Business Briefs

Trade

Reagan cuts Thai preference privileges

President Reagan has approved $170 million in cuts in Thailand's Generalized System of Preferences privileges, a U.S. administration source said Dec. 29, according to the *Bangkok Post.*

Labor Congress of Thailand president Thanong Pho-arn said workers were afraid the cut would cost them their jobs, and the four labor congresses are submitting a letter to Thai Prime Minister Chatichai.

"A GSP cut will certainly affect a large number of workers engaged in the production of goods intended for the United States," he said.

The Reagan measure is only the latest in a series of actions amounting to generalized trade war against U.S. allies around the world.

Foreign Debt

Venezuelan 'moratorium' okayed by bankers

Venezuela's image as a model debtor has been "tarnished" by its seeming "debt moratorium," according to Reuters wire service. But the evidence is that the suspension of payments on principal declared at the end of December by outgoing President Jaime Lusinchi was prearranged with President-elect Carlos Andrés Pérez, and, as that would indicate, with foreign creditors themselves.

Venezuela, virtually the only country in Ibero-America which had continued to meet principal payments instead of just interest, was running out of liquid foreign exchange. Hence, the moratorium on principal.

Venezuela's banking community is well-pleased by the measure. Banker Pedro Tinoco said the measure "ensures the possibility of using our trade credit lines" and maintaining accustomed levels of imports. He was seconded by central bank head Mauricio Garcia Araujo.

This suggests that the Venezuelan financial elite knew in advance that there would be no retaliation against the country's trade credits, unlike the sanctions enforced against Brazil by foreign creditors during its moratorium.

Banker Tinoco is very close to Carlos Andrés Pérez (CAP), a leader of the Socialist International and so, an asset of the creditors' cartel. Tinoco's statements suffice to demonstrate that the Lusinchi debt move was made with CAP's approval, and is no doubt part of a ballet with foreign creditors' to accompany his assumption of power in February.

Austerity

Yugoslav gov't falls, debt moratorium looms

Prime Minister Branko Mikulic of Yugoslavia resigned Dec. 30, after the Federal Assembly refused to accept his austerity budget for 1989. The government had drawn up the budget to meet International Monetary Fund conditions for drawing on a $400 million standby credit granted last June. Mikulic appealed to the parliament to accept the package so Yugoslavia could meet "its obligations to the IMF," but the budget was doomed the previous day, when Croatia and Slovenia, two of the country's six republics, rejected it.

The Mikulic budget was a prescription for social upheaval. It featured wage cuts in the state sector, and health and education spending cutbacks. Inflation in Yugoslavia is running at an annual rate of over 250%.

The Yugoslav media are now filled with the first open discussion of a debt moratorium. *Borba,* the ruling party's paper, quoted an unnamed member of the ousted cabinet, who said the vote had "essentially wrecked the standby credit with the IMF." Inability to meet the $1.6 billion due in 1989 on principal payments, he said, "will now confront us with the possibility of declaring a debt moratorium."

There was no clear sign as to who would succeed Mikulic, but German sources estimate that possible candidates from Serbia, Croatia, and Slovenia would each fail to win a clear majority. Serbian strongman Slobodan Milosevic has not made a bid, and may be waiting in the wings to grab for a higher post, perhaps in the party leadership.

On Jan. 5, it was reported that key economic sectors were exploiting the lack of national leadership, to impose their own price hikes—such as a 34% jump in railway fees. A strike wave, which broke out in the week before the government fell, continues to spread, including among miners in the politically volatile Kosovo province of Serbia.

Dope, Inc.

Drexel barred from casino finance?

Under New Jersey licensing law, Drexel Burnham Lambert, the "junk bond" firm recently convicted on insider trading charges, may be barred from doing business with casinos in Atlantic City. In that case, the Bally Manufacturing Corp., a major casino interest founded by the Meyer Lansky syndicate, may be the first client lost, as it is planning a major debt refinancing following the spin-off of its hotel and casino businesses.

Anthony Parrillo, the director of the New Jersey Division of Gaming Enforcement in the State Attorney General's Office, told the *New York Post,* "If you're convicted for a felony, it automatically disqualifies you for a license."

Drexel was forced to apply for a casino service industry license last year because they helped to raise billions of dollars for the casino industry in New Jersey. Under New Jersey law, a company that is paid $50,000 by one casino or $150,000 by several casinos must be licensed. Drexel, one of the largest financiers of New Jersey's casino racket, was the only investment firm required to obtain such a license. Its clients included Ramada, Holiday Corp., Golden Nugget, Bally, and Caesar's. From 1987 to July 1988, Drexel managed more than $2 billion in financing for the casinos.

