Business Briefs

The Debt Bomb

IMF rejects Third World conference

The International Monetary Fund has in effect rejected the proposal made by India, Egypt, and several other countries for an international conference on the Third World debt, the United News of India press service reported from Washington, D.C.

Asked about the proposal at his press conference Sept. 22, IMF managing director Michel Camdessus said, "This is not the forum to discuss such a proposal." The debt problem, he said, would be discussed by the 152 countries at the on-going World Bank-IMF meeting. Moreover, he added, the IMF and World Bank are busy working on a program to deal with the debt problem.

On Sept. 25, during the IMF conference in Washington, Camdessus menacingly stated, "The countries which are in arrears in their dues to the IMF denounce themselves." Camdessus was referring to a number of countries, like Peru, who have not paid their debts to the IMF. Camdessus indicated that there are a number of measures which could be taken against such countries: 1) they could be deprived of the benefits of the quota increase; 2) they could be cut off from technical assistance; or 3) the IMF could issue a declaration of non-cooperation.

Third World Development

Japan will create thousands of new jobs

Japan will create more than 20,000 new jobs and generate more than 2 trillion yen worth of economic development benefits through joint ventures in developing nations over the next five years, according to a plan unveiled at a meeting between representatives of the Japan International Development Organization (JAIDO) and the Confederation of Engineering Industries (CEI) of India, held during September in New Delhi.

JAIDO, a joint stock company with capital provided by about 100 private companies in Japan and the Overseas Economic Cooperation Fund of the Japanese government, was set up in April to promote direct investment in developing countries. It will invest an average of 200 million yen each in about 100 projects under consideration.

Japan also announced Sept. 26 in Washington, D.C. that it will give the World Bank $300 million over the next three years to train people in poor countries to help their nations develop. "Japan is now prepared to contribute a total of about $300 million . . . for a special fund in the bank," Foreign Minister Hashimoto told the annual meeting of the International Monetary Fund and World Bank.

The Special Fund for Policy and Human Resources Development is designed to provide technical assistance for developing countries and to help develop human resources that could take the responsibility for formulating and implementing development policy, the officials said. "It is important that developing countries make their governments' administrative system more efficient and improve their capacity in formulation and implementation of their development policies," Hashimoto was quoted by Reuters.

Investment

Sony founder blasts U.S. financial policy

Akio Morita, the founder of Japan's consumer electronics firm Sony, has co-authored a book criticizing U.S. financial and investment policies, the *Boston Globe* reported on Sept. 24.

Entitled *The Japan That Can Say No—The New U.S./Japan Relations Card,* the book is receiving much attention in the U.S. Congress, even though the English translation of the book is not yet publicly available.

Morita says that Americans make money by "simply moving money back and forth through mergers and acquisitions," and argues that the function of money "should not be to enrich banks and securities companies, but to smooth the path of production." The *Globe* reports that the book "isn't a pleasant read," probably because it is right on the mark.

Americans have apparently forgotten just what it was they taught the Japanese about running a successful economy 40 years ago, Morita writes. In Japan, "We . . . plan and develop our business strategies 10 years ahead, while Americans seem to be concerned only with profits 10 minutes from now."

Morita is especially critical of U.S. investment houses, which "actually buy and sell stocks in huge numbers in an attempt to maximize profits. . . . For [Americans] the name of the game is nothing but quick profits. Entrepreneurs and investors alike do not leave their money in long-term projects. . . . The American economy is . . . without substance."

The *Globe* quotes an anonymous former U.S. government official admitting, in reference to the wave of leveraged buy-outs, "I think that much of the recent hostile takeover activity, as well as the LBOs, have been little more than economic racketeering which, for the most part, managed to steer clear of outright illegality, although we probably haven't heard the last of that story, yet."

The co-author of the book is Shintaro Ishihara, now the third most popular politician in Japan's Liberal Democratic Party.

Health

Crisis hits one-fifth of world population

One-fifth of the world's population is suffering from severe health problems, the World Health Organization announced Sept. 24 in its annual "Report on World Health."

In Southeast Asia, some 500 million people—40% of the population—suffer from malnutrition and disease. In sub-Saharan Africa, 160 million people suffer from some of the most serious diseases known to man, including AIDS, malaria, and parasitic diseases. Almost

25% of the populations of South and Central America are diseased, as are the populations of North Africa and the Middle East. Some 46 million infants worldwide are not fully immunized against the six major fatal childhood diseases—polio, tetanus, measles, diptheria, pertussis, and tuberculosis—which kill 2.8 million children annually and disable 3 million more.

