

Business Briefs

Germany

Bonn policies will ruin the economy

The chief executive of the German federation of medium-sized businesses, Dieter Haerthe, charged on Sept. 2 that the German government's policies are ruining the economy. "The government keeps on demanding better performance [from industry] without creating the necessary policy framework. That in the end will break the economy's back," he said.

Haerthe said that instead of working with industry to develop sound financial and economic policies, the government produced "a constant flow of half-baked ideas," like the low-interest, tax-free "German bond," or the forcing of non-investing, high-wage earners to buy government bonds to support the economy in the East.

Haerthe said that German Chancellor Helmut Kohl thinks Germany's *Mittelstand* of around 300,000 medium-sized companies is good only for paying taxes and "listening to his sermons."

Haerthe's comments echoed those of Heinrich Weiss, who recently resigned as head of the BDI industry federation, charging that Kohl had lost touch with the business community.

Labor

Polish government escalates crackdown

Acting in line with International Monetary Fund (IMF) demands, the Polish government is cracking down on labor protests, forcing the management of the Tychy FSM auto-making plant to threaten 2,400 of the 7,000 workers employed there with layoffs. This would affect most of those 3,000 workers who continued the strike at the plant—even after the government told them to call it off and used riot police against workers in late August. The strike wave has been in opposition to IMF austerity demands and to plans to close down large

chunks of Polish industry, mining, manufacturing, and agriculture.

On Aug. 31, the Tychy FSM management presented a list of the first 400 workers, including 64 strike leaders, who will be fired. This is approximately all of the organized strike membership which the Solidarnosc 80 union, the catalyst of the strike, has at the plant. Solidarnosc 80 has so far been the only one of six dissident unions to protest the firing policy and to endorse a continuation of the strike. The other unions are thinking about calling off the strike and playing by the government's austerity rules in order to save "their" workers' jobs.

A government deadline to the striking coal miners at the Rozbark mine in Silesia, and to strikers at the Ursus agricultural machinery plant in Warsaw, which expired Aug. 31, passed without any concessions from the workers. These two plants are the ones expecting government-threatened mass layoffs affecting several thousand workers, in retaliation for the strike.

Agriculture

China attempting green 'revolution'

China is attempting to revolutionize agriculture, including importing more superior varieties of crops to get "quick results" in higher yield and quality of food production, the Aug. 24 *China Daily* reported.

The Chinese population, content with sufficient, even low-quality, grain as recently as the early 1980s, is now demanding fruit, vegetables, and meat as well as high-quality rice. China, however, is not able to meet the demands. Farmers' incomes, which average about \$130 per year, have gone down relative to those of the urban population since the mid-1980s. Since farmers make up 80% of China's population, if this stagnation continues it will be impossible to move China out of its current status as a nation with one of the lowest standards of living in the world.

More efficient agriculture and diversification are also essential to absorb China's massive "surplus rural labor force," which is at

least 100 million people. The unsolved problems of transporting agricultural products to markets and the deliberate impoverishment of scientists and technicians, which has kept Chinese agriculture very backward, must be dealt with if China is to increase its production, the paper admitted.

Economic Austerity

IMF program will boost joblessness in Egypt

Intensified austerity measures agreed upon with the International Monetary Fund will render 40% of the Egyptian people jobless by the year 1997, increasing national unemployment to 6 million, economic experts reported.

The government in Cairo announced that it will now go ahead with the privatization of 76 state-owned companies which was negotiated with the IMF in May 1991. This means that about 400,000 industrial workers will be fired—affecting, for example, 15% of the work force in the chemical industry and about the same percentage in the construction sector.

Additional problems have to be faced by the Egyptian economy, because other Arab states, especially the sheikhdoms of the Persian Gulf, are sending Egyptian guest workers home, replacing them with much cheaper labor from Asian countries.

'Shock Therapy'

Ukraine again rejects IMF austerity program

The government of Ukraine again officially rejected International Monetary Fund (IMF) shock therapy policies, in an Aug. 31 press conference in Kiev. Ukrainian Minister of the Economy Valentin Symonenko, who this summer assumed office after his pro-IMF predecessor, Volodymyr Lanovoy, was dumped, announced that "an immediate transition to the market economy is unrealistic, as the Russian experience demonstrates."

Briefly

● **SOMALIA** is facing famine far worse than anybody had anticipated, stated U.N. coordinator for Somalia Mohammed Sahnoun Sept. 3. He said that U.N. personnel in Somalia had made "dramatic discoveries," finding many people in villages who were simply staying in their homes "patiently waiting to die."

