

# Business Briefs

## Polish Debt

### Paris Club will reschedule debt

Poland signed an agreement on Feb. 9 with the Paris Club of government creditors, rescheduling payments on a record \$9.4 billion of official debt.

Paris Club chairman Jean-Claude Trichet, head of the French Treasury, appealed to commercial banks after the agreement was signed, to grant terms at least as favorable. Trichet said the new deal included \$3.4 billion in interest payments owed up to the end of 1989 on which Poland had fallen behind, and covered 100% of the principal and interest payments falling due between now and the end of March 1991, he said.

Poland owes about \$27 billion of its total \$40 billion foreign debt to the Paris Club.

"It's the most extraordinary agreement we've ever had," Trichet said, calling the deal historic. The Paris Club now expects commercial banks to postpone all the interest that Poland owes them—something that has never been done for any other country—he said.

## Political Economy

### Czechs reject IMF shock therapy

Czechoslovak officials have begun to reject the "shock therapy" advocated by the International Monetary Fund.

First Vice President Valtr Komarek, senior economic adviser to President Vaclav Havel, told an international conference on trade and investment organized by the Prague School of Economics on Feb. 15, "If a market economy were to start immediately, economic agony would result." He warned that at least a third of the country's production would be destroyed, and there would be economic chaos.

Komarek, who has overall responsibility for economic policy, said progress toward a market economy was important, but that freeing the market was not an end in itself, and must serve the broader goal of increasing na-

tional prosperity. The London *Financial Times* reported, "He rejected any suggestion that the government could simply unleash market forces and let things take their course. It was not feasible simply to base policy on textbook Friedmanite economic doctrine."

"We shall not be trying for an economic earthquake and seeing if we survive. We should survive in a civilized manner. Development should take the form of a well-prepared process which we can influence," Komarek said.

The *Daily Telegraph* of London on Feb. 14 also wrote, "There will be no Thatcherite revolution in Czechoslovakia, Mr. Marian Calfa, Prime Minister, pledged yesterday. . . . He told the country's new trade unions in Prague that the government would pursue a gradualist road to a market economy, rather than the fast-track approach favored by Mr. Vaclav Klaus, the monetarist finance minister."

Calfa said that "get-rich-quick" firms threatened the country's future.

## Foreign Exchange

### Turnover now 32 times greater than trade

The turnover of foreign exchange is now more than 32 times greater than world trade, according to a Bank for International Settlements study reported in the Feb. 14 *Financial Times* of London.

The daily turnover from foreign exchange "trading" which is mostly arbitrage and speculation, was \$640 billion as of April 1989, when \$14.79 trillion in foreign currencies was traded; annualized, that would be an astronomical \$177.5 trillion per year.

By contrast, world trade in goods and services was just \$460.9 billion last April, or less than \$20 billion per day, or \$5.5 trillion per year. Trade in actual physical goods—i.e., without "services" factored in—is far less.

More than half the global market in currency trading is done by the U.S., Britain, Japan, and Switzerland. In just three years, from March 1986 to April 1989, currency trading by these countries has more than doubled: Japan's grew by 140%, the U.S. by 120%, Britain by

108%. Some 90% of the transactions involved the dollar.

An amazing 58% of the deals were "spot" transactions—deals that must be settled within 48 hours. That means nearly \$400 billion per day actually has to change hands.

## Environment

### Scientist debunks global warming

George Maul, one of the world's top oceanographers, presented a study at the annual meeting of the American Association for the Advancement of Science in New Orleans Feb. 18, which shows that temperatures in the southern United States have actually fallen 1° Fahrenheit over the past 30 years.

"It's cooling and getting wetter," said Maul. "This is quite different from what the computer models suggest should be going on with global warming."

Maul, who works at the U.S. Commerce Department's Atlantic Oceanographic and Meteorological Laboratory in Miami, produced a report during 1989 showing that overall temperatures across the U.S. have been virtually unchanged during the past century.

## Third World Debt

### Ministers call for full cancellation

At a meeting in Dhaka, Bangladesh on Feb. 13, ministers from 30 of the 42 least developed countries called for immediate cancellation of their debts as an urgent priority, as well as a doubling of official development aid and more loans. These demands are to be presented at the second U.N. conference on LDCs in Paris in September, the Feb. 14 *Financial Times* reported.

Other demands included access to commodity markets, duty-free treatment for exports, and exemptions from quotas and ceilings. Prior to the Paris meeting, a team of "four ministers will tour donor countries to brief gov-

ements on the scale of LDC problems.”

