

# Business Briefs

## Debt

### Ibero-American heads embrace the IMF

Seven leaders of the so-called Group of Eight Contadora Support Group leaders (Panama was suspended) met in Punta del Este, Uruguay Oct. 27-29, and agreed to drop all pretense of confrontation with the creditor nations. While blustering in speech after speech about the damage that tens of billions a year in debt service has done to their economies, the Presidents of Brazil, Mexico, Argentina, Venezuela, Colombia, Peru, and Uruguay proposed nothing concrete beyond convoking a meeting in December of their respective finance ministers to try to come up with a list of possible debt reduction measures to present to the industrialized countries.

The real content of the meeting was revealed by Brazilian Finance Minister Maílson da Nóbrega, who commented, "All the participants in the meeting were in agreement that only those countries which had adopted economic adjustment programs could participate" in any debt relief schemes they might achieve. The "adjustment" programs referred to are precisely the austerity measures dictated by the International Monetary Fund that have wreaked havoc on every economy in the continent since 1982.

The final Declaration of Uruguay absolves the international banks and the IMF of their primary responsibility for creating economic disaster, saying, "We acknowledge that our development basically depends on ourselves. Our region is responsibly and firmly confronting the most serious crisis of its history."

Behind the scenes, according to Brazilian diplomatic sources, U.S. Secretary of State Shultz told Brazilian Foreign Minister Paulo Tarso Flecha de Lima that President Reagan might be willing to meet the seven heads of state before leaving office. Clearly, the Presidents have opted to work with the creditor nations for cosmetic changes in their debt payment schedules, against the interests of their own peoples in overthrowing the entire IMF financial regime.

## Agriculture

### NFO chief adopts cartel policy line

Devon Woodland, president of the National Farmers Organization, speaking to about 100 farmers at the North Dakota state NFO meeting Nov. 1, attacked Canadian and European farmers for receiving subsidies. "If we can't get Canada to drop their subsidies, how can we get Europe to drop theirs?" he said.

It has been a principal aim of the food cartel companies (Cargill, Continental, etc.), operating through such agencies as the Tri-lateral Commission, to eliminate all subsidized farming, on the way to abolishing the independent family farmer worldwide, and to pit one nation's farmers against another, to better ruin both. "Farm leader" Woodland appears to be just another cartel spokesman.

He professed to oppose U.S.-Canada "free trade" legislation, but only from the point of view of its imputed preferential treatment for Canadian farmers.

Woodland said that we are "in an information society. It's our job to provide information on the markets."

There is strong opposition to Woodland from several state NFO leaders, and sparks may fly at the national NFO conference in Kentucky in November.

## Trade

### Germany, China sign accords

Several joint ventures on cooperation in the high-tech sector were signed between West Germany and China, on the occasion of German Foreign Minister Hans-Dietrich Genscher's early November visit to Beijing.

The German Siemens corporation will work with the Beijing Wire Communication Plant on the installation of a digital, computerized telephone grid with 300,000 units. The deal includes know-how transfer from Siemens to the Wuxi Microelectronics

Complex on integrated computer technology. Siemens will also train 100 Chinese in communications technology, both in Germany and at a new training center which is to be built in Beijing.

The German firm MBB signed a contract with China National Aero-Technology Import and Export Corporation on the joint development and construction of medium-sized aircraft. The project is called MPC-75 and includes massive transfer of German aerospace technology to the Chinese.

The two companies will also cooperate in projects on wind energy.

## Austerity

### Brazilian inflation continues to rise

Brazilian inflation continues to rise despite that government's best efforts to meet International Monetary Fund conditionalities, and it is rising in a way that is devastating to the poor.

In October, Brazil registered a 27.3% inflation rate. Inflation for November is forecast to be 35% overall. But prices for basic foodstuffs were rising much faster, with cereals and bread up 43% and beans, a staple, up a whopping 75%.

The result has been predictable. Incidents where there was looting of supermarkets by desperate people trying to get enough food to stay alive have been reported from different parts of the country.

The government, meanwhile, has done nothing, but it is generally assumed that as soon as municipal elections are held in mid-November, the government will come down with a harsh new austerity program that will lower wages still further.

The business community and the IMF are demanding that wages be de-indexed from prices. That would cause an overnight reduction of real wages by between 10% and 30%.

The internal public debt has also risen 45% in 1988, and the black market cruzado, the Brazilian currency, is now 66% above

the official exchange rate, which is fueling capital flight.

