

# Business Briefs

## Trade

### Farmers revolt against Japan's ruling party

Young farmers in about half of Japan's 49 prefectures have rebelled against the ruling Liberal Democratic Party over former Prime Minister Noboru Takeshita's trade concessions to the United States. They have not been calmed by Takeshita's recent resignation.

Farmers are vowing to punish the ruling party by rejecting its candidates in coming elections. Some are even trying to create a farmer's party. The farmers have already defeated several LDP candidates in local elections.

The highly organized farm bloc, while less than 5% of the population, represents 25% of Japan's voting power, with a 93.5% turnout rate. The loss of even a portion of those votes couldn't come at a worse time for the LDP, wracked by scandal over campaign contributions that cost Takeshita the premiership. An *Asahi Shimbun* poll released May 9 said of overall voters, that only one in four expected to vote for the LDP.

Farmers say the United States provoked the farmers' rebellion by pushing Takeshita to relax import restrictions on a host of agricultural products. Many LDP members had promised the farmers that this would never happen. Farmers point to Japan's ban on rice imports, expressing fears that it would be the next concession to the United States.

Starting from the southern island of Kyushu, where much of Japan's beef and oranges are produced, a farmers' rebellion swept north.

"Our demands have been ignored for a long time and the anger came out," says Tomoyasu Takeda, a university-educated stock breeder and rice farmer, who is leading the rebellion in politically important Niigata prefecture. "If they don't listen to us, the only thing we can do is depart from the LDP."

Commentators are even using the old fashioned word *Ikki*, or uprising, which conjures images of peasants with axes attacking feudal lords.

"We aren't saying the LDP is all bad," says Takeda. "If we make the LDP listen

and reexamine itself, then they will realize they are at a crossroads. Maybe we can keep them from liberalizing rice imports."

## Health Care

### HMOs raising rates in California

California health maintenance organizations (HMOs) are raising rates in the face of alleged "abuses" of their programs and dramatic losses. Among them:

- Maxicare lost \$5 million last year on its contract to cover 11,000 poor people in Alameda, San Francisco, and Contra Costa counties (all in the San Francisco Bay Area). On Feb. 1, Maxicare dropped its Medi-Cal contract with the state, dumping patients onto the already-overloaded county health system. Maxicare, which has 900,000 customers nationwide, filed for bankruptcy in March.

- Takecare, the second largest HMO in the Bay Area, lost almost \$1 million in 1987. Since then, it has required members to use only specific pharmacies and use generic drugs.

- Kaiser Permanente, with record growth and good profits, nonetheless raised its rates 13% in 1989.

- Blue Cross and Blue Shield lost \$1.9 billion in 1987 and almost \$1 billion in 1988. Other insurers are reported to be getting out of the business.

## Banking

### MCorp files new suit against Fed

MCorp, the troubled Texas bank holding company, has filed yet another suit against the federal government in its continuing legal battle over the future of the company.

The latest suit, filed in federal bankruptcy court in Houston during the first week of May, seeks to force the Federal Reserve

Board—which seized a number of MCorp banks earlier this year—to honor MCorp's previously filed Chapter 11 bankruptcy and to stand in line with other creditors in pressing its claim for MCorp assets.

The Federal Reserve has responded by arguing that such a ruling would affect "the stability of the nation's financial system." The Fed says the basic legal issue to be resolved is: Which body of law is more powerful, the federal bankruptcy law or federal banking laws?

Fed lawyers say that a ruling in MCorp's favor would allow bankrupt bank holding companies to operate beyond the reach of regulators. Such a development would jeopardize the "health of the nation's banking system" by encouraging other troubled holding companies to hide under bankruptcy law, thus pushing the nation's financial system to the brink.

"The Federal Reserve is trying to set this up as some titanic collision between the bankruptcy law and the bank holding company act," said MCorp attorney D.J. Baker. "That's preposterous."

## Asia

### Economic disasters loom in China

Communist China's unemployment rate will nearly double this year, according to the May 8 *China Daily*. Unemployment is officially 2%; this year it will rise to at least 3.5% as school graduates, demobilized soldiers, farmers seeking factory jobs, and laid-off construction workers all look for work at the same time.

The same paper acknowledged April 17 that a coal disaster is looming and investment is desperately needed in Guizhou Province, the south's biggest coal producer. Total demand will reach 63 million tons by 1995, with production only reaching 42 million tons, even "assuming the scheduled investment is forthcoming."

In spite of the acknowledged crisis, however, investment in the industry is being cut from 90 million yuan last year to 60 million yuan this year. Production is thus

## Briefly

expected to decrease.

