

Business Briefs

Currency

Mexican leader demands end to capital flight

Trade-union leader Fidel Velázquez insisted that capital flight must be completely and immediately stopped since it is destroying the Mexican economy. In remarks made over the weekend of Oct. 25-26, he blamed private interests in Mexico for the capital flight.

In May and June of this year alone, Velázquez said, over \$3 billion fled abroad, and the flow has not really halted since 1982, because the private sector has no confidence in the country nor in the "government of the Revolution."

In the same vein, industrialist Garza Sepulveda of the VISA group, who met with U.S. Ambassador John Gavin on Oct. 24-25, declared that flight capitalists are *vendepatrias*—sell-outs to the nation. He called for "all industrialist associations to join with President de la Madrid, who has shown the capacity and honesty to change the erroneous policies of past epochs."

International Trade

Taiwan, Malaysia to establish relations

Taiwan and Malaysia, which do not have diplomatic relations, are to set up two organizations aimed at boosting trade and economic cooperation, a Taiwanese spokesman announced on Oct 26.

He told reporters that the Chinese National Association of Industry and Commerce had reached agreement with a group of Malaysian businessmen on setting up "business councils" in the two countries. He said Malaysia needed to import machinery from Taiwan, while Taipei wanted oil and raw materials, including Malaysian lumber and rubber.

Taiwan's trade with Malaysia fell to \$527

million in the first nine months of 1985, from \$561 million a year earlier, official statistics showed.

Following bilateral talks which ended on Oct. 16, Taiwan had pledged to open its markets to U.S. products. A spokesman said that Taiwan would institute tariff cuts on 192 U.S. products and offer better market access for wine, beer, and cigarettes.

Biotechnology

Hormones make salmon grow faster

The fish industry may soon have access a new biotechnological application. In a recent study by Canada's Department of Fisheries and Oceans, in West Vancouver, B.C., juvenile salmon injected with genetically engineered growth hormones grew up to 50% faster than normal fish.

The hormone is manufactured by Amgen, a California firm. After six weeks, the fish receiving the highest hormone doses weighed 50% more than the untreated controls and were 20% longer.

Because the hormone increases the salmon's ability to convert food into tissue, it could dramatically reduce the costs of salmon aquaculture.

The hormone can also be used with other commercially grown fish such as catfish and trout. The Amgen firm estimates that the potential market for such growth hormones is \$10-50 million.

Metals

Crisis in the world tin market

On Oct. 28, tin trading on the London Metals Exchange (LME) was suspended, as prices fell 17% in one day and the price-

support mechanism failed to halt a global fall in tin price.

Sources in London calculate that traders in some 28 central trading houses were facing at least £400 million losses. The crisis involves the Thatcher government, one of 22 signatories of the International Tin Agreement, supposedly created to regulate the world tin price.

The British government may be asked to contribute more to the buffer stock fund to support a higher price. Financial circles in London predict tin prices could eventually collapse from £18,000/ton to as low as £6,000. This is considered the worst crisis on the LME since the 1950s copper crash:

One senior LME official said that, without a rescue, "this will be bigger than the Johnson Matthey," a reference to a major bank failure in 1984 whose repercussions are still being felt.

World tin production comes from the following sources: Thailand 30%, Malaysia 23%, Indonesia 16%, Bolivia 15%, and other sources 16%. The United States has a large stockpile of tin, but the General Services Administration recently sold off 6,000 tons.

The Invisible Hand

World Bank recommends 'free market' to China

The latest World Bank report, issued in October, advised China to forget production targets and let the free market "stimulate innovation and efficiency." The bank also warns the Red Chinese government against trying to catch up with the standard of living of the United States: "The foundations for rapid [growth] could be laid. But this will require steering a difficult course."

Some Chinese leaders have been warning Chairman Deng that reliance on the free market and openness toward the West will create "chaos" and moral decay.

The World Bank report also tells China

to limit population growth to 200 million people by 2000 A.D. (1 child per 3 couples in the next 15 years!) and to cut investments by 15%. This will provide "job creation" in "labor intensive service sectors," the report said. They apparently have in mind staffing for abortion and sterilization centers.

