

Business Briefs

Free Market

Walesa warns Russia against 'shock therapy'

Polish President Lech Walesa used an exclusive interview with the German daily *Die Welt* on March 23 to warn Russia and the other nations of the Commonwealth of Independent States against adopting Polish "shock therapy"—the sudden transition to an unregulated market economy. Walesa said: "The Polish mistakes mustn't be repeated in the nations of the former Soviet Union . . . because this would create a threat to Poland. For, after adopting the Polish way, there will be 40 million jobless, and as the economic situation there gets even worse, they will have no choice but to migrate toward Europe."

Walesa added that the decline in industrial production that Poland has experienced, nearly 70%, under the combined effects of shock therapy and the collapse of the former East European trade system, mustn't be repeated anywhere else in the east.

International Monetary Fund "conditionalities" are not appropriate for the eastern economies, he said.

Famine

Red Cross warns Somalia needs food aid

Only worldwide emergency action can save Somalia from famine, the international bulletin of the Red Cross warns in its March issue. According to the Red Cross, the entire population is threatened.

"The aid must cover not only the capital Mogadishu, but the whole country," the responsible officer for Africa is quoted. "The Red Cross and the non-governmental organizations can no longer cover the needs of the population. A massive intervention of the United Nations and its organizations is needed in order to prevent general famine."

The estimate of the Red Cross is that 35,000 tons of food per month are needed.

Health

AIDS on the rise in India

There has been an alarming increase in the number of HIV-infected people in Bombay and the *Times of India* reports that currently about 1.8% of patients visiting hospitals in the city are found to be carrying the AIDS virus.

A recent survey of patients in city hospitals indicated that 17 out of every 1,000 women attending post-natal clinics are infected with HIV. At this rate every third pregnant woman in Bombay is likely to be infected by the turn of the century. Also, 1% of blood bank samples are now infected, compared to half that figure last year, according to the survey.

It is estimated that 32% of women prostitutes are infected, compared to 20% in 1990. When tests were first carried out in 1986, less than 5% of the prostitutes tested positive, says the *Times*.

According to an IPS newswire, the *Times* is also claiming that some Bombay hospitals are closing their doors on patients found to have the infection, or discharging those who test positive without treatment.

Austerity

Harvard's Sachs praises IMF

Harvard's Jeffrey Sachs, the architect of International Monetary Fund (IMF) "shock therapy" policies in Poland and elsewhere, has nothing but praise for the IMF and the economic devastation its policy has caused.

In an interview in the Soviet magazine *New Times* (No. 9, 1992), Sachs says, "The IMF tells the truth, which is that when a country tries to live beyond its means, it is going to end up with high instability. To end instability, it generally has to take politically difficult austerity measures. That basic message is simple, straightforward, and correct."

He later said, "In Poland, some politicians have recently said: 'Why should we deal with the IMF on the terms we have; we should deal

with the IMF on equal terms?' It's nice rhetoric, but illusory. Poland is not giving the IMF a loan. Poland is in trouble, it needs help. So there's something one could call 'unequal' about that. The IMF did not throw itself at Poland. What I really detest is the white-hot, populist rhetoric that pounds the table and says, 'We wouldn't deal with the IMF.' That's just stupid. These are people who don't want to observe the basic laws of economics."

In a speech given at Rice University in Houston on June 29, 1990, prior to the Group of Seven economic summit, Sachs said, "Why do we have a trade deficit? Because Americans consume too much. We say we can't afford any more [aid to the U.S.S.R.], but look what we're paying for what we have, for what we've already consumed. . . . There is too much lending, too much borrowing, too much consumption, too much speculation."

Russia

Bank chief proposes 'development' funds

On a visit in Moscow, Jacques Attali, head of the European Bank for Reconstruction and Development (EBRD), proposed to Russian President Boris Yeltsin the creation of three development funds whose role would be to collect \$3-4 billion apiece in private capital, to invest in agriculture, energy, and the civilian reconversion of Russia's nuclear military capabilities.

Adding whatever private capital can be collected by these funds to a \$3 billion loan by the International Monetary Fund and a \$1 billion loan from the EBRD and the World Bank together, the financiers expect to counter the \$20 billion trade deficit Russia has accumulated over recent years.

One of the envisioned projects concerns "debt-for-uranium swaps." The idea is to have Russia dismantle its nuclear military capabilities in exchange for the write-off of parts of its foreign debt. The project would cost some \$50 billion and be extended over a 10-year period. A large part will be financed by the uranium of these missiles, which Attali proposes be sold to the West.

