

# Business Briefs

## Asia

### Fight on economic policy in China

The latest report to fuel speculation on leadership tremors in Beijing was a dispatch from the Chinese capital claiming that former President Li Xiannian, in a secret meeting with supreme leader Deng Xiaoping, has demanded party general secretary Zhao Ziyang's ouster because of his economic reform policies.

Li, chairman of the People's Political Consultative Conference, is reported to have charged, "What Zhao is doing is based on capitalism."

Another senior party conservative, Chen Yun, has also been critical of the pace, if not necessarily the direction, of Zhao's economic policies.

Though Li and Chen are no longer among the top leaders of the party, the elderly two-some are believed to represent the views of party traditionalists and conservative military leaders.

## Technology

### U.S. to aid Japan in new jet fighter

The Bush administration is nearing a decision to allow Japan to build a new-generation jet fighter with U.S. assistance. It will, however, adjust an existing agreement to place "significant limits" on the flow of advanced American technology across the Pacific, according to administration sources quoted in the March 5 *Washington Post*.

The limits will be placed on Japanese access to advanced aerodynamics, engine technology, and radar. The original agreement, negotiated by the Reagan administration, would have given Japan unlimited such access.

Commerce Secretary Robert Mosbacher led a fight against the original deal, arguing that the transfer of aerospace technology could hurt U.S. competitiveness.

The Defense Department, which administration sources say failed to win everything

it wanted from a "bruising interagency review process," has not signed on to the agreement as of this writing, but is expected to do so.

## Debt

### British TV documents 'crazy' banking policies

A documentary aired on Danish television March 6 presented shocking facts about the devastation caused by the international debt crisis.

The show, made by Britain's Channel 4 during 1988, reported that since 1982, the indebted countries of the South have transferred \$225 billion net to banks in the North; 2.2 million children in Brazil alone have died because of the debt crisis; 4.2 million jobs in the United States have been lost because of the collapse to the U.S. of Ibero-American export markets, meaning an annual export-revenue loss of \$20 billion. Similar figures were presented for Europe.

The program traced the calamity back to the policies adopted by the international banking community during the 1973-74 oil crisis.

The show featured some backbiting by the main architects of the crisis. Former British Chancellor of the Exchequer Denis Healey attacked the banks' policies throughout the 1980s as "totally crazy." He accused the bankers of having "destroyed" the international economy, causing a "disaster." A film-clip was shown of Healey, speaking in 1979, declaring that the international banking system was bankrupt.

But Citibank's Walter Wriston, described as the "high priest of banking," blamed former Federal Reserve chief Paul Volcker's interest rate policies for causing "dead bodies in the streets." Then, Volcker was shown, saying, "I know there are people who say I destroyed the world economy, but it would have died anyway."

Healey came back on again, boasting that in the 1970s, he had wanted to set up a special international institution, linked to the World Bank, to recycle petrodollars, but this plan was blocked by U.S. Treasury Secretary William Simon. On came Simon, to say, "The Arabs were on my side. It was

their money wasn't it? They stole it fair and square."

The head of Mexico's international trade bank under President José López Portillo (1976-82), Adrian Lajous, read quotes from Shylock in Shakespeare's *Merchant of Venice*. Lajous then said, "We have paid our pound of flesh, and now we must act like Portia," indicating that Mexico could not continue to suffer at the hands of usurers, but must hold the usurers up to condemnation.

Channel 4's own conclusion was that banking has become an international con game, "the world's biggest casino."

## Foreign Aid

### U.S. blackmails Egypt on behalf of IMF

The United States is withholding \$150 million cash transfers due to Egypt for each of 1988 and 1989 State Department spokesman Charles Redman said March 8. The \$150 million is part of two \$800 million aid packages, and won't be released until "additional reforms" are implemented by the government of Hosni Mubarak.

Redman wasn't specific, but clearly meant that Egypt had to carry out genocidal prescriptions demanded by the International Monetary Fund, featuring elimination of foods subsidies. Past attempts by Egypt to implement such prescriptions have produced terrible rioting.

The International Monetary Fund has nothing to do with the withholding of the money, and the United States does not consider its action to be an interference into Egypt's internal affairs, Redman claimed. This sort of thing is "done all the time."

## Health

### U.S. fails all child care goals

Infant mortality, prenatal care, and poverty are all at levels equal to or worse than they were in 1980, says the latest report of the National Association of Children's Hospi-

# Briefly

tals and Related Institutions, Inc.

In 1980, the surgeon general set several goals to reduce the number of women without prenatal health care during their first trimester. But today's rates are the same as in 1978! Nearly one in five women, including about one in three black women, fail to receive such care.

