

Business Briefs

Foreign Debt

IMF scrambles to shore up Ukraine's finances

Following the admission by Ukrainian President Leonid Kuchma, that his country's foreign debt is unsustainable—an admission that triggered a temporary nosedive of 50% in the value of Ukrainian Eurobonds—the government and International Monetary Fund (IMF) have been trying desperately to build up some facade of financial stability. On Sept. 7, the Ukrainian government suddenly presented a revised version of the 2000 budget, devoting 10.67 billion hryvnias (\$2.1 billion), out of the entire budgeted expenses of 24.89 billion hryvnias, to foreign debt payments, or some of 43%.

On the same day, the IMF's Deputy Managing Director Stanley Fisher stated that Ukraine's "fiscal adjustment has been encouraging," and therefore, the IMF approved a \$184 million loan. One day earlier, the World Bank had already given the green light for a \$100 million loan to Ukraine. Both the IMF and the World Bank are among the country's top foreign creditors.

President Kuchma's adherence to the World Bank-IMF prescriptions for Ukraine, and their disastrous implications, has been brought to the center of the upcoming Oct. 31 Presidential election by candidate Dr. Natalia Vitrenko of the Progressive Socialist Party of Ukraine. Dr. Vitrenko, a member of Parliament, has surged to second place in most preference polls for the elections.

Food Cartels

Pork producers merge, tighten food control

The Virginia-based Smithfield, the world's largest producer and processor of pork, is acquiring Murphy Farms, the second-largest hog producer in the United States, it was announced in early September. Smithfield by itself was already the largest factory-farm producer of hogs, marketing 5.5 million hogs annually, and with significant opera-

tions in Poland, France, Mexico, and Brazil.

The new combine, like the Cargill-Continental merger, goes "beyond big," into the realm of food control outside of any nation's ability to assert its national interest in protecting and securing farming and food supplies. Already, the top four meat processors in the United States slaughter more than half of all pork sold in the country.

Leland Swenson, head of the National Farmer's Union, has warned that the merger will contribute to foreign meat coming into the United States from Brazil and Mexico, causing prices to already-beleaguered U.S. farmers to be further depressed.

Argentina

Industry, workers act to protect production

Several different industrial sectors are experiencing open rebellion against so-called free trade by businessmen and workers, who are demanding "active measures" to protect production from the damaging effects of free-market policies. The Union of Metalworkers (UOM) issued a statement on Aug. 7, attacking the government for devastating industry. Because of "an economic policy of savage opening [to globalization], which prefers to replace production factories with containers filled with imported goods . . . in only a few years, we've lost half our labor force."

At the annual meeting of the Argentine Industrial Union (UIA), *Página 12* reported on Aug. 19, some attendees began talks to create a new association, to be called "The Productive Group," which "would sweep aside the Association of Argentine Banks and the stock market, given that in recent years, these have curbed government policy, [and acted] against the interests of productive sectors." In addition to industrialist factions, the Productive Group will include agricultural organizations such as Coninagro, the Argentine Agrarian Federation, Rural Confederations, and the Argentine Rural Society. These farm organizations staged two nationwide strikes earlier this year to protest the destruction of agriculture.

In addition, on Aug. 27, the Argentine Workers' Movement, the General Economic Confederation, and the Argentine Agrarian Federation, joined to launch the National Union of Production and Labor, to demand measures to attain "a profound redistribution of the internal market," according to the report in the daily *La Nación*.

Fusion Energy

China's research set to enter a new stage

China's operation of another experimental nuclear fusion device, the Tokamak HL-2A, which is being built on the outskirts of Chengdu, capital of Sichuan Province, will open a new phase in the country's controlled nuclear fusion research, Xinhua news agency reported Sept. 9. The Tokamak HL-2A project, being conducted at the China National Nuclear Corp.'s Southwest Physics Research Institute, the country's first and biggest nuclear fusion experiment center, uses equipment from Germany.

China started work on controlled nuclear fusion in the 1950s and developed the Tokamak HL-1 by its own efforts and put it into operation at the Institute in 1984. In 1994, a new system from a modified HL-1 installation was put into use for greater efficiency. Despite the world recognized research results gained with the help of existing equipment, Chinese researchers decided to build the more advanced Tokamak HL-2A facility with German equipment, aiming to enhance their role in the "sphere of nuclear fusion."

Russia

Helmut Schmidt says IMF wreaked disaster

Former German Chancellor Helmut Schmidt attacked the International Monetary Fund policy in Russia, as well as in Asia and Ibero-America, as incompetent, in a interview with Italy's *Corriere*

POPE JOHN PAUL II addressed the issue of "Ethics and Finance" in a speech on Sept. 16, pointing to the dysfunctional "economic relationships, [in which] financial transactions have grown much bigger than real ones, so much that the world of finance has nowadays acquired an autonomy of its own."