Yeltsin's response was immediate: "I don't want to finance a project which would destroy Russian missiles to help the West build others with our uranium." Attali then proposed that it be sold for civilian use, but this idea is not expected to meet with support from the United States, since only Britain and France have uranium-reprocessing capabilities.

Trade

U.S. approves purchase of Russian reactor

The U.S. Defense Department has agreed to import Moscow's Topaz II nuclear reactor, a small device suitable for use in space, the *Washington Post* has reported. Sen. Pete Domenici (R-N.M.) announced the plan, which is expected to be endorsed by other government agencies which will review it.

The \$7.5 million purchase would be the first by the United States of the space and nuclear technology Russia has offered to the West "in the post-Cold War environment," the *Post* notes. Many specialists have been urging the Bush administration to buy high-tech equipment from the former Soviet republics as a way of boosting their economies.

Topaz is a 13-foot device capable of generating six kilowatts of electricity for instruments remote in space.

Defense Technology

Russian scientists propose 'space shield'

Russian Academicians E. P. Velikhov and Andrei Kokoshin, in an interview published on March 22 in Moscow, discussed their proposal for what the article called, "Space Shield: Made in Russia and U.S.A." Referring to Boris Yeltsin's U.N. proposal for a global defense with the United States, Kokoshin stated that it was motivated by "political considerations" demonstrating the new Russian "attitude toward the United States," and is a "decla-

ration of intent, rather than a call to sign a treaty in the immediate future."

Asked if there are opponents to such a joint system in Russia, Velikhov responded, "There are practically none among either designers or the military. The critics of this proposal in both Russia and the United States are, rather, maniacs obsessed with old ideas and they have no influence."

Israel

Economic crisis said the most severe

A senior European source based in Tel Aviv told *EIR* on March 31 that Israel is going through a dramatic economic crisis. "The majority of parties have no time for economic problems in this election campaign, they are only interested in Jewish settlements in the Occupied Territories. This leaves no money for the integration of new immigrants from Russia," he said.

According to this source, over 50% of recent Russian immigrants between the ages of 18 and 65 have no jobs, while overall unemployment is 11.6%, "quite a lot for a small country like Israel." He said that as a result of the economic crisis, fewer immigrants are willing to come from Russia. "Israel was supposed to absorb 200,000 new immigrants this year, but so far, only 6,000 per month are actually coming, way down from the 15,000 per month of last year. Russian Jews still in Russia are receiving letters from their relatives, who are telling them there's no point in coming. Russian immigrants are largely surviving, for the moment, by government handouts, but these only last 18 months."

The source argued that "the Occupied Territories are not so important as the economic problems facing Israel, but the ideologues either don't understand that or don't care. In the first quarter of this year, the economy contracted. Exports are stagnant. Investments are declining, there's no significant money being invested in agriculture and industry. Direct investment last year was only \$163 million, which is like a drop in a big sea. Meanwhile, the government is subsidizing everything in the Occupied Territories, which makes it more advantageous, in the short term, to live there."

● **SHUTTLE** astronauts fired an electron beam from a Japanese-made device located in the payload bay of their orbiter to create the first artificial auroras March 28. The Space Experiments with Particle Accelerators equipment was fired 210 times, creating 60 artificial auroras which the astronauts captured on film.

● **UNDERFUNDING** of pension funds was the subject of a March 28 *New York Times* article by James Lockhart, head of the Pension Benefit Guaranty Corp. "We are trying to draw attention to a very serious problem," that the PBGC, now with a deficit of \$2.5 billion, would have a deficit of \$18 billion within five years.

● **FEDERAL** authorities at the end of February launched an investigation into whether drug money-laundering is behind the phenomenal growth in the cash surplus at the Charlotte, North Carolina Federal Reserve Bank. It skyrocketed from \$53 million in 1990 to \$968 million in 1991.

● **WORLD BANK** vice president Shahid Husain said in a recent speech that although 40% of the households in Ibero-America are living in poverty, the "economic perspectives of Latin America continue to be solid." However, "the immense gap between rich and poor" is likely to create pressures against World Bank policies.

● **WORLD** Health Organization director Hiroshi Nakajima has told an Italian newspaper that he warned both IMF Managing Director Michel Camdessus and then-U.N. Secretary General Javier Pérez de Cuellar that "cholera will become endemic in our continent," unless an enormous investment were made in health infrastructure. It was not, and there have been 54,172 cholera cases in Peru alone since Jan. 1.

● **JAPAN'S** national output shrank in the last quarter of 1991, the government announced March 19. The Economic Planning Agency said that Japan's GNP shrank 0.2% on an annualized basis between October and December 1991. This was the first quarterly contraction in six years.