

# Business Briefs

## Health Care

### Colombia's Public Hospitals Are Closing

Eleven of Colombia's 26 main public hospitals are on the chopping block, due to a crisis of the public sector's finances, *El Tiempo* newspaper of Bogotá reported on April 26. If these hospitals close, an estimated 10 million people will be left without health care. The situation has become dramatically worse since Social Security Law 100 was enacted in 1993, which obliged the public hospitals to become "competitive" with private health centers. Since then, the country's public hospitals have accumulated a 500 billion peso debt.

At the specialized Ramón González Hospital, which serves 3 million people in northern Colombia, patients have been dying from peritonitis, because of the lack of anaesthetics and antibiotics prevents emergency surgeries. The Antonio Roldon Betancur Hospital in Antioquia, a center which services some 600,000 people from three northwestern states, has lost six of its seven telephone lines, without which there is no ambulance service, and emergencies are impossible to treat adequately. In other hospitals, equipment in disrepair, lack of medicines and chemicals to run diagnostic laboratories, and strikes are taking a major toll.

## Financial Crisis

### G-7 Plans a 'Drill' For Global Meltdown

Japanese government sources revealed on May 5 that the Group of Seven industrialized nations, and "other major economies" and international financial institutions, have agreed to conduct the "first joint field test of coordinated measures aimed at minimizing panic and preventing a domino effect when megabanks and huge hedge funds collapse," the *Japan Times* reported on May 7.

Details of the exercise will be fixed by next Spring, a Japanese source said. But the G-7 and related institutions have not indicated what they would do, were such a fi-

ancial meltdown to occur before that date.

The "joint drill" was planned at the Financial Stability Forum, which was held in Washington, D.C. on March 22-23. This would be the "first international attempt to establish a policy coordination framework to deal with the risk of cross-border economic crises," the *Japan Times* reported.

The drill was proposed by New York Federal Reserve head William McDonough and others. Central banks, government financial and monetary supervisory and regulatory authorities, and the International Monetary Fund, the Bank for International Settlements, and other institutions will participate. The participants will test how they can coordinate measures to deal with a crisis involving U.S. hedge funds or other big financial institutions. The participants will facilitate communications, supply emergency funds to curb "contagious failures," and "coordinate disclosure methods" to the public. The participants will also practice using public funds to bail out collapsed financial institutions.

The Financial Stability Forum was founded in the wake of the 1997-98 financial crisis in East Asia and the bankruptcy of the Long Term Capital Management (LTCM) hedge-fund.

## Nuclear Energy

### IAEA Reports On Plans for Expansion

The International Atomic Energy Agency (IAEA) has issued a report on the state of nuclear energy worldwide, which says that although South Asia, the Middle East, and the Far East account for only 94 nuclear reactors at present, "there are clear plans for expanding nuclear power, particularly in India, China, South Korea, and Japan."

In Western Europe, with 150 reactors, overall capacity is likely to remain at or near existing levels in coming years. In North America, where 118 reactors supply 20% of electricity in the United States and 12% in Canada, the number of operating reactors has declined slightly.

In Central and Eastern Europe and the newly independent states, a few partially

built plants are likely to be completed, and aging units will be closed down.

## Debt

### UN University Slams IMF, Urges Chapter 11

The Tokyo-based United Nations University, a semi-autonomous UN body, released a report on May 2 on taming globalism's devastating effects, which urges an overhaul of the International Monetary Fund (IMF), the World Bank, and the United Nations itself. Salient points in the report would seem to reflect concepts and formulations of Lyndon LaRouche.

The report was organized and edited by Deepak Nayyar, who is close to the government of India, Vice Chancellor of Delhi University, and a professor at Jawaharlal Nehru University. The most pointed chapter, on the needed reform of the financial system, was written by S.P. Shukla, former Financial Secretary of the government of India. Thus, both Japan and India seem to be directly involved in the issuance of this report.

Here are excerpts:

- The present "ideology of the Bretton Woods institutions . . . does not recognize the importance of public action in coping with market failure. It would seem that the logic of international collective action, which was an integral part of their original design, is forgotten."

- "The accountability of the IMF is limited, at best, to finance ministries and central banks, which, in turn, have close connections with the financial community."

- The original Bretton Woods system was designed with respect mainly to "international trade in goods and services," but we now see volumes of capital flows which are "staggering."

- The IMF Agreement, Article VI, "permits recourse to capital controls."

- "Chapter 11 of the United States Bankruptcy Code . . . procedures are especially relevant to international debt crises . . . because they address financial restructuring rather than liquidation. They are based on the premise that the value of the firm as a going concern exceeds the value of its assets in the event of a liquidation. Debtors are usually

left in possession of their property . . . Chapter 9 of the Code deals with public debtors (municipalities).”