No Division of Gaming Enforcement ruling has been made on Drexel's New Jersey license, however, pending the outcome of its insider trading settlement talks with the Securities and Exchange Commission and the U.S. Attorney's Office.

Demography

Vietnam enforces no-child policy

The Vietnamese government is punishing large families with starvation. New population control regulations announced in October cut by two-thirds the monthly rice subsidy for families who have exceeded the government's mandatory two-child-only campaign.

The *Washington Post* reviews the case of a family of nine who had already been slapped with fines which, for each "illegal" child, exceed what the father of the household makes in a month. Now, the family, whose main food is rice, will have less than a third of its already tiny ration to live on.

The government's program of contraceptives, abortions, sterilizations, and vasectomies has already reduced population growth from 3% to 2.1-2.5% annually. The goal is to cut it to 1.7% by 1990.

Malnutrition, already evident before the new Council of Ministers policy, will no doubt increase because of it. Reports from October and November spoke of a very poor rice crop, and people in various parts of the country were said to be threatened by starvation.

Agriculture

U.S. offers subsidized wheat sales to China

The U.S. Department of Agriculture on Dec. 30 offered to subsidize sales of 1 million tons of wheat to the People's Republic of China. It was the second such U.S. offer to China in that month.

According to the *Bangkok Post,* China was the leading buyer of U.S. wheat last year, purchasing 6.4 million tons since June 1.

Weather damage to its crop and economic disincentives to plant grain have helped spur China's wheat buys to almost double last year's level, with five months left in the marketing year.

China's wheat harvests have been poor for the past four years. Droughts and flooding during the past season made 1988 a disaster year. China's state radio said on Dec. 30 that the nation's 1988 grain harvest is 394 million tons, 2% less than last year and almost 4% below the 410 million ton target.

S&Ls

New Jersey thrifts keep going under

Four of New Jersey's troubled thrift institutions have struck merger agreements with supposedly healthier institutions.

Polifly Financial Corp. of Hasbrouck Heights has agreed to acquire Fellowship Savings and Loan Association of New Milford. Fellowship has been strapped for cash since the stock market crash in October 1987.

Analysts told the press that the reason so many of New Jersey's thrifts are in trouble is that the New Jersey economy was so "strong"! By that, they meant that there was so much real estate development, in which these savings and loans invested, that the bubble burst. Office vacancy rates in New Jersey are as high as 23.4%, compared 12.5% in Manhattan. And yet, Hartz Mountain Industries recently received approval to build a 19-story office building in Jersey City, without having signed any tenants.

Three other New Jersey thrifts were declared insolvent and taken over in 1988. That brings the total of failed savings and loans in the state to eight.

According to SNL Securities of Hoboken, there are seven more insolvent thrifts in New Jersey. While experts blame primarily bad real estate loans, some S&Ls blame consumer lending, primarily an increase in bad auto loans, a sure indication that New Jersey's economy is no longer that "strong."

Briefly

● **TRADE UNION** defense attorneys in New Jersey have filed documents in federal court charging that an unprecedented lawsuit against some unions by the Department of Justice, using Racketeer Influenced and Corrupt Organizations (RICO) laws, would in effect permit the government to take over the labor movement, and abrogate the National Labor Relations Act.

● **TRADE** among Japan, South Korea, Taiwan, Hong Kong, Singapore, the six ASEAN nations, and China was $189 billion in 1987, a 30% increase over 1986. Trade between these nations and the United States was $258 billion, but grew only 14%. By 1990, if these trends continue, trade within the western Pacific nations would surpass trade with the United States.

● **U.S. CATHOLIC** Bishops will sponsor a euthanasia conference, "Critical Issues in Contemporary Health Care." Jan. 30-Feb. 3 in Dallas, Texas. It will discuss the "burdens" of feeding patients. Speaking will be Rev. Kevin O'Rourke, O.P., who tells families to starve relatives if keeping them alive causes the family "psychic pain" or the money could be better spent elsewhere.

● **JAPAN'S** Nikkei-Dow Stock Index led all major stock markets in 1988. Reaching an all-time record level of 30,159 points, it increased by 42% from January through December. The poorest of the big markets was London, which grew less than 3%. New York grew 7.6%. Most European stock index levels increased between 25% and 40% during the post-October 1987 period.

● **THE PHILIPPINES** will honor its foreign debt, said President Corazon Aquino in a press conference Jan. 3. "We will not go into confrontational situations with our creditors, but hopefully there will be some measure which our creditors will undertake in order to ease the debt burden."