Domestic Credit

Pension fund is in the red

The federal pension system faces record deficits, according to Oct. 28's *Wall Street Journal*.

The Pension Funds Guaranty Corp. is facing a projected deficit of \$1 billion for the coming year. Legislation has now been prepared to make it tougher for companies to abandon their pension plans, which are then picked up by the federal agency, which now insures an estimated 38 million retirees and workers.

The agency faces increasing strain due to recent terminations, including Allis-Chalmers in July, and Wheeling-Pittsburgh Steel, which recently filed for bankruptcy. Legislation has passed the House calling for a tripling of the benefits paid into the pension plan by the employer.

Austerity

'IMF boys' in Thailand target oil next

In late October, following the failure of its plan to repeal subsidies on rice, Thailand's National Economic and Social Development Board is demanding that, in order to raise prices, the government should scrap the oil fund, deregulate all domestic oil prices, and abandon the two-tier pricing formula for liquid natural gas.

The NESCB is known for its adherence

to IMF austerity programs. The oil question is the "tough issue" that Chase Manhattan economist Melanie Lau recently demanded the Thais "take on."

Meanwhile, Thammasat University economist Professor Krirkkiat demanded that Thailand reverse its austerity policy before it is too late.

Measures such as the 18% credit limit, the baht devaluation, and the zero-growth budget—all foisted on Thailand by the IMF—have destroyed business activity at all levels, Krirkkiat said. Restrictive measures should be slapped on luxury imports and the government should strike for more self-reliance, with an emphasis on technology transfer.

Finance

More stormy weather for E. F. Hutton

The Securities and Exchange Commission staff has recommended charging E. F. Hutton & Co. with "disclosure violations and a lack of internal controls" stemming from the firm's check-kiting scheme that defrauded 400 banks of millions of dollars.

The SEC recommendation, a very slight slap on the wrist, will "remove a big cloud that has hung over Hutton's operations since it pleaded guilty in May to 2,000 counts of mail and wire fraud," according to the *Wall Street Journal*.

There have been other clouds hanging over Hutton's operations. In August, Hutton reached a settlement in North Carolina where investors were allowed to get back the \$3 million or so they had put into Hutton-backed securities, and in Maine, Hutton was fined \$7,500 for selling \$100,000 in unregistered securities.

In Boston on Oct. 27, attorneys for Hutton and the state Securities Division agreed that the firm was selling unregistered limited partnerships to finance Walt Disney movies. Hutton has agreed to refund 700 investors almost \$5 million.

● **BRAZILIAN** Sen. Albano Franco, the new president of the Association of Latin American Industrialists, stated in late October, "Today's voracious interest rates on the Latin American foreign debt are no less horrible than blind terrorism's bombs." He was echoed by Mexico's El Sol, which editorialized that to pay the debt "means to continue sacrificing the people and abandoning investment for growth, but remaining in good standing with the bankers and getting new credits to continue paying."

● **BANKERS TRUST CO.** announced on Oct. 27 that it had opened its first subsidiary in Tokyo. It and Morgan Guaranty Trust received formal permission to do trust business in Japan in mid-October. Nine other foreign banks will open trust operations in Japan, including Citibank, Chase, and Chemical.

● **UNCTAD** began a two-week conference on the slump in nickel prices on Oct. 27, with representatives from 30 producing and consuming nations. They hope to set up an International Nickel Study Group. Nickel ore and products are widely used in the aerospace industry. Trade in the metal totaled \$3 billion last year, according to Jan Pronk, UNCTAD senior representative.

● **RECORD EXPORTS** of steel were recorded by Ibero-American nations in 1984, according to the Latin American Institute of Iron and Steel. The Ibero-American steel industry was forced to export 10 million tons due to the sudden collapse in regional consumption, from 37.6 million tons in 1980 to 29.3 million tons in 1984. The indebtedness of the continent's steel industry has reached \$12 billion.