

Business Briefs

Believe It or Not

Mexico decorates ex-Fed chief Volcker

Former U.S. Federal Reserve chairman Paul Volcker visited Mexico on Nov. 10, and received a medal from the Mexican government—presumably for the damage his policies did to the Mexican economy, as well as every other in the world.

Mexican President Miguel de la Madrid decorated Volcker with the Order of the Aztec Eagle, for “the outstanding services that [he] rendered our country, by backing the effort of the Mexican government vis-à-vis the international financial community in dealing with the foreign debt.”

Interviewed at the conclusion of the ceremony, Volcker said that full payment of Mexico’s foreign debt is necessary, but that when countries take the path Mexico has—terrible austerity—then they should be rewarded with added export opportunities and more new capital. Mexico’s course, he also stated, is infinitely preferable to seeking a new international economic order.

Volcker then listed a number of top financial officers of the country, including the head of the Central Bank Miguel Mancera and Finance Minister Gustavo Petricioli, calling them “our partners,” and said, “They all have financial backgrounds. All have been trained, directly or indirectly, at the central bank, which I consider the most important institution for the future of Mexico and its international relations, linked to the U.S. central bank [Federal Reserve], which I particularly respect very much.”

International Trade

Mexican-Japanese relations on the rise

By the end of this year, Japanese investments in Mexico will rise to \$2 billion, while Mexican exports to Japan will double, according to a Mexican diplomat. But other sources say that the bulk of the Japanese investments will be in non-productive enterprises.

The Mexican ambassador to Japan, Sergio

González Gálvez, said that the flow of Japanese investments will primarily be channeled into hotel and tourist services. He called this a sign of “the confidence that exists in the economic recovery and future” of Mexico.

The ambassador also said that at the end of November, a group of Japanese businessmen would arrive in Mexico to study potential joint investments in various areas, including construction of a seaside resort hotel in Cancun. During their stay, the Mexican-Japanese Hotel Niko, in the center of Mexico, will be inaugurated. It was built jointly at a cost of \$150 million.

Foreign Debt

Ask OAS role in finding solution

Peruvian Foreign Minister Allan Wagner has demanded that the Organization of American States take a more active role in solving Ibero-America’s debt crisis. Addressing the OAS’s meeting in Washington Nov. 9, he also urged “the construction of a new international economic and financial order.”

Wagner said that Peruvian President Alan García had stressed many times that “rentier finance cannot become the central element of international economic relations,” and that it was necessary “to face seriously and without delay a global and definitive solution to the problem of the debt and the construction of a new international economic and financial order in which the right to development is protected and encouraged.”

Wagner said that he hoped that “more lucid minds” would comprehend the significance of the recent stock market disorders, making it possible to hold political dialogue between creditors and debtors.

In this context, he said, the OAS should play a role. While he said he was not asking the OAS to solve the debt problem, it should provide a forum for the necessary political dialogue with U.S. authorities.

“Peru recognizes the need of the industrialized countries, and of the U.S. especially, to balance their financial and trade balances,” said Wagner, “but the price of these adjustments to overcome imbalances cannot fall upon the developing countries

through recourse to protectionist measures. We are convinced that the deficit will be resolved when the decision is made, to promote in the industrialized countries a greater rate of exports and more open markets between themselves and the developing countries.”

Space

Shuttle payloads to increase

NASA has authorized an increase in permissible payloads on the Space Shuttle, from 211,000 pounds to 230,000 pounds. Spokesmen said that the increase is based on an extensive structural analysis of the forces experienced by the craft during landing maneuvers.

Rear Adm. Richard Truly, head of the Shuttle program, announced Nov. 9, “This new capability will . . . add considerable flexibility and efficiency to our space transportation system.”

Truly added, “Our initial analysis indicates that this change will allow the Space Shuttle to carry a cumulative weight in excess of 100,000 pounds of additional payloads into orbit through 1993.”

Foreign Exchange

Japanese want U.S. budget cuts

A top Japanese finance ministry official said Nov. 5 that Japan has no intention of proposing a meeting of the Group of 7 or the Group of 5, until the United States comes up with budget-cutting programs, the *Japan Times* reported Nov. 6.

The official said, “Concrete budget-cutting measures should come first. Then we would consider holding such a meeting.”

With the so-called Louvre Accord in effect, he said, Japan will continue market intervention to prevent rapid changes in the yen-dollar rate—if it can.

The official said that Treasury Secretary James Baker’s indication that the dollar

would fall further, stems from the fact that the United States wants to avoid the disastrous economic effects that followed the 1929 crash—i.e., the tightened money conditions that “damaged” the economy after 1929.

