

Business Briefs

International Credit

U.S. and Europe clash over development bank

A sharp confrontation occurred between U.S. Treasury Secretary Nicholas Brady and Jacques Attali, president of the newly formed European Bank for Reconstruction and Development (EBRD), over the role which that bank is to play in eastern Europe, according to the *Washington Post's* Hobart Rowan.

Apparently, when Brady went to Budapest in mid-April for the first meeting of the EBRD, in which the United States "is a junior partner in a distinctly European venture," he was enraged to discover that Attali was proposing to turn the EBRD into a long-term economic development bank using below-market interest rates to assist the rapid development of the eastern European countries.

Rowan notes that western Europeans are desperate to prevent floods of immigrants from eastern Europe, by boosting development there.

Brady "sharply and publicly rebuked Attali" by reminding him that the World Bank already existed for long-term development loans, and that the EBRD should stick to what it was created to do. Rowan notes that the United States has a "larger-than-life" role, including veto power, in the World Bank, which it lacks in the EBRD. He also notes that Attali "clearly sees the EBRD evolving into something much bigger than a mere spur to the private sector."

Agriculture

World Bank, Russia seek to reduce herds

The World Bank and the Russian Federation have issued a joint report on Russian agriculture, which calls on the nations of the Community of Independent States (CIS) to reduce their livestock herds in order to boost meat availability and reduce grain imports.

CIS imports declined 3% in 1991, according to the April 6 *Agweek*. It reported that

because the Soviet Union had to import \$14-18 billion of food annually from 1985 on, it developed a balance of payments crisis which reduced its ability to import commodities in 1990 through commercial credits.

"Most of the food imports was grain to feed livestock. Because the government kept prices artificially low, per capita consumption of meat in the Soviet Union during the 1980s was among the highest in the world," according to the Department of Agriculture.

The study calls for the reduction of herds because the republics are "not economically rich enough to consume anything like they were consuming in the 1980s." Maintenance of the herds would require huge grain imports, or consumer income supports, since "boosting meat consumption would require the governments to artificially increase incomes or lower prices."

Food Assistance

U.S. aid stretched too thin to avert famine

If the current drought in southern Africa worsens to the point of threatening widespread famine there, the international food aid resources of the United States will prove to be stretched too thin to cover the situation, the U.S.-based Save the Children Federation warned April 15. Frank Catania, the group's director, said, "We're getting nervous about our other programs around the world, if they have to take food from other programs to feed Africa."

The U.S. Department of Agriculture, he said, has enough to "meet currently known response needs," but not enough if the southern Africa drought situation worsens or if other calamities occur.

Southern Africa is experiencing the worst drought in many decades, and countries like South Africa and Zimbabwe, traditional exporters, are now being forced to import food. In the Horn of Africa, the situation is also critical, with growing numbers of Somalis facing starvation, while food-relief convoys in Ethiopia have come under attack, and civil war rages in Sudan.

Also on April 15, the U.N. Food and Agri-

culture Organization announced that Africa will require 10 million tons of foreign grain contributions this year, five times more than usual. The April 14 London *Times* reported, "After catastrophic crop failures due to drought and record temperatures in February, South Africa, Zimbabwe, Zambia, Malawi, Namibia, Mozambique, Botswana, Lesotho, and Swaziland will have to import at least 10 million tons of cereals. Angola also faces a food shortage after heavy rains destroyed most of the crops in its central region."

Chris Eldridge, director of Save the Children in Zimbabwe, told the *Times*, "I am not sure that the donor community has realized the scale of the disaster in southern Africa. . . . There is an urgent need for donors to act now. I mean on a massive scale, and I mean now."

Biological Holocaust

AIDS spread could mean new parasites

Scientists C. Combes and J. Jourdan of the University of Perpignan, France, have published a study on the relationship between the spread of AIDS and the emergence of new and more dangerous types of parasites, reported the German daily *Die Welt*. Their work centered on investigating the circumstances under which parasites might exchange genes in a host body in which immune resistance has been weakened.

In Africa, there are several worm parasites of the genus *Schistosoma*, which cause the tropical disease bilharziasis. Some of them exclusively attack human beings, some only animals. The French scientists showed, however, that due to weakened immune systems, rats could be infected with those parasites which normally only attack humans. If both the human and the animal parasite live in the same rat, they might combine to give rise to new species. This means an enlarged spectrum of parasites, and potentially a higher pathogenicity.

The French scientists believe that this is an immediate danger in Africa, where both AIDS and worm parasites are widespread. Animal parasites, able to penetrate the human skin,

would normally be killed by the immune system. But if they enter an organism weakened by AIDS, they could survive, with unforeseen descendants.

