

# Business Briefs

## Development

### New dispute erupts on policy, says Swiss paper

Developing countries that are well on the way toward industrialization are becoming increasingly critical of the free market model, the Swiss daily *Neue Zürcher Zeitung* reported on Nov. 28.

The paper reports on a study by the Prognos Institute in Basel, which discovered a growing "disparity" between two groups of developing countries. The first group, especially in Asia, can no longer be called developing countries because they will soon reach the status of industrialized countries. This group includes Hongkong, Singapore, Taiwan, South Korea, and perhaps also China and India in the near future. But there are other countries, especially in black Africa, wracked by economic and political crises, which are losing any hope for a better future.

While the Soviet empire existed, the dispute was between proponents of market economy and state interventionism. Now, the economic policy of "the West is criticized precisely by those countries which are leading the train of economic growth," the paper reports. That is, countries in Asia "are rejecting with sound intensity the idea of exclusively leaving their economic future to the market forces," and are instead using "interventionist instruments." The paper, organ of the Swiss financial establishment, rejects this approach, saying that "the so-called third way will in this case, too, lead to a dead end."

## Middle East

### Peres calls for common market

Israeli Foreign Minister Shimon Peres called for a Mideast common market, in answer to a question from the *International Herald Tribune* on how he views the future of the region. "I think it must become either a common market like in Europe or a free trade zone like America. I think entering the 21st century the Middle East can fall down like some African

countries, where the desert is eating up the land and AIDS is endangering the people and corruption is paralyzing the government. Or it can become an Asia, or Europe, or America. I think the basic aim should not be just to have peace but to promote the standard of living to a modern height," Peres said.

In a related development, the European Union has announced its support for Palestine Liberation Organization Chairman Yasser Arafat to become chairman of the Palestinian Economic Development and Reconstruction Agency. The move, announced in a letter by the Norwegian foreign minister, counters an attempt by the World Bank to force the creation of an agency independent of Arafat and the PLO, which it claims are corrupt. The World Bank has clearly come out in opposition to serious economic development in the Middle East since the Israel-PLO peace accord was signed.

## Sweden

### Two believed ousted over globalization fight

Two key operatives of the old Olof Palme Social Democratic corporatist mafia inside Sweden were ousted from their positions within 24 hours of each other. Given the intimate ties between the two, there is speculation inside Sweden that the ousters are part of a broader reaction among Swedish elites against globalization of the economy, i.e., the dismantling of industry and highly skilled labor in search of cheap-labor manufacture.

First to go was Pehr Gyllenhammer, who was forced to resign as chairman of Volvo by its board of directors. Gyllenhammer was forced out over the terms he had negotiated in the sellout-merger of Volvo with the French Renault state-owned automaker. It is widely reported inside Swedish business circles that Gyllenhammer had agreed to a deal which would have "asset stripped" Volvo, which has several highly profitable operations, in order to prop up Renault. Gyllenhammer is a board member of Kissinger Associates, and is on the board of the holding company of the London *Economist*.

An indication that there were strategic implications to the merger is the fact that French Presi-

dent François Mitterrand threatened on Dec. 3 that Sweden's bid to join the European Union could be blocked as a result of the rejection of the Volvo merger by Volvo's board, despite the fact that Volvo is a private company.

The second to fall was Stig Malm, perhaps the most powerful Social Democrat in Sweden, head of the national LO trade union organization, who was forced out over revelations of a series of financial scandals and influence-peddling affairs. Malm had been key in securing trade union support for the Volvo-Renault merger deal. The three men, Gyllenhammer, Malm, and Palme, had formed a circle of insider dealings in which Palme's government in the 1980s often extended huge state benefits to Volvo for building new factories and other business decisions despite Gyllenhammer's nominal credentials as a member of the Liberal party.

## Unemployment

### Free trade exacerbates crisis, warns Allais

The major problem facing France and the world economy as a whole is unemployment, and the free trade approach is only making the problem worse, Nobel Prize economist Maurice Allais warned in a commentary in the Nov. 29 Paris daily *Le Figaro*. Unemployment has increased 800% over 1970-93, from 530,000 to 4.7 million.

It would be "at minimum adventurous, and in reality very dangerous," to give in to the demands of the General Agreement on Tariffs and Trade, the International Monetary Fund, and the World Bank "for the pursuit of the global liberalization of the exchange markets," he said. Those who proclaim a "new tomorrow" because of the policy of "free exchange" should recall that a "new tomorrow" was also promised "in 1917, at the dawn of communism."

Allais blamed the rise in unemployment, among other reasons, on "the perverse effects of a systematic and dogmatic . . . policy of free trade"; "insufficient training of the young"; and "a world conjuncture that is unfavorable, because of the effects of a gigantic indebtedness eating away at the core of the world economy."

