Business Briefs

Nuclear Energy

China and Russia cooperation planned

China and Russia are cooperating on the uses of nuclear energy and will conduct joint research on reactor design, with Russia planning to send 10 scientists to China for the project, according to the official Chinese news agency Xinhua on April 19, UPI reported.

The 10 Russian scientists would work on joint research on a fusion-fission hybrid reactor, touted as a more efficient nuclear energy producer, and will study conceptual design and technology feasibility research.

At a conference in Chengdu, the capital of Sichuan province, Chinese and Russian scientists recently held discussions on various nuclear issues, including design, technology, waste disposal, and environmental safety.

China has already contracted to buy a Russian-made nuclear power plant, to be located in northern Liaoning province, but has denied reports of hiring large numbers of Russian nuclear scientists.

Debt

Kenya capitulates to IMF conditionalities

After a stand against what Kenyan President Daniel arap Moi called the "dictatorial and suicidal policies of the International Monetary Fund" (see *EIR,* April 9), Kenya announced its commitment to "economic reform" in order to receive aid from western donors. Kenya was forced back into the jaws of international financial institutions ironically as resistance to IMF conditionalities policies is growing on the continent.

"Kenya has met the conditions. The President and his economic team have reaffirmed their commitment to reforms in a very convincing way," World Bank Vice President Edward Jaycox said after announcing that the World Bank would resume aid to Kenya on April 30, ten days after his meeting with Kenyan officials. "Kenya suddenly realized it could not afford a fight with the donor community. It has decided to bite the bullet," said one western aid official.

On April 11, *The Standard* of Kenya reported on the Schiller Institute's international mobilization to support Moi's resistance to the IMF. The paper quoted extensively from the *EIR*'s April 9 issue, in an article entitled "Moi Praised Over IMF—Kenya a 'Rare Third World Model.' " "The campaign notes that the [World] Bank and IMF demands are 'genocidal demands' supported by Anglo-American political institutions aimed at ensuring that Kenya as a nation, disintegrates into tribal warfare like Somalia," the paper reported.

Poland

Former ambassador scores 'shock therapy'

Zdzislaw M. Rurarz, a former ambassador of Poland to Japan, attacked the International Monetary Fund (IMF) "shock therapy" policy and its effects on Poland, in a letter to the editor in the April 19 *Washington Post*. The *Post* gave it the headline "Poland's Lesson for Russia."

"Michael Mandelbaum's 'Polish Model for Russia' [a commentary in the April 12 *Washington Post*] is out of touch with reality," Rurarz wrote.

"Mr. Mandelbaum lauds the Polish market-oriented reform and recommends it for Russia at a time when Poland may drop it altogether, because it has failed miserably.

"The 'shock therapy' launched in Poland on Jan. 1, 1990, has plunged the country into deep recession, and its brain father, Leszek Balcerowicz, was long ago fired from the job.

"The much-lauded convertibility of the zloty has cost the country about $7 billion and did nothing good to the economy (Poland's hard currency export earnings in 1990 were only $7.5 billion.) Besides, the zloty has been devaluing rapidly and may soon become inconvertible.

"Inflation is around 40% a year and may be still higher when the budgetary deficit becomes larger, and it doubtlessly will, than what was approved last February.

"As to the privatization of the economy, it exists mostly on paper. Apart from 'one-man companies,' mainly in retail trade, which are indeed private, all other companies, with very few exceptions, are private in name only. The traditional private sector, like agriculture, handicrafts and small businesses, is in deep crisis. Unless engaged in speculation, newly emerging private businesses fare very poorly. The average annual profit rate in manufacturing is only 0.4%, and most of these companies go bankrupt.

"In other words, almost everything has taken a course contrary to what was originally planned. And the last rejection by parliament of the 'mass privatization bill,' unless reversed, virtually ends market-oriented reform in Poland. If Russia is to copy the Polish model recommended by Mr. Mandelbaum, it should copy its conclusion and not the beginning."

Confirming this assessment, large numbers of Poles saw their real income drop by 7% in 1992, according to the new annual report of the state statistical office issued in mid-April. The biggest factors in decreasing living standards were price increases of 400% in private electricity supply, rents, and heating expenses which had been recommended by the IMF as part of its request for "budgetary consolidation" and "build-down of state support."

Central Asia

Kyrgyzstan to dump ruble for national currency

The central Asian republic of Kyrgyzstan plans to dump the ruble in favor of its own national currency. Kyrgyz Prime Minister Tursunbek Chengyshev told a session of Parliament on April 19 that the only way forward for the republic was to issue its own currency and leave the ruble zone.