Meanwhile, drought is threatening the winter crops in North China and badly affecting a power crisis in the south. Ten provinces in the north are faced with severe crop damage, with Liaoning and Jilin the worst hit. According to the Jilin Provincial news service, the "extent and the area of farmland affected by the drought have been somewhat unprecedented since the founding of the P.R.C." The reservoirs in the area are down 40% since 1988.

Meanwhile, in the south, the two successive years of drought have left the water level in the main hydroelectric stations so low that the stations are expected to be completely unusable by the end of May. Yunnan's power grid will have a 400 million kilowatt shortfall in the second quarter. Because of the coal shortage, it is impossible to boost the thermal power plant output. Similar problems exist in all the southern provinces.

### Science

#### New cold fusion results reported

In a presentation to the Electrochemical Society meeting in Los Angeles on May 8, Stanley Pons and Martin Fleischmann, discoverers of the so-called cold fusion effect, reported that they have repeated their experiment, and achieved a higher excess energy than before: 10 to 50 times the amount of energy they put in to the experiment.

For years, scientists have believed that to obtain fusion energy required temperature levels approximating those of the Sun. But Pons and Fleischmann announced an experimental effect on March 23, indicating that they had obtained fusion at room temperature. Since then, the experiment has been replicated in many parts of the world, with a few reports of negative results, too.

The two scientists said that those who had reported negative results had not published their results in full. "I accept our technique may be at fault, but I don't accept it's at fault for the reasons that have been put forward," Fleischmann said. "If we turn out

to be wrong, I will be the first to admit it."

Fleischmann said he and Pons would publish a scientific paper in the summer giving full details of their experiments, and a series of conferences on cold fusion are planned throughout the year, according to a Reuters report.

On May 5, scientists at Moscow University announced that they had replicated the fusion experiment, and said they could "assert with confidence that the nuclear fusion reaction actually takes place," according to the *New Scientist* April 22. Runar Kuzmin of the solid matter physics laboratory had published a paper in 1981 showing that cold fusion was possible, *New Scientist* said. The rector of Moscow University, Anatoly Iogunov, said that he has no doubt of the correctness of the experiments conducted there, and that the university is about to embark on an extensive program of fundamental research in the area.

### Labor

#### Mexican government fires bus drivers

The government of Mexico has responded to a strike of 23,000 bus drivers in Mexico City that began May 3, by announcing that the city contract with the bus company, Ruta-100 has been canceled, and all workers fired.

Enrique Jackson, city transport coordinator, announced that Ruta-100 was very inefficient, and would be replaced by a new organization.

The city brought in 1,000 buses from outlying areas, charging four times the subsidized fare, but was still unable to move all commuters.

Meanwhile, thousands of striking bus drivers marched together with striking teachers through downtown Mexico City, and blocked several major thoroughfares. The bus drivers struck for a 25% pay raise, the same increase offered the teachers (which they rejected), and reportedly the government's nightmare is that other public workers will now demand 25% increases. The harsh action against the bus drivers was thus taken as a threat by other public employees.

● **THIRTY SHERIFF'S** deputies descended on the Stedman family farm near Jameston, North Dakota without prior warning May 7, shortly after a judge lifted a bankruptcy stay. Everything on the farm was seized. The Stedmans were given no time to challenge the judge's finding.

● **THE TAIWAN** dollar rose to its all-time high against the U.S. dollar, after the U.S. Treasury Department told Congress that both Taiwan and South Korea were manipulating currency exchange rates. Since the Taiwan dollar rose above 30 to the U.S. dollar in 1987, some 30% of Taiwan's handbag manufacturers have shut down, and another 30% are expected to go under this year.

● **'CHINA** is a Bretton Woods success story," wrote Robert Manning in the *Wall Street Journal's* European edition May 7. Manning authored the report, "Asian Policy: The New Soviet Challenge in the Pacific," for the Twentieth Century Fund last year. He apparently wasn't kidding when he wrote: "The World Bank played no small role in China's agricultural reforms. Chinese officials, in uncharted waters as they have moved toward market policies, have benefitted from IMF/World Bank advice."

● **WORLD SUGAR** production will fall 369,000 tons short of consumption during 1989, according to the latest sugar report from E.D.&F. Man, the London Trade house. It cites "a myriad of imbalances which can only be corrected over time." The deficit in the Far East has taken market prices to the highest levels since 1981.

● **24,000 BRITISH** farmers have registered 7 million acres in a scheme under which farmers are offered up to £80 per acre if they agree to set aside at least 20% of their eligible arable land for five years, laying it fallow, putting it into woodland, or a range of other non-agricultural uses.