

Business Briefs

Corporate Finance

Justice Dept. to pay \$6.8 million in damages

The U.S. Justice Department was ordered on Feb. 1 to pay Inslaw, Inc., a Washington, D.C. computer software company, a total of \$6.8 million in damages for misappropriating one of Inslaw's software programs. U.S. Bankruptcy Judge George Francis Bason, Jr. handed down the ruling in the case, which has been the subject of a three-year legal battle.

Inslaw alleged that Justice Department officials tried to drive it out of business and steal the software program. Inslaw filed for bankruptcy protection in February 1985. Judge Bason ruled last September that the Justice Department had used "trickery, fraud, and deceit" against the company because of a personal vendetta against the company by Justice Department officials.

According to a report in the *Washington Post* on Feb. 2, Judge Bason also filed suit to block his own replacement on the bankruptcy bench by a Justice Department attorney, S. Martin Teel, Jr., who had worked on the Inslaw case. Bason claimed he was denied due process in the selection process.

"I do not know what charges have been made against me," the judge said at a press conference, "nor do I know what may have motivated whoever may have made those charges. I do know that the decision to pass me over in favor of a person who is obviously far less qualified and far less experienced than I, can only be described as arbitrary, capricious, and utterly lacking in any factual foundation."

International Trade

U.S. ends agreements with four Asian partners

The Reagan administration announced on Jan. 29 that it was ending special trade preferences for Taiwan, South Korea, Hong Kong, and Singapore, in an effort to reduce the U.S. trade deficit. The special program

for developing countries, known as the Generalized System of Preferences, had allowed the four partners to export \$10 billion a year of products to the United States duty-free. The duties on that amount would be about \$500 million, or 5%.

Analysts in Europe said that the decision effectively meant that the four nations had reached the ranks of "developed countries," and that the European Community would likely follow the U.S. decision.

Officials of the affected countries responded angrily. South Korean Trade and Industry Ministry officials said that South Korea plans to file charges with the General Agreement on Tariffs and Trade (GATT) that the United States unilaterally reneged on its agreements. They said that South Korea, with a per capita income of less than \$3,000, is still a developing country.

Singapore's President Lee Kuan Yew said that the U.S. action was "part of election-year politics under an administration that has few options besides bashing up trade-surplus countries." He pointed out that the United States had promised Singapore only seven months ago that it would get a favorable deal on duty-free access to the U.S. market, if it tightened copyright laws to protect U.S. interests. If Singapore reaches new agreements with Washington, Lee said, "there is no telling if the U.S. will respect the agreement in letter and spirit."

East-West Trade

Germans chart expansion of Soviet railroads

A delegation from the West German transport industry visited Moscow at the beginning of February, for a conference on how to modernize the Soviet railway system.

The German Transportation Forum, which combines 130 industrial suppliers of the national railways, and Soviet Minister of Transportation Nikolai Konarev discussed construction of a second Trans-Siberian railroad, the modernization of the Soviet railroad tracks, electronic guidance, data-processing of mass transportation of industrial goods, and the installation of an

electronic signal system.

Special emphasis was placed on increasing the volume of daily cargo transport in the Soviet Union, which is at 11 million tons now. The Soviets are offering to repay the planned German investments in a second Trans-Siberian railroad track by free transportation by rail of German goods to Siberia and the Far East.

The German delegation, which was led by the President of the West German National Railways, Rainer Gohlke, included representatives of Deutsche Bank, AEG, Krauss Maffei, Preussag, Siemens, and Salzgitter Steel.

'The Recovery'

U.S. budget cuts hit military employees

Cuts in the Pentagon budget led to drastic new austerity measures in January and February, hitting military personnel and defense-related industries:

- On Jan. 29, the Air Force approved layoffs of up to 10 days for 84,000 employees in its Logistics Command, and warned that further furloughs may be necessary. "Massive furloughs within the Air Force will occur because of inadequate funds," the American Federation of Government Employees said. Cuts in the Strategic Air Command and Air Training Command are also under consideration.

- On Jan. 31, Defense Secretary Frank Carlucci announced that all domestic and overseas civilian and military personnel will be given a 10-day furlough. He claimed that this would save billions of dollars, meeting budget requirements, without harming, in any permanent way, the nation's defense preparedness.

- Defense contractor TRW, Inc. has announced plans to lay off about 3,000 employees, believed to be working on a classified spy satellite project at a Redondo Beach, California facility. The layoffs may signal the end of production of the KH-12, America's most expensive eye-in-the-sky, said John Pike of the Federation of American Scientists, according to a report in the

Washington Times on Feb. 3. But other analysts said that Lockheed Corp. builds the KH-12, whose existence the Pentagon does not admit, and that the TRW layoffs may mean cancellation of another "black" program in the shrinking defense budget.

