Business Briefs

International Credit

Kissinger peddles his debt scheme in Brazil

Henry Kissinger will be in Sao Paulo, Brazil, on June 23, to meet with businessmen and speak on the Third World debt problem. The same businessmen are now calling on the government to reverse its decree limiting price increases to 80% of inflation, and demanding an economic plan that will reduce the public deficit and "restore confidence," before business begins to invest in the country again. He will meet with President José Sarney and Finance Minister Luiz Carlos Bresser.

On May 24, Kissinger released to the *Washington Post* an updated version of his plan for restructuring Ibero-America's debt: Capitalize interest payments and ram through the old debt-for-equity scam.

If this is not done, Kissinger writes, Brazil's "internal crisis will worsen, and populist, anti-market, anti-U.S. forces will be dangerously strengthened. . . . Of course, the most radical and most market-oriented solution would be to face facts head-on: some debtors owe more than they can ever hope to pay or service. Such candor would encourage creditors to convert their Latin American debt into securities."

Banking

Deutsche Bank signs deal with Soviets

West Germany's Deutsche Bank, together with the Soviet State Bank and its subsidiary for foreign trade, will bring together and advise firms and organizations from both countries interested in joint ventures in a working group, according to an agreement which Deutsche Bank signed in Moscow May 21. The agreement, which is valid for a year, follows a Soviet trend to place relations with Western banks on a contractual basis.

The projects to be implemented by the two Moscow state banks and the leading German bank will not be confined to preparing for joint ventures, but will set up working groups to develop new forms of financing cooperation, and will give advice on banking practice at an early stage of a given joint-venture concept. Joint advertising and, at a later date, the founding of a joint consulting company, are envisioned.

Jürgen Sengera, member of the executive board of the Westdeutsche Landesbank, said May 30 that Soviet negotiators have recently reacted more positively to Western initiatives on joint economic ventures and have even given up insisting that such ventures operate only in third markets to earn foreign currency. Sengera said he still sees problems to be solved, such as the transfer of profits, taxation, and the labor law to be applied, but said that he was greatly satisfied with the progress.

NASA

Space station key to future: Fletcher

"A space station is the key to our future in space," wrote NASA director James Fletcher in the *Washington Times* May 29. "If we want to return to the Moon or go to Mars, it will be much more economical and productive to leave from a base already in space than from Earth."

Fletcher argued, "Although the ultimate objective of our space station is to serve as a gateway to the Moon or Mars, its most significant near-term feature, essential to its utility for science, commerce, and technology, is that it will be permanently occupied."

Fletcher argued that the space station would act as a repair center for satellites, observatories, and private space platforms. "The space station's microgravity environment will enable scientists to make new discoveries in materials research and in life sciences," in addition to other primary research, such as the production of "pure biological crystals necessary for the identification of basic molecular structure.

"Our space station will certainly boost overall U.S. competitiveness and productivity, and will create an estimated 20,000 to 25,000 jobs around the country," he added. "When indirect employment is included, the job figure will rise to about 50,000 to 60,000. . . . I believe it will be one of the soundest investments our nation will ever make."

The Debt Bomb

BIS's former head attacks debt policy

The former chairman of the Bank for International Settlements (BIS) has attacked the debt policy of the Western banking community, BIS included—a policy he was most adamant in defending while head of the bank.

Fritz Leutwiler, now chairman of the major Swiss industrial group, BBC, told the annual meeting of its shareholders, "How shall developing lands come back into development, when industrial countries erect protectionist barriers against developing countries' shrinking export trade and when all their export earnings is used up in debt service?. . . Isn't it high time we in the industrial countries consider the economic, social, and political consequences of such policies?"

Only a few years ago, Leutwiler told an interviewer that even countries whose "marginal" populations would fall into starvation and death if the foreign debt continued to be paid—would have to continue paying their foreign debt.

Corporate Strategy

Maxwell drops bid for Harcourt Brace

London magnate Robert Maxwell withdrew his bid to take over Harcourt Brace Jovanovich publishers on May 28. According to a report published in the *Times* of London: "The move has made Mr. Jovanovich, son of a Polish coal miner, one of the few businessmen to have thwarted Mr. Maxwell."

The Czech-born Maxwell is the owner of Britain's *Mirror* newspaper chain. He is also the leading British member of the Club of Rome. His Pergamon Press publishes all Club of Rome writings, as well as writings of Soviet and Bulgarian leaders.

