

Business Briefs

Dope, Inc.

Brazil's northeast is big marijuana producer

The Brazilian northeast has become the largest producer of marijuana in the world, according to the president of Brazil's National Drug Abuse Information Agency (NIDA), Richard Lindland. Lindland made the statement while on a trip to the United States. Brazil's northeast, he might have added, is one of the most impoverished areas in the world as well.

His statements were confirmed by the interim superintendent of the Brazilian Federal Police in the state of Pernambuco, Vladimir Cutarelli. He said that Lindland's statements are not surprising, because the northeast has all the conditions required to produce marijuana, especially Pernambuco state, where vast marijuana fields have been found.

The police official added that as drought worsens in the northeast, marijuana plantations will become more common. "With one hectare of marijuana, a family can live."

Foreign Exchange

Soviets moot convertibility of ruble

Two leading Soviet economists told the press in Washington Dec. 3 that "savings" from the disarmament made possible by U.S.-Soviet treaties could be spent on the Third World, and that economic reforms associated with General Secretary Mikhail Gorbachov's *perestroika* might soon make possible the convertibility of the ruble.

Abel G. Aganbegyan, the top economic adviser to Mikhail Gorbachov, and Stepan Sitaryan, deputy chief of the Soviet State Planning Commission (Gosplan) raised the possibility of a ruble freely convertible into other currencies and of joint U.S.-Soviet aid to developing countries. Aganbegyan said Moscow was ready to spend savings from disarmament "to satisfy humanitarian and food needs of developing countries."

Aganbegyan admitted that resistance to Gorbachov's *perestroika* (restructuring) is "fairly serious." "*Perestroika* is being resisted by some of the managers," he said, "especially those who as a result of reductions in their rights and responsibilities lose their authority and job."

Aganbegyan and Sitaryan said that they saw a convertible ruble as part of Soviet plans to play a much bigger role in the world economy. "We have set ourselves a task to make our ruble convertible," said Aganbegyan. "But to do that we have to change our pricing system to bring it closer to the outside. We will be conducting price reforms in 1989 and 1990."

U.S. economists, interpreting the remarks, were quoted in the *New York Times* saying that it was unlikely that he was talking about full convertibility. "Full convertibility would be disastrous for the Soviet balance of payments," said Przemyslaw Gajdeczka, a specialist on the Soviet economy at WEFA Group, formerly Wharton Econometrics. "It would mean a huge shake-up in their economy and there would be a great deal of resistance."

Transportation

Secretary calls for 1,000 more air controllers

James H. Burnley, IV was sworn in as Transportation Secretary on Dec. 4, replacing Elizabeth Dole, who departed to join her husband Robert's presidential campaign.

President Reagan used the occasion to call for further deregulation of the nation's transportation industry.

Burnley announced that the Transportation Department would hire more than 1,000 additional air traffic controllers if Congress approves its request for a \$1 billion increase, or about 20%, in spending for aviation, bringing that portion of the department's budget up to \$5.8 billion. In addition, more inspectors and maintenance personnel would be hired, Burnley said.

He didn't criticize deregulation, but said that the additional air traffic controllers were needed because of a surge in numbers of people traveling by air.

During the peak travel months of the summer of 1987, the department advised airlines not to schedule additional flights, because the air traffic system was incapable of handling them safely. It was the first time additional flights were not added during summer months.

Burnley was deputy secretary of transportation under Dole for four years.

AIDS

Houston hospital closes down

The Institute for Immunological Disorders (IID) of Houston, Texas, the first U.S. hospital devoted exclusively to AIDS patients, closed down on Dec. 11, after operating for only a little over a year.

Since opening its doors in September 1986, the hospital has lost over \$8 million, primarily because of care provided to indigent patients. It had operated on an outpatient-only basis since November 1987. The IID stopped accepting indigent patients in March 1987, and laid off some employees, but the institute continued to lose money.

IID officials have referred 450 patients to private physicians or to Jefferson Davis Hospital, the county hospital which treats patients unable to pay.

Dr. Peter Mansell, IID's medical director, will return to M.D. Anderson Hospital, where he will spend much of his time analyzing the records of patients treated at IID.

American Medical International owned the facility.

Markets

U.N. to seek private financing

U.N. Secretary General Javier Pérez de Cuéllar told the General Assembly Dec. 2 that the United Nations would have to borrow on the open market in 1988 in order to remain solvent, largely because the United

States is \$342 million behind in dues payments.