YEVGENY PRIMAKOV, the former Russian Prime Minister, told an NTV interviewer that his electoral slate would not ally with "extremists" who would take Russia back to "the command and administrative system," or those on the right—"the pseudo-liberals, that are dragging [the country] in the direction of the Chicago School. They are also called the 'Chicago Boys,' and they are very proud of it. They completely deny the regulating role of the state."

A MOROCCAN business delegation of 230 arrived in Israel on Sept. 6, including three parliamentarians, four managers of the Moroccan King's farms, and an adviser to the Moroccan Construction Minister. It was the largest delegation from an Arabic country ever to visit Israel.

'**BIPOLAR**' is the best characterization of the World Bank's *World Development Report* for 1999, released on Sept. 15, which promotes the devolution of power away from national governments in two directions: towards globalization, and what it calls "localization," which it defines as "the growing economic and political power of cities, provinces and other sub-national entities." This will be "one of the most important new trends in the 21st century."

THE WORLD HEALTH Organization's *Weekly Epidemiological Report* on Aug. 20, reported that infectious disease is now the world's leading killer of children and young adults, killing some 13 million each year, with just six diseases: AIDS, malaria, TB, measles, diarrheal diseases, and acute respiratory infections, accounting for 90% of these deaths in 1998.

della Sera, published on Sept. 9. Schmidt was among the guests at a major international economic meeting at Cernobbio, Italy. "The IMF gentlemen are bankers full of good will, but I must say that with Russia, they did everything wrong. . . . They gave out billions of dollars, but their aim was to save Western banks. The development of the country took second place. By the way, the last two to three years, the same thing happened in South America and in the Far East."

The IMF should stop playing the lender of last resort, he said, adding that it would be wrong to cut financial relationships with Moscow: "We must deal with the Russian people, a very proud people, with great respect. This does not mean that we must have unlimited confidence in them. . . . The problem is not [President Boris] Yeltsin. There will be a successor and we must go on negotiating with him. The fact is that we will need at least a couple of generations before Russia approaches Western standards from a legal and economic standpoint. In the meantime, we must avoid a paternalistic approach towards them. This is a characteristic American behavior. Russians must learn from their mistakes."

Monetary Affairs

Central banker says Asia needs its own fund

If there had been an Asian Monetary Fund (AMF), when the Asian monetary crisis broke out in 1997-98, "then maybe the damage caused by the crisis could have been contained, as it was initially a currency crisis, and countries only faced liquidity problems," the governor of Malaysia's central bank chief said. Bank Negara Governor Tan Sri Ali Abul Hassan Sulaiman told a symposium of the Japan-Malaysia Association in Tokyo on Sept. 7. "Large financial support, if provided up front" by such an Asian Fund, "could have stopped the contagion," he said.

On the currency controls in Malaysia, the Bank Negara Governor said: "We envisage that the controls will remain for some time, until there is a discernible normalization of the currency and financial markets domesti-

cally and globally, and until concrete measures are in place to reform the international financial system." He also said in his speech that "the need to maintain the momentum for reform is particularly urgent, as the present international financial system is ill-equipped to cope with the challenges of the globalization."

Beyond monetary cooperation in an AMF, as distinct from the International Monetary Fund and its "conditionalities," the East Asian countries should also use the yen as an Asian reserve currency, he said, and they should expand their cooperation generally, in a framework of the kind that Malaysia has been proposing for some time, namely the East Asian Economic Caucus (EAEC).

Social Security

Polish system is on verge of bankruptcy

On Sept. 16, Poland's cabinet held an extraordinary session to discuss the disastrous situation of the public social security fund, ZUS. In the first eight months of 1999, the federal budget had to put more money into ZUS (9.6 billion zlotys or \$2.2 billion) than had been budgeted for the entire year. In addition, the ZUS had to take 2.8 billion zlotys in short-term bank credits. Public pension payments, the 21 private pension funds, the regional health insurance funds, and the employment offices are all dependent on payments from ZUS. According to government statements, the reason for the financial disaster at ZUS is the refusal or inability to meet social security payments by the large companies in the steel, mining, defense, machinebuilding, and national railways industries, as well as, increasingly, by the privatized corporations.

At the same time, social and financial turmoil is exploding, as the government is pressing through "social reforms" and mass industrial layoffs. In early September, rumors of a cabinet reshuffle led the zloty to fall to its lowest level against the U.S. dollar since April 2, and on Sept. 15 the zloty suffered another heavy loss, while stock prices also dropped by 3.5%.