

# Business Briefs

## Manufacturing

### Legal costs a major drag on U.S. economy

The costs of legal defense have become a major drag on U.S. economic competitiveness, attorney Hal O. Carroll wrote in a June 25 *Wall Street Journal* column. There are 30 times as many lawsuits per capita in the U.S. as in Japan, for example, he pointed out. Exorbitant jury awards in tort cases have caused liability insurance costs to skyrocket, when insurance is available at all.

A recent survey by the Conference Board found that 47% of the firms contacted reported having discontinued at least one product line because of concerns about liability litigation.

## Debt

### Ibero-America: Cut debt service by 75%

Ibero-America should pay \$10 billion annual interest on its foreign debt, instead of the \$40 billion it is now paying, 26 governments declared June 22 in a policy adopted at the bi-annual meeting of the Latin American Economic System (SELA) held in Caracas, Venezuela.

SELA permanent secretary Carlos Pérez del Castillo pointed out June 15 that despite the region paying \$250 billion in debt service during the 1982-89 period, its debt increased by \$100 billion to over \$430 billion.

A year ago, SELA proposed cutting the debt's principal in half, but that was rejected by the creditors. Now, it calls for the principal to be reduced by an average of 75%, to the rates prevailing on the secondary market. The reduced debt would be reissued as 30-40 year bonds at fixed interest rates to be guaranteed by a fund to which each debtor would annually pay 1% of its debt, and by the International Monetary Fund.

Brazilian debt negotiator Jorge Dauster declared June 18, "This is not a debtors' club but a search for political endorsement for a program to reduce the foreign debt." Such reductions have been going on surreptitiously. Bra-

zil's former finance minister Mailson da Nóbrega shocked London bankers in May, boasting that he had secretly bought back \$3 billion worth of debt titles from various bankers and speculators during the first quarter of the year. Brazil appears to have canceled \$6 billion in nominal debt at a cost of 28¢ to the dollar, using dollars most bankers think should have gone to paying interest to them.

## Agriculture

### Income drops with 'sustainable' farming

A study sponsored by the U.S. Department of Agriculture and the National Academy of Sciences comparing a conventional farm to one using 'sustainable' agriculture in South Dakota, shows a dramatic income drop on the sustainable farm.

The study, entitled "On-Farm Research Comparing Conventional and Low-Input/Sustainable Agricultural Systems in the Northern Great Plains," was released in April. The results of the five-year study comparing two corn and soybean farms, show that gross income from the conventional farm was 25% higher and net income was 18%-20% higher. Labor-hours per acre were almost twice as high on the low-input farm.

## Technology

### Powerful laser leads to usable X-ray device

Scientists at the University of Michigan and the French Atomic Energy Commission reported the creation of the world's most powerful laser in a simultaneous announcement June 7. The beam of the P-102 laser delivers 20 terawatts (20 trillion watts) within a diameter of 9 centimeters (more than 300 billion watts per square centimeter). The previous limit was 15 terawatts with a beam diameter 50 times greater.

The P-102 relies upon a technique called "chirped pulse amplification" (CPA) devel-

oped by Gerard A. Mourou of the University of Michigan at Ann Arbor. The CPA technique involves stretching out a pulse of 1 picosecond (1 trillionth of a second) by a factor ranging from 100 to a few thousand, amplifying it, and then recompressing it to its original duration. If the pulse were not stretched out during amplification, its power density would shatter the amplifier, a glass matrix impregnated with neodymium ions.

"With power densities at this level," Mourou said, "we may soon be able to create an intense X-ray laser-like beam capable of producing three-dimensional 'snapshots' of microscopic structures within living cells that have never been seen before."

## German Unity

### Monetary union treaty takes effect July 1

On June 21, the two German parliaments passed the treaty on the German economic-monetary union by a vast majority, in parallel sessions in East Berlin and Bonn. In the East, 306 out of 400 voted in favor of the treaty; the communist PDS and the left-greenie Alliance 90, against. In the West, the treaty was adopted with 438 out of 505 votes, the Greens and 25 Social Democrats voting against. In Bonn, it was the first time the deputies from West Berlin were allowed to vote on legislation—thanks to the three Western allies' long overdue decision to lift the voting ban on the Bundestag members from Berlin.

The treaty, to take effect July 1, will be followed by a second treaty soon that is to define the timing and details of the formal reunification process.

## Infrastructure

### Six-nation initiative for Baltic economic zone

Six nations are involved in an initiative for an economic cooperation zone along the eastern Baltic, *EIR* has learned. A non-public meeting

of experts mapping out areas of future cooperation took place in late April in Brest, involving delegates from Poland, Belorussia, Ukraine, and the three Baltic republics. At the center of projects discussed, is a plan for industrial development of the central ports on the Baltic—Gdansk, Klaipeda, Pillau, Parnu, Riga, Reval, and Narva.

