

Business Briefs

Brazil

London Economist 'deserves repudiation'

Leading figures in the Brazilian judicial and legal community are up in arms against the London *Economist*, after it ran an editorial, entitled "Nuts in Brazil," attacking Brazil's Supreme Federal Tribunal (STF) for ruling that the Cardoso government's tax on the pensions of retired civil servants, and vastly increased taxes on public workers, was illegal. *Jornal do Brasil* reported on Oct. 15.

Carlos Velloso, STF president, said that the judges may contact the International Organization of Magistrates, to discuss the possibility of suing the *Economist*. He said that the court expects Fernando Henrique Cardoso to issue a statement defending the court, because it is the President's "mission to represent and defend the state."

The Brazilian Association of Magistrates commented that "there was no outcry" when the STF approved austerity measures, but "when the Supreme Court ruled outside of the IMF [International Monetary Fund] script, then you saw the criticisms, even from abroad."

Reginaldo de Castro, president of the Brazilian Order of Lawyers, said: "They take the blood and peck the bones of the Third World, and then have the audacity to see insanity in the few acts which seek to find a solution for these emerging countries. They are cynics who fully deserve the repudiation of all of humanity."

Romania

Economic crisis forces break with the IMF

Romanian Defense Minister Victor Babiuc violated International Monetary Fund (IMF) budget rules on Oct. 20, and decreed a 60% wage increase for the police and 80% for the armed forces. The increases came one week after warning strikes by several thousand oil workers against the IMF-mediated deregulation and privatization of the country's oil sector, and unrest among the police and mili-

tary over wage arrears. Prime Minister Radu Vasile, on a visit to Greece, supported Babiuc, saying, "We must give them the money, even if the IMF doesn't agree with it."

The conservative-liberal government of Romania is under heavy pressure and faced with inner-coalition tensions because of the economic disasters resulting from its pro-IMF policy. Most recently, there has been public unrest over attempts by RADET, the national heating company, to collect back heating bills by cutting off customers without warning. Several tens of thousands of residents of Bucharest, Romania's capital, have been cut off, and the city of Jasi, with 345,000 inhabitants, has been cut off from heat and warm water.

Many Romanians simply cannot afford heat in the wake of the government's decision earlier this year, on the recommendation of the IMF, to deregulate prices. The average worker's monthly income is about 800,000 lei, and the average heating bill is 600,000 lei.

Space

Russia may help China launch man into space

Russian Presidential aide Marshal Yevgeni Shaposhnikov told Interfax in an interview on Oct. 18 that the Russians stand ready to assist China in space "projects that do not threaten national security." It was the second statement in recent months which referred to Russian assistance for a manned Chinese mission. Earlier, Russian Space Agency head Yuri Koptev told Interfax that Russia's support for the Chinese mission should be seen in the context of the overall expansion of cooperation between the two nations. Space cooperation was upgraded last summer when Koptev was in China.

The Russians have trained Chinese astronauts at the Gagarin Cosmonaut Training Center, and much of Chinese equipment for manned flight is descended from Soviet technology.

Meanwhile, China's Great Wall Industry Corp. announced on Oct. 18 that it has signed a contract to launch a communications satellite on a Long March 3A rocket

in early 2001 for Italy's Alenia Aerospazio firm. On Oct. 13, a Long March rocket placed two Brazilian satellites into orbit. The most important is the joint China-Brazil Earth Resources Satellite-1. Earth remote-sensing science and technology are highly developed in Brazil, and will be shared with China.

On Oct. 18, a Russian-Chinese research cooperation agreement prepared by China's President Jiang Zemin's Novosibirsk visit last year, between the Siberian branch of the Russian Academy of Sciences and the Chinese Academy of Sciences, was signed in Beijing. The agreement envisages the formation of joint engineering centers in Russia and China, focussing on laser research, aviation, and space machinery. "The agreement was boosted by a visit of Chinese chairman Jiang Zemin to the Russian Academy's settlement in Novosibirsk, where he spoke in Russian about the importance of the development of science on the brink of the 21st century," Siberian branch chairman Nikolai Dobretsov told Itar-Tass.

Kosovo

Economy a disaster, says ILO report

A report issued by the Geneva-based International Labor Organization (ILO) on Oct. 19 says that the situation in Kosovo, four months after the halt in the NATO bombing campaign, is a disaster. Of the pre-war population of 2.4 million, no more than 1.9 million have remained, with a half-million either fled or migrated.

Of the working population of 1.3 million, the ILO describes only 35% as "economically active," and of the working population in the agricultural sector, only 23%. The state sector, which once employed 80% of the working population, no longer exists. Large percentages of hospitals, schools, utilities, and farm buildings were destroyed by NATO bombs, and have not been rebuilt. Pensions and other programs dependent on public funds cannot be paid, because the funds do not exist or cannot be transferred because of the lack of civilian administration infrastructure.

