

Business Briefs

Health

Disease outbreaks in New Zealand spur debate

A debate has erupted in New Zealand over the cause of outbreaks of tuberculosis and meningitis in the Canterbury area in recent years. New Zealand, which has been subjected to vicious Mont Pelerin Society austerity policies, is in the seventh year of a meningitis epidemic, and there have been a growing number of cases of TB.

Michael Baker, an infectious diseases physician from the Communicable Disease Center in Wellington, says that immigration is probably the reason TB was not declining. Lester Calder, an Auckland medical officer, and the Communicable Disease Center, are calling for all immigrants to be screened for TB.

However, a senior lecturer at the Auckland University school of medicine, Colin Tukuitonga, said it was "a load of rot" to blame immigrants for the TB scare. He said that the area with a high incidence of TB was the Micronesian islands of Kiribati and Tuvalu, from which New Zealand receives very few immigrants. The real cause of TB is *poverty*, Dr. Tukuitonga said, with overcrowded housing, poor nutrition, and poor general health. A lack of access to health care is rife in some New Zealand communities. Minister of Immigration and Pacific Island Affairs Tuariki Delamere also said it was outrageous to blame Pacific immigration for the TB outbreak.

Brazil

Cardoso austerity may cost 3 million jobs

At least 3 million Brazilians may lose their jobs, after the government of President Fernando Henrique Cardoso puts through its expected austerity program, according to the projections of Marcio Pochmann, an economist from Campinas University who tracks the labor market in Brazil. For starters, at least 800,000 public sector jobs have been labelled "unnecessary," and are therefore to

be cut out of the budget, he warns.

Trade union institutes calculate that some 850,000 Brazilians have lost their jobs since October 1997, the Miami, Florida *Diario Las Americas* reports.

Auto production alone has fallen 20% in 1998. The collapse in auto, in turn, is shutting down the steel industry, as orders fall. The steel company Usiminas, the leading supplier for the auto industry, saw its steel sales drop 6% in the first half of 1998 compared to 1997, and by 15% in the third quarter.

In the state of São Paulo, loan defaults and bankruptcies have soared, according to economics journalist Aloysio Biondi in the Oct. 6 *O Globo*. In an interview on the Rede Mulher radio network, he reported that at the beginning of Cardoso's "Real Plan" in 1994, loan defaults stood at 700,000. Today, the number has reached 6 million. Biondi warned that the post-election austerity package will be unprecedented in Brazil's history, provoking total recession and "colossal" unemployment.

Industry

Indonesia aircraft firm seeks help in Taiwan

Dr. Ilham Habibie, the son of Indonesian President B.J. Habibie who heads the national aircraft company IPTN, visited Taiwan in search of support for the firm, the Sept. 30 *Straits Times* reported. The International Monetary Fund (IMF) officially demanded an end to all government subsidies to IPTN as part of its conditions, putting the company at risk of bankruptcy despite its successful development and production of mid-size commuter jet airplanes.

Contrary to the "comparative advantage" arguments used to justify the attacks on IPTN, the company was intended to make Indonesia independent of major airlines in commuter traffic, especially inter-island and Southeast Asian transport. In particular, inter-island traffic was a key function of IPTN as a national security "strategic industry." Every Asian airline is now in deep trouble due to foreign currency obligations for their purchase of foreign planes, parts, and maintenance.

The IPTN situation is symptomatic. More than half of Indonesia's listed companies reported losses for the first half of 1998, according to Trimegah Securities. Total losses for 123 firms was more than \$4 billion, due primarily to high interest rates and enormous foreign currency losses. The director of Trimegah, David Cheng, said, "It's a very ugly story. The magnitude of the problems facing Indonesian corporations is far worse than what we expected."

Eight of the ten major Chinese conglomerates in Indonesia posted losses for the first six months of 1998, and five are facing breakdown. The government made huge loans to the conglomerates' banks after the crash, and many failed to meet the Sept. 22 deadline to repay the credits. They have been given one year to raise the cash, which, without a transformation of the current situation, means selling assets to foreigners. Already the Salim Group and the Gajah Tunggal Group have transferred \$7 billion in assets to the government. The government has given the groups one month to prepare a plan for the sale of assets to meet their debt to Bank Indonesia.

Pakistan

Prime Minister vows not to bow to IMF dictates

Prime Minister Nawaz Sharif is on a collision course with the International Monetary Fund (IMF), as a result of his recent statements that Pakistan will not give in to IMF austerity demands, the Pakistani press reports. Speaking to reporters in Karachi on Oct. 15, on Pakistan's upcoming talks with the IMF set to begin in Islamabad on Oct. 21, Sharif said: "How can we agree if the international financial institutions ask us to defreeze foreign currency accounts and let the account holders to run on our foreign currency reserves. How can we accept their condition to increase the power tariff by 25%? How can we devalue our currency as per the conditions of the IMF and World Bank? We cannot accept such conditions. I cannot make anti-people decisions that might burden the lives of the common people."