- The present policy is “designed to impose discipline on debtor countries and keep them on a short leash. . . . [But] developing countries . . . [need the] preservation of the principle of national control over capital flows together with international arrangements for debt standstills [moratoria] and lending into arrears.”

- “The need for this autonomy is an argument against international agreements on capital account convertibility . . . or wholesale liberalization of financial services . . . [and] caution [against giving] additional powers to . . . global financial institutions . . . owing to domination by countries with strong vested interest in further financial liberalization.”

- The chapter on the World Trade Organization calls for the “solidarity of the South,” i.e., developing countries, and a majority vote principle because “the majority members . . . bear the costs of integration [i.e., globalization], which far exceeds the gains.”

- The report calls for repeal of the United Nations Security Council veto given to the five major World War II victors, and the addition of other countries as permanent members of that body. At present, the UN’s moral authority is “seriously undermined because its laws or principles are enforced selectively when it suits the interests of the rich and the powerful.”

## Forestry

### Export Crash Hits British Columbia

British Columbia’s forest products industry is shutting down, as exports evaporate, Vancouver sources tell *EIR*. The major market has been Japan, which has collapsed. The second-largest market is the United States. With the expiration of the U.S.-Canada free trade agreement, the United States may impose up to a 70% tariff on forest products.

The following companies recently announced shutdowns of various lengths: The Alberni Valley Weyerhaeuser operation on Vancouver Island shut down both logging

and milling for one month, throwing 1,600 workers out on the street; the Weyerhaeuser sawmill in New Westminster shut down for one week starting on May 7, with 400 workers affected; the White Pine mill in Vancouver is running only two weeks a month, with 400 workers affected; the Fraser Mill is permanently shutting down in August, throwing 600 onto unemployment (this mill used to be the largest in the world, employing 1,500).

## Energy Crisis

### U.S. Aluminum Workers Protest Shutdowns

Hundreds of aluminum workers rallied outside the headquarters of the Bonneville Power Administration (BPA) on May 4, protesting the proposed shutdown of their energy-intensive industry because of the shortage of power in the Pacific Northwest. BPA has asked the ten regional aluminum producers to close down for up to two years to lower electricity demand, because drought has left Bonneville short of supply. The Northwest produces 38% of U.S. aluminum output and 5% of world output.

The workers also want the aluminum companies to stop reselling cheap BPA power at exorbitant wholesale prices, thereby making a handy profit from the practice. That practice is what prompted BPA to ask them to shut down in the first place. Bonneville ended up buying back the cheap power that it had produced, at profiteer prices, when it was forced onto the spot market.

Also for financial reasons, Russia’s biggest aluminum producer, Krasnoyarsk Aluminum Plant, in Siberia, had its power cut off by the local utility, which is owned by the national UES, because of the equivalent of millions of dollars in unpaid bills. UES is threatening to shut off power permanently on May 10, if no payment agreement is reached.

A U.S. company, Alutech, has offered to build an aluminum plant 100 kilometers southwest of St. Petersburg, but it would first have to spend \$70 million to upgrade one of the reactors at the Leningrad Nuclear Power Station to provide the energy needed to run the plant.

**THREE RAIL LINKS** between Europe and Asia were discussed at “Eurasia TransKazakhstan 2001,” an international conference in Almaty, Kazakhstan, on April 25-27. Steady progress is being made on the northern, Trans-Siberian main route, with links to the Chinese rail grid, and the central, China-Kyrgyzstan route, linked to Europe via the Russian rail grid. Work on the southern route from China to Kazakhstan, Iran, and Turkey has been delayed.

**INDIA** has nipped in the bud the World Bank’s proposal to have direct negotiations with India’s state governments for funding projects. The proposal, made during the International Monetary Fund-World Bank meeting in Washington in April, was turned down by Indian Finance Minister Yashwant Sinha. “Our Constitution is very clear on this and there is no way states can directly participate in the negotiations with the World Bank,” Sinha said, according to *Asia Pulse* from New Delhi.

**THE URUGUAYAN** government decided to vaccinate all of the country’s cattle herd, given the rapid spread of hoof-and-mouth disease, *El Observador* reported on May 4. There have been 130 outbreaks reported nationwide, which forced the government to abandon its policy of slaughtering all infected cattle, and go for total vaccination.

**ONE IN FIVE NURSES** in the United States is planning to leave the profession, due to intolerable work conditions that threaten patients’ lives and safety, such as understaffing, mandatory overtime (one to two 8-16 hour shifts in a 24-hour period), according to a survey by the Federation of American Teachers, which represents some 55,000 nurses.

**WARREN BUFFETT**, the manager of the Berkshire Hathaway fund, warned his shareholders that America’s investors are living in a “dream world,” if they are still counting on returns of 15% or more on their stock market investments.