

Business Briefs

Labor

Solidarnosc bows to IMF austerity demands

According to reports about an agreement signed between Solidarnosc and the government of Polish Prime Minister Hanna Suchocka on Dec. 31, the leadership of the pro-government union is once again selling out Polish labor's interests. Solidarnosc had helped to break the strike waves of last summer and autumn, to preserve Poland's accords with the International Monetary Fund (IMF).

The deal signed in Warsaw is said to contain some concessions on the striking miners' call for debt relief and new social programs for the coal mines, but it doesn't alter the commitment of the government to close most coal mines and end government support for the state sector of Poland's industry to meet IMF conditionalities.

The deal has to be approved in a formal vote of the striking workers at the 65 coal mines of upper Silesia.

Debt

Germany grants Russia partial moratorium

Germany has granted Russia easier terms on at least one-third of the debt owed to it, according to news from German Chancellor Helmut Kohl's press conference in Moscow on Dec. 16 at the conclusion of his two-day visit.

The official description of the arrangement is that it is a "grace period of eight years during which Russia will have to pay neither principal nor interest." But "whatever cosmetic term they want to use, this is a *debt moratorium* the German government has given Russia for eight years. It is a precedent, an important one, and it was done without prior German consultation with Washington," a senior City of London source insisted to *EIR* on Dec. 16.

The agreement minimally covers the DM 17.6 billion (\$11 billion) in debt owed by the former U.S.S.R. and inherited by Russia, to former East Germany, from transfer-able accounts converted to deutschemarks.

Arkady Volsky, head of the Civic Union group in Russia, said that the most important partner of Russia is the industry of Germany, in an interview with Germany's 2nd TV program on Dec. 15. He said that the present economic-social crisis of Russia is the result of a government policy in Moscow that has been determined by the Americans. The fact that there is not one German adviser to the Russian government should change, Volsky declared.

Volsky and Prime Minister Viktor Chernomyrdin met separately with representatives of 20 industrial managers who accompanied Kohl.

As part of the agreement, Germany will give another DM 550 million for building homes for Russian officers with families returning from their bases in eastern Germany, and DM 1 billion in compensation for victims of wartime military occupation of then-Soviet territory. The DM 550 million will be spent on Russian purchases of construction materials and machines from firms in eastern Germany.

Eastern Europe

Half the population living in poverty

Eastern European nations entered 1993 with half their people living at or below the official poverty level, according to a report compiled on the basis of new data from the U.N. Food and Agriculture Organization and surveys carried out in eastern countries, German and Austrian press reported on Jan. 1.

With the overwhelming majority of people already spending 80% of their average incomes to cover the purchase of food and other basic necessities, the new year will bring even more drastic price increases in most of the eastern European nations. The result will be increased impoverishment and the emergence of a small group of *nouveaux riches*, which will contribute to social tensions and the rise of "old forces" like those favoring a return to communism.

A recent opinion poll in Bulgaria—where 54% of families with more than two children report they do not have enough to eat, and 80% of all households report they are unable to guarantee the minimum meat supply—showed that

48% of the people believe things have never been so bad, and that life was far better under the communist regime of Todor Zhivkov. Only 1% of Bulgarians see an improvement in living standards.

Agriculture

Lack of pesticides leaves Zambia vulnerable

Army worms are advancing through crops in Zambia, and the Agrochemical Association said on Dec. 23 that peasant farmers were powerless to stop them, Reuters reported from Lusaka. "They can only watch their crops [being] destroyed, because they cannot afford the pesticide," an association spokesman said.

The worms were first detected in Lusaka province but have since spread to Central province and Southern province, the country's traditional breadbasket. The worms, usually caterpillars of a species of moth, swarm and attack any crop, including maize (corn), the staple. Agrochemical experts said they had already destroyed hundreds of hectares of crops. Last season, Zambia lost most of its crops to its worst drought of the century.

Ukraine

Price subsidies lifted for basic necessities

The Ukrainian government of Prime Minister Leonid Kuchma on Dec. 26 lifted all remaining price subsidies for basic foods such as bread, and for basic services such as urban transportation. The move caused immediate leaps in prices, with the price of bread, for example, rising fourfold, and the price of a subway ticket tenfold.

Kuchma declared that the lifting of subsidies was a "painful but necessary step" which could not be postponed any longer. The measures have triggered the first workers' protests against the new government. In Kiev on Dec. 26, more than 5,000 workers demonstrated before government buildings.

Briefly

● **ANGOLA** made a plea for emergency medical supplies on Dec. 24. "If relief does not come soon, the results could be catastrophic," Ambassador Afonso van Dunem Mbinda told media at the U.N. He listed needs ranging from antibiotics to disposable syringes and surgical equipment such as scalpels, forceps, and scissors.

