

# Business Briefs

## Soviet Economy

### Revive nuclear now, scientists say

Top-level Soviet nuclear physicists and representatives of the nuclear power industry have issued an urgent appeal to President Mikhail Gorbachov, to the Supreme Soviet, and to all the Soviet republics warning that the backlash against nuclear energy in the U.S.S.R. had reduced the industry to total disarray, and calling on the government to revive nuclear power before the energy grid collapses.

Participants revealed that design and construction of nuclear generating capacity totaling more than 100,000 megawatts, the equivalent of some 50 medium-sized stations, had been halted because of public protests and pickets against nuclear construction in several parts of the country. There has also been a collapse in recruitment into atomic engineering which could force some plants to be closed for lack of qualified operators, they warned.

The scientists warned that discontinuing nuclear plant construction across the U.S.S.R. "results in direct losses worth billions of rubles, a figure that could multiply many times in the future. Highly qualified collectives are falling apart, the enrollment of gifted young people in higher schools is falling off. . . . If the situation does not change soon, the need may arise to shut down nuclear power plants, leaving entire regions of the country without power supplies."

## S&Ls

### Deregulation the culprit, says Hollings

Sen. Ernest "Fritz" Hollings (D-S.C.) free trade ideologues and deregulation for the collapse of the savings and loan industry, in a speech to the National Press Club on July 12.

"The Keating Five are not guilty of doing anything I wouldn't have done myself if asked to . . . they intervened on behalf of a constituent," Hollings said. "Once you deregulate

. . . of course you are going to have failures. . . . You complain about fraud? They were just doing what you told them to . . . you told them there were no rules . . . what do you expect."

Hollings quoted Henry Clay and Alexander Hamilton at length on the need for a policy favoring manufacturing. "Everyone else in the world has grasped this truth. It is high time we did too. If our government can't meet the competition, then industry will move to a government that can. The cry of free trade and setting of the example by the United States will leave us denuded.

"The international banks like Chase and Citicorp that finance the multinationals joined in the 'free trade' chorus to ensure the payment of their loans. And they moved further to amplify free trade orthodoxy through the Trilateral Commission and a raft of subsidized academic institutions and think tanks.

"Of course, the major retailers receiving a greater markup from imports joined in the tune, 'Free trade, free trade.' And newspapers, receiving some 80% of their revenues from retail advertisers, gladly parrot the party line spewing out of Wall Street." But, said Hollings, quoting Henry Clay, free trade "never has existed. And never will."

*New Republic* columnist Robert Kuttner also said in the July 23 *Business Week*, "make no mistake: Partisanship aside, the S&L mess was brought to you by deregulation." There is no such thing as "free market" banking, he said, since the "business of banking is intimately tied to the government. . . . Banks are not exactly creatures of the free market."

## Infrastructure

### Europeans seek to build Texas rail system

Two European-American consortiums are seeking to build a Texas rail system linking Dallas, Houston, and San Antonio.

A French consortium, Texas TGV, and a German-based consortium, Texas High Speed Rail Joint Venture, have each paid a \$100,000 fee to the Texas High Speed Rail Authority

to cover the cost of reviewing their proposals, which have to be submitted in detail by February 1991. Both groups have teamed up with American firms and plan on going with current technologies. The French team wants to build a system modeled on the TGV "Atlantique" while the Germans propose using the ICE, according to the July 20 *Houston Chronicle*.

"It would be amazing to me if Texas opted for a 19th-century technology rather than 21st century," said U.S. Rep. Robert Mrazek, (D-N.Y.) "And it would be a mistake."

Pragmatists in Texas, who want to go ahead with the conventional technology of TGV or ICE, say it is cheaper, faster, proven, quicker to construct, and claim magnetically levitated technology is not yet ready for practical application.

## Leveraged Buyouts

### Revco sale may be a fraudulent conveyance

Revco, the U.S. drugstore chain, was so short of capital at the time it was acquired through a \$1.3 billion leveraged buyout, that it was virtually insolvent, a preliminary finding by a U.S. bankruptcy court has found.

The investors who acquired Revco put up only \$18.9 million in cash, financing the rest of the deal with bank loans and \$800 million in junk bonds; the company failed less than two years after the takeover. If the failed company gained no value from the debt burden the buyout investors saddled it with, the July 18 *Financial Times* reported, then the deal amounts to a "fraudulent conveyance" and Revco's creditors may have grounds to sue the investment bankers, accountants, lawyers, and other parties involved in the deal. The investment banker in the Revco case was Salomon Brothers.

