

Business Briefs

The 'Recovery'

Steel industry collapse continues

The last of the "Big 7" steelmakers, LTV-Republic, has announced its profit statement, a staggering \$156.4 million loss, up significantly from the \$34 million loss in the first quarter of last year. The second largest steelmaker, LTV's debt service cost for the second quarter of 1984 was \$70 million, reflecting its purchase of Republic last year.

LTV's mills currently operate at 69% of capacity.

Six of the top seven steelmakers lost money during the first quarter of this year. Average prices for steel have slipped below \$500 per ton.

U.S. Steel's profits fell 66% to \$58 million, with capacity utilization of only 60%. Wheeling-Pittsburgh, the seventh largest, filed for bankruptcy in April.

The National Academy of Engineers has put out a study saying that the major integrated steelmakers will have to continue to shut down capacity over the next decade to become competitive with other countries and become "more efficient"—an echo of the formulations of the European Community's Davignon Plan, which deliberately shut down European steelmaking capacity.

Breakdown Crisis

AIDS quietly spreading to general population

The American Red Cross, which provides about half the nation's blood supply, began screening blood in March to keep the suspected AIDS virus from spreading through transfusions, which are blamed for 143 of the nation's official 9,760 cases of AIDS.

Dr. S. Gerald Sandler of the Red Cross stated, "The number one factor that will protect the nation's blood supply" is for homosexuals and intravenous drug abusers not to donate blood. Transfusion "recipients need

protection by eliminating every unit of blood that might be infected," said Sandler. Initial screening found 2 to 3 positives per 1,000 in 100,000 samples tested.

A British specialist on AIDS, Dr. John Seale, declared, "the potential for the spread of AIDS in developing countries is almost unlimited. The overcrowded and unsanitary conditions in which the bulk of the people live, combined with a high frequency of infections, injuries, and sores which break the skin, make blood contact among family members practically inevitable, with the transmission of the virus likely."

In Congo, Rwanda, Uganda, and Zaire, there is a high proportion of AIDS antibodies among tested populations. Peter Piot of the Institute of Tropical Medicine in Antwerp reported, "On current data, we estimate the incidence of AIDS in Kinshasa, Zaire is about 17 per 100,000. This is a minimal estimate and is comparable to or higher than the rate in San Francisco or New York." The cases in Africa are most ominous because they do not involve the high-risk groups—homosexuals, heroin-users, Haitians, and hepatitis victims.

Similar cases of non-risk-group AIDS are now under study in the United States.

Although one out of every four Americans aged 15 to 55 has contracted some form of sexually transmitted disease, the funds to fight these diseases are in critically short supply, and David Stockman's 1986 budget (adjusted for inflation) will cut the funding even further.

Austerity

IMF forces 'war economy' on Argentina

Promising a "war economy" and warning that adjustment was "going to be very tough," President Raul Alfonsín announced April 26 that Argentina would implement new austerity measures in order to meet IMF conditions.

The chief Argentine debt negotiator, Mario Brodersohn, said Argentina would

make a \$50 million interest-arrears payment the first week of May, which "demonstrates our commitment to do whatever is possible in order to implement our program. . . . The documentation is virtually completed and has been approved by both sides and the Argentines want to get the deal done."

Brodersohn pledged to pay as much interest as possible before receiving the IMF and bank money. Argentina has been in arrears since Nov. 4, and will still be classified as a "substandard" borrower after the payment, according to banking sources.

Alfonsín's audience was stunned into silence as he announced the new austerity package, saying, "A better standard of living cannot be expected this year." The measures include increasing the cost of public utilities, fuel, and transportation by 35% to 40%; increasing the central bank's regulated interest rates by 2% for the month of May; reducing public expenditures for 1985 by 12%; freezing job vacancies in the public sector; and giving public employees options for "voluntary retirement" at a percentage of their current salaries.

International Credit

Schmidt plan for decoupling unveiled

The Schmidt plan for financial decoupling of Europe from the United States was spelled out by former German Chancellor Helmut Schmidt at the Interaction Council meeting in Paris April 27. He called for the creation of a European Central Bank, centered around the European Currency Unit (ECU), an independent monetary supply, independent interest-rate policies, and protectionist monetary intervention against the dollar.

A strengthened European Monetary System and ECU would be a counterweight to the power of the dollar and the yen, he said. His 15-point plan is designed to transform the ECU into a full-fledged Europe-wide currency. Schmidt proposes the ECU be more widely used to denominate private-sector loans, with legal restrictions on pri-

vate use abolished, and ECU coins and checks introduced.