The ports in the three Baltic republics, largely or partly used by the Soviet Navy, are to be demilitarized and turned into zones of Western investments in the civilian industry sector. All of the mentioned ports possess berthing capacities for deep-sea vessels and a functioning, though outdated, railway infrastructure connecting the ports with interior industrial regions.

A modernized rail link from Poland into Belorussia and the Baltic states and into the Kiev industrial district of Ukraine, is being discussed in this context. The six nations intend to form a bloc of economic independence and political autonomy from Moscow, and may include the district of Leningrad in their cooperation, depending on how much autonomy Leningrad is able to negotiate with Moscow.

### **Debt for Equity**

## **Argentina's Entel for debt swap approved**

The largest debt-equity swap in Ibero-America was approved when the consortium bid of Telefonía of Spain and Citicorp for Entel south in Argentina, and Bell Atlantic's bid for Entel north, over \$5 billion in debt-swap offers, was accepted by the government of President Carlos Menem.

The first entailed payment of \$114 million in cash, and the second a mere \$100 million. The rest of the purchase was for \$2.7 billion in debt-swap in the south Entel bid, and approximately \$2.2 billion for the northern Entel. This would give them 60% control of Entel. The rest would go to the public through stock offerings (25%), to Entel employees (10%), and 5% to local telephone cooperatives.

Former public works minister Rodolfo Terragno criticized the deal for accepting too little cash, but Entel manager María Julia Also-

goray pushed it through anyway. The June 27 London *Financial Times* reported that the most important aspect of the deal is the debt for equity swap, which was based on 13% of the face value of Argentina's debt, and was pushed through with "little of the expected political furor and trade union opposition."

"There's nowhere to get money. They can't finance themselves from foreign creditors, there's nothing much left to confiscate domestically, and they can't finance themselves with inflation, because that would lead straight to hyperinflation," one banker gloated to the *Wall Street Journal*.

### **Environmentalism**

## **Cost of U.S. regulations could top \$10 trillion**

Existing and soon to be enacted environmental regulations will cost the U.S. economy over \$10 trillion by the year 2000, according to several recent government and private studies. And \$10 trillion may be a conservative figure given that it does not take into account the shutdowns of the productive U.S. economy and dislocation of its workforce.

Major items include: \$2.6 trillion to clean up asbestos; \$2.2 trillion to comply with Clean Air and Clean Water laws; \$1.28 trillion to reduce radon levels in households; \$200 billion for chlorofluorocarbons (CFC) replacements for refrigeration air conditioning equipment; and \$150 billion or more to clean up Superfund Hazardous Waste sites. Private sources estimate Superfund may cost as much as \$1 trillion by year 2000, most of it being legal fees. The ban on logging and use of pesticides, insecticides, and fungicides, will add several trillion dollars to costs.

The two top radon experts in the U.S., William Nazaroff and Anthony Nero of Lawrence Berkeley Laboratory in California, authored a study published in the June *Journal of Environmental Science and Technology* attacking the Environmental Protection Agency for forcing people to spend "on the order of \$1 trillion" to reduce radon to imperceptible levels, when a small percentage drop in cigarette smoking would have more effect.

## **Briefly**

● **CANCER** is not linked to electromagnetic radiation generated by electricity, a study by the Environmental Protection Agency has found, the June 23 *Washington Post* reported. Desperately needed new electric transmission lines have been halted across the U.S. over alleged health effects.

● **JAPAN** gave \$8.96 billion to developing countries in foreign aid, more than the \$7.66 billion given by the U.S., in 1989, according to a report by the Development Assistance Committee of the OECD. Japan plans to provide \$31 billion in assistance over the next three years.

● **C.L. STALS**, governor of the Reserve Bank of South Africa, told a *Financial Times* conference that the bank is buying gold to prevent U.S. manipulations from collapsing gold below \$340 per ounce. Market sources say the intervention has led to a rising price in June to \$353.

● **BRITISH** industrial orders are at an eight-year low, reports the Confederation of British Industry. CBI reports that if the Thatcher government's 15% base interest rate policy is continued much longer, it risks "making British industry into an insular enclave."

● **ROTHSCHILD'S** branch in the U.S. is involved in one-third of all major U.S. bankruptcies, the June 25 London *Financial Times* revealed. "Very few of the big Wall Street firms spotted the bankruptcy opportunity early. One that did was Rothschild," the *Times* wrote.

● **JAPANESE** investment in modernizing industry is twice that of the U.S., a report from the Council on Competitiveness shows. In 1989, Japan spent \$549 billion to modernize and expand its industries, compared to \$513 billion spent by the U.S. Since Japan's population and economy is half the size of the U.S., the Council notes that "In effect, Japan is putting twice the tools in the hands of the Japanese worker."