Singapore's Minister for Trade and Industry Lee Hsien Loong called the move "a foul blow."

U.S. Agriculture Secretary Richard Lyng arrived in Singapore on Feb. 2.

Health

Davos forum hears cover-up on AIDS

Seven hundred industrialists, bankers, and government officials attending the World Economic Forum in Davos, Switzerland Feb. 1-2 heard the kingpins of the international "AIDS expert" mafia, and others whose qualifications to speak on the matter are even less apparent, unanimously reject mandatory testing for the disease. Instead, speakers called on business leaders to handle the health problem through "education" and "compassion" for victims.

Jonathan Mann, head of the World Health Organization's AIDS program, insisted that the only way to combat the disease was through education and changing risky behavior. He advocated purely voluntary testing.

Frank Young, U.S. Food and Drug Administration commissioner, called AIDS "a giant shadow on industry, because it is most prevalent in those between the ages of 29 and 49—the very strength of the workforce." AIDS costs in the United States are expected to reach \$55.6 billion per year by 1991, he said.

Young warned that companies which had not developed a strategy on AIDS, could react with fear and panic when faced with infected employees. "A good educational program should begin by concentrating on the way in which AIDS is and is not transmitted. All employees, from chief executive officer to the most junior employee in the company, need to know that they will not

contract AIDS by touching the doorknob, sharing bathrooms, using telephones or machinery that has been handled by an infected individual, or even touching an infected individual."

Robert Maxwell, the British press magnate who specializes in publishing the works of Soviet leaders, accused industry of "lethargy" on the AIDS issue, which he called "one of the most intricate and complex challenges ever to be thrust upon us." Maxwell's recommendation was to treat AIDS-infected employees with "neutrality" and "compassion."

Defense & Aerospace

Brazil to sell arms to Libya

Brazil is currently negotiating to sell Libya \$2 billion in high-technology military equipment. A top-level Libyan purchasing team has been touring the facilities of Brazil's top arms manufacturing firms, and expressed interest in tanks, a subsonic fighter jet, anti-tank weapons, air-to-air missiles, and surface-to-surface ballistic missiles with ranges of 100, 600, and 1,000 kilometers.

Washington, which recently banned Brazilian computer imports to the United States, is strongly protesting the negotiations with Libya.

While Brazil claims that everything under negotiation with Libya is "defensive," State Department spokesman Charles Redman said, referring to long-range missiles, "We don't regard such weapons as defensive. These types of weapons have been used in Libya's aggression against Chad." He added that Libya's Qaddafi still supports international terrorism. In the past, he said, Libya has transferred weapons purchased from Brazil to Iran.

Brazilian Foreign Minister Abreu Sodre rejected an earlier protest from the United States as of "no consequence," and Brazilian officials have said that Brazil has no choice but to sell as much in armaments as it can, to earn foreign exchange.

Briefly

● **THE PUBLIC SERVICE** Company of New Hampshire filed for bankruptcy protection on Jan. 28, the first major public utility to do so since the Great Depression. The decision followed rejection by the New Hampshire Supreme Court of the company's request for a 15% emergency rate increase and for permission to charge customers for its \$2.1 billion investment in the Seabrook nuclear plant, until the plant begins to operate. The Seabrook plant, completed in 1986, has not been granted an operating license.

● **NICHOLAS BRADY**, chairman of Dillon, Read and author of a report commissioned by the President on the Oct. 19, 1987 stock market crash, told the Senate Banking Committee on Feb. 2 that a crash could happen again. "We must act to prevent a recurrence of the events of October," he said. "We are looking down the barrel, and the gun is still loaded."

● **WEST GERMANY'S** largest energy producer, Vereinigte Elektrizitätswerke Westfalen (VEW), is on the verge of bankruptcy, as a result of the current freeze on nuclear power, a company official announced Jan. 28. The company has invested several billion deutschmarks in nuclear projects under construction. Most of its operation is concentrated in the Ruhr industrial heartland of Germany.

● **A TRIPLE-A RATED** savings and loan institution's preferred stock auction failed for the first time to attract sufficient buyers on Feb. 3. The issuer was a subsidiary of First Federal Savings of Arkansas.

● **U.S. EMBASSY** officials in the Zambian capital of Lusaka say that the Reagan administration has halted development aid to Zambia until it starts repaying \$4 million of the debt it owes the United States. Zambian Finance Minister Gibson Chigaga was quoted by the *International Herald Tribune* on Feb. 5 saying, "We do not have the funds to pay."