

Business Briefs

Industry

Japanese and German groups collaborate

The Japanese Mitsubishi industrial grouping and the West German Daimler-Benz conglomerate disclosed plans for wide-ranging technological and commercial collaboration, according to the March 7 *Financial Times* of London.

The plans for collaboration were disclosed after a secret two-day meeting in early March in Singapore of the chairmen or presidents of the various Mitsubishi companies and Daimler-Benz chairman Edzard Reuter, who headed a German delegation which included the presidents of Mercedes-Benz, AEG (the electronics company), Deutsche Aerospace, and representatives from Daimler-Benz's trading, financial services, and information technology operations.

According to the *Financial Times*, "exploration by the two of possible ventures in the automotive, aerospace, electronics and service sectors could represent the beginning of a significant international adventure." Japan would become involved as never before in the international aerospace industry. At the same time, the Japanese "could enhance their access to European markets just as Western Europe is on the verge of economic integration and Europe is preparing for its reconstruction."

Markets

London securities industry shrinking

"Britain's battered securities industry continues to shrink" and "Frankfurt and Paris—and perhaps eventually even Berlin—could pose a big threat to Britain's primacy," the *Wall Street Journal* reported March 7.

Morgan Grenfell's Michael Dobson warned, "London can't be complacent. We have to grasp the opportunity of 1992 more than we have done."

In the wake of the 1986 "Big Bang," deregulating the British securities sector, many companies have reduced their City of London

operations. Morgan Grenfell closed its equity operations in December 1988, Merrill Lynch withdrew from the British government bond market last year, Salomon Brothers is cutting its overhead, and Citicorp dissolved its loss-ridden securities operation in January. Cutbacks have cost some 3,000 jobs, or about 6% of the City's "industry," since the stock market crash of 1987.

Space

Ibero-America considers technology applications

A conference exploring applications of space technology, including the use of remote sensing satellites to detect illegal crops, took place in Costa Rica during the second week of March, Reuters reported March 12.

Representatives from NASA, the European Space Agency, the British National Space Center, Spain, Brazil, and Indonesia were present, as were a number of countries from Ibero-America. Other topics included the use of radar for the control of forest fires, sensors to monitor the deforestation of the Amazon, and the use of space technology to prevent and control disasters.

U.S. Space Shuttle astronaut and fusion scientist Franklin Chang Diaz, who is originally from Costa Rica, has been trying to organize Ibero-American participation in space technology applications for a number of years.

Regulation

Gold leasing may prompt economic police state

A number of central banks, including those of Poland and Portugal, have leased billions of dollars of their gold reserves to such unstable financial institutions as Drexel Burnham for unregulated financial transactions, and are having trouble recovering the gold, according to the March 12 *Boston Globe*. The revelations will likely fuel the drive for police-state oversight of the economy.

The revelations "may add pressure to congressional and regulatory demands that the major securities firms holding companies, the parents of their brokerage and commodity operations, finally be placed under the supervision of government agencies in Washington. A bill to accomplish this," said the *Globe*, "has been introduced by Rep. Edward Markey" (D-Mass.).

The March 11 *Washington Post* editorially called for the Securities and Exchange Commission to be empowered to check the capital strength of parent firms, citing the case of Drexel, in which the brokerage subsidiary itself had adequate capital but the parent holding company did not, whereupon the holding company tried to save itself by transferring funds from the subsidiary to itself. "At present the regulators can't always find out how much capital stands behind those spectacular billion-dollar deals. Congress needs to fix that quickly," the *Post* said.

The U.S. Treasury has also leaked proposals to bring the Chicago futures markets under the central regulatory control of the New York SEC.

Infrastructure

Soviets fritter away West German gift

The infrastructure in the Soviet Union is so bad that they'll lose—or effectively lose by paying hard currency to ship—one-third of the food aid offered by West German Chancellor Helmut Kohl, Soviet officials admit.

On Feb. 20, Soviet television nightly news interviewed A.K. Krivenko, chairman of the Prodtorg foreign economic association, who confirmed that there will be a DM 220 million subsidy for the delivery of "a large amount of food goods" from West Germany to the Soviet Union. It will be a one-time delivery of 142,000 tons of foodstuffs, including dried milk, butter, beef, pork, and other products.

Krivenko said, "We expect to bring in these goods during three to four months. But, unfortunately, even now we are experiencing a number of serious problems. In the first place, the Ministry of Merchant Marine replied to our request, that we do not have suffi-

cient tonnage to carry these goods. The Railways Ministry said it could carry only one-third of this freight for us. There is only one way out, to charter foreign tonnage."

