

Business Briefs

International Trade

Brazil and China agree on barter deal

During a five-day visit to Brazil ending on Nov. 4, Chinese Prime Minister Zhao Ziyang signed an agreement in which Brazil would sell China more than 2 million tons per year of iron ore and buy more than 3 million tons per year of crude oil, which would bring total bilateral trade between the two countries to over \$1 billion per year. Exact terms of the arrangement will be settled later this year.

They also agreed on political consultations, Brazil's first with a communist country.

The Chinese are interested in Brazil building railroads, ports, and dams. Zhao continued his South American tour with a trip to Argentina on Nov. 5.

Debt

Mexican businessmen to lobby congress

The president of the National Chamber of Manufacturers of Mexico (Canacindra), Carlos Mireles, announced on Nov. 5 that representatives from his organization would lobby the U.S. Congress and business circles against IMF policies.

Mexican society, Carlos Mireles said, "cannot and should not continue sacrificing its well-being in exchange for the tribute it pays year after year to creditors. From 1986-90 Mexico will have to pay \$95 billion in debt service. . . . Under current conditions, the country is on the road to forced insolvency, but we oppose using a moratorium."

Canacindra's proposal is that only that share of Mexico's export earnings which does not come from oil be used for debt service. That, de facto, would mean a 15%

ceiling on foreign-exchange available for debt service.

On protectionism, he responded, "What do we want with an anti-dumping law, if we no longer have industry?"

The treasurer of Canacindra, Roberto Sanchez de la Vara, revealed that from 1980 to 1985, Mexico had paid out \$78 billion in interest and amortization, while it received credits during the same period of only \$50 billion. He said this bleeding of the country has to stop, and also proposed that Mexico use only non-oil export revenues to pay debt, cutting debt service payments by two-thirds.

The proposal implicitly follows the lead of Peru, which limits payments to 10% of foreign exchange.

Ibero-America

U.S. to aid Occidental?

Peruvian jurist Alberto Ruiz Eldredge charged on Nov. 3 that the United States is planning to invoke an amendment which automatically cuts off all U.S. aid to any country which expropriates or harms U.S. investments. The measure would be taken in defense of Armand Hammer's Occidental Petroleum, which is under fire from the Peruvian government.

"The U.S. government," said Ruiz, "intends to apply the evil Hickenlooper Amendment against the Peruvian people, in order not only to cut off all our financial aid, but to destabilize the Alan García government, like it did to the government of Gen. Velasco Alvarado."

Armand Hammer is complaining that Peru is mistreating his investments by insisting that he invest some \$600 million in Peru, as promised in return for investment tax credits in oil prospecting given him by the government. Occidental invested at least \$200 million less than promised, says the government.

Peru's minister of mining has also charged that Occidental is sabotaging future

Peruvian oil production by suspending orders for spare parts which take up to six months to receive.

Belco, another oil company, is threatening to lay off hundreds of oil workers if Peru does not soften up.

Agriculture

Citrus canker confirmed in Florida

Citrus canker, a bacterial disease, has been detected in another central Florida nursery, the Fort Bassinger block of the Lykes Citrus Management Division Nursery, southeast of Sebring in Highland county. This is the 19th discovery of the canker since the first outbreak in August 1984.

The site where the canker has been found is a newly planted 20-acre nursery with 300,000 citrus plants with, apparently, no movement of plant material out of the nursery. More than 9 million citrus trees and seedlings have been destroyed since the canker was discovered last year, as part of an attempt to stop the spread of the disease.

Nuclear Energy

Bush denies nuclear coverup

Vice-President George Bush, in response to charges by Sen. Alan Cranston (D-Calif.), denied that there had been any coverup of China exporting nuclear technology to "dangerous countries."

Senator Cranston, who has long been an opponent of "nuclear proliferation" to the Third World, had claimed that China is continuing to export nuclear technology to Brazil, Argentina, Pakistan, and South Africa, countries with "dangerous nuclear programs."

