

# Business Briefs

## Energy

### Maine utility files for bankruptcy

One of the bitter fruits of the environmentalist harvest was reaped Aug. 31 when Eastern Maine Electric Cooperative filed for Chapter 11 bankruptcy because of the financial difficulties imposed by the delays in the Seabrook, New Hampshire nuclear plant.

The plant, ready but not operating because of environmentalist objections, is owned jointly by 12 New England utilities. The largest share, 35.6%, is held by Public Service Company of New Hampshire, which has announced a restructuring similar to a Chapter 11 bankruptcy.

Environmental challenges and regulatory changes have added \$3.6 billion to the cost of the 1,150-megawatt Seabrook plant. The plant has been ready to go on line since summer 1986, and every month that it stays closed costs the utilities \$50 million, of which \$40 million is interest.

Meanwhile, New England has already begun to feel the effects of power shortages this summer, with a 5% voltage reduction. Electricity use in the region has grown 120% faster than the demand for power nationally, averaging 5% in 1986, and major shortfalls are predicted in the next few years.

## Medicine

### Prospects are 'bleak' for an AIDS vaccine

At a conference of the National Academy of Sciences' Institute of Medicine on Aug. 31, scientists reported on the difficulties of finding a vaccine against AIDS, and called for a "Manhattan Project"-type effort to crack the problem.

"The vaccine effort is running into serious problems," said David Baltimore, director of MIT's Whitehead Institute, and a leading AIDS researcher, according to the Sept. 1 *Philadelphia Inquirer*. "Last year we estimated a minimum of five years. Things today, if anything, seem bleaker than

that." Other speakers pointed to the complexity of the virus, its ability to disarm the immune system, and its capacity to attack the central nervous system in addition to blood cells.

Dr. Paul Volberding, director of AIDS activities at San Francisco General Hospital, said, "Clearly the chimpanzee work has no necessary relevance to what we can find in humans. Even antibodies people develop themselves to fight the disease don't work."

Dr. William Haseltine of Harvard Medical School said that, given the problems with a vaccine, "therapy will have to be the key." "An organized Manhattan Project-type approach is, in some ways, needed. There is a real need for coordination in drug development." Dr. Edward Skolnick said, "We . . . need to ask ourselves whether we need another type of national effort, akin to what was done in the 1940s with the A-bomb development."

## Banking

### Corruption scandal hits Yugoslavia

Sixty-three banks in Yugoslavia may be forced to close, as a result of a financial scandal being described in the Yugoslav press as the "biggest blow to the Yugoslav economy in postwar history . . . the tip of a nationwide iceberg of financial corruption."

The affair involves an agro-industrial firm, Agrokomerc, in the mainly Muslim republic of Bosnia, which is accused of having issued as much as \$500 million in uncovered promissory notes. The company had been key to a number of planned industrial projects, and its troubles are expected to lead to worker unrest.

Meanwhile at a joint session of the Yugoslav parliament, Vice President Zemljarić warned that some of the nation's foreign debt payments may have to be deferred, in light of ongoing financial difficulties. About 76% of Yugoslavia's \$17.8 billion debt is coming due within the next five years.

"Under the conditions of more and more restricted financial world markets," he said, "this would certainly render normal repro-

duction in the Yugoslav economy impossible and would prevent its technological development. . . . These reasons impose the necessity that the pace of our debt repayment be reconsidered. Therefore, all the aspects of Yugoslavia's foreign liquidity and its relations with all the classes of creditors are being studied and the development requirements and export possibilities examined. Preliminary talks on these questions have been started with commercial banks, and with some creditor governments, and with the IMF."

## Health Care

### Mexico forbids sale of blood

The sale of blood was prohibited in Mexico on Aug. 26, in an effort to curb the spread of AIDS. Private hospital blood banks had detected more than 1,500 AIDS cases, higher than the official figure for all of Mexico. Government AIDS expert Estanislao Stanislavski said that while AIDS is doubling every 12 months as an international average, in Mexico it is doubling every 7 months.

The ban on blood sales has drawn fire from the president of the National Chamber of Hospitals, Jesús Gómez, who said that the nation's blood supply system is inadequate as it is, and the need cannot be met only by donations.

## Austerity

### Merrill Lynch: shock treatment for Mexico

Merrill Lynch issued a study at the end of August, predicting a disaster for the Mexican government that succeeds that of President Miguel de la Madrid. The failure of the government's austerity policies to "yield the expected results" has endangered the effectiveness of "orthodox policies," and could force application of "shock treatment."

