

Business Briefs

Biological Holocaust

Some 27 million face starvation in Africa

Twenty-seven million Africans are immediately threatened with starvation unless the European Community foreign ministers authorize an emergency food aid plan for several African countries, British aid organizations like Oxfam warned on the eve of the EC meeting beginning April 15. These aid groups claim that a "lethal mix" of drought and civil war has created an emergency food deficit of 4 million tons in six countries: Ethiopia, Sudan, Mozambique, Angola, Malawi, and Liberia. Fewer than 2 million of the necessary 4 million tons have been pledged so far, and only one-fifth of the necessary amount actually delivered.

What has the aid groups concerned, is that the EC has, so far, given no indication that it will increase the amount of food aid in its budget for Africa, although such increased allocations have been decided for the Kurds, Eastern Europe, and the U.S.S.R.

The London *Guardian* underscores one "cruel irony" of the situation, namely, that the danger to Africans comes at a time when there are "rapidly rising cereal mountains" in the EC nations, with 20 million tons of "surplus cereals in EC silos."

Infrastructure

Electricity grid at risk, says report

Electricity reliability in the U.S. is "moving up the ladder of risk," according to the latest report of the North American Electric Reliability Council (NERC). It warns that the nation's electricity grid is moving from a surplus of generating capacity a few years ago, to a "deficit of conventional generation."

In 1990, when there were few extremes of weather, equipment failures, or natural disasters, the report states, "voltage reductions, public appeals to reduce the use of electricity, and even manual load shedding [blackouts]

were necessary in parts of the country due to hot weather and generation shortages."

NERC, which represents most of the nation's electric utilities, reports that analysts project that between 200-300 gigawatts (GW) of new capacity will be needed by the year 2000. Currently, only 86.2 GW of new capacity is planned, and less than 30% of that is under construction. This means that a significant percentage of that amount will not come on line as projected. In addition, one-fifth of the planned capacity is supposed to be built by non-utility suppliers, much of which must be expected to be unreliable.

Though required by law (at least until now) to provide reliable electric power, the utilities have been warning since 1988 that this will become impossible under current economic and regulatory conditions. The NERC report for last summer described the U.S. electricity situation as becoming similar to Third World countries, who enjoy only a few hours of electricity per day.

International Credit

Eastern Europe bank inaugurated in London

The European Bank for the Reconstruction and Development of Eastern Europe (EBRD) was inaugurated in London April 8. Thirty-nine countries from all of Western and Eastern Europe, plus Russia, the United States, Japan, and Australia joined the bank, headed by France's Jacques Attali. The bank will operate with about \$10 billion in capital.

The mission of the bank has been a compromise between the European desire to promote investment in infrastructure, i.e., the public sector, and the Anglo-Americans, who favor investments only in the process of privatization of the economy or into already privatized companies. It is agreed that 60% of the bank's capital will go to the latter type of operations, while the rest will go to infrastructure development.

Indicative of who will be exerting control over the bank, Attali gave the United States the post of first vice president in charge of the

"affairs" department as well as responsibility for choosing priorities between the "development" department (public infrastructure), and the affairs department (privatization). An Italian will be vice president for the Development department.

The EBRD is already examining demands for financing of over 250 large projects. The most advanced is a project for restructuring the entire telecommunications system of Poland. For Hungary, the bank is considering a project for the creation of a banking system, the restructuring of telecommunications, and the building of a road crossing the nation from east to west.

Attali told France's *Libération* that the EBRD's priorities would be the following: "Aid those countries to have the right legislation and necessary institutions: a central bank, a banking system, basic infrastructure (roads, telecommunications, trains, distribution networks). . . . Without a state, the market can only be a black market."

Asia

Gorbachov asks Japanese aid for 'great projects'

Soviet President Mikhail Gorbachov called for Japanese aid for a number of "great projects" in the Soviet Far East and in Siberia, the French daily *Le Monde* reported April 18 from Tokyo. In a speech April 17 to Japanese businessmen, he said this aid should be for projects in infrastructure and in development of energy resources. To accomplish such an end, he proposed the creation of a "Japanese-Soviet Bank for Development."

Among the projects at the center of Japanese-Soviet negotiations, *Le Monde* reports, are the development of the oil and gas resources of Sakhalin Island and the joint exploitation of Lake Baikal oil, the production of a machine-tool plant in Moscow, and the building of a nuclear reactor on the island of Sikotan (South Kuriles) for the production of nuclear fuel for both countries.