## Health

### Another AIDS scandal hits Europe, this time Spain

The trade union of doctors in Madrid has accused the government of failing to ensure that blood and blood products were tested for AIDS until February 1987, although the AIDS test was available much earlier. Between 1985 and February 1987, at least 179 patients became infected with HIV through blood transfusions. Spain has the highest rate of infection (41%) among hemophiliacs in Europe, 3% higher than France.

The head of the union, Antonia Rivas, is now investigating how and whether blood products are being made safe today. "We believe that a huge part of those cases which are thought to have occurred heterosexually, do not have their causes in sexual intercourse. Millions of patients every year get 'gamma globulin'—we think that these products could play an important role in infecting patients," he told media.

Meanwhile, doctors at a conference of the German Society for Hospital Hygienics warned that there is a risk of infection with the AIDS virus from the use of medical examination equipment such as endoscopes or new microsurgery equipment which cannot be sufficiently sterilized.

## Ukraine

### Domestic measures won't work, warns economist

Prof. Volodymyr Chernyak, a member of the Ukrainian Rukh independence movement and a leading economist, warned that the nation's economic collapse is now beyond rescue solely through domestic measures, in a Nov. 26 interview with "Rukh Press." (See *EIR*, Dec. 3 for an interview with Professor Chernyak.)

Chernyak stated that "even the imposition of an economic state of emergency and rationing cannot rescue the collapsing economy." He added that the "strictest rationing cannot ensure even minimal sufficient energy and food supplies."

The "Armenian winter" warned about by Ukraine's deputy energy minister, is not some future threat, but present reality, he warned. On the energy front, barring a reversal of American-led western and Russian policies, Ukraine is doomed to copy the Armenian experience, where electricity and heat for homes and factories are rationed to only a few hours a day, and are cut off in many public buildings. On the food front, most Ukrainians can probably scrape by through private "arrangements" made between urban families and rural relatives, he said. But, caught between superpowers, Ukraine's ability to survive into the middle of next year as an independent country is highly questionable.

## Kenya

### IMF austerity causes more ethnic conflicts

Evidence that the austerity policies of the International Monetary Fund (IMF) are driving Kenya into tribal-ethnic conflicts was provided by the Paris daily *Le Monde* on Nov. 24, as the "consultative group" of aid donors for Kenya wound up its Nov. 22-23 meeting in Paris.

A freeze in aid which had been decided upon by the IMF and western governments was originally supposed to have lasted only six months, but "in reality, as the adjustment of the Kenyan economy was not carried out, the donor countries prolonged it. As a result, in two years, Kenya has lost around \$800 million, of which 85% was to have been balance of payments support. And several development projects have been suspended." Furthermore, "strangled by the pressure of the disbursements of funds (a near-zero percent GNP growth is expected this year), Kenya has suspended the service on its debt beginning in mid-1992, and today owes close to \$700 million in arrears."

Partly as a result of this economic crisis, Kenya is being rocked by tribal conflicts which have attained a magnitude "rarely seen in Kenya." The U.N. Development Program estimates that there have been 1,000 deaths and 250,000 displaced.

● **RUSSIAN** Deputy Prime Minister for Foreign Economic Relations Aleksandr Shokhin, after signing several arms contracts with the United Arab Emirates, said that Russia will soon increase its arms trade from \$2.5 billion a year now to \$9 billion. For this purpose, Russia plans to establish an export-import bank specializing in the arms trade.

● **AN AIDSTEST** developed at the University of Tokyo is estimated to be 4,000 times more precise than previous ones, and can detect the HIV virus much earlier. Older tests could only detect an infection 6-8 weeks after it occurred. The new method can also detect the AIDS virus in urine and saliva.

● **11% OF POLISH** families are forced to have their children work to make a living, according to a new official statistical report. Some 71% of Poles do not see any improvement in the near to medium term, and a majority expect 1994 to bring a worsening of conditions.

● **THE GERMAN** steel sector will begin extended short-work periods before Christmas, which will last through 1994. Companies do not expect the situation to improve, following a 15% loss in new contracts in 1993. There are reports that 50,000 jobs will be eliminated over the next three years, more than one-third of the industry's work force.

● **40,000 ROMANIANS** demanded the resignation of their government and President Ion Iliescu in labor protests on Nov. 29. Some waved loaves of bread on sticks, symbolizing hunger. One protester shook clattering ox bones and carried a placard with the words "food of the pensioner."

● **EXXON Corp.** signed a contract Nov. 30 to begin oil and gas exploration in the East China Sea, Xinhua news agency reported. The contract, signed with the China National Offshore Oil Corp., was the seventh awarded by China for the East China Sea since June.