● **SOME 75 MILLION** people (1.5% of the world population) are now "uprooted" in the greatest mass migration in world history, the U.N. Development Program reported in its July 1992 report. Of these, at least 18 million have fled across national borders, and 23 million are displaced in their own countries.

● **UKRAINE** may not be selling the Varyag-class aircraft carrier to China, the Taipei-based *Free China Journal* reported Aug. 28, in contrast to several reports of the "confirmed" sale in the Anglo-American press. Deputy chairman of the Ukraine Parliament Volodymyr Grinyov said in Taipei that no decision had been made to sell Beijing the carrier.

● **BRITAIN** will have at least another two years of recession, predicted Lord Blakenham, the chairman of Pearson Plc, one of Britain's biggest firms, on Sept. 4. Because of structural problems, there is no hope for a recovery in the next two years, he declared.

● **RUSSIA** has agreed to supply India with critical military spare parts, Indian Defense Minister Sharad Pawar said in New Delhi Aug. 22. Moscow's assurance is part of a \$400 million extended-credit facility that Russian President Boris Yeltsin promised in July, Pawar said.

● **FINANCIAL** experts from the World Bank arrived in Cambodia on Sept. 3 to "assess the current financial situation," according to Eric Falt, spokesman for the U.N. Transitional Authority in Cambodia, Reuters reported. Inflation is at more than 110% a year, and unemployment appears set to increase as rival armies begin to demobilize.

Asked for his reaction to IMF statements that unless Ukraine adopts the course being followed by acting Russian Prime Minister Yegor Gaidar, it will receive no credits, Symonenko replied: "There are global differences between what we are doing and what the IMF is suggesting. We do not need radical shock therapy. Instead, we need slow, evolutionary reform."

Unfortunately, the Ukrainian government, while rejecting radical IMF "reforms," has not broken with the IMF program. Symonenko announced that he will present a package to the Parliament on Sept. 16 which will keep the industrial sector intact, but submit it to gradual, controlled privatization.

Symonenko also said that he has issued a decree, which will take effect on Sept. 5, for the issuance of a 30,000-ruble bank account for every Ukrainian adult citizen, whereby they can only use the account to purchase state property. Symonenko has been given sweeping powers to implement his economic program by decree, which, as seen in this special bank account case, he does not hesitate to exercise.

Infrastructure

Volvo head urges private bank to speed investment

Volvo chairman P.G. Gyllenhammar and other industrial leaders of the European Round Table Group have grown weary of waiting for governments to invest in necessary improvements in European infrastructure, according to the business paper *Dagens Industri* on Aug. 28. The group planned to propose measures at a press conference in Paris on Sept. 14 to lure the private business sector to invest in roads, railroads, harbors, and telecommunications system. A special bank for infrastructural investments should be established, with loans covered by risk insurance and state guarantees.

The proposal sheds additional light on Gyllenhammar's sudden public criticism of the Maastricht Treaty for European Union.

The group estimates a European need of infrastructure investments of over 200 billion deutschmarks (\$140 billion) for the coming years. It claims that governments will simply

not have the capital to invest, because of the clause in the Maastricht agreement which sets an upper limit for state debt of 60% of Gross National Product. With Belgium's state debt at 129%, Italy's at 100%, and Holland's at 80%, the governments of the European Community will instead be forced to reduce expenditures than make larger investments.

The group also claims that a coherent policy and long-term perspective for Europe as a whole are key to building enough confidence among private investors. The mobile telecommunication system of the Scandinavian countries and the high-speed trains of Germany and France demonstrate such a need, according to Gyllenhammar. "Europe may have lost a leading position in the world market by such 'lone wolf' strategies," the group wrote in its invitation for the Paris press conference.

Medicine

Anti-AIDS drug Kemron reevaluated by U.S.

The anti-AIDS drug Kemron, developed in Africa, is getting a second look by the U.S. medical establishment, the Aug. 21 *Detroit Free Press* reported. Kemron is a form of low-dose alpha interferon, which is derived from a chemical the body makes to fight infections.

The drug's developer, Kenyan researcher Davy Koech, has issued a new report summarizing what he called breakthroughs in the treatment of 2,500 African patients, which is the basis of a reevaluation of the drug by federal AIDS officials. The National Medical Association, a group of black physicians, has called for more federal studies of the drug, based on its endorsement by the Nation of Islam.

The *Free Press* noted that Koech and the Nation of Islam's health minister, Dr. Abdul Alim Muhammad, "don't agree on everything. But they believe low-dose human alpha interferon works, and that arrogance and politics have stalled its development." Koech said that the initial negative evaluations of Kemron by the U.S. National Institutes of Health were caused by U.S. drug firms, which "have a huge financial stake in the treatment of AIDS."