

# Business Briefs

## Demographics

### Russian population decline accelerating

As alarming as the 1993 declines in population in Russia were, there was a 12% further rise in the death rate in the first quarter of 1994 compared to the same quarter one year ago, the London *Economist* reported in mid-July.

The death rate in Russia is "booming," the magazine said. There has been a 15% increase in deaths by cardiovascular disease in this year's first quarter compared to last year; a 12.8% rise in deaths by respiratory diseases; a 17.9% rise in deaths by infectious diseases; a 20% rise in deaths by alcohol poisoning; and a 9% increase in suicides. Reported diphtheria cases are four times higher than last year. Some demographers think the situation will deteriorate yet further, because of an increase in the spread of cancer.

The demographic decline in Russia is not comparable to any situation seen in western Europe in peacetime, a French demographer told the July 13 Paris daily *Le Monde*.

## Infrastructure

### Berlin-Warsaw rail link gets funding

The European Investment Bank (EIB) has approved 1 billion European Currency Units (\$1.3 billion) to fund the modernization of the rail link between Berlin and Warsaw, as well as for highway and energy grid projects in Poland, in the context of a three-year credit line agreement signed between EIB Chairman Wolfgang Roth and Polish Finance Minister Grzegorz Kolodko on July 15.

The EIB is the "house bank" of the European Union, which means the credit line is state-backed.

This is the first railroad project east of Germany that will be co-funded by the West, and the Berlin-Warsaw track is one of the key transport corridors in the White Book plan of outgoing European Commission President Jacques Delors.

## Public Health

### E. Coli infections a 'clear danger'

*E. coli* infections are a "clear and present danger to public health" and the United States must immediately implement "currently recognized scientific technology for ensuring food safety," an independent panel of specialists in gastroenterology, epidemiology, public health, food science, and industry and consumer affairs said in a statement issued at a three-day meeting convened in Washington by the American Gastroenterological Association Foundation.

The group urged government monitoring of the nation's slaughterhouse operations. It also recommended food irradiation pasteurization "as soon as possible," especially for ground beef. Inadequately cooked ground beef is now the major vehicle for transmission of the *E. coli* 0157:H7 disease, which has killed several people in the last two years.

*Escherichia coli*, or *E. coli*, is a family of bacteria found in the intestines and feces of humans and animals. The *E. coli* 0157:H7 strain produces potent toxins that can cause food-borne or person-to-person transmitted disease after ingestion of very low quantities of the bacteria. Just 69 *E. coli* organisms of this strain are enough to cause illness, compared with the millions of salmonella organisms and other food-borne microorganisms required to cause disease in humans.

## Space

### Germany, China agree on 'EuraSpace' joint deal

Deutsche Aerospace (DASA), the German industry aerospace consortium, has provided start-up capital of 7 million deutschmarks (\$4.4 million) for a new German-Chinese joint aerospace company, EuraSpace, which was founded on July 8 in cooperation with the Chinese State Committee for Aerospace and Science to develop, produce, and market communications and earth observation satellites. The

main office of the new company will be in Munich, with an office in Beijing.

Germany will also invest DM 500 million in EuraSpace, an abbreviation of Eurasian Space, including for development of a new generation of launchers.

According to DASA, EuraSpace is an outcome of the "long-lasting" cooperation by DASA and the Ministry of Astronautics of the People's Republic of China. During the 1980s, they collaborated on the DFH-3 communications satellite project, with DASA responsible for the antennas and solar arrays on the spacecraft. In September 1993, an agreement was signed to create the joint company.

The first joint project will be a communications satellite, with an option for two follow-on units. The first customer will be the Sino-Satellite Communications Co. Ltd., providing services for the People's Bank of China. The Chinese Aerospace Corp. will assemble and deliver the Sinosat-1 spacecraft, with DASA-supplied components. It will be launched on a Chinese Long March rocket.

## Political Economy

### Real economy looted by 'virtual' economy

"The real economy is at the mercy of the virtual economy," Prof. Ibrahim Warde of the University of California at Berkeley, wrote in *Le Monde Diplomatique* in mid-July. He warned that the "astronomically" expanding global "speculative bubble" of derivatives is leading to "an explosion" of the international financial-monetary system. Warde attributed the danger of derivatives to the mythological belief in the power of "artificial intelligence" and the so-called "zero-sum game."

"The 'manufacturers' of derivatives reinforce the myth that, thanks to the mathematicians that they employ, and thanks to hyper-performing computer programs, the relations between all sorts of variables can be identified: the risks for the real economy measured with precision, and eliminated," Warde wrote. "In the face of the accumulation of uncertainties of a financial, political, and economic nature, the promises of mathematical formulae and of

artificial intelligence are, whatever one says about them, illusory. . . . A basic principle of the derivatives markets is that it is all a zero-sum game: in the domain of 'futures,' options, and swaps, the gains of one person can only be covered by the losses of the others. . . .