"My research suggests . . . that highly aggressive leveraged buyout deals may create significant fraudulent conveyancing risks," said Brooklyn bankruptcy law professor Barry Zaretsky, who is conducting the Revco investigation for the court.

## Energy

### Indonesians say nuclear is the only alternative

Indonesian Mines and Energy Minister Ginandjar Kartasmits said the increased need for electrical power by industries in Java and the limited availability of other power sources has made the use of nuclear power essential.

Kartasmits's comments came after the recent signing of an agreement to build Indonesia's first nuclear power plant. Companies from Japan, Europe, and the U.S. have submitted proposals to build the plant.

By 2015, people on the northern coast of Java alone will consume about 27,000 megawatts of energy, while the capacity generated by water, geothermal activity, natural gas, and coal will reach only about 20,000 megawatts in that year, according to officials quoted in the *Bangkok Post*.

## Africa

### Chirac urges debt reduction, customs union

In order to reestablish economic growth in Africa, Paris Mayor Jacques Chirac insisted to the International Association of Mayors meeting in Tunis, Tunisia, on July 17, creditor nations must do whatever is possible to reduce the debt of African nations.

Chirac detailed the reasons for the current economic crisis in Africa: 1) the prices of "raw materials" which continue to be set "in an unjust manner" by other than the producing countries; 2) the accumulation of foreign debt of a total of 1.4 trillion francs; 3) the disengagement of private investors from Africa.

Chirac denounced the reductions in public aid to Africa from the advanced sector countries, in particular the U.S. and Japan, whose total aid is less than 0.15% and 0.25% of their GNP, respectively. He said the International Monetary Fund (IMF) and World Bank should increase their aid while the debt totals are un-

pegged from currency fluctuations.

Chirac said more has to be done to maintain private investors who have been fleeing Africa for the past few years. "Africa needs four or five customs unions" which would offer the type of security to private investors they are now getting with the new Union of Great Maghreb in North Africa, he said.

"There are those who speak abstractly of human rights," said Chirac, "while the first human right is that of being nourished and healthy."

## Cold Fusion

### New results announced, witchhunt condemned

New cold fusion results were announced by Dr. Fritz Will, director of the National Cold Fusion Institute, at a press conference in Salt Lake City, Utah, on July 19. Among the developments announced were a neutron physics experiment at the University of Osaka, Japan, which has uniquely determined the energy spectrum of neutrons emitted during the deuterium loading of palladium electrodes in lithium deuteride, thereby confirming cold fusion.

Will also announced that neutron bursts and significant tritium generation have also been demonstrated on deuterium gas-loaded tritium chips at the Bhabha Atomic Research Center in India.

Will condemned the witchhunt against cold fusion researchers. "The unproductive controversy continues in the United States . . . fueled by a small number of vocal nuclear physicists, and a few others. Unethical and unprofessional methods are now being employed by these few in an almost desperate attempt to prevent scientists from pursuing the exploration of these new scientific phenomena: Positive results on cold fusion have been suppressed at several universities; young professors have been warned that they would not receive tenure unless they would disassociate themselves from cold fusion; pressure has been applied on sponsors of cold fusion work to withhold or cut research grants for cold fusion," he said.

● **APPLE GROWERS** in Canada are in a severe crisis following the Free Trade Agreement with the U.S. and the recommendation of a British Columbia royal commission that all subsidies to growers be ended. David Hobson, vice president of the B.C. Fruit Growers' Association, believes the industry will collapse 75-80% over the next 2-3 years.

● **OIL IMPORTS** by the United States reached 52.3% during June, according to the American Petroleum Institute, shattering all previous records. "Falling domestic crude oil production has become the main force at work in expanding the gap between domestic supply and demand," the API said.

● **THESEABROOK**, New Hampshire, nuclear power plant reached full operating power (1,150 MW) on July 19, providing electricity for more than a million homes.

● **AIDS WILL INFECT** every third housewife in Bombay, India by 1995, Dr. A.S. Paintal, director general of the Indian Council of Medical Research, has warned. Paintal said something has to be done on a war-footing to prevent this disaster.

● **DIAZINON** became the first pesticide to be banned because of "risks to birds" when Environmental Protection Agency administrator William K. Reilly issued a final order July 19 banning its use on golf courses and sod farms. A judge had ruled in January 1988 that the benefits of its continued use outweighed the risks to birds, but an Appeals Court put the decision back in the hands of the EPA.

● **BANK OF MELBOURNE**, one of several Australian building societies which have been converted to commercial banks, had to distribute extra cash to its branches on July 17 as depositors lined up for "the second day of a run on the bank," the July 18 *Financial Times* reported.