

# Business Briefs

## South Africa

### Greatest danger comes from IMF, says Fraser

The greatest problem facing South Africa is external pressures from the International Monetary Fund (IMF) and the World Bank, Malcolm Fraser, the former prime minister of Australia who now heads the aid organization Care International, said in a speech in Johannesburg, Reuters reported on May 12.

"When you look at the record of the kind of advice that these institutions have given a great many countries in Africa and the consequences of it, the kind of advice they've given the Soviet Union or Russia and the consequences of it, that surely offers some warning signals," Fraser said. "I regard western economic advice as at least half responsible for the economic chaos and breakdown in the Soviet Union or Russia. . . . The government has got to maintain a role and make sure that the injunctions of the external institutions and of well-meaning but hopelessly misguided western economists who represent today's orthodoxy do not gain too much influence."

He added that what the new South African government does with respect to the IMF, will be crucial for the African continent as a whole.

## Shipping

### New pact formed in attempt to stem red ink

Four of the world's 10 largest container shipping companies are forming an alliance, in another attempt to stanch the flood of red ink that is sinking a world shipping industry which has too little cargo, the May 11 London *Financial Times* reported.

Mitsui OSK Lines of Japan, American President Lines of the United States, Orient Overseas Lines of Hongkong, and Nedlloyd Lijnen of the Netherlands have begun negotiations on sharing shipping capacity around the world. The companies will reduce available

capacity on some routes by sharing ships, i.e., using one ship fully loaded with the cargo carried by two companies, rather than using two ships only partially loaded, each with one company's cargo.

American President Lines and Orient Overseas Lines are the two largest container carriers on trans-Pacific routes. Last year, Hapag-Lloyd, the largest German container shipping firm; Nippon Yusen Kaisha, Japan's largest container shipping company; and Neptune Orient Lines of Singapore concluded a similar agreement.

## Steel

### Demand outrunning limited capacity

Steelmakers in the United States have begun limiting steel shipments because, after years of cutting back production capacity, demand is outrunning supply, the May 13 *Wall Street Journal* reported. Steelmakers are cutting back supplies to low-end users of hot-rolled steel in order to reap higher margins on shipments of more expensive cold-rolled or galvanized steel, which is used for automobiles and appliances.

After years of failed attempts to raise prices, the steelmakers pushed through three price increases last year, a 3% increase in January, and have announced another 2% increase for July. Steelmakers have also increased by 10% the amount they charge for "extras," such as fabricating steel to specific thicknesses and widths. Still, prices remain far below levels of 1988-89.

The *Journal* reported that orders for steel averaged 101% of the industry's shipping capacity. "When auto comes in and says 'we want another 400,000 tons,' that's coming out of somebody's hide," the president of a steel service center in Evanston, Illinois said. (Steel service centers are independent distributors of steel that buy from the mills, and process the steel to order for customers.) The president of another steel service center in Cincinnati said that he is being forced to draw down his inventory below his customary three months, and that orders to the mills that used to arrive in one month are not now shipped for three months.

## Science

### Apollo space suit aids multiple sclerosis victims

A cooling undergarment for astronauts to wear in space developed by the NASA Ames Research Laboratory in 1968, is now being utilized to relieve some of the symptoms of immobility suffered by multiple sclerosis patients, according to the June issue of *Final Frontier* magazine.

The technology was developed into cool suits for firefighters, helicopter pilots, and underground mine rescue workers. In 1980, Life Support Systems, Inc. was founded to pursue other commercial spinoffs. Multiple sclerosis, which is a disease of the central nervous system, often produces weakness and paralysis in limbs. Doctors have found that lowering the body temperature of the patient even 1° restores many bodily functions.

The cool suit, which has been designed in a 25-pound portable version, allows a patient to regain limb movement. While researchers stress this is not a cure, it provides temporary relief. The company hopes to reduce the cost of the cool suits, making them available for \$1,000 each.

## Trade

### Free-marketeers are grave diggers of Europe

The causes of the present deep crisis of French society, where unemployment rose from 500,000 to nearly 5 million over 1970-93, are not the "insufficient education of the youth, nor voluntary unemployment, nor technological progress" but the "insidious effects of free trade," Nobel Prize economist Maurice Allais wrote in the Paris daily *Le Figaro* on May 9. Allais called the free-marketeers the "grave diggers of Europe."

The experts claim that all the remedies have been tried and then resort to small expedients such as "reduction of working hours [and] lowering of retirement age," but "at no time, in fact, did anyone consider questioning the sacrosanct doctrine of one-worlder free trade,"

## Briefly

● **RUSSIAN** winter crops suffered 15% losses because of unusually harsh weather, the May 13 *Journal of Commerce* reported, based on preliminary reports by the Russian Ministry of Agriculture. Last year, about 8% of the winter crops were destroyed. The worst areas hit in Russia were Voronezh, 50% of the crop destroyed; Astrakhan, 30%; Krasnodor, 27%; and Belgorod, 22%.

