Business Briefs

Energy

ARCO set off oil industry retrenchment

It was the Atlantic Richfield Oil Company—headed by Robert O. Anderson, of the Club of Rome and board of directors of Kissinger Associates—which kicked off the recent wave of oil-company retrenchments and "rationalizations." Both Phillips Petroleum and Texaco announced the week of May 13 that they will be selling off parts of their operations.

ARCO announced at the beginning of May that it was closing down its headquarters, and all retail-marketing operations, in Philadelphia. The Philadelphia *Inquirer* editorially welcomed the ARCO move, as a "painful, but necessary and hopeful" step toward bringing Philadelphia into the "post-industrial society."

A former ARCO official told a journalist May 16 that he had "predicted" the Phillips Petroleum move, as reported at the time in *Business Week*. "ARCO has been looking to rationalize for a long time," the former official stated.

The *Wall Street Journal* reported on May 14 that the Department of Energy is now investigating ARCO for dealings with oil speculator Marc Rich. A former ARCO officer, Frank Smith, told the DOE that there were billions of dollars of oil sales between ARCO and Marc Rich & Co., which enabled ARCO to get a higher price for its oil. Rich is now in Switzerland, a fugitive from U.S. justice.

The Oligarchy

Thurn und Taxis caught in bank scandal

The recently bankrupted Treuwo Investment Corporation, owned by funds of the family of "black" oligarch Prince Johannes von Thurn und Taxis, has been exposed for running a major bond-trading swindle with three other banks.

Rothschild's Bank of Zurich, Metzler & Co. of Frankfurt, and Marcard & Co. of Hamburg had traded about 100,000 investment bonds issued by Treuwo—although the investment company was not officially licensed to issue such bonds. Thousands of bondholders lost their money when Treuwo went bankrupt recently.

The case is under official investigation for violation of German banking laws.

Investigative journalists in Munich learned on May 13 that a key figure in the Treuwo bond swindle was investment broker Rainer Burmeister, one of the German operatives of the Investors Overseas Services swindle of Bernie Cornfeld and dope-runner Robert Vesco. It is suspected that Burmeister was the one to contact Dr. Engels, the investment and real-estate manager of Prince Johannes von Thurn und Taxis, to help set up the Treuwo real-estate operation.

Biological Holocaust

AIDS rampant in Brazil

Brazilian Health Minister Carlos Sant'anna reported on May 15 that AIDS has now been detected in 10 states in Brazil. Sant'anna submitted a bill to the Brazilian Congress to set up a national program to deal with the rapidly spreading disease.

"The incidence [of AIDS]s took off in the past three months, and this is very serious," Sant'anna stated. Known cases already total 292, and 125 deaths from AIDS have been recorded. Brazil is now the country second-hardest hit by the AIDS epidemic in the Western Hemisphere, after the United States.

Dope, Inc.

HongShang moves into Spain

The Hongkong and Shanghai Bank, the "central bank" of the drug trade in the Far East, has opened up an office in the Spanish capital of Madrid.

HongShang president Michael Sandberg recently told the Madrid daily *El Pais* that he decided to open up a branch office because "Spain's economic philosophy has changed, and the protectionism rampant for years has ceased. . . . The sky is the limit to what we can do."

The bank intends to play the principal role in Spanish trade with Communist China, Sandberg said.

The bank's leading role in heroin trade financing and money-laundering, principally through the Golden Triangle region of Southeast Asia, was documented in the 1978 best-seller, *Dope, Inc.*, commissioned by *EIR* founder Lyndon LaRouche. The charges led New York State banking authorities to deny the HongShong permission to purchase New York's Marine Midland Bank in the following year—although Federal Reserve chairman Paul Volcker overrode state law to allow the takeover.

International Debt

IMF puts Yugoslavia through the mill

The International Coordinating Committee of Yugoslavia's creditor banks will descend on Belgrade the week of May 20 to discuss rescheduling Yugoslavia's 1985 debt. Fulvio Borich of Manufacturers Hanover Bank will lead the delegates.

New Yugoslav President Radovazn Zvlajkovic, of Vojvodina province, will have to face hard-currency foreign debt now amounting to $19 billion, the London *Financial Times* reported on May 15. Together with interest, double that sum will have to be repaid over a period extending into the next century. Inflation in Yugoslavia is currently 80% annually, and total unemployment is over 1 million.