Science

NIH plan stirs strong reactions

A draft strategic plan for the future of the U.S. National Institutes of Health (NIH) is stirring strong reactions in the wider research community, said Jeffrey Fox, reporting in *Bio/technology* magazine of April 10.

Fox wrote that the critics believe that the changed emphasis on only a few "critical technologies" could undermine productive biomedical research efforts. In other words, only research in "approved" areas would be government funded.

The critics "are worried that officials may be moving NIH programs more toward applied undertakings and away from the investigator-initiated research approach that has been the mainstay of NIH extramural planning for many decades." By working from a "master list," Fox writes, "NIH may become too 'top down' in its outlook and perhaps be unable to lead to the breakthroughs that might come from some future post-biotechnology revolution."

Labor

Young families poorer than their parents

A Children's Defense Fund study says that young families are poorer than they were a generation ago and child poverty rates have doubled in the same time period.

The study attributes slightly more than half of the decline to demographic factors, including the rise in single-parent families. But even if family composition had not changed, the study says, almost half of the decline would have occurred as a result of eroded wages and declining government payments for welfare

and unemployment.

The study of about 60,000 households found that incomes of young families with children fell 32.1% from 1973 to 1990, from \$27,765 to \$18,844 in constant 1990 dollars.

Marian Wright Edelman, the fund's president, told the *New York Times* that the numbers presaged "more substance abuse, more crimes, more violence, more school failures, more teen pregnancy, more racial tension, more envy, more despair, and more cynicism—a long-term economic and social disaster."

Finance

Capitulation to U.S. led to Japanese speculation

The Tokyo correspondent of the German daily *Die Welt* on April 14 accused the Japanese "economic miracle" of being at core "a grotesque inflation of finance and goods under the greatest speculative bubble in world financial history," and attributed the development to Japanese capitulation to U.S. pressures.

Under the headline "Japan: The Art of the Perfect Camouflage," the article discusses the massive upvaluation of Japanese real estate and stock markets, and cites a Japanese publication, *Nihon Keizai Shimbun*, which said, "Japan is sitting on a Midas-cult."

Die Welt dates the onset of this phase to the unfortunate September 1985 "Plaza Hotel accord" of the Group of Seven, in which a concerted effort to devalue the U.S. dollar, on pleading of then-Treasury Secretary James Baker, was agreed upon to help the U.S. reduce its trade deficit. "Six months after the Plaza accord, the Japanese yen was some 50% dearer than before against the dollar." That this didn't cause a severe crisis for Japanese export industries was because of Japanese companies' *zaitech*, or financial engineering. Companies like Toyota became major players in worldwide currency, real estate, and stock speculation.

The process was assisted by record low Japanese discount rates, and by then-Prime Minister Yasuhiro Nakasone's capitulation to Washington's pressures to help stimulate the U.S. economy before the 1988 Bush election.

● **LTV CORP.** has obtained approval from a federal bankruptcy judge to sell its missile and aircraft units to the French giant Thomson-CSF, which bid \$450 million against a \$385 million combined bid by Lockheed and Martin Marietta. Given LTV's heavy defense program involvement, the U.S. government must now determine if the sale will compromise national security.

● **THE KOREAN** Development Bank has cut off credit to the Hyundai Group, denying \$300 million in requested loans to the second largest industrial group in South Korea. Its founder, Chung Se-yung, formed a new political party that won a large number of seats in recent National Assembly elections, acutely embarrassing the ruling party.

● **MALAYSIA** is considering the purchase of MiG-29 warplanes from the Community of Independent States, which has offered to provide two squadrons of MiG-29s (24-30 planes) at one-third to one-half the flyaway price of western makers, Malaysian sources report.

● **JAPANESE** corporate bankruptcies rose 61% in the 12 months ended March 31, according to a report by Tokyo Shoko Research. The 11,557 failures, representing \$61 billion in debts, represented 66% of all companies tied to what is referred to in Japan as the speculative "bubble economy" of the past seven years.

● **ARMENIA**, facing an energy shortage because of an embargo by Azerbaidzhan and sabotage of a pipeline in Georgia, may restart its only nuclear power plant, shut down after a 1988 earthquake. The plant is of the inferior Soviet RBMK design.

● **THE HONGKONG** and Shanghai Bank has delivered a \$5.5 billion bid for Britain's Midland Bank. The two banks announced their agreement on the takeover in March. It will create the largest bank in Britain and one of the largest in the world.