While Japanese businessmen are reticent about getting deeply involved in the Soviet

Union, *Le Monde* notes, there is a growing pattern of Japanese business arrangements being made with and through various Soviet republics. Khabarovsk, capital of the Soviet Far East, is a point from which this activity radiates. "The Japanese are present from Irkutsk to Tashkent," particularly the large Japanese trading houses, the paper notes.

Meanwhile the Soviet Union is buying Japanese locomotives for the Baikal Railways. A contract for over 250 diesel locomotives and an option for another 50 was signed between Soviet State Railways and East Japan Railways shortly before Gorbachov's arrival. The deal, which will help to modernize rail transport in the Baikal region, is considered a door-opener for Japanese investors who have shown interest in Baikal projects.

Space

German minister calls for supersonic plane

At a science panel in Bonn April 16, Science Minister Heinz Riesenhuber called for funding of the Hytex project, a prototype supersonic plane designed for a speed of Mach 5.5.

The Hytex plane is based on the design for the Sänger spacecraft, the commercial version of which could later be used as a long-distance airliner flying at Mach 7. Future flights from Frankfurt to Tokyo would only take two hours, said Riesenhuber, and prove that the project of a reusable Sänger space shuttle, capable of taking a 35-ton payload into orbit at one-tenth of today's costs, is feasible.

Labor

U.S. tax code weighted against the family

The U.S. federal tax code is weighted against families, the House Committee on Children, Youth, and Families was told on April 15, the *Washington Post* reported. In 1990, a family

that earned one half of the median income, or \$21,500, paid 23% of that income in federal, state, and Social Security taxes. In 1948, a family earning one half the median income paid less than 2% of its income in the same taxes.

The major reason for the vast difference is that in 1948, the \$600 personal and dependent exemption equaled 42.1% of per capita income, while in 1990, the \$2,050 exemption equaled only 11.1% of per capita income. In 1990, the exemption would have had to be \$7,781 to equal the 42.1% of 1948.

Economic Theory

Pope says Church backs 'private initiative'

The Church "looks favorably and encourages" private and entrepreneurial initiative, said the Pope April 15 to the Artisans' national congress organized by the Italian Bishops' Conference. "Experience shows that where there is no personal initiative of individuals, there is political tyranny . . . and there is stagnation of the economic sectors directed at producing the indefinite range of consumer goods and services which are related not only to material needs but also to spiritual needs," said Pope John Paul II.

The social doctrine of the Church "has always proposed the value of enterprise based on the value of work," and for this reason believes that "the profit of the enterprise be legitimate in itself," provided "that this be maintained within the limits of the laws of morality and justice, which identify in man the end of all economic processes."

The social doctrine of the Church requires "a great educational effort." The Pope indicated that "solidarity" is the "inevitable perspective. . . . It is necessary to emphasize that the realization of the principles of reason and of faith is the fundamental condition indispensable to work with a sense of responsibility and to implement justice." The Pope asked that the states of the world "conform the complex of laws and of political institutions to the needs of the poor of the world."

● **A \$3 BILLION** joint venture to develop the raw materials resources of the Soviet Far East was signed during Mikhail Gorbachov's visit to the Republic of Korea. The two sides also agreed on a format for future talks on creation of a regional "security zone."

● **SUN ZHENYU**, director of the Chinese Ministry of Foreign Economic Relations and Trade, denied charges in the U.S. report on "Foreign Trade Barriers" that \$15.26 billion worth of goods were purchased by the U.S. from China in 1990. China says only \$5.2 billion was exported, leaving a \$1.4 billion deficit in trade, rather than the over \$8 billion surplus claimed by the U.S.

● **DRUG SHIPMENTS** through China to Hong Kong were acknowledged by Yang Ming, a member of the Standing Committee of the Chinese People's National Congress from Yunnan, in an interview with Reuters March 30. He said that "most large, organized shipments of drugs crossed China and entered Hong Kong for further distribution."

● **COLOMBIA'S** central bank head Francisco Ortega told the press that \$300 million had entered the central bank through the so-called "sinister window" during the first quarter of 1991. This showed an "interesting dynamism," Ortega said. The window was created in 1974 by then President Alfonso López Michelsen to launder drug money—no questions are asked as to its origin.

● **CZECHOSLOVAKIA** has offered Latvia a trade deal, according to Riga Radio April 9. "Latvia will receive various kinds of machinery, chemical production, as well as consumer goods. The agreement also proposes cooperation between Latvian and Czechoslovakian banks."

● **THE ABORTION** pill RU-486 being used in France is believed to have triggered a fatal heart attack in a 31-year-old woman.