

Business Briefs

Brazil

Study Mercosur Trade Without Dollar

Brazil may launch a mechanism for trade without use of the dollar in Mercosur, the Southern Cone common market, according to *Folha de São Paulo's* veteran journalist Clovis Rossi, on May 9. Brazil's National Economic and Social Development Bank (BNDES) would be the center of the operation. The plan, reportedly discussed between the Finance Ministers of Argentina and Brazil on May 7, is for the BNDES to re-establish a mechanism used for regional trade, and known as the Agreement on Reciprocal Credits (CCR), which had existed at one time in the 1990s.

The CCR functions as a clearinghouse, wherein the exporters of one country or the other pay for their imports in local currency, with differences in trading balances then settled at regular intervals between the relevant Central Banks. The drive for re-establishing the CCRs is most immediately for trade between Argentina and Brazil, which would eliminate or greatly reduce the need for dollars to pay for trade between the two countries.

According to Rossi, Carlos Lessa, the president of BNDES, views the CCR as more than this, however. He sees the mechanism as the embryo of a single currency for Mercosur.

South Africa

Mini-Reactor Has New Lease on Life

South Africa's inherently safe small nuclear reactor design has drawn the interest of the U.S. Congress, which may approve a \$200 million package to build a test reactor in Idaho, according to South Africa's *Business Day* on May 18. Corbin McNeill, former chairman and CEO of the U.S. electricity company Exelon, said May 17 that U.S. leg-

islators were keenly interested in South Africa's Eskom pebble-bed nuclear reactor. The proposed U.S. Energy Policy Act says the United States wants hydrogen to replace oil as a future energy source. Eskom's planned pebble-bed reactor fits the bill, having the potential to produce hydrogen at commercial levels, according to *Business Day*.

Exelon pulled its financial support out of development of the planned reactor last year, saying that it was interested instead in buying one for operation in the United States, but did not want to be in the business of constructing the reactor. Pretoria has yet to make a final decision on the project, although Minerals and Energy Minister Phumzile MlamboNgcuka said on May 17 that the research and development stage would be concluded soon.

Real Estate

Requests Jump for Mortgage Assistance

The Atlanta, Georgia *Constitution* reported on May 16 a large increase in mortgage assistance and other relief requests from middle-class homeowners; at the same time, non-profit donations fell in the Atlanta region. In an example of the worsening economic condition of the lower 80% of U.S. family-income brackets, charities in Atlanta are faced with dramatically rising requests for aid—even from “typically self-sufficient families”—according to a recent survey of 175 local non-profit agencies by the United Way of Metropolitan Atlanta. “What’s apparent and disturbing,” said Betty Hanacek of United Way 211, “is that more of our calls are from middle-class families who themselves never thought they would need help from others, and more callers are desperate. The resources just aren’t available to help in many cases.”

In 2002, in a survey of Atlanta non-profit service providers, 69% reported an increase in requests for assistance, compared to the level in 2001, with nearly one-third saying demand has grown by 25% or more. About

half of the agencies reported a decline in contributions from individuals as well as from corporations, foundations, and institutions. Aside from requests for emergency financial assistance (rent/mortgage, food) to make ends meet, the majority of respondents still reported a rise in calls for help.

Requests for mortgage payment assistance skyrocketed by 46% in 2002, as middle-class families were hit by job layoffs (United Airlines filed for bankruptcy) and “economic difficulties.” Rent requests rose by 16%; requests for help in paying gas bills jumped 52%. “Where we used to have maybe one request for mortgage assistance every month, we’re having 10 or maybe 15 a month,” said Dorothy Chandler, director of Midtown Assistance.

As needs were dramatically rising, 29% of non-profits said they were forced to cut back services, with one-third having to cut staff, and nearly one-third currently tapping reserve funds. Nearly three-quarters of the charities rely on government funding to operate their programs and/or services, even as state and local governments are making cuts.

Argentina

Capital Controls Are Under Study

Finance Minister Roberto Lavagna was reported in several Argentine newspapers on May 16 to be studying possible implementation of Malaysia-style capital controls, as a way of avoiding sharp currency fluctuations caused by the continuing collapse of the U.S. dollar. Whether this would actually be implemented, and what it would mean in the context of the next government's overall policy, is unclear—especially since President-elect Nestor Kirchner's program hasn't yet been spelled out. Last year, a delegation of Malaysian officials and businessmen visited the country and met with Lavagna.

