

Business Briefs

Economic Holocaust

National Children's Day discloses collapse

Around the world on July 23, reports were issued giving testimony to the mass murderous effect of economic policy under the doomed, International Monetary Fund-dominated global financial system. Indonesia is a case in point.

UNICEF reports that 10 million Indonesian children suffer from malnutrition, as do 5,000 of the 12,500 children born every day. UNICEF called for urgent revitalization of the state-run integrated health service, the only health service in many areas, and increased supplemental food for babies.

In East Nusa Tenggara province, the social affairs officer reports that the province can only care for 5,055 of the 74,383 neglected children. The International Labor Organization representative repeated that organization's figures that 6 million children, ages 7-15, dropped out of school during the economic crisis of the past 18 months. And, in the second largest city of Surabaya, child support organizations have sounded the alarm over a rapid increase in child prostitution, which has become institutionalized, with village leaders, parents, and neighbors complicit in raising young girls to be sold into prostitution by age 12.

Infrastructure

Russia's need for TVA programs blocked by IMF

Russia's Far East could generate power with a Tennessee Valley Authority-style program, but such an approach is anathema to the International Monetary Fund (IMF), the Russian daily *Rossiyskaya Gazeta* commented on July 7, in a review of the state of the economy in the Russian Far East.

If Russia were able to "build new capacities" for power-generation, replacing the ailing, old ones, it could make energy cheaper for the region, the daily said. "For instance, complete construction work on a new power-generating unit at the Khabarovsk

thermoelectric power station. The Bureya hydroelectric station in Amur Oblast could also be completed." But, the RAO YeEs Rossii company "does not have any money for this. The 3,600 workers at Bureya are on the verge of a hunger strike, because they receive 150 grams of bread, daily." The newspaper added that the Governor of Chita revealed this himself at a conference in Vladivostok.

At the same conference, the deputy chairman of RAO YeEs Rossii, Mr. Remizov, declared that "completing the Bureya station only requires 12 billion rubles. However, the entire investment fund at YeEs for this year is 4.2 billion. Perhaps, in such a case, President [Franklin] Roosevelt in the 1930s would have used a monetary emission [i.e., extended credit] for a profitable project. He did this when building the Tennessee River Valley Hydroelectric Power Station. However, no IMF was hovering over him. This organization completely precludes this way for us."

Finance

British firms dominate booming merger activity

British companies dominated global mergers and acquisition activity in the second quarter of 1999. On July 19, KPMG Corporate Finance in London published its survey on the global cross-border M&A activity in the first six months of 1999. It reported an exploding growth of mergers and acquisitions. Already last year, all historic records had been broken by a total cross-border M&A volume of \$544 billion.

However, this seems to be nothing compared to what is coming up in 1999. In the first six months of this year, the cross-border M&A transactions worldwide already amounted to \$409 billion, or 61% more than the \$253 billion one year ago. And the second quarter of 1999 (\$285 billion) saw a 130% increase compared to the first quarter 1999 (\$124 billion).

The survey emphasized that British companies are by far the biggest buyers of foreign entities. Some 48% of all cross-border mergers and acquisitions in the second quar-

ter of 1999 were undertaken by British firms (\$139 billion), followed by companies from the United States (\$38 billion), Spain (\$19 billion), and the Netherlands (\$9 billion). On the selling side, 51% of the international M&A activity in the second quarter of 1999 were purchases of U.S. companies (\$145 billion), followed by Swedish (\$42 billion), British (\$17 billion), and Argentine (\$17 billion) firms. The sectors most affected worldwide in the second quarter of 1999 were telecommunications (\$113 billion), the chemical industry (\$46 billion), the oil and gas sector (\$17 billion), banking and finance (\$14 billion), and food, drink, and tobacco sectors (\$14 billion).

Peru

Fishing, industry in desperate straits

Peru's largest fishing company, Pesquera Austral, saw the value of its stock plummet 40.6% in mid-July, in response to rumors that it would not be able to meet debt payments on bonds coming due. Austral is Peru's largest exporter of fishmeal, the international price of which has also plummeted. According to *INTERFIP-Bolsa*, a stock-market publication, Austral's losses for the first half of this year could be as high as \$3.2 million, which would also affect the domestic bond market. The estimated overall fishing industry debt is \$2 billion, which industry leader Manuel Sotomayor says is "unpayable." There is discussion under way of reducing the size of the fishing fleet. Pesquera Hayduk and SIPESA, the next largest fishing companies after Austral, are also in very bad shape.

The crisis is intensifying across the economy. ADEX, Peru's Exporters Association, in a July 19 press release, questioned the government's report that GDP rose by 2.4% in the first five months of the year, and said that the country faces a "severe recession." It pointed out that in the first quarter of 1999, internal demand dropped 10.6% relative to the same period of 1998, and private investment dropped 27.7%. Industrial production for January-May 1999 dropped 5.7%; construction dropped 14.8%. The banking sys-

tem default rate for May 1999 was 10.5%, up from 6.8% for May 1998; In the cement industry, sales fell by 17% in June compared to June 1998. ALICORP, a large food-processing company, had losses of \$5.46 million for the first quarter.

