

Business Briefs

AIDS

French scientist warns of insect transmission

A prominent French biochemist and entomologist has warned of a danger that AIDS can be transmitted by blood-sucking insects. Michel Bounias, a member of the French Academy of Sciences, recently told a French radio interviewer: "I see no reason which could possibly prevent a flea or a mosquito from transmitting the AIDS virus. The blood of a biting insect represents an environment in which a virus can survive very well for a relatively short time."

This magazine first warned of that possibility back in 1986. The medical establishment, as well as the World Health Organization, continues to deny the possibility, although no experiments to determine the possibility have been undertaken.

Finance

British banking system fears mortgage defaults

Mortgage default losses pose the "gravest crisis to the British financial industry since the sovereign debt crisis," insists Thomas Bennett of the bank Paribas London. According to official data, the rate of home repossessions by banks and mortgage lending companies in Britain in the first half of 1991 is running at an annual rate of 72,000 homes. In 1990, the level was 44,000, and one leading brokerage predicts 115,000 repossessions in 1992, some 20 times the levels of the severe recession of 1981-2.

In the worst economic crisis since the depression of the 1930s, British home prices have fallen more than 20% since their peak in 1988, while rising joblessness and the weak economy are creating what the Bank of England calls "considerations for which there is little historical precedent." There have been virtually no serious home mortgage default problems in Britain since the 1930s until this latest eruption.

The defaults are inflicting huge losses on mortgage insurers who have insured mortgage lenders for losses in event of defaults which were believed unlikely to occur. British insurance companies anticipate group losses of more than \$4 billion through 1992 as the crisis deepens.

Banking

Dillon-Read to merge with Barings

Two of the elite firms of Anglo-American merchant banking, America's Dillon Read and Britain's Barings, have announced that they are merging. While the firms are relatively small—Barings is the seventh largest merchant bank in Britain, and Dillon Read is the 22nd largest underwriter in the U.S.—they are among the most elite of such firms. Founded in 1762, Barings is the oldest of the British merchant banks, and long was one of the controlling interests in the Peninsular and Orient Steamship company, which figures prominently in the history of the Far East opium trade.

Dillon Read was founded in 1832, and was one of the handful of Wall Street firms that had a stranglehold on American industrial finances from the 1870s to the late 1960s.

Of crucial interest is that both firms steered clear of the worst financial excesses of the 1980s, and now stand to profit handsomely from the accelerating financial shakeout. As Dillon Read chairman John P. Birkelund told the *Wall Street Journal*, "When one says we're small, I have a problem with that, because I think the degree of influence you have is more important. I know of a lot of firms with a lot of capital that have very little influence. They just swing their capital around." Former Dillon Read co-chairman Nicholas Brady is now U.S. Treasury Secretary.

The *Financial Times* noted that Barings' "relationship with a leading Wall Street firm will be matched by only one other British merchant bank, Lazard Brothers, which is linked to Lazard Frères in New York through a complicated shareholding structure."

Barings is the leading adviser to Pearson PLC, which owns the *Financial Times* of London. Pearson, in turn (according to a profile in *Forbes* magazine in 1989), owns 50% of Lazard Partners, which owns 100% of Lazard Brothers (London), 12.27% of Lazard Frères & Cie. (Paris), and 18.7% of Lazard Frères and Co. (New York). The partners of Lazard Frères & Cie., in turn, own 48% of Rue Impériale de Lyon, which owns 21.7% of Eurafrance, which owns 46% of Gaz et Eaux, which—closing the ring—owns 9.4% of Pearson PLC.

Eastern Republics

German banker proposes emergency program

The chairman of Germany's Dresdner Bank has proposed a five-point emergency program for the former U.S.S.R. to preempt a monetary panic in the short-term period and consolidate the financial status of the former Soviet Union over the near future.

Werner Roeller, who also chairs the "monetary affairs and credits" section of the German-Soviet Economics Commission, proposed the following steps:

1) Issue a short-term bridge loan to contain the threat of an acute debt default.

2) Gain time by extending western deadlines for Soviet debt repayments, if no other alternative proves feasible.

3) Institute transparency in the financial status of the former U.S.S.R. and the republics, and sign "reliable agreements with the republic leaderships."

4) Create conditions for German government Hermes export credit guarantees to the individual republics on the basis of a "memorandum of understanding" that the republics would sign to define their share in the old debt of the former U.S.S.R. to the West.

5) Institute reliable financial transfers from the republics to the Moscow foreign trade bank, and report to western creditors on a regular basis.

"We need confidence, but we must not make things even more difficult for the republics."