Symptomatic of the problem, Abdel-Qadar Qaddoura, the speaker of the Syrian Parliament, told Reuters Sept. 26 that one-third of the Arab world faces starvation. He said that the Arab world will need 49 million tons of wheat, for example, but will only produce 28 million tons. Qaddoura proposed that the Arab oil-producing countries use their petrodollars to upgrade agriculture.

Transportation

France unveils world's fastest train

The world's fastest train, known as the TGV Atlantique, traveled from Paris to LeMans, France at over 186 miles per hour. A spokesman for Compagnie Générale d'Electricité, which built the train, told the Sept. 21 *New York Times* that it would eventually be brought up to its designed speed of 360 kilometers an hour, or 223 mph, once riders were accustomed to the speed.

The Atlantique weighs 490 tons, and uses three 1,500-horsepower three-phase electric motors, which have 40% more power than France's eight-year old Paris-Lyons train, which has a top speed of 167 mph. Though the Atlantique's ticket prices will be some 5-47% higher than current train prices, a ticket on the Atlantique from Paris to Nantes will cost $49.08 to $61.38, depending on the time of day, compared to $90.00 for an airline ticket.

The Société Nationale des Chemins de Fer, the state railroad company, has invested $3 billion in new track and equipment for the Atlantique. The company says it will be able to earn back the money within a decade by attracting 22 million passengers a year. Last year, the Paris-Lyons train carried 17 million riders, giving revenues of $681 million, for net earnings of over $100 million.

France now leads the world in high-speed train technology, and hopes to soon win a South Korean contract to build a high-speed train between Seoul and Pusan. Officials in Canada are looking at a link from Toronto to Montreal, and Florida is studying a link between Miami and Tampa.

Airlines

U.S. admits planes 'might be' unsafe

In what may be the understatement of the year, U.S. Secretary of Transportation Samuel Skinner warned that airlines saddled with high loads of debt might not be able to afford proper maintenance, particularly of older aircraft. The implication is that such airlines might be unsafe to fly. The past year has seen a record number of airplane crashes.

In a speech to the International Aviation Club on Sept. 20, Skinner said that the U.S. government was very concerned about the recent wave of foreign acquisitions of U.S. airlines. "When a foreign airline is willing to contribute a large share of the equity capital in return for a relatively small percentage of the voting stock, we need to examine all aspects of control," Skinner said. "What does the foreign airline think it is buying?"

Skinner's remarks referred to a law limiting foreign ownership of a U.S. airline to less than 25%. So far this year, British Airways has agreed to a purchase a 15% stake in United Airlines; Swissair has reached a deal with Delta Air Lines; Scandinavian Airline System is buying into Texas Air; and Northwest Airlines has been bought by a group led by Italy's Alfred Checchi for $3.65 billion. The Checchi group included KLM Royal Dutch Airlines and Elders IXL Ltd. of Australia, which together contributed $480 million out of $700 million of equity financing (direct purchases of ownership stock), but received only a 20% voting interest.

Briefly

● **WASHINGTON** is "absolutely obsessed with fear that the markets might spook, and send the economy into a tailspin," writes Mark Melcher in the Prudential-Bache Securities strategy letter. "There is a profound concern that if a recession comes, it could be an utter disaster because of the high amount of private and public debt outstanding."

● **EIGHT EUROPEAN** nations—Switzerland, Luxembourg, Sweden, Iceland, West Germany, Norway, Denmark, and France—have higher per capita income than the U.S., the World Bank announced Sept. 22. Switzerland leads the world at $20,130 per person, the U.S. has a dismal $14,080, and Japan has $12,480, but grew 22.2% between 1984 and 1988.

● **THOUSANDS** of children who live on the streets of Cochabamba, one of Bolivia's major cities, smoke cigarettes laced with cocaine paste to relieve hunger, the *Washington Post* reported Sept. 18. Bolivia is touted by Harvard economist Jeffrey Sachs as the "success story" for his shock economic program.

● **U.S. HOMEBUILDING** in each of the past 11 quarters has been lower than in the same quarter of the preceding year, a study by the Lomas and Nettleton realty company reports. The fall in the second quarter of 1989 occurred despite lower mortgage rates.

● **JAPANESE BANKS** may sell some U.S. assets, Toru Kusukawa, deputy president of Fuji Bank Ltd., said on Sept. 19. Because of new international rules on reserves scheduled to take effect in the 1990s, Japanese banks "might have to sell some portion of the assets" they have acquired in the U.S.