Nigeria

President challenges legitimacy of debt

Nigerian President Olesegun Obasanjo said that the legitimacy of Africa's debt burden, which is more than \$350 billion, is "dubious," in a speech to the 35th annual summit of the Organization of African Unity, on July 12. The debt's "continued existence begs moral questions," he said. "To illustrate, there is a case in my own country where a state government secured a loan of \$8 million to build a carpet factory on a turn-key basis. The loan was fully drawn, the site of the factory was never cleared; the money never came to Nigeria. Today, every man, woman, or child owes \$357. To redeem this per-capita debt burden, a nation whose per-capita income is under \$100 will have to give up everything in life, go into suspended animation, perhaps for over three and a half years." Nigeria has \$30 billion in debt.

Obasanjo called upon donors and debtors to work together for the vision elaborated by President Bill Clinton, "that no country should be left with a burden that keeps it from meeting its people's basic needs."

Meanwhile, the International Monetary Fund has offered Nigeria a \$1 billion loan, but with the usual austerity conditions. "What the IMF wants to see is a reduction in the budget deficit and a definite commitment to more reform like privatization," a Nigerian official said. "What it doesn't want to see is the continuation of subsidies on fertilizer, fuel, or public enterprises."

However, the Obasanjo government is reestablishing a fertilizer subsidy for farmers removed by the previous administration of Gen. Sani Abacha, reducing the price of fertilizer from 1,350 naira (Nigeria's currency) to 760 naira. According to Agriculture and Natural Resources Minister Alhaji Sani Zango Daura, the subsidy is designed to

boost food production, which he said is "the priority" of the President. He said that other agricultural inputs, including pesticides, are being procured by the government for distribution to farmers, and that the government will drill more boreholes and build earthdams for cattle, to lessen fights over grazing land.

In addition, a program to create 5 million jobs has been designed by Labor and Productivity Minister Alabo Tonye Graham-Douglas. He said that the government is worried over the restiveness of youth, especially in the Niger Delta, where the first job program will begin. "Creating jobs for the unemployed is the first step to alleviate poverty," he said. "This would also provide a peaceful atmosphere to enable the country to advance in its developmental efforts."

Space Technology

Make it available to all, says UN's Annan

UN Secretary General Kofi Annan urged that space technology be made available to all people in the world, in a speech to the opening of the UN Conference on the Exploration and Peaceful Uses of Outer Space (the third since the opening of the space age), in Vienna, Austria, on July 19. "The exploration of outer space has already revolutionized life on our planet in many ways," he said. But the fruits of the new technologies are far from being accessible to all people.

"For example," Annan stated, "the telecommunications industry is estimated to be worth \$1 trillion, yet one-third of the world's population has never made a telephone call, and only 5% has access to computers." Although couched in the politically correct terminology of "sustainable development," Annan urged governments and private industry to work with developing nations to use space technology for weather forecasting and land management to the benefit of all people. Reflecting the reduced funding for space exploration by just about every government, this was the first conference where private firms participated as equal partners with governments.

KENYA has been denied a loan by the International Monetary Fund, allegedly because it has not made sufficient progress in curbing corruption and keeping spending under control. The IMF decision has already resulted in the delay of two Japanese-funded projects for construction of a hydropower dam, and a water and sewage system for the city of Kisumu.

THE SUZHOU industrial park in China, the brainchild of Singapore Senior Minister Lee Kwan Yew, has been returned to Chinese majority ownership. Suzhou Mayor Chen Deming said, "When you or your joint venture partner decide to invest in China, you must take into account our cultural differences," a dig at "Mr. Greater China" Lee Kwan Yew. Planned for 70 square kilometers, it will be reduced to eight.

THE GERMAN automobile sector is heading into recession, the head of the Institute for the Automobile Industry, Prof. Willi Deiz, told the July 17 *Die Welt*. Incoming orders are down compared to last year, and the drop is expected to mean falling production by later this year. He expects that next year, about 35,000 jobs in the industry will be threatened.

BRAZIL needs an investment of \$1 trillion to eliminate the country's "social deficit," i.e., infrastructure for sanitation, housing, education, and other social needs, according to a study prepared by the Planning Ministry and the National Economic and Social Development Bank. The figure is an underestimate, but sizable in the face of International Monetary Fund demands for austerity.

THE U.S. TRADE deficit hit a record in May, at \$21.34 billion, according to figures released on July 20. The deficit for merchandise trade (goods of all kinds) hit a record high of \$28.21 billion, as U.S. imports of merchandise rose for the fifth month in a row to a record total \$98.9 billion. The merchandise deficit was off-set somewhat by a surplus for so-called services.