Jovanovich angrily rejected Maxwell's $2 billion bid to take over his U.S. publishing company, calling him "unfit to control the largest textbook, scientific, and medical publisher in the United States."

In his brief opposing the Maxwell bid, Jovanovich had cited the suspicious nature of the Liechtenstein-based trust which oversees Maxwell's fortune; Maxwell's pro-socialist views; and Maxwell's alleged apology for the Soviet shoot-down of the Korean Airlines 007 jet in 1983.

Jovanovich summed up: "Mr. Maxwell has money, but not enough. He has ambition, but no standing. He ought to be sent packing to Liechtenstein."

The *Financial Times* of London comments that it is not yet clear whether Maxwell's decision "amounted to retreat or surrender."

AIDS

WHO announces plan for Uganda

The World Health Organization has just announced a $6 million six-year program to fight AIDS in Uganda. The program combines public information and education with screening and protection of the blood supply, epidemiological studies, and improvement of laboratory facilities. The plan also includes screening of donated blood.

The WHO has not made clear how it expects an expenditure of a mere $1 million a year to have any real impact. The country is one of the worst affected by AIDS, with 1,138 officially reported cases since 1983, the highest reported number in Africa, certainly a vast underestiment. A report by the War on Want organization states that in Rakai province alone, in southwest Uganda, more than 2,500 people are thought to have died from "slim" disease (severe weight loss, indicating AIDS). Between 12% and 15% of 3,000 Ugandan blood samples tested in Britain have been seropositive; extrapolated to the Ugandan population, this would mean half a million HIV carriers in the country.

In 1986 surveys, tests of 100 patients at two hospitals in Kampala showed 27% and 30% seropositive, and 14% of pregnant women at a prenatal clinic were seropositive. In a 1987 test, the percentage of pregnant women infected had almost doubled to 24%.

Finance

Colombian troubles mount, project canceled

The debt of the South American nation of Colombia will rise to $15.5 billion by the end of 1987, and its debt service will amount to 45% of its total export revenues. In 1986, its debt service amounted to 37% of total export earnings.

Colombia has maintained a "good boy" record with international creditors, paying all its debts without even renegotiating the terms. It has little to show for the effort, however. This policy has placed the country in the unenviable position of currently paying much higher interest than any other Ibero-American country.

The country has recently sent three missions abroad, to the United States, Britain, and Japan, to seek $5 billion in new credits to finance its development through 1990.

But the government of President Virgilio Barco recently announced that it was selling its 50% share in the huge Cerrejon coal mining project in the northeast. Once hailed as a wise investment of several billion dollars by the country's creditors, Cerrejon was to be the world's largest coal mine project, producing entirely for export—i.e., to earn foreign exchange to meet foreign debt service.

But the project has suffered irreparably from a collapse of coal prices. Colombia therefore cannot refinance $1.5 billion that comes due shortly.

Briefly

- **UGANDAN** President Museveni announced May 15 a 400% devaluation of the currency and a currency reform that would require people exchanging their old currency for new to pay a 30% tax. Gas prices were doubled. The prices of basic goods like flour and oil have gone up, with the price of sugar rising 300%. In exchange for these measures, the IMF is to grant Uganda loans totaling $76 million. Widespread unrest is already reported.

- **DANIEL G. AMSTUTZ** resigned as undersecretary of agriculture for international affairs and commodity programs May 28. The resignation will take effect Aug. 1. Amstutz gave no explanation for his resignation except that it was "time to move on." Prior to taking his post, Amstutz spent 25 years at the investment branch of Cargill.

- **THE KRA CANAL** Committee of the Thai parliament will make a tour of the world's major canals for two months beginning in July. Thailand has committed itself to building a canal through the Isthmus of Kra, relieving the crowded Strait of Malacca.

- **ALAN GREENSPAN,** the replacement for Paul Volcker at the Federal Reserve, believes that the dollar has bottomed out, the *Wall Street Journal* reported on June 4. "Many other analysts, however, argue that the new Fed chief won't be so lucky. They believe the dollar may drop to 120 yen or below before it stabilizes."

- **BANK OF BOSTON** has announced it is adding $300 million to its loan-loss reserve following the lead of Citicorp, Chase Manhattan, and Securities Pacific. This will raise Bank of Boston's reserves for Third World debt to $430 million, or 36% of its exposure. Third World debts amount to about 5% of the bank's total loans and leases.