The plan would entail establishing a minimum time period, during which incom-

CHINA will build 13 large power plants in the next 2-3 years, its state development and reform commission announced on May 14. The plants will have a total electricity-generating capacity of 11.88 million kilowatts, and construction will cost the equivalent of \$6.2 billion. This must be done to ease power shortages in parts of China, and most will be built in electricity-short areas. Since the beginning of this year, Beijing has approved construction of more than 30 large-scale power plants, and work has already begun on 17 of these.

CONSTRUCTION of the reservoir of China's Three Gorges Dam project was completed more than two weeks ahead of schedule, the Three Gorges Project Development Corporation (TGPDC) announced on May 13. The sluice gate is to be closed on June 1 to begin storing water in the reservoir. Construction of the Three Gorges Project began in 1993 and should finish in 2009. At that time, 26 power-generating units with a combined capacity of 18.2 million kilowatts will be operating.

BANKRUPTCY filings in the United States "continue to break records," Reuters reported on May 15. American bankruptcies rose to a record-high 1.61 million in the 12-month period ended March 31, up 7.3% from the previous year, the Administrative Office for the U.S. Courts reported. The number of bankruptcies in the first quarter (January-March) climbed to 412,968, up 4.5% from the previous quarter, and the highest quarterly figure in the last nine years.

THE BUDGET DEFICIT for seven months of Fiscal 2003 reached an official \$201.61 billion, the U.S. Treasury reported on May 19. Individual tax revenues for the same period are down almost 8% from the previous fiscal year, and corporate tax revenues are down 28.7%. The Treasury projects that the U.S. government will run an official budget deficit of \$304.16 billion for the full FY 2003, ending September.

ing capital would be required to stay in the country, probably between 45 and 90 days.

At a Council of the Americas seminar in Washington early in May, Central Bank President Alfonso Prat-Gay said that developing-sector nations should be able to use "instruments to defend themselves from violent shocks of capital." Lavagna warned that new capital flows going into Ibero-American countries posed the risk of creating "speculative bubbles" that would be damaging to those nations' economies, including the fragile Argentine economy.

U.S. States

Budget Cuts Hit Children's Health

Revenue drops and spending cuts by more than 45 U.S. states are affecting the health and welfare of American children, says a Coalition on Budget Priorities report released May 14, supported by other local reports. At least 23 states, since 2001, have reduced access to affordable child care for poor and near-poor working families, a recent General Accounting Office (GAO) survey found. A couple of examples show the pattern.

- Missouri. With the stroke of a pen, the lower house of the Missouri legislature voted to halt its State Children's Health Insurance Program (SCHIP). If the State Senate adopts this too, Missouri will be the first state to abolish the five-year-old program, which insures children who come from households which are just over the poverty level. Eliminating the SCHIP program will "save" the state \$25 million, but leave 83,000 children uninsured. Nationally, SCHIP covers 5 million children. Only a few other states are considering abolishing the program, but dozens are trimming eligibility, benefits, and enrollment, affecting hundreds of thousands of children.

- Wisconsin. The state's welfare-to-work program, Wisconsin Works, pioneered by then-Gov. Tommy Thompson, is expected to cost \$276.9 million more this year

than the program it replaced (Aid to Dependent Children), even though fewer than half as many families are on cash assistance, according to a legislative report. One Wisconsin legislator had reported to *EIR* that 50,000 people "disappeared" from the old ADC program. The report says that demand for child care has grown by 160%, due in part to Wisconsin Works' requirement that adults work or get job training in exchange for a check and subsidized child care. Unemployed rolls have also grown greatly.

Israel

Netanyahu Threatens To Outlaw Strikes

Israeli Finance Minister Benjamin Netanyahu threatened on May 15 to outlaw strikes, as another general strike is intensified by the Histadrut labor federation. The strike is over Netanyahu's insane economic program, which not only includes brutal austerity measures, but structural changes which would cut public workers' basic rights, such as tenure, in addition to mandating layoffs. The strike began on May 13 and expanded from public sector workers to include bank workers and stock exchange workers.

Speaking about the Histadrut as if it were a Palestinian terrorist organization, Netanyahu raved, "What happened today is a scandal. A handful of workers' committees have the country by the throat and are enforcing the strike. This is intolerable." Then, in a direct threat, he said, "It is only a matter of time until these monopolistic committees cease to exist."

Israeli Prime Minister Ariel Sharon said that the government's economic program would be submitted the following week to the Knesset for its second and third reading, which means it could pass, even without an agreement with the government workers. This would be the first time that the government has used legislation to abrogate collective bargaining agreements, which is a violation of the conventions of the International Labor Organization.