Science

Gramm-Rudman to hit programs hard

Gramm-Rudman cuts will badly hurt U.S. science capability, according to latest estimates. Calculations published in *Science* magazine on Oct. 30 show that the “automatic sequestration” cuts, at an overall level of only \$23 billion, mean the following for science.

- The 1988 NASA budget will be cut from \$9.3 billion to \$8.5 billion; the 1987 budget is \$10.5 billion.
- The 1988 National Science Foundation budget will be cut from \$1.83 billion to \$1.67 billion.
- The 1988 National Institutes of Health budget will be cut from \$6.9 billion to \$6.3 billion.

Since the demands of Wall Street are for overall cuts of even more than \$23 billion, the base line science budgets will be slashed even more than these figures indicate.

Labor

Strikes spread in Peru

Labor troubles are spreading in Peru. On Nov. 10, some 200,000 doctors, nurses, technicians, and obstetricians began an indefinite nationwide strike. Soon, it appears, miners will strike, as will some government administrative personnel.

Tito Fernández, secretary general of the National Association of Doctors, said that negotiations broke off after 18 months without a contract.

President Alan García's health ministry issued a statement Nov. 8 saying that negotiations had been broken off by the medical union, not by the government, and warning

that the strike posed a clear threat to the lives and health of all Peruvians.

Meanwhile, Flavio Rojas Sarmiento, president of the Workers Union at the Peruvian Institute of Social Security, which represents administrative workers there, announced that his members would go on strike Nov. 11 and 12.

On Nov. 9, the National Council of the Mining Federation announced that it had decided to order 50,000 miners out on strike, but did not name a date. They will join 7,000 miners already on strike the Cuajone, Toquepala, Metalurgias, and Hierro mines, and another 4,700 at Hierro-Peru.

Crash of '87

\$194 million lost in BP sale

Shearson and other investment houses lost about \$194 million on a British government sale of British Petroleum stock which they had agreed to underwrite before the massive decline in stock values over the period since the sale was announced in August.

Shearson, according to a company spokesman, lost \$70 million after taxes during the month of October with its several stock market crashes; \$46 million of that was lost on BP alone.

Other underwriters fared little better, and some worse. Salomon officials refused to comment on their losses, but rumor had it they were equal to those of Shearson. First Boston Corp. admitted to an undisclosed loss, estimated to be at least \$60 million.

Both Salomon and Morgan Stanley had as many BP shares as Shearson. Goldman, Sachs was the lead underwriter, and according to analysts, probably lost \$55 million after taxes.

Still smarting from the bath they took underwriting BP, both Shearson and Goldman, Sachs are now each stuck with about \$100 million in short-term “bridge” loans to Southland Corp., whose sale of junk bonds has collapsed.

Citibank, Manufacturers Hanover, Security Pacific, and Canadian Imperial Bank of Commerce had lent Southland \$4 billion to be repaid from the bond issue, but now, it won't be.

Briefly

● **‘SURREALISM,’** is how the *Times* of London's “U.S. Notebook” columnist, Maxwell Newton, characterizes the U.S. Department of Labor's claim of a rise in October payroll employment. “The suspicion remains,” he writes, “that the Fed and the administration would do almost anything, including a further massive mortgaging of the U.S.'s future income, to avoid recession next year.”

● **ROBERT ABOUD,** the former Continental Illinois executive and crony of Armand Hammer, is planning radical cutbacks in the operations of First City Bancorp of Texas. As many as 1,200 of its 7,427 employees may be laid off. The Houston-based First City is expected late this year to receive the second biggest federal banking bailout ever, after the 1984 rescue of Continental Illinois.

● **LYNDON LAROUCHE** says this is one of his favorite recent jokes: The Nobel Prize for fiction, according to reports coming out of Stockholm, will be awarded to Continental Airlines, for its flight timetable.

● **U.S. CONSUMER DEBT** rose at an annual rate of 12.2% in September, the largest advance since September 1986, according to the Federal Reserve.

● **GENERAL MOTORS** has announced the indefinite closing of its plant in Framingham, Massachusetts, putting 3,700 employees out of work. The announcement came Nov. 4, two days before U.S. automakers announced an 11% decrease in the production of cars.

● **PERU** will start up its first nuclear reactor in April 1988. The research reactor is located in Huarangal, 30 miles from Lima. President Alan García, during a visit to the site, said that \$100 million had been invested in the project, which he called a “decisive milestone for the country and a great technological leap.”