

Business Briefs

Australia

Privatization program back-firing in Victoria

Realizing that the state of Victoria will experience drastic power shortages over the coming summer months, even though privatization was sold to the population as the solution to such problems, state Treasurer Alan Stockdale recently wrote to the five private electricity distribution companies now controlling Victoria's electricity supply, demanding that they ensure that adequate power is available for peak-use days, the Nov. 17 *Herald Sun* reported.

The foreign-owned corporations which bought into the electricity industry have become hysterical at this unexpected order, and are demanding that the government pay the cost of ensuring the power supply, which is expected to be \$20 million. Keith Stamm, chief executive officer of United Energy, one of the five companies, wrote in reply: "We believe that from a public policy perspective, the government has formed the view that a higher level of reliability is in fact required. It is inappropriate to expect market participants to pay for a higher level of reliability."

Victorian Premier Jeff Kennett has paid AUS \$20 billion to the banks, as a result of his privatization program of the last few years, which has greatly degraded Victoria's infrastructure.

Biological Holocaust

HIV returns after use of anti-viral drugs

Australian doctors treating patients infected with the human immuno-deficiency virus (HIV) are becoming concerned about the effectiveness of anti-viral drugs, specifically the highly touted three-drug cocktail of protease inhibitors, the Nov. 15 *Sydney Morning Herald* reported. At the Adelaide conference of the Australasian Society for HIV Medicine, doctors from Sydney and Melbourne said that they believed that the virus must be developing resistance to the drugs, or that patients were not following the complicated

treatment regimen.

Doctors reported that many patients who had achieved undetectable levels of HIV, are now relapsing and again showing clear evidence of infection. And, half of the patients are showing an unusual side effect: wasting of fat on all body areas except the belly.

Dr. Stephen Kent, of the McFarlane Burnett Centre for Medical Research in Melbourne, reported the results of a study of 158 HIV-infected patients who had shown in two separate tests to have undetectable levels of HIV. However, six months later, about one-quarter had relapsed, and had detectable levels.

Dr. Andrew Carr, staff specialist in immunology at St. Vincent's Hospital in Sydney, reported that although it was not yet clear that the protease inhibitors had caused the wasting away of fat, the study showed that this could lead to an increase in the long-term risk of vascular disease. Carr agreed with the Melbourne study results, and predicted that doctors would start seeing more sicker patients again. Some doctors at the conference disputed these findings.

Economic Policy

Argentinian demands protective tariffs

Javier Tizado, vice president of Siderar, an Argentine steel company, said that protective tariffs should be reestablished, the daily *Clarín* reported on Nov. 17. Tizado's comment came in response to a question from reporter Silvia Naishtat, on what Argentina could do in the event that Brazil's currency, the real, were devalued.

The debt and currency crises of Brazil and Argentina are threatening to cripple trade. Of \$17 billion in bilateral trade this year, \$8 billion of Argentina's exports will go to Brazil. *Ambito Financiero* columnist Horacio Alonso reports that with Brazil's austerity measures, Argentine exports will drop by 15%, or \$1.2 billion. Ernesto Ambrotsetti, an analyst with the Argentine Rural Society, notes that of the \$14.3 billion in agricultural export revenues of Argentina in 1996, at least 17.3% were from exports to Brazil. Some 40% of Argentine oil and fuel

production goes to Brazil, and its automobile sector, which relies heavily on the Brazilian market, will be hit hard.

Naishtat commented that Tizado "doesn't trust the methods" of Deputy Finance Minister Carlos Rodríguez, the kook who the week before predicted an early end to the current financial crisis, based on "lunar cycles." However, equally bad, Tizado said he relied instead on J.P. Morgan's assessment of the crisis. He admitted that protective tariffs would delay regional integration.

Arturo Azevedo, an Acindar steel company executive, told *Clarín* that Brazil is the primary concern of Argentine businessmen. "We have to determine the degree to which Brazil could suffer a speculative attack. It has the alternative of resisting or devaluing, and that will determine the extent of slow-down in Argentine growth—which will be greater if there is a devaluation."

Trade

Russia, China step up nuclear cooperation

Russian Ministry of Atomic Energy (Minatom) head Viktor Mikhailov outlined ongoing and future Russian cooperation with China on nuclear energy, in an interview with the daily *Novye Izvestia* on Nov. 18. Mikhailov had just returned from China with President Boris Yeltsin.

Three nuclear agreements have been signed by Russia and China, two in 1992, and one in 1996. Minatom is now in the process of building a uranium enrichment plant in China, the first phase of which has been completed, Mikhailov said. The plant is producing \$20 million worth of nuclear fuel per year, and the second section will be completed next year, ahead of schedule. The entire complex will be operational in 2001.