Lack of care leads to children with low birth weight, a leading cause of death during the first 28 days of life. Nearly 7% of all children born in the United States weigh less than 5.5 pounds. The U.S. rate, which has not changed since 1978, exceeds that of Western Europe, which is only 4%.

## **International Credit**

### **OECD warns on Eastern European debt**

A study just issued by the Organization for Economic Cooperation and Development (OECD) warns that, in Eastern Europe, "the current situation may be comparable to the situation prevailing in 1981, the year of the onset of the debt crisis."

According to the report, East European debt denominated in convertible Western currencies surged 60% between 1984 and 1987, from \$82 billion to \$131 billion. While the new surge in Western indebtedness has been used to finance attempts to modernize industry in the Comecon economies of Eastern Europe, the OECD notes that much of the new debt has been used to finance increased OECD imports, which has further eroded trade balances. Moreover, "The problem of inefficient investment has worsened."

In a related development, the Polish government is reported, in the *International Herald Tribune* of March 4, to have secured a "deal" with Lech Walesa under which the Solidarity opposition will endorse a Polish government call to Western governments for relief on Poland's \$38 billion external debt. The joint appeal will ask for interest payment relief, renewal of Western government guarantees for commercial bank loans to Poland, and better terms on IMF standby loans.

According to the report, "The appeal would come as the Bush administration conducts a broad review of East-West issues,

including the potential for Warsaw Pact nations such as Poland to develop closer ties to the West and reduce their dependence on Moscow without threatening Soviet interests. Western European governments are also seeking a coordinated approach that might help stimulate change in Eastern Europe while avoiding the kind of repression that befell Czechoslovakia in 1968 and Poland in 1981. . . . The appeal would force the Bush administration and its Western allies to decide whether to fulfill their pledges to help ease Poland's debt problems if Warsaw agreed to end repression of Solidarity. According to officials, support for the formal appeal is part of the price Solidarity has agreed to pay to recover legal status."

## **Banking**

### **CBO calls thrift plan 'open ended'**

The Congressional Budget Office has issued a report on the Bush administration's "rescue plan" for the savings and loan banks, saying it is based on what is essentially an "open-ended" financial commitment of the government.

The report documents that the Bush thrift "rescue" will cost at least \$84 billion—and that the administration's \$40 billion figure was based on accounting tricks.

In addition, the CBO offers less rosy financial figures, under which the \$84 billion could quickly rise to \$110 billion.

The administration hid \$20 billion in higher bank insurance premiums (which, according to the budget, is revenue, but can't be used for anything but bank rescues); it didn't count the \$9 billion in notes already sold for bank bailouts that will have to be repaid in the 1990s; it doesn't include the \$16 billion in interest that the Treasury will have to pay. Add to this the \$40 billion the administration admits to, and you have about \$84 billion.

Yet, not only is this \$84 billion based on the rosier of financial projections. Even the CBO's \$110 billion figure reflects an estimated 4% growth in S&L deposits, whereas the recent period has seen nothing but a net deposit outflow.

● **SIR JAMES GOLDSMITH**, one of the world's richest men and a leading corporate raider, has announced that he is retreating to the relative safety of British takeovers because American corporate takeovers have become so highly leveraged that they are both too costly and difficult.

● **VIETNAM** announced on March 2 that it will repay long-outstanding debts of about \$120 million to the IMF as part of its campaign to rebuild its international image and attract foreign aid and investment for its poverty-ridden economy.

● **AFRICAN** finance ministers gathered in Malawi for two days beginning March 7 to discuss "alternatives" to the policies of the IMF and the World Bank, which have "torn the social fabric of African societies asunder," according to one speech quoted in British press. The conference is sponsored by the Economic Commission of the Organization of African Unity.

● **THE LANDSAT** system's two remaining satellites were to be shut down due to lack of funds at midnight, March 31, ending 17 years of continuous monitoring of the state of the Earth's oceans and land masses, but Vice President Dan Quayle has reportedly lined up enough funds for a few more months operation by going begging to agencies who use the photos. The Reagan and Bush administrations eliminated the mere \$9.4 million it takes to run the computers that control them from the budget.

● **THE FEDERAL** Savings and Loan Insurance Corp. held a "seminar" at the U.S. embassy in London in early March, attended by 150 European businessmen lured by ads offering U.S. real estate at fire sale prices. The FSLIC has more than \$10 billion worth of property it has been unable to move domestically. Its current offering, however, threatens to collapse the valuation of the entire U.S. real estate market.