

Business Briefs

Foreign Debt

'Good boy' Argentina will get no new money

Argentina will get no new money from international creditors until the government dismantles the state-sector of the nation's economy, a report in the Aug. 29 *Washington Post* indicated.

"Bankers fear their third problem child among Latin America's debtor nations is in trouble," the *Post* said.

Bankers complain that Argentina is \$800 million to \$1 billion in arrears on interest payments, even though increases in world food prices have "given the country some cash." The bankers who planted the story also complain that the government is requesting \$2 billion in "fresh funds" from creditors—the same amount these bankers estimate state-run Argentine corporations are losing each year.

It is to be assumed that Argentina is to sell those unprofitable state-run corporations if it wants new money.

"There is little good will toward Argentina among overseas lenders, not only at the IMF, but commercial creditors as well," the *Post* quotes a banker.

This despite the fact that Argentina's Raúl Alfonsín government has been a "good boy" as far as the International Monetary Fund is concerned, looting the nation to meet debt-service payments. The government has destroyed much of the country's productive economy and slashed living standards deeply to please foreign creditors.

International Credit

Roundtable of Poland's creditors proposed

A roundtable of Poland's Western European creditors has been proposed by Horst Teltschik, West German Chancellor Helmut Kohl's national security adviser. He said that France, the United Kingdom, and the three Benelux states should join to work on

an overview of the many Polish financial liabilities to the West, to coordinate efforts to consolidate the debt and discuss guidelines for debt rescheduling and issuing of new credits.

Teltschik warned that East bloc demands for new credits from the West have gone "far beyond Western capabilities already now, and they are still increasing."

Meanwhile, 60,000 tons of beef from German and French reserve stocks are to be shipped to Poland, at a price of 0.5 ECU (approximately 1.10 deutschemarks) per kilogram. The deal was signed in Brussels Aug. 29 between the European Commission which is subsidizing the delivery, and the Polish government.

Crash of '88

Economic indicators take a turn down

Three of the U.S. government's economic barometers showed a sharp decline in July, much to the chagrin of the Republicans, who would count on such factors during an election year to help the party in power.

The government's Index of Leading Economic Indicators fell 0.8% for the month, according to the Commerce Department. This index combines nine separate measures of economic health, seven of which fell: jobless claims, manufacturers' orders for consumer goods, building permits, vendor performance, stock prices, money supply, and contracts and orders for plant and equipment).

Also, factory orders for the United States were down 3.5%, the largest drop since January 1987 (3.6%). This was due in large part to declines in orders for defense capital goods, especially shipbuilding and tanks. Defense goods orders fell a whopping 46.6% in July.

Sales of new houses took their largest drop in seven months during the month of July, the government also announced. Further drops are expected with the rise in interest rates. Not only did sales of new single-family houses fall 4.7%, but the government

also revised its statistics down for the months of May and June, admitting there was much less strength in the market than previously reported.

The month of July also saw mutual fund sales hit their lowest level in more than three years, dropping 15% to a level half that of July 1987. Sales of stock, bond, and income mutual funds totaled \$6.99 billion in July, compared with \$13.2 billion a year ago, according to the Investment Company Institute.

Markets

New layoffs feared on Wall Street

Declining stock volume and rising interest rates may cause more than 8,000 additional jobs to be lost in the securities industry, analysts are predicting.

Since the "Black Monday" stock market crash of Oct. 19, 1987, the industry has already lost roughly 16,000 jobs. At the end of March 1988, New York Stock Exchange member firms employed 246,300 people, a reduction of 15,900 jobs from the glory days before the Oct. 19 crash.

A stock trader at a major firm told Reuters that by the end of the year, bonuses would be smaller and those who received them at all would be glad they still had a job, as the industry comes under increasing pressure to cut costs.

Jeffrey Schaefer, who directs research at the Securities Industry Association, said that the cut of a further 8,000 jobs is possible by the end of September. Brenda Davis McCoy, a Paine Webber analyst concurred. "I could see another 8,000 or so jobs being eliminated. Normal commission-generating volume, retail or institutional, is off significantly" from one year ago, she said.

But a trader at a large firm differed. "I don't think a few days of volume below 100 million shares is going to set off another round of layoffs." The Securities Industry Association's Schaefer noted that commission revenue generally made up only 20% of a firm's revenue and it was an exaggera-

tion to blame sagging stock volume.

Interest rates, more than falling volume, are placing pressure on the industry. "Interest costs tend to be about the largest cost item for the whole industry," Schaefer said.