In Peshawar on Oct. 16, Sharif said,

LIFE EXPECTANCY in Zimbabwe has fallen from 61 years to 39 over the past five years because of AIDS, according to a U.S. Census Bureau report, the Oct. 15 London *Daily Telegraph* reported. One-quarter of adults are infected with the HIV virus, and death rates are three times higher than they would have been without AIDS.

THE EURASIAN Trans-Asia-Europe fiberoptics cable became operational on Oct. 14, with a joint ceremony in Frankfurt am Main and Shanghai, the end points of the route. It serves 20 nations with 27,000 kilometers of cables. The main route follows "the route of the former Silk Road," German Telekom, one of the main contractors on the project, said in a press release.

THAILAND'S Manager Media Group filed for bankruptcy protection jointly with two of its key creditors, Thai Military Bank and Thai Farmers Bank, on Oct. 13, the *Bangkok Post* reported. The banks said that if rehabilitated, the company could continue to function. They pointed out that it continues to produce its Thai-language daily newspaper, *Phoojadkarn* (*Manager*).

ANGLO AMERICAN, the mining company controlled by the Oppenheimer family, will move its headquarters and stock listing from Johannesburg, South Africa to London. It recently merged with its Luxembourg-based affiliate, Minorco, to create a £6 billion conglomerate and become the world's largest mining company. The London *Guardian's* Alex Brunner commented that the move is "a serious blow to the new South Africa. . . . It is almost as if the emerging market era has given way to a new form of colonialism."

INDONESIA plans to increase "monitoring" capital flows, but still has no specific plans to impose capital controls or insist that exporters surrender export earnings for deposit, Bank Indonesia Gov. Syahril Sabirin told Reuters on Oct. 14.

"Whether Pakistan and the IMF come into agreement or not, the country will not bow to any conditions that add to the miseries of the people. . . . The people want to get their problems solved and see that basic civic amenities like potable water, education, roads, health care, and telecommunications are available to them."

Pakistan's arrears on its international debt obligations have been growing since Aug. 15, in part as result of financial warfare conducted against it in the aftermath of its nuclear tests. A 90-day grace period will expire on Nov. 15, when the first repayment comes due. But Pakistan has no ability to pay.

Russia

Arbatov blames collapse on IMF, Harvard experts

The financial collapse of Russia is due to "Western leaders, the IMF [International Monetary Fund], and Harvard economic specialists," Georgy Arbatov, a leading Russian policymaker, said in a commentary in the Oct. 15 *Los Angeles Times*. He attacked shock therapy and warned of the deterioration of relations between Russia and the United States as a result.

"Russia today is mired in a crisis much deeper and more destructive than the Great Depression of 1929-1932. The Russian people have placed the blame where it belongs: on their own leader, Boris Yeltsin, and his first-name-basis Western allies—Bill and Helmut—who, under the rubric of 'reform,' pushed market shock therapy on them. . . . In particular, the present crisis signifies such a complete failure of American policy toward Russia that, given the right spark, relations could rapidly deteriorate or even fall into the pattern of a new Cold War. Anti-American sentiment is already higher now than at any time since 1991," Arbatov said.

Arbatov wrote that the economy was devastated by "the years of shock therapy initiated by former Prime Minister Yegor Gaidar . . . that elicited so much enthusiasm in the West." Gaidar and his team were unknown economists who went from Marxist economics to those of Friedrich von Hayek and Milton Friedman, becoming "zealous

economic liberals." The West, he said, "fails to understand that the financial collapse of Russia was not an unfortunate incident, but the inevitable outcome of the economic reforms pursued since 1992." It is this predicament that Prime Minister Yevgeni Primakov is addressing.

"The idea of the market economy as the best way to go has also been discredited. Why, we ask, is the way we organize our economy the condition of our friendship with the West?" Arbatov wrote.

Finance

Mexican Supreme Court rules usury is legal

On Oct. 7, Mexico's Supreme Court ruled that compound interest (charging interest on past-due interest) is legal, despite the fact that it is outlawed by the Mexican Constitution. A blatant decision on behalf of the nation's banks, which will no longer have to pay out compound interest on deposits, the ruling has already led to incidents, such as those in Puebla, where arrest warrants were issued for six people who were behind in their mortgage payments. It would appear that debtors' prison is about to be officially established in Mexico.

El Financiero columnist Cárdenas Cruz wrote on Oct. 9, that for the Supreme Court, "there was more concern . . . over the reaction of bank owners, than over the . . . thousands, perhaps millions, of countrymen whose debts today are simply unpayable, and may cost them the loss of their possessions, and even jail, as has already occurred in Puebla."

While there is generalized popular outrage over the ruling, the group that is trying to benefit from it politically is El Barzón, the São Paulo Forum-linked debtors' movement. El Barzón organized demonstrations against the Supreme Court in several cities around the country, and on the day the justices met in Mexico City, it staged a demonstration outside, blocking access to the building, and banging on the closed doors. Many more debtors will now undoubtedly flock to it, in the aftermath of the Supreme Court's decision.