In addition, the plan calls for encouraging central banks to use the ECU, by increasing interest rates paid on their holdings of the unit and by making it easier for central banks to trade them for dollars to intervene in foreign-exchange markets.

The Schmidt plan was published May 1 by the Royal Institute for International Affairs in London. Its intent, left unstated, is to financially integrate Europe with the Soviet bloc economies. Already, the primary use of ECU-denomination in transactions is for East-West trade and credit activities.

Trade

Record new U.S. deficit set

The U.S. trade deficit for March swelled to \$11.4 billion, bringing the first-quarter figures to \$32.7 billion.

At that rate, the 1985 trade deficit will soar to \$131.8 billion, outstripping last year's \$123.3 billion.

Were it not for a drop in petroleum prices for the fourth straight month, the import total and thus the total trade deficit would have been even higher. Petroleum imports decreased a large 16.8% last month. Imports of all goods in the first quarter of 1985 rose 26.2% over the level of the fourth quarter of 1984.

Invisible Hand

Hutton pleads guilty to account fraud

"When E.F. Hutton talks, people listen. Well, that's exactly what happened. Very few banks are going to question their activity." This was the comment of Assistant U.S. Attorney Albert Murray, explaining how it came to be that "small, hometown banks" across the United States, were roped into a

giant fraud operation, coordinated by the E.F. Hutton investment firm.

Under Attorney-General Ed Meese's direction, Hutton was charged with, and has pleaded guilty to, 2,000 counts of wire and mail fraud, and was fined \$2 million, plus damages. After the DOJ filed an eight-page "criminal information" against Hutton in U.S. District Court in Scranton, Pennsylvania yesterday, DOJ Attorney Steven Trott called Hutton's activities "absolute, conscious, and deliberate fraud."

Hutton reportedly was utilizing the time-lapse in check clearance to overdraw on its accounts with banks.

East-West Trade

French energy supply from Soviets grows

France has signed major new energy-related agreements with the Soviet Union.

The Lurgi France company has signed a FF1.5 billion contract to carry out a project to build a gas condensation treatment system for the Tengiz deposit in Soviet Central Asia.

An even larger contract, FF2.5 billion, was signed between the number one French engineering company, Technip, and the U.S.S.R. This contract involves the construction of a complex for the cleaning of natural gas with a high content of sulfur, in Astrakhan on the Caspian Sea.

The April 26 *Pravda* reports that new contracts have also been signed between Soviet Foreign Trade Minister Patolichev and some prominent French businessmen, and that contracts have been concluded between the Soviet Machino-Import company and three French firms.

A recent conference between Soviet and French trade representatives in Paris resolved to "redress" the French trade imbalance with the Soviet Union, based largely on decline in Soviet orders for French capital-goods and growing French purchases of Soviet natural gas. The new trade accords do so—by sending French capital into Russia to expand Soviet natural-gas production, for French purchase!

Briefly

● **FACTORY** capacity utilization in the United States, according to the Federal Reserve index, remained unchanged in March at 80.8%—remarkably low for a "recovery." Moreover, the figure is down almost 2% from mid-1984. Since the summer of 1984, durable goods utilization has fallen 1.2%.

● **EGYPT AND INDIA** will strengthen mutual economic cooperation, as well as coordinate their actions within the Non-Aligned Movement. This will be among the subjects of discussion when Prime Minister Rajiv Gandhi visits Cairo in early June. Egyptian Foreign Affairs Minister Butros Ghali also reported that Egypt will be opened to industrial investment from India.

● **WEST GERMANY** may sell aerospace technology to Japan, according to hints given to the Bonn press April 30 by Economics Minister Martin Bangemann. Japan's Prime Minister Nakasone is said to have signaled interest, and to have offered special high-tech deliveries to German industry in return.

● **EGYPT** will face a catastrophe by early next year at the latest, if the Nile's water levels continue to drop because of the present drought. Usual water depth at the Aswan Dam is said to be around 184 meters. The level now is only 124 meters. Although there is still enough water to meet this year's electricity and irrigation needs, there is not enough for new-land reclamation projects in the desert.

● **PERU** will export 2,000 tons of frozen chickens per month to the U.S.S.R. from May to October as part of a deal in which 80% of Peru's debts to the Soviet Union will be paid in hard commodities, including food products and textiles which Peru would not normally export. Peru recently refused IMF austerity demands because its population is undernourished. However, the agreement with the Soviet Union, it is estimated, will result in shortages of chicken inside Peru.