During the 1980s, population in these 42 countries grew only 2.6%, export earnings fell by 0.4%, while the debt nearly doubled from \$36 to \$65 billion.

## Superconductors

### Commercialization has scientists optimistic

Scientists who a year ago were becoming pessimistic that they would soon see a new superconductor succeed in the marketplace, said Feb. 19 that the revolutionary way of conducting electricity could be commercialized within a matter of years.

“We’ve entered a period of consolidation and the progress has been really tremendous,” said Paul Chu, director of the Texas Center for Superconductivity at the University of Houston and one of the field’s leading researchers. Chu and other scientists at the annual meeting of the American Association for the Advancement of Science said that steady progress meant the first small-scale applications were only several years away.

Superconductors that work at room temperature may soon power levitating trains, electric cars, and superfast computers, and could vastly cut energy transmission costs. Japanese companies, led by Sumitomo Electric Industries and Hitachi Ltd., have made impressive strides in fabricating wires, a key to large scale applications.

## Science

### Natural foods found with higher cancer risk

Natural foods have 100,000 times more cancer-causing substances than man-made additives, and trying to ban all carcinogens from food “doesn’t make sense anymore,” a government scientist told the annual meeting of the American Society for the Advancement of Science on Feb. 19.

“The primary threat of cancer from food

comes from traditional foods” as opposed to food additives, said Robert Scheuplein, director of the Food and Drug Administration’s office of toxicological sciences. The government’s scarce health resources could be better spent, he suggested, on overall research and education on the role of diet and cancer than trying to find if individual food additives cause cancer in test animals.

Dr. Scheuplein estimated that the average consumer takes in a gram or more of natural carcinogens in food daily, compared with about 200 millionths of a gram of pesticides and other man-made chemicals. Natural cancer-causing substances in food include aflatoxin in some corns and peanuts, nitrate in smoked fish, dozens of chemicals in spices, and urethane in alcohol. He estimated that there may be 100,000 or more such carcinogens while only a handful of man-made food additives have been shown to cause cancer in test animals.

“As we get more sophisticated and our methods improve, we find that they’re all over,” he said. “The notion that you can ban one or two and improve your health doesn’t make sense anymore.”

## Automotive Technology

### U.S. manufacturing five years behind Japanese

Automobile manufacturing technology is at least five years behind that of the Japanese, the *Wall Street Journal* reported Feb. 16.

Building a car at a General Motors plant requires five work days, 4.4 days at Chrysler, 3.4 work days at Ford, while Japanese assembly plants in the U.S. require just under three work days to put out a car. In January, the *Los Angeles Times* reported how GM was unable to make a fully robotized assembly line operate properly and decided to rip out all the robots and go back to manual labor.

Japanese car design is also far ahead of the U.S. Honda is producing a four cylinder engine that has 15% more power than U.S.-built six cylinder engines, giving Honda a huge advantage in meeting higher fuel-economy standards in the future. The Japanese can design, engineer, and launch a new model almost three times faster than U.S. automakers.

# Briefly

● **THE HOUSTON** Federal Reserve District has a surplus of cash, “confirming government suspicions that it has become ‘a major collection point’ for hundreds of millions of dollars from U.S. cocaine sales,” according to the February issue of *Money Laundering Alert*.

● **U.S. OIL IMPORTS** were 54% of U.S. oil consumption in January, the highest level ever. Energy imports, mostly oil, accounted for 38.5% of the U.S. total in the first 11 months of 1989.

● **DOMESTIC PRODUCTION**, output from the nation’s mines, plants, and utilities, slipped to the lowest rate in more than 3 years, the Federal Reserve Board reported. “The bottom line is that the industrial sector is in a recession,” said Allen Sinai, senior financial economist for First Boston Co. in Boston.

● **THE INTERNATIONAL** Monetary Fund austerity measures have “managed to strangle everything, literally everything. . . . The only advice I’d have for [Polish Finance Minister] Balcerowicz is that he should resign,” er in Lodz, Poland told the Feb. 20 *Financial Times* of London.

● **THE ONTARIO HYDRO** Canadian power utility is really 51% nuclear because it has found it more economical to build nuclear plants, according to the U.S. Council on Energy Awareness. The utility plans to put 16 more nuclear plants in service, bringing the nuclear portion of its total capacity to 67%.

● **THE WORLD BANK**, under its president Barber Conable, intends to increase its spending on population control from an average of \$100 million over the past five years, to \$266 million per year for the next three years. It plans to make “family planning” an accepted practice for at least 50% of couples in the developing world by the year 2000.