## Banking

### S&Ls conference attacks deregulation

Proposals for the re-regulation of the banking system were put before a closed door meeting of the U.S. League of Savings Institutions in Honolulu Oct. 31.

The USLI wants to get rid of several of the "innovations" which have undermined the banking systems since 1982. Among them: repealing regulatory permission for thrifts to put up to 40% of their assets into commercial real estate loans; repealing their ability to put unsecured loans into junk bonds; and changing regulations concerning how much of net worth can be put into real estate secured loans.

Participants heard USLI chairman Theo Pitt launch a strong attack on the deregulation of the thrifts and financial services, which he argued is the cause of the current crisis of the thrift system. Since the crisis is not the thrifts' fault, but the government's, he said, the government should take responsibility, not the thrifts. He said the thrifts were no longer prepared to fund rescue operations by the Federal Savings and Loan Insurance Corporation, leaving the possibility open that more will follow in the footsteps of California's Great Western.

On the eve of the conference, Great Western, the nation's third largest S&L, announced it was leaving the FSLIC for the Federal Deposit Insurance Corporation. The reason: The bank refuses to pay the extra levy demanded of sound thrifts to finance the insolvent and bankrupt ones, and refuses to accept the costs of being an S&L in interest financing costs.

With \$20 billion in deposits, the thrift is one of the soundest banks in the country. Its departure portends the flight of all sound thrifts.

Pitt laid out a sound alternative, however: a reorganization package that would separate the thrifts from crazy-paper crea-

tive financing and get them back into deposit-taking and mortgage-lending. Joe Morris of Columbia Savings in Emporia, Kansas, called that the "never again" approach.

## Defense

### Plant closing a threat to Shuttle, MX

The shutdown of the Avtex Fiber plant in Virginia in early November could pose a national security threat. The plant, which is the largest rayon manufacturing facility in the United States, produces a fiber which is used by the Morton Thiokol Company in building Shuttle booster nozzles and parts for the MX missile.

The plant, in Front Royal, Virginia, shut its doors on Nov. 2, putting 1,300 people out of work. Company chairman John Gregg cited "increasing foreign competition" as the chief reason for closing the plant. But liberal Virginia Attorney General Mary Sue Terry filed a \$19.7 million law suit against the company one day before it shut down for alleged environmental violations.

According to the *Richmond Times-Dispatch*, the attorney general's office had been negotiating with Avtex to correct water and air pollution and worker safety violations since March 28. It is likely that it was prohibitively expensive for the company to have the 50-year-old plant meet the standards.

According to a spokesman from Morton Thiokol, the company has enough material on hand for 10 more Shuttle flights. This would take the Shuttle program only to early 1990, if the plant is not back in operation by the spring of next year. These 10 include the next mission, STS-27, scheduled for launch in November. According to press reports, other aerospace contractors, NASA, and the Defense Department have been talking with Avtex officials to see what can be done.

Jim Thomas, assistant solid rocket motor program manager at the Marshall Space Flight Center, told the *Times-Dispatch* that the closing, which caught NASA by surprise, "will jeopardize the space program if we do not figure some way to get Avtex Fiber back on line by spring."

# Briefly

● **THE AMERICAN** Bankers Association, the Independent Bankers Association, and others, have combined to appeal an Aug. 23 Washington Appeals Court ruling permitting banks to move into new areas of activity, like insurance and real estate, on condition the Federal Reserve approves. It seems the Federal Reserve does not approve, and has been given undreamed-of powers to regulate banking, including at the state level.

● **THE VENEZUELAN** Finance Ministry has announced it is negotiating a \$1 billion loan to replenish foreign exchange reserves, guaranteed against future oil sales. U.S. oil firms, for example, will not pay Venezuela directly for oil, but deposit the money in a trust fund in a New York bank, which will make monthly payments to creditors.

● **OUTRAGE** has exploded in Mexico over recent comments by top banker Agustín Legorreta that a worker should be able to live on 8,000 pesos a day. Labor leaders, newspapers, and senators have invited Legorreta to try to live on that amount himself, saying a worker needs at least six times that much for a minimal existence.

● **NEW ENGLAND** business leaders, surveyed by the Coalition for Reliable Energy, are fearful of electricity shortfalls harming their firms, and nearly all favor start-up of the Seabrook, New Hampshire nuclear plant; 85% said they would not be willing to countenance power reductions during peak periods, even in exchange for rate reductions.

● **MACMILLAN, INC.**, the New York-based publishing company, surrendered on Nov. 3 to a takeover bid by Maxwell Communications Corp., of British magnate and "Trust" operative Robert Maxwell.