Second, Russia is "completing the development of a technical project for a nuclear power plant for China, and a general contract is to be signed in December 1997," Mikhailov reported. He said that a "facility for the manufacture of thermal units" (steam turbine generators) for the 1,000 megawatt Russian VVR reactor, is being built in China. Minatom is also "planning to build a plant

FRANCE has seen the number of low-wage jobs (i.e., paying at most 3,650 francs, or less than \$700 per month) double, from 5% of all those employed in 1983, to 10% today, according to the Labor Ministry. The rise in part-time employment, which rose from 8% to 17% in the same period, has been a major factor.

POLAND should suspend its 1997 debt-service payments and use the money for urgent social problems, said Marian Krzaklewski, head of the Solidarnosc action committee, who leads the biggest party in the new government coalition, the German daily *Frankfurter Allgemeine Zeitung* reported on Nov. 19.

UKRAINE Airlines' pilots, who have been on strike since early November, picketed the parliament on Nov. 19. The pilots are demanding the payment of back wages as well as increased salaries and better pensions. Their strike has shut down virtually all domestic flights.

AIDSSUBTYPES are multiplying, the Frankfurt, Germany Speyer House Research Institute, has found. A few years ago, for example, most HIV-positive blood samples were infected with subtype B. Now, subtype C, detected a year ago, is estimated to be responsible for one-third of all new infections.

CHINA'S Vice Premier Wu Bangguo pledged support for four projects in Thailand, in October. These include the Southern Seaboard Development Project (the oil-rail project across the Kra Isthmus), which will shorten the time of transport of oil from the Andaman Sea and the Middle East to the South China Sea.

MADELEINE ALBRIGHT, the U.S. secretary of state, blamed Israel for the dire economic conditions of Palestinians in the West Bank and Gaza, in a speech to the fourth Middle East and North Africa economic summit, which opened in Doha, Qatar on Nov. 16. She did not mention the other culprit: the World Bank.

for the processing of spent nuclear fuel from nuclear plants," he said. (This would insulate China from the international environmental madness that has accompanied the reprocessing of spent fuel by Japanese and other facilities in Asia.)

Asked about longer-term plans for cooperation, Mikhailov said Russia is going to build a fast-neutron (breeder) reactor, the BN-800, in China. With uranium enrichment capabilities to produce fuel, a breeder program, and reprocessing facilities for spent fuel, China will have developed an independent nuclear fuel cycle. He said that Minatom's trade with China grew from \$70 million in 1996, to \$150 million this year. By the turn of the century, he said, "we expect to reach the level of \$600-700 million."

Finance

Philippines cracks down on currency speculation

Twice during the week of Nov. 17, the Bangko Sentral ng Pilipinas (BSP, the central bank) moved against currency speculation by banks, first targeting forward forex sales contracts, and then hitting at questionable currency "swaps," the Manila *Daily Inquirer* reported.

On Nov. 19, Central Bank Governor Gabriel Singson criticized the record rate of increase in cancellations of forward currency contracts, warning the banks that as of Oct. 24 onward, illegitimate forward exchange sale cancellations "will be retroactively excluded from computation of the bank's open position." Under those circumstances, the bank will be fined and lose its letter of credit opening privileges. The BSP reported that from June to September 1997, cancellations shot up to \$634.8 million, as against \$228.2 million from January to May.

On Nov. 20, Central Bank Deputy Governor Alberto Reyes met with officials of the Philippines Bankers Association to explore "reasonable" ways to regulate currency swaps, which officials say have aggravated the local currency plunge. Two proposals "being considered seriously" are: limits on banks use of currency swaps; and disallow-

ing swaps being used to circumvent reserve requirements, along with strict criteria to determine the legitimacy of swap transactions, similar to forward transactions.

BSP figured out that banks were buying on the spot currency market, while simultaneously selling the same amount 30-days forward, and then parking dollars in foreign currency deposit units until the forward contract matured. The conversion of peso liquidity allowed them to evade both the 13% statutory reserve requirement on all peso deposits, and the 20% tax on interest income.

Taiwan

Business interests push for ties with mainland

The full weight of Taiwan's business community has been turned against President Lee Teng-hui, and is demanding rapid improvement in relations with the mainland, the Nov. 6 *Far Eastern Economic Review* reported. Lee, who has been moving closer to a "Taiwan independence" posture, despite Beijing's warnings, has vigorously refused to remove the ban on direct trade and investment in the mainland, while coercing business leaders to cancel major industrial and infrastructural projects, even if they were "indirect."

But now, Chang Rong-fa, chairman of Evergreen, the world's largest container-shiping company, has publicly criticized President Lee, demanding progress toward open business relations. Chang has been backed up by Kao Ching-yuan, CEO of President Enterprises, Taiwan's largest investor in the mainland. Kao is on the Kuomintang party's 31-member central standing committee. Also, Y.C. Wang, head of Taiwan's largest company, Formosa Plastics, recently wrote a column calling for a "federation" among mainland China, Taiwan, and Hongkong.

It is important to note that Hongkong's new chief, Teng Chi-hua, was previously head of Taiwan operations for one of Hongkong's largest shipping companies, and has close ties to the Taiwan business community.