

Business Briefs

Defense

EPA plans shutdown of defense industry

The plans of the U.S. Environmental Protection Agency to shut down chunks of the defense industry were highlighted in the July issue of the *National Journal*, a Washington publication.

Under current provisions of the Resource Conservation and Recovery Act (RCRA), soon to be strengthened by new federal legislation, state officials will be able to issue administrative orders to local producers. These provisions of the RCRA will have the force of federal law. If H.R. 1056 (which passed 38-5 in committee) becomes law, actions like the raid conducted by the FBI at Rocky Flats, Colorado, trials and convictions as at the Aberdeen Proving Ground in Maryland, and gratuitous and heavy fines of military installations which have been levied by the Nuclear Regulatory Commission and EPA in recent months, will become the purview of state and local environmental agencies.

The low figure cited by environmentalists who are targeting military facilities for "cleanup" is \$20 billion—five times the amount budgeted for the Strategic Defense Initiative—and that figure does not include the fines that will accompany each EPA action.

The EPA is also making use of "contractor listing action" provisions which allow it to shut down any manufacturer alleged to be in violation of some standards—without due process. EPA contractor listing official Alex Varella told the journal that such actions are now being taken against defense contractors, without the Defense Department being notified.

Investment

Foreign holdings in U.S. reach new record

The U.S. foreign investment deficit in 1988 climbed at a record rate to a record high, the

Commerce Department reported June 28.

The net foreign debt of the United States—the difference between investment in the U.S. and U.S. investment abroad—rose \$154.2 billion in 1988, to \$532.5 billion total, versus \$378.3 billion for 1987—a 40% increase in one year. By 1992 at this rate, the U.S. deficit will exceed \$1 trillion, with the nation paying foreigners \$40-50 billion in interest and dividends. The report outlined:

- Foreign direct investment in factories and companies in the U.S. rose a record \$57.1 billion, or 21%, to \$328.9 billion.

- U.S. investment abroad grew only 7.2% to \$1.254 trillion, while foreign investment in the U.S. increased 15.4% to \$1.786 trillion, more than twice as fast.

- Foreign holdings of Treasury securities increased nearly 19% to \$96.6 billion in 1988, and holdings of other U.S. securities grew 12.6% to \$393.6 billion—in large measure supporting the budget deficit and substantial off-balance-sheet financing. In contrast, U.S. holdings of foreign securities went up only 6.4% to \$156.8 billion.

- U.S. bank liabilities to foreigners climbed 11.3% to \$609.5 billion.

- U.S. direct investment in foreign factories and companies increased only 6.1% to \$326.9 billion in 1988, the smallest increase since 1984.

Industry

Ecologists seek to ban asbestos

U.S. Environmental Protection Agency chairman William Reilly, in a move that will eliminate an entire industry, announced plans July 6 to ban virtually all uses of asbestos by 1997. The plan is expected to result in thousands of unnecessary deaths.

The ban will prohibit the importation, manufacture, and processing of asbestos, a fibrous, heat-resistant mineral used extensively in construction and industry, in fire-resistant clothing, and in friction-bearing surfaces such as brake linings. The nation now uses about 94,000 tons of asbestos each

year, down from the 700,000 tons annually used in the 1970s. The EPA says it causes cancer.

EPA estimates that the asbestos ban will cost consumers about \$460 million over the next 13 years, mostly in the form of higher prices for substitute materials, and will save 200 lives in the same period. That works out to about \$2.3 million per life saved, the EPA noted.

Robert Pigg, president of the Asbestos Information Association trade group, questioned the logic of that equation. "When you look at 50,000 automobile deaths and 140,000 lung cancer deaths from smoking each year, this gives you a perspective on the minimal risk from current uses of asbestos," he said. Furthermore, thousands of people whose lives would have been saved from fires and severe burns by asbestos clothing and insulation, will die as a result of inefficient replacements.

Health

Soviet medical care nonexistent

"In the last couple of months, because of the terrible economic crisis, medical assistance practically doesn't exist any more in the Soviet Union," stated Yelena Bonner, wife of Andrei Sakharov, in a statement to a university audience in Venice, Italy, July 3. "Not infrequently, surgeons prefer to let patients die than to operate on them, knowing they won't have medication afterwards. In two hospitals out of three, running water is lacking. AIDS cases are multiplying among newborn infants, because the second world power in arms production is not familiar with the use of disposable syringes."