● **EGYPT** is at odds with the International Monetary Fund, which won't ease conditionalities to quell the volatile social and economic situation in the country. The "no" means that a standby loan agreement won't go into effect and the Club of Paris will not grant a 15% writeoff on its \$20 billion foreign debt.

● **CHOLERA** has killed 68 people in Zimbabwe since an outbreak of the disease in late November, health officials said on Jan. 1. It could soon become the worst epidemic to hit the southern African country. It has also claimed hundreds of lives in neighboring Zambia, South Africa, Swaziland, and Mozambique.

● **HEALTH BENEFITS** for retirees have been cut by more than 20 large corporations, and many others have decided to scale back their costs or eliminate health coverage for future retirees, the Dec. 24 *New York Times* reported. The companies are hurrying to beat the Jan. 1 implementation of new accounting regulations requiring firms to subtract from profits the future costs of benefits for retired workers.

● **DENG XIAOPING** was named the "man of the year" by the London *Financial Times* on Dec. 29, because of his economic reforms.

● **THE WORLD BANK** will undergo a shakeup in January over the performance of investments, Hobart Rowen reported in the Dec. 27 *Washington Post*. An in-house study found that over 20% of projects were in serious trouble in 1991, and that 37.5% of the projects completed by 1991 had been "unsatisfactory," up from 15% a decade ago.

Ukraine is already suffering acute energy shortages, which is leading toward widespread plant closings. In November, Russia took punitive measures in response to Ukraine having left the ruble zone. In a repeat of its energy embargo against the Baltic republics, Russia refused to allow payment for imports from Russia in the national currency (the Ukrainian coupon), insisting on payment in hard currency, of which Ukraine has extremely limited holdings. For Ukraine, which is almost totally dependent on Russia for oil, gas, and many raw materials, the embargo has been devastating. In figures released on Dec. 15 by Nikolai Popovich, head of distribution at the Ukraine State Committee for Energy, imports from Russia since October are down by 75%.

In some regions, such as Chernovtsy in west Ukraine, heat has been turned off in all schools and kindergartens. Gasoline and diesel are in very short supply throughout the republic, one-third of all inter-city bus service has been canceled, and, since Dec. 12, all airline flights to destinations within the former Soviet Union have been canceled, with aviation fuel conserved for foreign exchange-earning flights to the West.

Political Economy

Brazilian uses List to refute neo-liberalism

Economist F.C. de Sa e Benevides, in the Dec. 22 *Jornal do Comercio*, used the writings of the German-American economist Friedrich List to attack the policies of Adam Smith which have been applied in Brazil.

De Sa e Benevides noted that the conception of a "global village" bandied about by the Anglo-Americans "reminds us of Friedrich List when he analyzed Adam Smith's proposals of liberalism, now reincarnated in Henry Kissinger and Zbigniew Brzezinski's formulations of 'functional pragmatism'—since Smithian liberalism is based on the supposition of a world confederation in which all nations are guided by the same ethical principles and live in a state of perennial universal peace." He quoted List asking, "Shouldn't we judge as insane the government which, considering the advantage of this world confederation, does

away with its armies, destroys its naval fleet and demolishes its forts?"

De Sa e Benevides quoted from List's discussion of Britain's naval power: "The nation, whose internal market belongs more to foreigners than to itself, is a nation divided, not only in the economic aspect, but also from a political standpoint. . . there is no more pernicious situation for a nation . . . than the fact that its maritime ports show greater affinity for foreigners than for its own people."

Russia

Soros wants to buy into former Soviet science

George Soros, the Hungarian-born, New York-based financier, announced on Dec. 10 that he will be offering stipends to as many as 10,000 scientists in countries formerly part of the Soviet Union. The \$100 million fund, according to *Nezavisimaya Gazeta* of Dec. 10, derives from Soros's currency trades in September, when he made an estimated \$1 billion (\$300 million of it for his personal account) speculating against the British pound and other currencies.

The plan, which would double the funds he has allocated to various endeavors in eastern Europe in recent years (including Raisa Gorbachova's Soviet Cultural Fund), was detailed at a recent meeting at Rockefeller University in New York City. Its first phase will provide \$6 million for short-term, "survival" stipends to scientists—at \$100 per month for six months, for 10,000 people. This would enable the recipients to live, and to stay in their countries. One speaker said that sum would suffice "for the flower of science, in Russia and the republics."

In a second phase, Soros would fund specific scientific projects. His monies would flow "through the entire existing system of institutes" of the Academy of Sciences.

The Dec. 9 *Wall Street Journal* noted that Soros has recently come under attack in Hungary. Some members of the ruling party there contend that he is part of an "international conspiracy" "intent on undermining Hungarian nationalism."