Kosovo was dependent on food imports

before the war, and the situation has worsened. Cattle-breeding is half of what it once was; chicken and other small livestock production have fallen to 20% of former levels. Kosovo urgently needs 230,000 tons of food imports to get through the winter.

Private relief organizations and military administrators in Kosovo are reporting that it is becoming more and more difficult to transport bigger loads on the bad and destroyed roads, because winter conditions are setting in early.

The response of European Union chief coordinator of Balkans aid "Bobo" Hombach, on Oct. 20 during a visit to Bulgaria, was that there may be a new big conference of donors in late January or early February.

Mergers

Mannesmann takeover creates more debt

One of the latest examples of merger madness in the telecommunications sector is the 60 billion deutschemark (roughly \$37.5 billion) takeover of the third-largest British mobile phone operator, Orange, by the German entity Mannesmann (once one of the leading producers of German machinery). To become the leading mobile phone company in Europe, Mannesmann offered a price 21% above the closing stock price on Oct. 18, when the bid talks had been announced.

While Deutsche Telekom, in its recent takeover of One2One, another British mobile phone operator, paid DM 10,000 for each customer, Mannesmann is paying DM 17,000 for each mobile phone customer it will receive in the takeover. Even the usually merger-euphoric stock markets have been cautious. On Oct. 21, Mannesmann stock in Frankfurt fell by more than 8%, while its corporate bonds also faced massive losses following the announcement by Moody's and S&P that Mannesmann will lose its single A rating.

To finance the deal, Mannesmann plans to issue DM 40 billion in new stocks and DM 20 billion in new corporate bonds. It will temporarily use short-term bank credits, in the range of several billion marks. For its earlier mobile phone acquisitions in Italy and

Germany, the company already issued bonds worth DM 13 billion. On Oct. 22, rumors based on a London *Times* story, that the British telecom group Vodafone AirTouch, until recently the largest mobile phone operator in the world, would strike back and buy up Mannesmann for DM 121 billion, were shaking the European exchanges.

Finance

CFR recognizes that the worst has not passed

The New York Council on Foreign Relations (CFR) recently posted a 93-page report on its Internet web site, the result of a year-long "independent task force" study on "safeguarding prosperity in a global financial system." There is broad-based recognition among the study's participants that the global financial and monetary system is near breakdown, and that anyone who claimed that "the worst has passed" is wrong.

The project, according to the authors, was launched following President Clinton's September 1998 speech before the CFR, in which he warned that the world is facing the gravest monetary crisis in 50 years, and called for "a distinguished private sector group to take a fresh look at the need for reform of the international financial architecture." The CFR task force was co-chaired by Peter Peterson and Carla Hills and directed by Morris Goldstein, the former deputy director of research at the International Monetary Fund who is now with the Institute for International Economics. The task force's 28 members ranged from Laura D'Andrea Tyson, Ezra Vogel, Stephen Roach, and Nicholas Lardy, to such luminaries of speculation as George Soros, Maurice Greenberg, and Paul Volcker.

There were widely diverging views on what to do about the crisis, as reflected in the fact that several groups of participants wrote dissenting views, which were appended to the report. But, no one among these "establishment experts" demonstrated a willingness to face up to the full extent of the bankruptcy of the current system, and opt for Lyndon LaRouche's proposal to create a New Bretton Woods system.

THE KOREAN Federation of Bank and Financial Labor Union is suing the International Monetary Fund for \$618,000, for job losses caused by the austerity package the IMF proposed in late 1997. Given the record-high unemployment rate of 8% and lack of social security, one unnamed union official stated, "We are filing a lawsuit to prove the failure of the IMF programs for Korea."

THE NUMBER OF New Zealand family pig farmers has been halved by imported pork prices as much as 40% lower than New Zealand products. Producer John Verkerk told *The Press On-Line*, "It's a global economy, and the consumer doesn't care."

PLAGUE MORBIDITY has been steadily rising during the 1990s, particularly in Africa, according to a World Health Organization study. Cases reported by 14 countries in 1997 (latest available figures) was 5,419, compared to 3,017 cases in 1996 and an annual average of 1,920 cases for 1987-96.

WALL STREET brokerage houses are firing analysts who puts out bearish analyses, and analysts are virtually forbidden to put out "sell" recommendations, John Crudele writes in the Oct. 22 *New York Post*. One strategist said, "It's suicide to be rational in an irrational environment."

ZIMBABWE, because of International Monetary Fund lack of approval, is losing donor aid. In September, the Netherlands, which had been providing about \$15 million annually, suspended new aid, and Italy cut its \$827 million aid package. In June, Denmark cancelled aid worth \$1 billion to upgrade airports because of Zimbabwe's involvement in the Congo.

ARGENTINA'S statistical agency, INDEC, has been ordered by the federal government to alter statistics to cover up the depth of Argentina's economic depression. Roberto Martinez Pardies, INDEC's foreign trade director, has charged in court.