Pérez de Cuéllar's report, "The Financial Crisis of the U.N.," assumes that the United States will pay about one-half of what it owes and make another payment at the end of next year, but still projects a deficit of over \$100 million in 1988.

He asked the General Assembly for permission to borrow up to \$50 million at commercial interest rates on the international markets until all members pay what they owe.

Pérez de Cuéllar also asked that the member states refinance the U.N.'s emergency working fund to the tune of \$100 million.

Pérez de Cuéllar proposed that the U.N. "sell" the back dues and any other debts of the United States, the largest delinquent payer, to other member countries for cash. While the buyer of the debt will not be officially put in the position of having to collect—the United States will pay the U.N. and the U.N. will pay the buyer—it still opens the door for some interesting and embarrassing purchases.

The U.S.S.R., another large debtor, has agreed to pay the entire \$250 million it owes soon, and so, would be able to buy the U.S. debt if it wished.

Finance

Moody's to downgrade big American banks

Moody's Investors Service is reported by the London *Financial Times* to be about to downgrade the credit rating of Citibank, Chase Manhattan, Chemical, Manufacturers Hanover, Bank of America, and other large U.S. lenders to developing countries.

The reasons cited are "decreasing cohesion between creditor banks; effect of world trade prospects on debtors' ability to pay; reduced borrower commitment to austerity; impact of stock market crash on bank ability to raise new capital in stock markets; and the sharp fall in secondary markets of Third World debt."

Moody's also downgraded its rating for Argentina, Brazil, and Venezuela, saying

that "their capacity and willingness to service their debt had deteriorated."

London IBCA Bank Analysts also announced that they were about to downgrade Citibank's rating, saying the markets had been "fooled by their slick PR job after May."

Moody's has announced that it may lower its double-A-1 and 2 rating on \$54 billion in General Motors long-term debt because GM seems to have lost its "ability to regain momentum and to strengthen its long-term business position in the face of an increasingly difficult operating environment."

The debt was issued by GM itself, and its financial subsidiary, the General Motors Acceptance Corp. Over a year ago, Standard & Poor's downgraded GM's debt.

The Debt Crisis

Argentina won't be able to pay

Argentina, whose Alfonsín government has complied with every demand of the International Monetary Fund at the expense of its economy and people, is now generally expected to become unable to pay further debt service by sometime in the first quarter of 1988. Officials are already predicting confrontation.

Argentine officials and creditors alike admit the country will be forced into a payments moratorium when it runs out of foreign exchange in early 1988. Total reserves at present are less than \$1 billion, and much of that is illiquid.

Officials now say Argentina will be entirely unable to comply with the IMF-dictated monetary targets agreed to as recently as November, incurring a cut-off any further IMF help. Commented Finance Minister Brodersohn, "For certain reasons, we're moving toward a confrontation."

President Raúl Alfonsín, speaking to more than 100 foreign journalists Dec. 5, stated, "The North [the creditors] has begun to understand the political nature of the debt and the co-responsibility between debtors and creditors. In the last few years, the interest rate has gone from 5% to 20%. In my understanding, Argentina isn't obligated to pay more than 4%."

Briefly

● **DONALD ROTH**, chairman of Merrill Lynch and Co.'s merchant banking subsidiary, will take up the posts of vice president and treasurer of the World Bank in January 1988.

● **PAN AMERICAN** pilots have broken with three other Pan Am unions by tentatively accepting a three-year agreement that exchanges about \$30 million in wage cuts and another \$25 million in work-rule changes for "a substantial amount of stock." The four unions had been working together for a year to force a management change at Pan Am. According to Associated Press, they "had persuaded the Pritzker family, which owns Braniff, to make an offer, and had agreed to accept big wage concessions if Braniff succeeded."

● **THE BANK** for International Settlements has agreed in principle to impose on 12 member-nations' central banks capital reserve requirements to "create a sounder base for banking." The proposed requirements will be debated by the central banks over the next six months. They make off-balance-sheet business part of the net assets subject to capital requirements.

● **22 NUCLEAR** power plants will be constructed by India's Nuclear Power Corporation in the next 13 years, at a cost of \$10 billion, Dr. M.R. Srinivasan, chairman of the Atomic Energy Commission, said in New Delhi Dec. 4. The Narora project in Uttar Pradesh and Kalrapar unit in Gujarat, 235 MWe each, are already under construction, and work has also been started on two other sites. Design work for 500 MWe reactors is at an advanced stage.

● **WEST GERMAN** government coalition parties have agreed on an austerity package for the health care system there that will cut 14 billion deutschmarks from the DM 125 billion spent annually by the state insurance companies.