When asked if the benefit subsidy is being lost, Krivenko admitted, "Yes, partially. But all the same, it probably is necessary to go in for this, in view of the need to deliver these goods to the consumer in good time."

Trade

Red China-U.S. trade rose despite repression

United States trade with the People's Republic of China is booming even as repression continues to increase, the March 11 *New York Times* reported. Commerce Department data show that Chinese exports to the U.S. rose 42% last year to a total of \$12 billion, and that much of the increase occurred in the second half of 1989, despite the killings at Tiananmen Square.

"The Chinese are desperately trying to increase exports," said Jan M. Whisler, an economist at the U.S. Trade Commission. "China must now depend almost entirely on export revenues for the hard currency needed to service its foreign debt of nearly \$40 billion."

Some Senate Republicans are collecting evidence to show that some of China's exports to the U.S. are produced in prisons and labor camps.

German Unification

Danes calculate they will benefit enormously

The Danish Ministry of Economics has calculated that Denmark would benefit enormously from a reunification of Germany, using the figures from a very conservative study by the EC Commission, which projects a modest economic growth of 1% per year in a reunified Germany. West Germany is already the most important trading partner of Denmark.

The Ministry calculated that the *direct* ef-

fects of German reunification on the Danish economy over the next five years would be to boost GNP by 2.5%; industrial exports by 10%; private consumption by 1%; wages by 1%; balance of payments would be improved by \$900 million; unemployment would drop by 40,000; and the public budget would improve by \$1.8 billion.

Danish Economics Minister Niels Helveg Petersen said, "The German-German economic union is our big chance. If we, as a neighboring country, exploit the possibilities of the coming economic growth, we will finally get rid of the deficit in our balance of payments."

Investment

Seoul cools on Siberian projects

Many top South Korean corporate groups, which as recently as two years ago displayed their intention to explore investment prospects in Soviet Siberia, and which some Korean entrepreneurs dubbed "the land of unlimited possibility," have either abandoned their plans or have shelved them at least until the investment environment improves, according to the Feb. 6 *Korean Herald*.

The *Herald* reported that most Korean businessmen agree that investment in Siberia is too risky, in view of its unfavorable climate, geographical position, and Moscow's tough regulations on profit remittance. They also were surprised at the Soviets' somewhat complex, outdated business practices, which they found too different from those of the Western world. Initial investment in infrastructure is also considered too costly, and the "incubation period"—the period from investment to profit making—too long.

Hyundai is going ahead with its joint venture investment in Siberia, but the *Herald* reports that Hyundai is doing this for political, not economic reasons.

A report by the Korean Association for Communist Studies, a leading Korean institute on Soviet affairs, suggested that Korean corporate groups should start with investments in consumer goods like soap, cigarette lighters, and matches, rather than heavy ventures.

● **VARGAS LLOSA**, the champion of the black market economy and presidential candidate of the Frede-mo coalition in Peru, said on March 9, "Mercantilism has been one of the principal causes of our underdevelopment, and also, of the discrimination and injustice of our society against the poor."

● **SOUTH KOREA** will sign a nine year contract to import 40 metric tons yearly of enriched uranium from the Soviet Union for use in its nuclear power plants, *Chosun Ilbo* reported March 5. The Soviets in turn will buy South Korean electronic goods worth 30% of the deal.

● **CORPORATE** profits are down 15% from 1989, indicating a coming drop in employment and output, the *Wall Street Journal* reported March 13. Corporate interest payments were 57% of pre-tax earnings in the fourth quarter of 1989, compared to 30% in 1987, and 15% in 1977.

● **SOME 489 S&LS** lost \$42 billion from 1980 to 1988 after they had become insolvent, according to a study by the Office of Thrift Supervision, the *Washington Post* reported March 11.

● **PROFITS** at the nation's banks fell to \$2.7 billion from \$6.1 billion, a 56% drop, in the fourth quarter of 1989 from a year earlier, according to figures released March 7 by the FDIC.

● **DEFENSE CARGOES** handled by U.S. East Coast ports could fall by 50% over the next five years, some private ship lines are forecasting. Gene Justice, deputy director of the Virginia Department of World Trade, told the *Richmond Times-Dispatch*, "There's no reason for us not to expect our exports to increase to Europe 8 to 10% over the next few years," as a substitute.