"The nature of the relations between virtual economy (derivatives), financial economy (titles), and real economy (production of goods and services) has been completely transformed by all this. The market for derivatives products is three times greater than the levels exchanged in a period of one month on the New York Stock Exchange; it represents more than double the Gross Domestic Product of the United States. The financier economy, and, more serious yet, the real economy, find themselves, thereby, at the mercy of the dis-functionings of the virtual economy."

## Debt

### Mitterrand calls for relief for Third World

French President François Mitterrand called for debt relief for the Third World, in a speech on North-South relations at the Oriental Institute of Naples University on July 8, the Paris daily *Le Monde* reported.

Mitterrand deplored the fact that "the capital flow from Africa to the industrialized countries" is far "larger than the capital flow from the industrialized countries to the developing ones." He attacked this as "a suicidal course for our own countries. Refusing to consider aid for development as a priority for action, amounts to declaring the impossibility of facing the drug traffic, the escalation of AIDS, the consequences of the demographic growth in the southern countries, and misery, misery, misery again."

The Italian Catholic daily *Avvenire*, reporting on Mitterrand's speech on July 10, wrote: "Mitterrand emphasizes correctly, more than the pure economic dimension, the problem of civil, political, and social rights. The absence of democracy, the denial of union, religious, and political rights, is conceived by the French President not as a consequence, but as one of the causes of underdevel-

opment, together with the International Monetary Fund's oppressive policy."

"Most important," *Avvenire* wrote, "seems to us the call not to 'keep entrusting monetary rules with world development'; in a situation in which the application of economic free trade has meant, for many peoples, nothing less than the implementation of a looted economy, and at the moment when in the West (including Italy) forces take power which would like to implement those same 'miraculous' recipes that allowed [former British Prime Minister Margaret] Thatcher to destroy the English economic system, the reminder coming from the Elysée appears to be most opportune."

## Health

### Detection of BSE agent causes new concern

The agent which causes Bovine Spongiforme Encephalopathie (BSE), which causes a severe form of encephalitis among cows which leads to death, has been detected by British scientists in the small intestine of young calves, with a high probability that it also exists in the thymus gland.

The discovery that the BSE agent not only affects the brain and spine of cows has raised new concern because these offals have, up till now, been used in Britain in the making of sausage. Since it is not known whether BSE can infect humans, the British government has forbidden the use of certain offals from calves which could be infected with BSE.

British scientists have also found the BSE agent in three dead cats, the July 10 London *Sunday Times* reported. Unnamed government officials hypothesize that these cats may have eaten cat food produced before 1989, when the use of cow brain for food production was still allowed. The results of the partly state-financed experiments have not been made public yet. These findings have increased the fear that BSE can be transmitted from one species of animal to another, and that there may be a risk to humans who have eaten cow brain prior to 1989.

● **GERMAN** government debt service payments will rise by 38% to DM 92.6 billion (\$58 billion) in fiscal year 1995 because of DM 300 billion in "old East German debt" which will be added to the government debt total on Jan. 1, 1995, according to the budget presented in Bonn on July 14. Debt service will be the biggest budget item.

● **BUNDESBANK** President Hans Tietmeyer said on July 11 in Basel that the G-10 meeting of central bankers "discussed derivative products" and "decided to propose . . . measures to limit the consequences of possible market crises," the Italian daily *Corriere della Sera* reported.

● **FIDELITY INVESTMENTS** is being probed by the Securities and Exchange Commission for insider trading, the July 13 *Washington Post* reported. Fidelity's trading accounts for about 12% of the trading on the New York Stock Exchange.

● **THE RED CROSS** has mobilized over 1,000 medical personnel to spearhead the battle against epidemics in China following fierce flooding. Guangyi and Hunan provinces are especially threatened.

● **GEORGE SOROS'S** representative in Hongkong, Bill Grossman of Quantum Financial Services, threatened China after the State Council ended most futures trading, all index-linked futures, and all currency rate-linked futures trade in June. "China doesn't have the means for enforcing the ban, so it will only hurt the legitimate dealers and help the black [market] shops," he told the June 20 *Asian Wall Street Journal*.

● **TAIWAN** will maintain direct trade with Hongkong, the springboard for Taiwan investment in China, after 1997, the cabinet's Mainland Affairs Council said, Reuters reported on July 14. Officials said that Taiwan's trade with China might then rise to about one-third of its total, replacing the United States as Taiwan's largest export market.