

Business Briefs

Dope, Inc.

Malaysia passes bill against drug financiers

The Malaysian parliament passed a bill March 24 giving sweeping powers to the police to seize and confiscate property and profits they believe to be the result of drug trafficking.

Deputy Home Minister Megat Junid Megai Ayob said the bill was aimed at drug syndicate financiers and money launderers who heretofore could escape prosecution because they seldom ever handle drugs.

The bill, which will now be sent to the largely appointed Senate for approval and then to the king for his assent, provides for the seizure and forfeiture of any property, assets, or profits obtained from drug trading.

Great Britain, the United States, and France have similar legislation.

Agriculture

Politburo discusses grain-farming problems

The Soviet government has wanted to make grain production in the Soviet Union more modern, but it sounds as if the Soviet peasant and bureaucrat will have none of it.

At the March 24 meeting of the Politburo of the Soviet Communist Party's Central Committee, according to *Pravda*, "an examination was made of progress in fulfilling the July 11, 1986 decision to enhance the stability of the country's grain farming and increasing the gain and fodder resources. A breakthrough in grain farming has not been achieved."

Continued *Pravda's* report, "The planned volumes of grain production are not being secured. . . . Resources being invested are not producing proper returns. Shortcomings in the production of pulse crops have not been overcome and this is leading to great over-consumption of fodder grain.

"Scientifically-based land cultivation systems are being mastered in an uncreative way, technological discipline remains at a

low level, and there has been virtually no redistribution of allocated resources in favor of grain crops."

The Soviet party paper then attacked the ministers of "Tractor and Agricultural Machine Building, Mineral Fertilizer Production, Chemical Industry, Road Construction Building, Municipal Machine Building, Construction Materials, and other departments" for "displaying a lack of discipline and failing to fulfill their obligations to grain farmers in the delivery of machines and the materials necessary for the intensive technologies."

The 'Recovery'

S&Ls post record losses

U.S. savings banks tallied all-time record losses in 1987. Less than a week after announcing its unprecedented "carte blanche" bailout of the American Savings & Loan of California, the Federal Home Loan Bank Board announced a record \$6.8 billion in losses overall for all member S&Ls.

According to a page-one London *Financial Times* review, this is significantly higher than the previous record of \$4.6 billion in 1981, which was triggered by the Volcker interest rate shock. "This time," states the *Financial Times' Anatole Kaletsky*, "the industry's crisis could ultimately lead to losses of anywhere from \$20 billion to \$50 billion or more."

The paper reports that the FHLBB has been propping up 345 insolvent S&Ls which had combined losses last year of \$9.5 billion. Other "solvent" S&Ls had losses of \$3.9 billion.

In California, State Senate Bill 2700, introduced in February, would allow a number of troubled savings and loan institutions to recharter themselves as FDIC-insured savings banks, according to the March 24 *Los Angeles Times*. About 70 California S&Ls would meet the FDIC's net worth requirements and be allowed to switch if state law permitted the move, according to Home Federal S&L lawyer Ray Mercado.

In Texas, state Rep. Bruce Gibson (D-

Cleburne), chairman of the House Committee on Financial Institutions, has formed a legislative advisory panel to examine the idea of creating a quasi-public agency to bail out the state's banks and S&Ls by buying their foreclosed properties and holding them until the economy recovers, giving the financial institutions bonds which they could market to investors in return.

"Our financial institutions are effectively hemorrhaging to death," he said. "That affects us all. We have got to have healthy institutions to drive the state economy out of the recession we're in."

Gibson expects the plan to be presented to the state legislature when it convenes in early 1989, and expects minimal opposition.

Austerity

Monetarists demand Brazil's destruction

The monetarist faction in Brazil, led by Finance Minister Mailson da Nobrega, is proposing the "Bolivian" model of genocidal shock treatment to eliminate inflation—and economic activity—Brazil's *Gazeta Mercantil* newspaper reports.

Da Nobrega took over the finance ministry from Dilson Funaro, architect of the country's February 1987 debt moratorium, and promptly reversed that policy, placing the nation at the mercy of the International Monetary Fund and creditor banks. Brazil's total foreign debt stands at the level of \$113 billion.

According to the newspaper report, a "palace guard" faction in Brasilia led by da Nobrega is "demanding bitter measures now." The package they are proposing includes:

- Cutting expenditures of state companies.
- Privatization of most of the state sector.
- Elimination of wage statutes, i.e., no minimum wage.
- An end to job security provisions.
- An end to price and interest-rate regulation.

