

# Business Briefs

## Infrastructure

### Build toward the East, says German specialist

The German government should not talk about eastward expansion of the European Union, but build transportation infrastructure toward the East instead, European Investment Bank Vice President Wolfgang Roth said on Nov. 10, at a conference of the Hamburg-based Eastern and Central Europe Association. The conference was organized around the theme "Logistics in East-West Cooperation."

Roth stated that the discussion on the trans-European infrastructure net is flawed, because the east-west transport routes are only playing a secondary role. He especially attacked the government of Chancellor Helmut Kohl. The ruling Christian Democratic Union is just talking about the integration of the young democracies and market economies of central and eastern Europe, he charged, and it has failed to meet the historical challenge of 1989, i.e., to integrate Russia and other former Soviet republics into the European economy. This is a "miserable, contradictory attitude."

## Agriculture

### Japan says Asians to buck free trade

Japan, China, and other Asian nations want particular areas such as agriculture exempted from free trade deregulation demands at the Nov. 16-19 Osaka summit on Asia-Pacific Economic Cooperation (APEC), Hiromoto Seki, Japan's ambassador in charge of the summit, told the press on Nov. 8.

"Some sensitive sectors deserve different treatment within the spirit of the Bogor Declaration," he said. "We are already committed to liberalizing agricultural sectors. But the way the agricultural sector is going to be liberalized should be different from that of other sectors." APEC leaders agreed last year in Bogor, Indonesia that the "developed" economies would remove trade and investment regulations by 2010 and "developing" nations by 2020.

Japan, China, Taiwan, and South Korea

are resisting the demands of food-exporting nations such as the United States and Australia, whose policy to stop Asian food self-sufficiency is set by the grain cartels. "If you exclude sectors either directly or by fuzzy words, you create a dynamic that will ultimately erode APEC," a U.S. government official said, rebuking Seki. "Why water down a principle at the beginning?"

## Corporate

### Business management assumptions assailed

In early November, a number of articles appeared in the U.S. financial and business press attacking the "accepted wisdom" of U.S. business management practices, such as layoffs, free trade, and mergers and acquisitions.

An Oct. 30 *Business Week* special report, "The Case Against Mergers," reported that "an exhaustive analysis by *Business Week* and Mercer Management Consulting Inc. . . . of hundreds of deals completed in the first half of this decade indicates that their performance has fallen far short of their promise. . . . Of 150 recent deals valued at \$500 million or more, about half destroyed shareholder wealth. . . . Another third contributed only marginally to it."

On Nov. 6, Dwight Gertz, vice president of Mercer Management, assailed the idea that "cost cutting sets the stage for growth," in a *Wall Street Journal* op-ed. "Only 7% of profitable growers between 1988 and 1993, among the nation's largest 1,000 companies, were cost-cutters in the previous five-year period; the rest were profitable growers."

The American Management Association recently issued a study showing that many corporations which have "downsized" have never fully recovered from the experience. The Nov. 5 *Washington Post* listed a number of studies that reach similar conclusions: The University of Colorado at Denver found that, of 91 companies studied over a seven-year period, the 25 that downsized were the least profitable. Management consultant Alan Downs, who formerly specialized in advising companies on how to conduct mass layoffs, has written a book, *Corporate Executions*, in which he re-

veals that many of the companies he advised have lost their competitive edge, as employee morale declined.

An Oct. 22 *New York Times* review of *Opening America's Market: U.S. Foreign Trade Policy since 1776*, by Alfred E. Eckes, Jr., former chairman of the U.S. International Trade Commission, noted "the trouble caused for doctrinaire free-trade theory by the fact that the economy grew more rapidly during the high-tariff era than during the post-World War II period of tariff reduction."

## South Africa

### Economics can't be left to market, says minister

Trade and Industry Minister Trevor Manuel told the annual congress of the Afrikaans Trade Institute in Pretoria, that the government had a responsibility to create opportunities for all South Africans, and that "sustained economic growth" could not be left to the uncertainties of market forces alone, the Foreign Broadcast Information Service reported on Oct. 25.

"The government of national unity has a responsibility to eradicate poverty, to rebuild social structures, and to create opportunities for the entire population," he said. "We want to intervene because sustained economic growth and development are being upheld by policy. It cannot be left to the uncertainties of market forces alone."

Manuel said that a laissez-faire approach may be fine for those who were economically active and already part of the labor force. "But thousands of eager and creative potential entrepreneurs have never experienced the joy of real economic participation." He listed three priorities to revive economic growth: that South Africa should be a manufacturing economy, productivity had to increase, and the country had to become internationally competitive.

Manuel challenged management in the private sector: "Everybody accepted that apartheid education had not prepared people to be taken up in the economy. At the same time, the private sector has done little to rectify this."