The West German July edition of *Readers' Digest* ran an article with the headline, "If Soviet Citizens Become Sick," reporting the work of Dr. Champlin, of the University of California at Los Angeles Medical Center, and Mark G. Field and Murray Feshbach, of Georgetown University in Washington, D.C. The shocking details of this report include:

Briefly

- Official death statistics show a dramatic increase—from 1.58 million annually in 1964 to 2.71 million in 1986.

- The average life expectancy of a Soviet male has decreased from 66 years in 1965, to 65 years in 1986.

- Infant mortality has increased from 1971 to 1986 by 30-50%.

- The mortality rate of all age groups has increased during the last 20 years, something "unique among industrialized countries," *Readers' Digest* comments.

- Spending for the health care budget has decreased from 6.6% of the total budget in 1965, to 4% in 1987.

- There is a six-tier medical treatment system in the Soviet Union, where there are no doctors in the countryside but only medical assistants capable of administering first aid and prescribing medicinal herbs.

- There is not enough insulin for every diabetic, and even basic medicines like vitamin pills or pain killers are lacking. There is also a dramatic shortage of syringes, sterile bandages, and gauze. One hospital with 950 beds gets an average of 400 syringes for the whole year.

- One example is cited where a surgeon performed operations for three months without glove protection because there were none.

- The shortage of anesthetic drugs has led to their use only in rare cases.

- The hospital linens are being changed on the average after 10 patients.

Finance

Corporate debt in jeopardy, OECD warns

The Organization for Economic Cooperation and Development warned of the danger inherent in the structure of U.S. corporate finance in its annual "Economic Outlook" report.

The OECD expresses "concern" that in U.S. corporations in recent years, a "considerable part of the sharp growth in debt has involved LBOs [leveraged buy-outs], which increase a company's debt servicing

obligations without expanding its capacity to produce through new investment. Much of the financing of these new investments has involved high-yield 'junk' bonds. Second, these developments may have increased the exposure of financial intermediaries," such as life insurance and pension funds, as well as Wall Street firms dealing in the junk bonds—"to corporate liquidity or solvency problems, particularly in event of a recession."

The report warns that financial deregulation and recent changes in corporate tax laws have distorted incentives and "may be contributing to more fragile corporate structures." The U.S. debt-to-equity ratios for corporations have increased by 50% since 1982, according to the Paris-based economic agency.

Organized Crime

Mafia controls Italy's finances, panel says

A report presented by Italian Interior Minister Gava to the Anti-Mafia Commission charges that "the mafia is among the big financiers of Italian public debt," according to Italian press accounts July 7.

Drug money proceeds are laundered through American and European banks, especially in Spain, Luxembourg, and Switzerland, and used to purchase Italian treasury bonds and certificates of credit, denominated in liras and in European Currency Units. These state bonds, according to Gava, are the third "front of the attack by organized crime," along with the financial fronts and the stock exchange. By investing dirty money through foreign banks, Gava says, the mafia is not only lending money to the state, but also helping Italy's balance of payments and supporting the lira.

Treasury officials are playing down the significance of the report, and ridiculing the idea that treasury bonds should be made transparent. The ABI, Italy's banking association, said calmly, "The mafia is behaving like millions of other investors, choosing the most remunerative investment."

- **THE UMW STRIKE** against Pittston Coal was validated by the U.S. National Labor Relations Board July 5. The ruling said that the company had carried out unfair labor practices.

- **GENITAL HERPES** virus may infect about 16% of all Americans 15 and older, according to a Centers for Disease Control study released July 5. The virus is associated with a high risk of AIDS, according to Wendy Wertheimer, deputy executive director of the American Social Health Association.

- **BANK TELLERS** have a high illiteracy rate, according to a survey by the American Bankers Association. Over 80% of U.S. banks reported some employees lack such basic skills as math, reading, speaking, and writing, and test scores on basic literacy have fallen over the last three years.

- **MONEY LAUNDERING** reporting rules that would permit the U.S. Treasury Department to temporarily order banks in specific "hot-money" geographic areas to file reports on currency transactions of less than \$10,000, are being protested by U.S. banks which cite cost and complexity.

- **REFRIGERATORS** should not be built in Third World nations, according to Environmental Protection Agency head William Reilly. "A proposal for 300 million new refrigerators, possibly based on CFCs, makes very clear that we must engage them in this process and bring them to participate in the science," he said.

- **ENVIRONMENTALISTS** are ravaging the Amazon rain forest which Conservation International acquired in a 1987 debt-for-nature swap with Bolivia, according to the *Christian Science Monitor* July 10. No trees have been planted, mahogany forests are being logged out of existence, and native Indian protests are ignored.