

Business Briefs

Finance

IMF sabotaged Russian investment in rail

The International Monetary Fund (IMF) sabotaged Russian investments in the railway sector, by imposing a credit ban on all imports of rail cars and other material from traditional suppliers of the Russian railways, such as Deutsche Waggonbau AG (DWA) in eastern Germany.

The issue came up during the visit of a Russian delegation under President Boris Yeltsin to Germany in mid-May in which Yeltsin proposed construction of a high-speed rail and a highway link between Paris and Moscow through Berlin. The Russians, who backed down at the end of last year from promised state credit guarantees for DM 500 million (\$312 million) worth of purchases from the DWA plant in Ammendorf, will receive (despite Bonn's policy of not granting any new credit guarantees to Russia) a German government Hermes export credit guarantee for this deal, which will secure about 1,000 jobs at the DWA plant.

According to German sources, similar IMF credit bans also exist against imports of agricultural machinery and spare parts from Russia's traditional suppliers in eastern Germany.

Economic Policy

Avoid laissez-faire, Mahathir warns China

"God help China if it were to adopt . . . laissez-faire capitalism, the extreme type of market economy in which government is extraneous," Malaysian Prime Minister Mahathir bin Mohamad warned China in a commentary in the May 17 *International Herald Tribune*.

Mahathir's piece was excerpted from his speech on May 12 to the "1994 China Summit" in Beijing. At that meeting on May 11, British diplomat Peter Sutherland, current director of the General Agreement on Tariffs and Trade, demanded free trade in all of China. There must be "further liberalization," he said, or China will be kept out of the new World Trade

Organization, scheduled to replace GATT in January.

"China is being badgered and hectored to conform to systems that have been devised elsewhere for the benefit of different people," Mahathir said. But "Japan, China, South Korea, Taiwan, Thailand, Malaysia and Singapore, now commonly regarded as the East Asian 'miracles' . . . reject laissez-faire capitalism. Each has applied central planning and controls to some degree.

"A country like China which has known only a command economy for three-quarters of a century cannot . . . make a total and immediate switch. . . . As a result, China has managed to avoid the economic and political anarchy that the former Soviet Union has suffered. . . . China needs strong government. . . .

"The worst is the assumption that western countries can foist their principles on other nations by undemocratic means" such as "sanctions, arm-twisting, sustained campaigns through their media that they never hesitate to use," Mahathir wrote. "This proselytizing for democracy veils only slightly the objective: eliminating competition before it begins."

Europe

France, Germany key for integrating Russia

Franco-German cooperation will be vital in bringing Russia into an "economic axis with the West," German Foreign Minister Klaus Kinkel declared in Bonn on May 18, in a review of his first two years on the job. Kinkel said that the next 12 months will determine whether it is possible for the west European economies to integrate the Russians.

Kinkel said that the German chairmanship of the European Union, which will begin July 1, will present proposals for such an "economic axis" that would be pursued also under the French chairmanship which begins Jan. 1, 1995.

Kinkel portrayed the situation in Russia as "dissatisfying" and "worrisome," and as more and more determined by nationalistic undertones, characterized by the decrease of Russian openness to western proposals for cooperation over the past few months. Russian

President Boris Yeltsin's health is not the best, and Bonn is aware of the risks implied in that for the political stability of Russia, Kinkel said. He called for western creativity in the effort to improve the dialogue with Moscow, rather than passively watching the situation deteriorate further.

Debt

German budget goes increasingly to debt

One out of every five deutschemarks of German taxpayers' money will be spent for debt service from January 1995 on, the German Parliament's accounting office forecasts in its latest report. For fiscal year 1995, there will be DM 100 billion (roughly \$63 billion) in the federal budget for debt service, the single largest item in the budget.

Debt service in FY 1994 already absorbed DM 74 billion; the increase by at least DM 26 billion is caused by payments due on the DM 400 billion "old" East German debt which the Bonn government took over in 1995. Acting under political pressure from the International Monetary Fund and other Anglo-American monetary institutions and banks, Germany took over this debt in 1990, upon the unification of the two German states.

The biggest share of the "old" debt (DM 230 billion) is held by the Treuhand agency in Berlin, which continues to carry out the deindustrialization of the productive sector of the former East German state under the slogan of "market economy."

Russia

Yeltsin admits economic crash is close at hand

"The economy of Russia is unfortunately close to a crash," Russian President Boris Yeltsin said on May 19, during a private session with industrial and financial leaders outside Moscow, the London *Guardian* reported. This is the first time during his presidency that Yeltsin has admitted that Russia's economy is at the point of collapse.