Bush said, "We are not covering up any information and I will take care of satisfying these senators. . . . It's very difficult for us to go ahead with any nuclear plants in this country [China] because of the objections. . . . But I think it's necessary for China's growth and development and we want to be part of that and we worked out an agreement that protects mankind, you might say."

Banking

Bailout of major German bank

The Munich-based Bayerische Raiffeisen Zentralbank, an 18 billion deutschemark cooperative agriculture bank, is being provided with possibly as much as 750 million deutschemarks in emergency bailout funds.

The bank's plight arose from its construction lending. West German housing and office construction in recent months has been severely hit by the economic slowdown.

The Bonn government until now has tried to downplay the construction situation by blaming it on last spring's extraordinarily cold weather.

International Credit

East-bloc nations go into debt

Eastern European countries were the major area of increased net foreign lending by Western banks, according to the October report of the Bank for International Settlements.

Banks of the OECD countries reporting to the BIS said that 60%, or \$3.5 billion, of the second-quarter increase on loans to "outside-area countries" was accounted for by countries in Eastern Europe.

By contrast, the BIS reports, there was "no new lending to Latin America" by member banks.

Agriculture

Bankruptcy changes won't help farmer

Two Senate Judiciary subcommittees, Courts and Administrative Practices, held joint hearings Nov. 6 to consider changes to the U.S. bankruptcy laws to help alleviate the plight of the farm sector. But as one witness, Judge Richard Stageman of the Southern District of Iowa, told the committee: "A Chapter 11 bankruptcy proceeding is for restructuring, not for resurrecting the farm economy."

Stageman said that there must be some assets there in order to restructure farm debt, and that the "underlying forces" that have caused the farm crisis "are not ones that can be solved in a bankruptcy court."

The hearing began with a somewhat surprising acknowledgement by the free-market oriented chairman of the hearing, Sen. John East (R-N.C.). "We are dealing with a depression, a depression in the American farm economy," he said, "I hope we can do something to help farmers outlast this depression." Sen. Charles Grassley (R-Iowa) sheepishly admitted in response to Stageman that little could be done by changing bankruptcy laws. "What farmer could have known that Volcker would deflate in October 1979?" he asked. "What farmer could have known we would have such deficits, high interest rates, and strong dollar?"

Among various bills, Sen. Quentin Burdick (D-N.D.) testified on his proposed S. 705 which would give farmers a "better opportunity to reschedule some of their debts," because it "simplifies procedures, reduces administrative costs to the farmer's estate, [and] precludes the imposition of liquidation plans presented by creditors," which "can only be proposed by the debtor."

Briefly

● **SAVINGS AND LOANS** insured by the Federal Savings and Loan Insurance Corporation had a net deposit outflow of \$4.2 billion in September, the fifth month this year that customers withdrew more than they deposited. Overall, liabilities at FSLIC-insured institutions grew at a 7% annual rate in September, sharply lower than in August and September 1984.

● **GONZALO GARLAND**, president of the Peru's exporters' association, stated on Nov. 2 that Peruvian exports will not be harmed by U.S. debt reprisals. Although the United States is Peru's main market, he had no doubts Peru could find new buyers if necessary. "We are not at all afraid this will be translated into reprisals like embargos, for example, because our exports are private goods."

● **SIXTY-FIVE** percent of the Bolivian population suffers from goiter, a disease caused by iodine deficiency. The Ministry of Health terms this condition a "national disaster." Bolivia only began to iodize salt in 1984, and still does not provide such salt to most of its population.

● **PESCAPERU**, the Peruvian state companies under the direction of Juan Rebaza, reopened its fourth shutdown factory for production of fish oil and fish meal. This latest factory, in Callao, has a capacity of approximately 120 metric tons per hour. Rebaza said: "Pescaperu will get involved in the production of food for direct human consumption, providing the family table with highly nutritious products. This innovation will be revealed shortly."

● **RAJIV GANDHI**, prime minister of India, will travel to Japan and Vietnam in late November, to further economic ties. On Nov. 18, he will make a one-day trip to Oman, on the occasion of a national holiday in that Gulf country, also to be attended by Egyptian President Mubarak and Pakistani President Zia.