Briefly

- Unrestricted imports and exports.
- Unrestricted foreign exchange dealings.
- Elimination of food subsidies.

The ostensible purpose is to cut the public deficit and reduce inflation.

However, the paper also says that there is bitter opposition to the package, especially its wage-gouging aspects, from the military, labor, and administration ministers.

Drought

Aswan Dam water level keeps falling

Because of extremely low water levels at the Aswan Dam, the Egyptian government is being forced to choose between agriculture and industry in terms of water distribution. In most cases, family agriculture is being sacrificed, the March 21 issue of France's *Libération* reports. The falling water level is due to recent years' droughts, deepened by a set of water projects on Ethiopia's Blue Nile now being worked on by Soviet and Ethiopian technicians.

Former Irrigation Minister Zaki Kenawi warned on March 15 that a drop in the water level to 150 meters at the Aswan Dam will mean that "hydroelectric power stations will have to shut down and Nile navigation will halt."

Egypt is also expected to be hit by the new infestation of locusts which has already invaded part of the Maghreb (see page 12). In Tunisia, there is an emergency situation in the south, with France and the United States sending aid. Algeria and Morocco are coordinating measures against the locusts.

Banking

'World league of banks' predicted

"There will be a world league of banks with a few names only," predicted Wolfgang Röller, chairman of Dresdner Bank and president of the German banking associa-

tion, in an interview with *Welt am Sonntag* March 27. The interview is indicative of a financial-economic Darwinism ruling the minds of leading European bankers.

Röller, who had declared a week earlier that he doesn't like the public debate comparing the recent market "crash" with "collapse," announced that the only banks that will survive the coming financial "crash" are those that can work around the globe 24 hours a day, because they are established in "the triad of London, New York, and Tokyo, monetary markets that have a big role as centers for capital flows." This will be "global banking," he said.

At the end of a selection process on the monetary markets, the "circle of banks operating on a global scale will be very limited, as compared with today," Röller concluded.

Housing

One-third of Houston apartments foreclosed

More than one-third of the 400,000 apartment units in the city of Houston have gone into foreclosure in the last two years, reported the March 27 *Houston Chronicle*. Mass foreclosures, low rents, and high vacancy rates have devastated the apartment business to the point that many landlords are demolishing their complexes, to take advantage of lower tax and insurance rates for vacant lots.

Between 5,000 and 15,000 units were demolished in 1987, while only 500 new units were built. Real estate experts estimate that 24,000 units will be destroyed over the next five years if the economy improves gradually; if it does not, the number will reach 42,000.

The occupancy rate for apartments in the city is about 75%. Out-of-town money is pouring in to buy up foreclosed apartments, according to Coldwell Banker's Rick Kessler. "I don't want to say it's a feeding frenzy, but some projects get 10 to 15 contracts the minute they come on the market," Kessler said. "There are a lot of people looking to buy."

● **ALAN GARCIA**, President of Peru, issued a decree March 27 that officially recognized as legal the sale of stocks by banks to their workers as a way of avoiding the bank nationalization García undertook last year. In so doing, he delivered the nation's largest financial institution, Banco de Crédito, to its employees, who have an absolute majority of 51% of the bank's stock.

● **ARMAND HAMMER'S** Occidental Petroleum, Montedison and ENI-Chem of Italy, and Marubeni of Japan, have just signed a protocol with the Soviet government for a petrochemical project, Tengiz Polymer. The petrochemical plant will produce 400,000 tons of polypropylene per annum, 500,000 tons of polyethylene, among other products. The international group is investing 49% of the capital, or \$3 billion.

● **WEST GERMANY'S** largest bank, Deutsche Bank, has reported its first pre-tax income loss in 10 years, a 37% decline, the bulk of it from losses on sales of stock after the Oct. 19 "Black Monday" crash.

● **HANS-JÖRG RUDLOFF**, vice-chairman of Crédit Suisse-First Boston, the leading Eurobond trader, pointed to 10,000 layoffs in the past 10 months in the unregulated market, and told an interviewer, "The worst is yet to come."

● **ALAN GREENSPAN**, Federal Reserve chairman, was standing together with several colleagues outside the Treasury building in Washington recently, talking and laughing, when a passer by walked up to the gentlemen and said, "Fasten your seat belts, fellahs. LaRouche has predicted a second quarter crash—and he's been right so far." The merriment subsided, as the gentlemen stared at the stranger, walking on his way.