Briefly

lic than they already are," said Roeller, calling for an end to that "continued, counterproductive talk about a debt default that started at the Group of Seven summit." The most important thing to achieve, he recommended, was to "buy time and launch constructive solutions."

Asia

Malaysia to buy Soviet arms?

Malaysia is considering buying military equipment, including jet fighters, from the Soviet Union, Reuters quoted Prime Minister Mahathir Mohamad saying Nov. 15. Moscow had offered to sell Malaysia sophisticated military equipment under a package deal that would include transfer of technology, the national Bernama news agency quoted him as saying at an aerospace exhibition on Langkawi Island.

"We will have to study to determine what is suitable for us, if our interests coincide with what they are offering," the prime minister said. He said there was nothing wrong in buying arms from the Soviet Union as it was "no longer a communist country." Soviet military equipment may "appear rough and unattractive" but is just as good if not better than western weapons, he said. "We are not going to war with anyone but just placing importance on our defense, although our neighbors have sophisticated jets like the F-16," Mahathir said.

He gave no details, but the Soviets are believed to have offered to sell the MiG-29 and Sukhoi SU-27 jet fighters to Malaysia, defense sources at the exhibition said.

U.S. defense official Donald Atwood is quoted by Reuters saying that the U.S. is concerned that the Soviet economic collapse will prompt a dangerous migration of scientists and arms technology to the Third World. Atwood, who visited Soviet defense plants during November, told reporters—as an example of Soviet financial desperation—that officials at the Soviet space center openly discussed with U.S. visitors exchanging rocket technology for outside investment to support their space program. "I'm very much concerned about the

sale of that technology," he said. "What we do want to stop is them selling arms to countries that have unstable governments or have a history of aggression or a history of terrorism. In particular we want to stop the flow of technology that could later give them the ability to make weapons of mass destruction."

Health

Medicare fees revised to favor GPs

The Bush administration's newly released Medicare payment schedule for doctors appears to be designed to discourage high-technology or surgical interventions in favor of an emphasis on care provided by general practitioners. The new rules, which will go into effect in January, will cut payments to specialists, anesthesiologists, surgeons, and radiologists, on the premise that they have been "overpaid" relative to general practitioners.

To develop the new fee schedule, the government assigned numerical values to all services performed by doctors. The values range from less than 1 to over 100, according to the time required for the procedure, malpractice insurance costs, and doctor's office expenses. A standard monetary conversion factor was used to arrive at the price of each medical service. Family practitioners will have increases of 15% more in 1992 and 28% more in 1996 than they would have normally received. By 1996, anesthesiologists, radiologists, surgeons, and pathologists all receive about 20% less than they would normally get under the current system.

The new fee policy comes after years of contention between the administration and medical societies. According to the *New York Times*, the new rules, released Nov. 15, are based on the assumption that doctors will try to recoup their losses by seeing more Medicare patients or having more expensive testing done, so the government cut payments across the board. Not only is there no proof that this will occur, it is more likely doctors will see fewer patients receiving Medicare.

● **AMERICAN** Airlines has canceled \$5.2 billion in new plane orders, 45 aircraft from Boeing, 37 from Fokker, and 11 from McDonnell Douglas. The move is reportedly part of the company's plans to slash \$8.2 billion in capital spending over the next five years.

● **CHOLERA** has spread to 16 Mexican states in 150 days, but the government still characterizes the problem as one of "isolated outbreaks," wrote journalist Emilio Vazquez Pérez in *Unomasuno*. The spread of cholera is caused "by the strangulation of the Latin American economies by the foreign debt," he said.

● **LATIN AMERICAN** Economic System president José de Rivera and its past president, Carlos Pérez del Castillo, have called on the industrialized powers and multilateral lending institutions to forgive 50% of the debts of Ibero-American nations, saying that at present, tens of billions of dollars annually leave for the lender countries, banks, and institutions.

● **ST. PETERSBURG** Mayor Anatoly Sobchak has attacked the Group of Seven and Group of 24 for their continued boycott of aid to Russia. He said that the republics of the former U.S.S.R. are faced with the worst food crisis in many years, and he questioned the motives of those that know what the situation looks like and still won't act.

● **OF \$45 BILLION** pledged to eastern Europe since 1989, only 20% has yet been disbursed, according to an OECD study. The pledges included \$32 billion from 24 western industrial countries, and \$13 billion in loans from the International Monetary Fund and World Bank.

● **THE FORMER** Soviet republics of Byelorussia and Kirghizia have each signed contracts for legal representation with the Anti-Defamation League-linked law firm of Paul Weiss Rifkind Wharton & Garrison, Theodore Sorensen announced, the Nov. 13 *New York Times* reported.