"It is not inconceivable that the political

pressure will induce the Mexicans to propose a complete renegotiation of the country's position," according to the report. This would trigger massive new capital flight, inflation of 160% or higher, and a rise in the black market economy. (Mexico City alone has an estimated 600,000 street vendors.) This, in turn, would "erode the fragile financial stability preserved since mid-1986," making "a heterodox shock plan" necessary.

## Labor

### UAW strike threat looms

The United Autoworkers Executive Board voted to strike the Ford Motor Co. on Sept. 15, unless a new three-year contract is agreed upon first. Union officials said that they will seek a "pattern industry contract" with Ford, and apply it to General Motors and Chrysler. GM's contract expires on Sept. 14, and Chrysler's expires next year.

UAW President Owen Bieber said that Ford was chosen because of the issue of job security, which the union believes that Ford is in the best position to do something about for its employees.

According to the UAW's view of the latest offers made by management on Aug. 27-28, the two sides are still "very far apart."

The UAW has launched a national television ad campaign, claiming that the industry has sent American jobs overseas.

## Agriculture

### Locust plague threatens African cereal crops

The U.N. Food and Agriculture Organization (FAO) has issued a report warning that swarms of locusts and grasshoppers are threatening cereal crops in Africa.

Desert locusts have moved into northern Ethiopia and eastern Sudan, and some have been sighted in Chad, Mali, Mauritania and

Niger. Early and widespread hatchings of grasshoppers in western Africa also give "cause for concern," says the FAO.

The FAO's refusal—and that of other international organizations and world governments—to take sufficient action last year, contributed to this renewed threat.

The situation is compounded by the fact that several countries in southern Africa will have considerably lower harvests this year than in the last two years, the FAO reports. Production of cereals continues to decline in Mozambique, due to civil strife, and emergency action is needed to prevent further starvation there. In Angola, Botswana, Lesotho, Malawi, and Zambia crops will all be far less than 1986, and in Zimbabwe the crop is estimated to be less than half of last year's harvest.

## Defense Industry

### TRW pleads guilty in fraud case

The defense contractor TRW, Inc. pleaded guilty on Sept. 3 to 10 counts of making false statements to the Pentagon, and agreed to pay \$17 million in restitution. The terms of the settlement were announced the same day that the Defense Department filed an action in the federal court in Denver, listing charges against the company.

This case is the first in which a company has been charged with fraud based on material it voluntarily submitted to the government about itself. The Pentagon was urging leniency, but the Justice Department is still out for blood. Ranking DoJ officials William Weld and Stephen Trott have launched personal vendettas to "get" the military industrial complex, allegedly to crack down on "corruption." Criminal fines stemming from the DoJ actions could amount to \$100,000.

Moreover, DoJ officials said the settlement does not cover a False Claims Act suit pending in federal district court in Cleveland. That suit also involves claims of fraud and overcharging. The settlement also does not protect TRW from other suits that might be filed.

● **TAIWAN**, second only to Japan in accumulation of foreign exchange reserves at \$63 billion, plans a \$3 billion fund to help developing nations. Economic Minister Lee Ta-hai said that the fund would provide loans to less developed nations to import goods from Taiwan, including transportation equipment, cement, and textile manufacturing machinery.

● **TINY ROWLAND**, chairman of the British company Lonrho, will be in Teheran in mid-September to continue discussions with the Khomeini regime on the purchase of the Wilhelmshaven oil refinery, in West Germany, to refine Iranian oil. The deal is believed to be part of a hostage swap.

● **THE U.S.-U.S.S.R.** Trade and Economic Council will meet in Moscow in December, to discuss joint ventures. It is expected that U.S. Commerce Secretary designate William Verity, a former head of the organization, will attend.

● **TWENTY-TWO STATES** will submit bids to the U.S. Department of Energy for construction of the \$4.375 billion Superconducting Super Collider, which will be constructed beginning in January 1989. The project will create 10,000 jobs, and will bring 3,000 of the nation's leading scientists to the area that is chosen.

● **CHICAGO** Central & Pacific Railroad filed Chapter 11 bankruptcy early in September, and said that the move was designed to prevent the General Electric Credit Corp. from taking control of the company.

● **FAIRCHILD INDUSTRIES**, the aerospace company, announced Sept. 2 that it is selling off its commercial aircraft division and its general industries division, which makes a variety of construction and manufacturing materials. The company has lost \$177 million in the last two years.