● **THE GATT** is in trouble in the U.S. Congress, Treasury Secretary Lloyd Bentsen warned on May 10. Opponents of the General Agreement on Trade and Tariffs object to loss of national sovereignty and the projected loss of \$40 billion in tariff revenue over 10 years.

● **NUCLEAR POWER** workers in Germany demonstrated to demand reopening of the Brunsbüttel plant near Hamburg on May 6, and promised "more powerful actions" to come. The plant has been closed for 620 days for repairs. Workers are blaming the slowness of the Schleswig-Holstein state government on anti-nuclear politics.

● **CHINA** would need at least 303 million acres of additional farmland by the year 2000 to feed its 1.2 billion people, if current land conditions are not improved, an Agricultural Ministry official told *China Daily*, AP reported May 11. It now has 247 million acres. New techniques could increase production by as much as 100%, the official said.

● **COLD FUSION** is getting more recognition in the United States. A new magazine, *Cold Fusion*, is now being published monthly. It is edited by Eugene Mallove.

● **THE ISRAELI** Histadrut labor federation elected Haim Ramon, a supporter of peace with the Arabs, as its new head, AP reported May 13. Ramon and his allies are on record as supporting a Palestinian state and other compromises with Arab countries.

Allais wrote.

Because of price competition with the Third World, free trade would normally lead to lower wages. But since most countries in the North have minimum wage laws, this is instead causing massive unemployment. The "main aim to be pursued is not commercial exchanges considered as ends in themselves, [but rather] man himself and his full development are the ultimate ends of life in society. The Common Market and free trade cannot be anything but instruments, nothing else."

Allais proposes that the European Community create an institute to analyze the "established truths" of the free trade dogmas of the EC Commission in Brussels, and boycott it if necessary; and that the Maastricht Treaty be revised to return to a system of "community preference" and moderate protectionism. "If we don't manage to persuade our partners" to go along with us, "we should then proceed, unilaterally and resolutely, to a moderate protection" of the French economy. "We should establish reasonable trade barriers at our borders. . . . Sooner or later our partners will join us," he wrote.

### Finance

## Derivatives losses lead to crisis in Malaysia

Bank Negara, Malaysia's central bank, announced on March 31 that foreign exchange speculation, mostly in London, had resulted in \$3 billion in losses in 1993, on top of \$2.6 billion in losses in 1992. The losses have created a crisis in the government and in the banking system. The 1993 losses alone surpassed the bank's entire reserves and paid-in capital.

When the 1992 losses were announced last year, Finance Minister Anwar Ibrahim claimed they were only "paper losses" that would be recouped, according to the *Asian Wall Street Journal*. However, when the 1993 losses were revealed, Anwar acknowledged that mistakes had been made, and announced the resignation of the bank's governor, Tan Sri Jaffar Hussein, and other changes. Jaffar headed the bank throughout the past decade of rapid growth in Malaysia, which included heavy

involvement in derivatives and other "sophisticated" trading schemes.

Opposition leader Lim Kit Siang accused Anwar of covering up actual losses of as high as \$11-12 billion. Although the government claims that there is no further vulnerability, and that the bank will no longer be involved in long-term currency contracts, there are reports of continuing losses for 1994.

### Russia

## Drop in output threatens 'economic independence'

The drop in Russian output "threatens the economic independence of the country and brings the danger of a social explosion," the Russian Ministry of Economics warned, according to the May 9 London *Financial Times*. Headlined "Russia in Deep Crisis as Output Plunges By 25%," the paper reported "a deep deterioration in the Russian economy over the past months, with steep falls in production, investment and tax revenues." The indicators of Russia's deepening crisis include:

● The 25% fall in industrial production in the first quarter of 1994 appears to be accelerating, according to preliminary April figures. Production of sugar, shoes, fabric, and clothes has fallen by one-third to one-half.

● Investment in capital projects, including state investment in infrastructure, shrank 28% in the first quarter of 1994, compared to 1993. The Ministry of Economics report on investment claims that work on most state and regional authorities' investment projects has stopped, and foreign investment in Russia remains "weak."

● Tax revenues are collapsing. Tax collection was 15% below budget in the first quarter. Regional authorities are increasingly reluctant to pass collected taxes on to the central government.

● Enterprises' debts are spiraling as customers further up the production chain become increasingly unable to pay for supplies. Many plants will refuse orders unless they are paid up front in cash. The Ministry of Economics figures show that overall corporate debt has risen threefold in the last six months.