"Record slumps in industrial production

Briefly

were announced earlier in the week, and the President's comments were confirmation of worse to come in the second quarter. Industrial production is down 25% in the first three months of this year on the same period last year," the paper wrote. Sergei Glaziev, head of the Russian Parliament's Committee on Economic Policy, said the current budget would not solve any of the country's underlying problems. Industry, especially high-technology industry, faces a "real catastrophe," Glaziev warned.

Latest figures from the Russian Economics Ministry are forecasting a further 45% drop in the electrical and electronics industry in the second quarter of 1994, and falls of 34.8% in petrochemicals, 35% in light industry, and 23% in food production.

Kenya

President Moi looks for alternative to IMF

Kenyan President Daniel arap Moi on May 8 accused the International Monetary Fund (IMF) and World Bank of brutality for prescribing painful reforms without considering the social consequences. "We cannot continue swallowing the medicine all the time," Moi said, Reuters reported. "If we reach a difficult point with structural adjustment, we must halt and look for alternatives."

Moi wants to call off prices hikes on food demanded by the IMF. A review of the last 14 months of economic reforms was expected to be taken up by the Kenya African National Union, Moi's ruling party, beginning in May. Moi said the IMF demands have devastated the lives of ordinary citizens.

The opposition continues to defend the reforms. Opposition Parliament members Peter Anyang Nyong'o and Paul Muite admit that Kenyans have suffered from soaring food costs but insist, "Reneging on reforms is the proverbial cure that is worse than the disease," Reuters reported one as saying.

The "reforms" Kenya has implemented in the last 14 months include abolition of most price controls, removal of restrictions on export of profits and on domestic borrowing by foreign-controlled firms, and guaranteed free access to offshore credits for resident firms.

Space

Russo-German project will develop orbital carrier

A joint Russo-German project for the development of a commercial orbital space carrier was signed in Stuttgart at the corporate headquarters of the firm German Aerospace (DASA) on May 16, in the aftermath of Russian President Boris Yeltsin's trip to Germany.

The project envisions the conversion of the old Soviet SS-19 missile into a carrier for non-military launches, with a third stage put on top of that missile. The basic design for the third stage has already been made by the Russian firm Chrusheinev, in a project called "rocket."

The electronics for the project will be developed by DASA, and once completed (scheduled for the end of 1996), the carrier will have the capacity to launch 1.5 tons of commercial cargo, such as telecommunications, research, or weather-monitoring satellites, into orbital positions.

Labor

Teamsters cease paying out strike benefits

The International Brotherhood of Teamsters was forced to cease paying strike benefits and to impose emergency dues in May. The 22-member IBT General Executive Board made the decision after the union's net worth fell to \$15 million in mid-May, from over \$150 million in 1992 when Ron Carey became president.

The union recently paid out over \$100 million in strike benefits in the strike against less-than-load trucking firms, the largest trucking industry strike in the United States since deregulation began in 1979.

The decision seriously undermines the union's negotiating position in the many, much smaller strikes that are continuing around the country. The IBT has conducted more than 50 strikes so far this year involving more than 1,500 workers. Under the Teamsters' bylaws, when the union's net worth falls under \$20 million, an emergency assessment of \$1 per month on each member is imposed.

● **TAIWAN** has developed its first magnetic levitation train model in Tsinhua University laboratory, and claims it is better than the technology published by both German and Japanese engineers. The *World Journal* reported on May 12 that Taiwanese engineers are applying for a patent.

● **CHINA** unveiled a \$40 billion plan to speed up expansion of its telecommunications network so that every urban family will have a phone by the year 2000, *China Daily* reported. Telephone exchange capacity is envisioned to grow from 42 million lines now to 140 million lines by the year 2000.

● **ETHIOPIA** is facing an increasing danger of famine, Dr. Kebede Tadesse, minister of social development, warned on May 19. He said the number of people needing food assistance has grown from 4.4 million to 6.7 million in 1994, and food need has grown from 577,586 tons to 895,000 tons.

● **COLOMBIAN** biochemist Manuel Patarroyo won Spain's Prince of Asturias prize for science for his creation of a synthetic malaria vaccine, Reuters reported on May 21. The vaccine, SPf66, should be ready for use in four years at a cost of less than 30¢ a treatment. Malaria infects 300 million and kills 3-5 million people a year.

● **FRESHMAN** enrollment in China's institutions of higher education will be reduced by 30,000 in 1994-95 due to lack of financial resources, a 3% drop from 924,000 enrollments in 1993-94, an Education Ministry spokesman told Xinhua news agency on May 10.

● **CASUAL TRANSMISSION** of AIDS has been acknowledged by the Atlanta Centers for Disease Control, the May 20 *Wall Street Journal* reported. A 75-year-old woman, married for 50 years, contracted AIDS after caring for her son for 11 months before he died. The woman had no known risk factors.