, while the three-month results, November to January, showed an 8% decline in new orders.

International Credit

Debt for equity in Dominican Republic

The Dominican Republic will exchange 10% of its foreign debt, \$80 million, for equity rights to creditors, according to a March 5 announcement by Luis Julián Pérez, the governor of the country's central bank. The government will turn over \$80 million in real estate and industries to creditors, who will use the properties to create "free trade zones," tourist attractions, and plantations.

Coverage in the newspaper *El Sol* added: "Nevertheless, recently the Schiller Institute of Washington described the conversion of debt for equity as a swindle which hurts the nations of Latin America." The Schiller Institute was founded by German political figure Helga Zepp-LaRouche in 1984, and has pressed for international monetary reform, denouncing "debt-for-equity" schemes as a way of taking over an entire country in lieu of debt payment.

Meanwhile, the Dominican Republic has signed a three-year contract to sell sugar to the Soviet Union. In 1985, the Dominican Republic sold \$333 million worth of sugar to the United States, a third of its total foreign-exchange earnings. This year, it is expected to sell only \$61 million.

Science

Supernova challenges scientific understanding

The behavior of Supernova Shelton bears little relation to existing supernova theory, said astronomer Robert Garrison of the University of Toronto, who gave an exclusive interview to *Fusion* magazine on March 9. The exploding star was discovered on Feb. 26 by the university's Ian Shelton at Toronto's Southern Observatory at Las Campanas, high in the Chilean Andes.

Until now, only very distant supernovae have been observed with modern astronomical instruments. Supernova Shelton is much closer. So far, it is not known what kind of

star is exploding, or what astrophysical process triggered the explosion. Its identification with any previously known star is in doubt.

The star's behavior has been extraordinary: The supernova was radiating intensely in the ultraviolet, but 96% of its ultraviolet and one-third of its blue then disappeared in a 24-hour period. It was expected to brighten from its discovery magnitude of 4.5 to mag 1, or even zero, within a week or so. It has not brightened. As Garrison put it, while the luminosity of previously observed supernovae peaks sharply within a few days, descending at first steeply, then tapering off, Supernova Shelton "is just sitting there" at mag 4.4.

Garrison believes we may be seeing an early phase of supernova development not detected in the distant supernovae.

International Trade

House bill would restructure debt

Rep. Bruce Morrison (D-Conn.) is offering legislation to restructure Third World debt, on the grounds that the debt burdens of these nations contributes to the U.S. trade deficit.

"The oppressive debt burden of many developing countries, particularly in Latin America, is a major source of our trade deficit, which has caused the loss of tens of thousands of American jobs," Morrison told a press conference. "Because nations like Brazil, Ecuador, and others cannot pay their bills, major U.S. banks that have lent heavily to those countries face a severe threat to their solvency."

His bill would instruct the President to work with U.S. allies to create a new international financial institution. It, in turn, would devise a plan for banks to sell troubled loans at a discount. The purchaser would pass the benefit of the discount to the debtor country by reducing the amount due. However, in return, the debtor nation would have to agree to unspecified "economic policy changes."

The proposal thus creates a new International Monetary Fund to replace the present discredited, bankrupt one.

● **ECUADOR**, which suspended all payment on its \$5 billion commercial bank debt last month, has been hit with an earthquake that has seriously damaged a 25-mile stretch of oil pipeline from the Amazon region to the coast. No oil for export or domestic use will be available for one to four months. Ecuador was exporting \$150 million in oil a month—80% of its export earnings and 60% of its government revenues!

● **ONE CHILD** with AIDS is born every day in France, according to Dr. Jean-Paul Escande, head of the AIDS clinic at Paris's Tarnier Hospital.

● **A PILGRIMAGE** of prominent German Christian Democrats to East Germany will take place for the Leipzig Industrial Fair. A special media spotlight is cast on March 15, when Bonn's minister of economics, Martin Bangemann, Bavarian Christian Social Union leader Franz-Josef Strauss, and West Berlin Mayor Eberhard Diepgen will meet East Germany's ruler, Erich Honecker, each separately.

● **SOVIET GRAIN** imports from the United States will be 3 million tons higher than originally estimated, says the Agriculture Department in a monthly update released March 9. This includes an additional 2 million tons of corn and other coarse grains and 1 million tons of wheat.

● **JAPAN'S TRADE** surplus swelled to \$7.13 billion for the month of February, reflecting a surge in auto shipments to Europe, and a plunge in raw-materials imports by the country's ailing industries. A preliminary report of the finance ministry also gave a surplus figure of \$1.94 billion with the 12-nation European Community, an all-time record, and \$3.97 billion with the United States, a record for the month of February.