## Medicine

### Weakened HIV strain gives hope for AIDS vaccine

A team of Australian scientists has sequenced a strain of the human immunodeficiency virus (HIV, which causes AIDS) that was passed from a blood donor to others via transfusions, yet none of the recipients have shown any AIDS symptoms after 10 to 14 years, the Nov. 10 *New York Times* reported. The weak HIV strain lacks sections of the AIDS negative factor (NEF) gene, as well as other gene segments, which apparently significantly slow its rate of reproduction. The discovery is being published in the current issue of *Science* magazine.

Scientists hope that on the basis of this development, an attenuated AIDS vaccine might be possible, as well as the development of more successful drugs, targeting the products of the NEF gene. Current anti-AIDS drugs, such as AZT, target products of two other HIV genes.

The discovery was the result of persistent calls to researchers from a social worker at the Sydney Red Cross Blood Transfusion Service, who insisted that a cluster of patients who received HIV-positive blood but never got AIDS, had to be investigated. Initially, scientists thought the worker was crazy.

## Dope, Inc.

### Fiji said overrun by 'economic criminals'

Isekeli Mataitoga, solicitor general and minister of justice for the South Pacific island state of Fiji, told the Australian Legal Convention, held in Brisbane, that lawyers, business consultants, accountants, and political leaders are among the "economic criminals" using the loose tax laws and financial regulations of Fiji to their advantage, the October *Offshore Financial Review* reported. "Money-laundering activity has become so great that it was beyond the laws and the law enforcement capabilities of the small countries in the region," the *Review* summarized Mataitoga as saying.

Sir Geoffrey Henry, prime minister of the Cooks Islands, said that the mere mention, by a commission of senior government officials headed by Mataitoga, of their desire to conduct an investigation of the financial dealings in the Cooks Islands, provoked 150 offshore banking clients to fold shop and disappear "overnight." The Cooks Islands government recently signed a \$1 billion letter of guarantee for a company registered in the Bahamas, in what is now believed to be a scam.

Partners from KPMG Peat Marwick, a British accounting firm, have refused to give evidence to Mataitoga's commission concerning another recent scam involving the European Pacific group, on the grounds that to do so would violate the nation's bank secrecy laws. Prime Minister Henry noted that his government has been advised that it would similarly violate its own secrecy laws, were it to provide evidence.

Mataitoga believes that more hot money will be flowing through the South Pacific, as some of the Caribbean offshore centers crack down on illegal financial activities.

## Australia

### Mining firms get insurance against Aboriginal claims

Most Western Australian mining firms have begun to undertake "native title risk management," i.e., to take out insurance policies against Aboriginal land claims and adverse anthropologists' reports, the Nov. 6 *Australian Financial Review* reported. Western Australia dominates the country's mining industry, with 43% of mining industry and energy production, accounting for more than \$8 billion in exports a year, 75% of the state's exports.

A survey recently released by the Western Australian Chamber of Mines and Energy, said Aboriginal land claims had already resulted in a "near logjam of mining tenement approvals." The approval process is now taking anywhere from three months to several years to process a mining exploration license, with nearly 3,000 tenement applications already in July this year. Roughly 30% of the state is already under claim, and 90% of it is open to claim.

● **GEORGE SOROS'S** American Aviation Investment Co. is investing \$25 million in Hainan Airlines in the Special Economic Zone of Hainan Island, China, Xinhua reported on Oct. 6. This is the first indication that Soros is being allowed back into China since the 1989 Tiananmen crackdown.

● **THE UNITED KINGDOM'S** Securities and Futures Authority will not regulate stockbrokers who conduct non-U.K. business from the three offshore financial centers of Britain. Marcus Killick, head of the Isle of Man's Financial Supervision Commission, has hired KPMG Peat Marwick, an accounting firm, to conduct "compliance visits" of stockbrokers operating from the island.

● **BEEF STOCKS** in the European Union are down to zero, *Agra-Europe* reported in its Oct. 23 issue. The European Commission said that from now on, to supply the population will be completely left to the "market"—regional shortages and price instabilities included.

● **RUSSIA'S** acting central bank head Tatiana Paramonova has been replaced by the bank's first deputy chairman, Aleksandr Khandruyev, until a permanent replacement is found. Parliament failed to confirm Paramonova, whose policies included high interest rates and tight controls on cash and credit emission.

● **DOZENS OF NURSES** are dying every month in Tanzanian hospitals as a result of infectious diseases and lack of sanitation. In order to meet debt payments and International Monetary Fund conditionalities, Tanzania reduced its spending on health care from 35% of the budget in 1984, to less than 5% today.

● **AUSTRALIA'S** largest bank, National Australia Bank, has acquired Michigan National Bank for \$1.56 billion, the Nov. 6 *Australian Financial Review* reported. It has placed seven Australians into strategic management positions.