An analyst with Lipper Analytical Services, Perrin Long, reported that the securities industry's pre-tax income in the second quarter of 1988 was down 50% from first quarter levels and another 20% drop was likely in the third quarter.

He, however, estimated that only 4-6,000 additional jobs could be eliminated this year, with clerical and administrative jobs likely to be the hardest hit.

Water

Canada outlaws 'water exports'

The Canadian government has introduced legislation banning water exports over one cubic meter per second. Environment Minister Thomas McMillan said the Canada Water Preservation Act will protect Canadian waters under any terms, including those of the Canada-U. S. Free Trade Agreement. It will be binding on the private sector and all levels of government, with penalties of up to \$1 million a day and three years in jail for violators.

Opposition critics had argued that under the Free Trade agreement, Canada could be forced to sell its fresh water reserves to the United States. The Free Trade enabling bill has been amended by Trade Minister John Crosbie so as to not override any other existing Canadian law.

The new legislation reflects part of a federal water policy paper McMillan presented to Parliament last November. "The concept of large-scale water diversions for export purposes has never been taken seriously," McMillan said in a luncheon speech after he tabled the bill. While there have been nine project proposals over the past two decades, he told a conference of Ontario conservation societies, they were nothing more than "half-baked notions by private interests in Canada and the United States, and none of the pro-

posals . . . was seriously considered by either national government."

He also told his audience that, contrary to popular belief, Canada is a water-poor country; more than half its water flows northward, while a majority of its population lives along the U. S. border. The export of water from one Canadian province to another is not covered by the new legislation. Quebec Premier Bourassa's Grand Canal from James Bay to the Great Lakes, a \$100 billion project, will, however, become outlawed, as will, of course, the North American Water and Power Alliance, which would divert a small percentage of Canada's northward flowing waters southward.

Food

Poor mothers face federal program cuts

Hundreds of poor mothers on the Women, Infants and Children (WIC) program in New Jersey are facing cutoffs, cutbacks, and waiting lists because the federal program is stretched to its financial limit. The WIC program provides food vouchers which are honored in lieu of cash, specifically for baby formula, milk, eggs, cheese, juice, breads and cereals, dried beans, and peanut butter.

"There is not enough money for everybody," Kathryn Grant-Davis, director of the WIC program for the state Health Department told the press. "In the meantime, we will continue to serve the high-risk individuals, and those we do not have adequate funding for will be on the waiting list until the beginning of the new federal budget year," Davis said.

The Newark, New Jersey *Star Ledger* reports that since early summer, 16 of the 22 WIC offices in hospitals, health departments, and community action programs have had backlogs that are expected to continue through September. When the money starts running out, the U. S. Department of Agriculture is mandating that pregnant women, nursing mothers, and high-risk infants be given first priority.

Briefly

● **THE TREASURY** Department announced on Aug. 25 that it is revoking all exemptions granted to banks from reporting currency transactions by casinos under the Bank Secrecy Act, which requires all cash transactions in excess of \$10,000 to be reported.

● **THE GERMAN** Axel Springer Co. will sign a joint media venture with the Hungarian Communist Party. Springer chairman Peter Tamm met with Janos Berecz, the party Central Committee member in charge of media and publishing activities, in Budapest in late August. On the German newspaper market, the Axel Springer group is the largest.

● **ITALIAN** Health Minister Carlo Donat-Cattin told the Aug. 18 daily *Il Giorno* that he is against health budget cuts, and that what Italy spends for AIDS is "ridiculous." "Today we spend 100 billion liras per year to stop AIDS. We need for the next five years at least 5,000 billion liras. . . . We have 3,000 AIDS cases; this will grow to 27,000 by 1990, and 140,000 by 1992. . . . If hospital beds are lacking in the near future, I'll be lynched."

● **EASTERN** Airlines has been ordered by a federal judge not to layoff 4,000 employees as planned, when it scales back operations, principally by shutting down its flights into Kansas City. The judge did allow the scale-back, however. On Sept. 1 Eastern eliminated 140 flights, 12% of its daily operations.

● **DRUG SMUGGLERS** who made millions shipping marijuana into the United States lost everything by investing in oil, according to Minneapolis Assistant U. S. Attorney Elizabeth de la Vega. The group handled \$14 million worth of pot from Thailand and Panama between 1980 and 1986, invested in Oklahoma oil operations, and got caught in the 1985 oil price drop. "They made a million in dope, then threw it down an oil well," she said.