Living standards have fallen by nearly 50% in the last five years. The average monthly wage is only about $100, but a four-member family needs double that sum for food alone. As a result, many families in Belgrade cannot even afford their rent, gas, or electricity.

Yugoslavia has already agreed with the

IMF on a $300 million standby loan for 1985-86, and has arranged rescheduling of its 1985 debt payments to its Western government creditors. But an agreement with its commercial creditors in the West is stymied because of the bankers' insistence on 1.25% over Libor on rescheduled debt and retroactive application of this rate to 1983-84 debt—which has already been rescheduled.

The Yugoslav government reports only a 1% increase in exports for the first four months of 1985, against a higher increase in imports.

Banking

Conti shareholders to lose all

Continental Illinois, the nation's eighth-largest bank when it went under a year ago, announced May 8 that most of the old shareholders in the reorganized Conti-Illinois Corporation will see their stock values wiped out.

Under last June's $4.5 billion federal bailout of the bank, the FDIC assumed some bad Conti loans, but reserved the right to buy out all Conti common stock for $0.00001 each—i.e., expropriate the stock—if the loans turned out to be bad.

In the past year, the FDIC has lost some $800 million on bad Conti loans, and has now called in the Conti stock. The Ohio bank run in May had disastrous results for Conti: Common stock had been over $25 per share, with $1.7 billion total shares outstanding. By May 8, the stock had plummeted to $1 per share, at a $40 million total. Since May 8, stock values have fallen to zero.

Austerity

IMF power over U.S. to grow: Morris

Assistant Secretary of State Robert Morris has asserted that IMF surveillance over the U.S. economy will be "more meaningful" after the Group of 10 report comes out in June.

Speaking to the National Economics Club this week, Morris said the G-10 report's intent will be to extend surveillance powers over not only policy, but also national economic performance, aimed at regulating inflation and growth factors toward "global convergence."

This means, among other things, he said, slowing U.S. growth. Such moves are the IMF's "only hope of averting potential disaster that could arise from those who are pushing for fundamental reform in the world monetary system by holding world trade hostage to such reforms in a way that could trigger an orgy of protectionism."

Defense

No U.S. capability for war mobilization

The United States is no longer capable of the economic mobilization that carried it to victory in two world wars, warned Rep. Helen Delich Bentley (R-Md.). Bentley, chairwoman of the Federal Maritime Commission from 1969 to 1975 and a member of the House Merchant Marine and Fisheries Committee, was interviewed for the May 6 issue of *Sea Power*. The interview is entitled: "No Steel, No Weapons, and No Workers."

Said Bentley: "The myth that permeates this whole Washington mentality is that we revved up our engines in World War I and revved them up again in World War II and we can do it again. Number one, we are not going to have the time to rev up. Number two, we are not going to have the people with the skills to rev up. I look around my district now and see apartment buildings, office buildings, and shopping centers going up. I don't see any new manufacturing going up, or being expanded. In fact, manufacturing is going down, down, down.

"The people who knew how to make and operate machine-tools—where are they? They've gone to other jobs. And there are no replacements for them coming on. The skilled people in the steel mills, in the shipyards—same."

Briefly

● **CHINA** and the United States have signed an economic deal whereby U.S. firms will refurbish 400,000 outmoded Chinese factories. In addition, U.S. computer firms will set up a training center in Dalian. Commerce Secretary Malcolm Baldrige, who signed the deal, wanted a comprehensive investment treaty, but the Chinese refused.

● **COLOMBIA'S** foreign minister, Augusto Ramirez Ocampo, told Italian Foreign Minister Giulio Andreotti of "Colombia's sadness as a member of the Cartagena consensus at the lack of response at the Bonn summit to the letter signed by Uruguayan President Julio Sanguinetti," which contained proposals for dealing with the world debt crisis. The summit did not even acknowledge the letter.

● **IOWA** is the number-one state in the United States when it comes to banking failures: Seven banks have folded up so far this year, all of them farm-related, and 48 others are reported to be in "trouble." California is number-two, with six failures this year.

● **HOUSTON** sets new records every week in the unenviable category of "Home Foreclosures," which are up 87% from one year ago. Foreclosures averaged 500-600 per month in the early 1980s. The present monthly average is nearly 2,000.

● **BANGLADESH'S** former Finance Minister A. M. A. Muhith has stated that the International Monetary Fund is "too demand-management oriented." Muhith, speaking at a Society for International Development conference in Washington, said that IMF efforts to "reduce demand" through austerity are exacerbating the international debt crisis, which is becoming "increasingly serious."