Chengyshev pointed out that all his government's work had come to nothing because of the rampant inflation the rapidly devaluing ruble had spawned. "All our efforts to stop the economic downturn have not given us any results because of the uncontrolled money and credit system," Chengyshev told the 313 deputies. "The only way to solve our crisis is to issue

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our own national currency."

After his speech, the chairman of the national bank, Kemil Nanayev, endorsed the proposal and called for the new currency to be issued "as soon as possible."

Protection

Tariff cuts cause big Australian job losses

Tariff cuts have cost 100,000 Australian jobs, a parliamentary tariff inquiry has found, the Melbourne newspaper *The Age* reported on April 23. The inquiry also revealed that more than half of the manufactured goods Australians buy are now imported, as part of the federal government's drive to cut protection of local industry.

The inquiry, held by the Australian Democrats after the main parties refused to take part, concluded that slashing tariffs and quotas had badly weakened manufacturers and imposed heavy costs on the economy. The chairman of the inquiry, Sen. Sid Spindler, called for a 12-month pause in the tariff-cut program. He suggested this would enable a reassessment of the effects and a refocusing of industry policy so that viable industries were protected and helped to grow.

The inquiry concluded that no other country was cutting protection fasterthen Australia. In 1980, only 35% of the manufactured products sold in Australia were imported; now it is more than 50%, and the nation has a chronic current account deficit and 1 million unemployed.

Eastern Europe

Hungarian minister rejects radical 'shock therapy'

Imposing radical "shock therapy" in Hungary would cause a dramatic worsening of the economic situation there, Bela Kadar, the Hungarian minister for international financial and economic relations, declared in an interview with foreign press correspondents in Budapest on April 20.

Kadar did not reject the policy of "privatization" of former state enterprises, which usually results in the shutdown of productive capacity, but insisted that the policy should be a cautious one. He said that the total volume of privatization of former state sector enterprises will be limited to the equivalent of 6 billion deutschemarks ($3.75 billion) this year.

He said that while Hungary was still suffering from the consequences of an abrupt 30% drop in industrial output and a 20% drop in overall living standards in 1991, which led to an official jobless rate of 15% in 1992, a slow transformation of the economy was the only solution appropriate for the country's situation.

Africa

World Bank freezes loans, energy scarcity hits Sudan

The World Bank on April 18 froze ties with Sudan because of its arrears in repaying loans, of which it has a debt obligation of about $10 million a month. The bank stopped granting new loans to Sudan at the end of 1992.

The bank is stopping 15 projects, including an $80 million renovation of the Gezira agricultural scheme, a new power plant near Khartoum, and consultancy on its privatization program, for which the bank had just pledged $700 million.

The decision comes as Sudan is experiencing an acute energy shortage, and is seeking oil from Libya, Reuters reported on April 21. The Sudanese finance minister has gone to Libya to seek to revive a barter agreement in which Libya would deliver oil to Sudan in return for livestock and other agricultural products. Such a deal was in effect before last year.

Sudan is currently paying up to $300 million a year for oil on the spot market. Government officials report that some factories are operating at 20% capacity because of lack of fuel, and private car owners must pay $10 per gallon for gasoline. Although there are major oil fields in southern Sudan, the civil war has made Sudan 100% dependent on oil imports, a major drain on foreign exchange reserves.

Briefly

- **FIFTEEN** pharmaceutical companies from Europe and the United States want to closely cooperate in the effort to find a better treatment and cure for AIDS victims, the German daily *Die Welt* reported on April 23.

- **MAD COW DISEASE** (bovine spongiforme encephalopathy) is spreading in England, and now kills 850 dairy cows every week. It is still not clear what microbe causes the disease, which has killed 100,000 cows since 1985. Other countries affected (but with only a handful of cases so far) are Denmark, France, and Switzerland.

- **CHINA'S** 35 largest cities have seen a 15.7% increase in the cost of living during the first quarter of 1993. Guangzhou, Shanghai, and Beijing had the stiffest price hikes. One official attributed the rise in part to government policies introduced last October which deregulated the price of grain.

- **THE WEST** must resist the temptation to impose Manchester liberalism approaches in the East, warned German President Richard von Weizsäcker, in an address at the opening of the international industrial exhibit in Hanover on April 20. He advocated a mixed approach which was neither pure free market economy nor pure state centralism.

- **BELGIAN** Finance Minister Philippe Maystadt said on April 18 that Belgium might need to impose a "robot tax" on manufacturing machines in order to get humans back to work, Reuters reported. Government policy should not "encourage the replacement of men by machines," he said, echoing the Luddites, the 19th-century English workmen who smashed labor-saving machines to try to prevent the loss of their jobs.

- **SPECULATORS** account for 21% of the trading volume on the International Petroleum Exchange in London, the second largest energy futures exchange in the world, the April 19 *Wall Street Journal* reported.