

Business Briefs

Economic Theory

Journal attacks World Bank privatization

The *Far East Economic Review*, in an editorial by Anthony Rowley, has attacked the World Bank's new privatization drive.

Making an ironic attack on the Bank's claims to divine rights, Rowley says that we now have a " 'market friendly' orthodoxy issuing *ex cathedra* from the World Bank. Such beliefs are sweeping Eastern Europe and the Third World. . . . Its liturgy is not inspiring. The real key to development, according to the latest revealed wisdom in that bible of development, the World Bank's *World Development Report*, is the 'interaction between government and markets.' "

Referencing the role of former British Prime Minister Margaret Thatcher and "her ideological soulmate, Ronald Reagan," in the creation of this dogma, he points out that "the market doctrine's narrow approach to human development has failed to roll back poverty. . . . There is no mention of the moral, ethical or even cultural values which Christian, Muslim, and other religious leaders would like to see inform the development debate. It is presumptuous of the World Bank to talk of a new 'consensus,' " except among themselves.

Aerospace

Japanese consortium to produce commercial planes

The Japanese Ministry of International Trade and Industry (MITI) is funding a feasibility study by Japanese aircraft manufacturers expected to lead by the year 2000 to the production of a 75-100 passenger airplane called the YS-X. It will be a competitor to the Airbus consortium, and the major U.S. plane manufacturer, Boeing.

According to *Aviation Week*, MITI has funded at least 60% of a two-year, \$2.2 million feasibility survey. The remaining money came from a non-profit coalition of aircraft and component manufacturers, including Mitsubishi

Heavy Industries, Kawasaki Heavy Industries, and Fuji Heavy Industries. The government is also funding half the cost of the second phase of the YS-X program. When the design is fixed, one of the companies will be chosen to produce the plane.

Aviation Week commented: "In addition to lowering risk, the coalition approach eliminates duplicate research, engineering, and other costs. . . . Small manufacturers benefit as they are less likely to be squeezed out by the giant conglomerates." The Japanese have stated that the most promising market for the YS-X is North America.

Soviet Union

Fuel and energy crisis added to food crisis

"Fuel and Energy Crisis Imminent in the Country," was the headline of an article in the July 18 *Sovetskaya Rossiya* which catalogued current energy problems in the Soviet Union. The article singled out for criticism the desire of each republic to manage its own energy grid. "The economic base sectors providing people with heat, light, automobile fuel, and raw materials for the chemical and many other sectors of industry, have ended up either completely or partially rudderless." An entity called the Siberian Oil and Gas Complex, which had provided reserve fuel output for the country, can no longer do so.

The article warns: "Mankind has not yet learnt how to do without fuel and electric power," and criticizes local governing bodies which have killed off power plant projects over the past decade throughout the country. "The negative attitude of the so-called 'public at large' toward electric power engineering . . . has led to a halt in planning and construction at 64 power stations with a total capacity of about 160 million kilowatts," giving the U.S.S.R. a reserve power capacity of only 4-5%.

"Let's hope that what shook the U.S. back in 1965 does not happen here during the coming winter," *Sovetskaya Rossiya* warns. It concludes with an argument for centralized management of the electrical power grid, even though it contradicts the principle of "free enterprise."

Free Market

IMF, Sachs wiping out Czechoslovak industry

The International Monetary Fund and Finance Minister Vaclav Klaus's monetarist policies, modeled on the advice of Harvard Prof. Jeffrey Sachs, are collapsing the industry of Czechoslovakia. According to statistics released in July by the government in Prague, the main effect of the free market mania is to wipe out industry.

In the first six months of 1991, industrial production went down 17% and consumer prices went up 50%. Unemployment went up 5%, but in Slovakia it rose two times faster than in the Czech region.

The government is trying to postpone the social explosion which is expected to come in the second half of the year when Klaus's monetarist policy will simply stop wage payments in most of the large state companies. Data given out by the Foreign Trade Ministry forecast a 35% increase in exports to the industrialized nations, but the ministry admits that it does not know if this increase is due to the devaluation of the currency or a drop in prices.

Development

'Greenhouse' politics called 'immoral'

Sir William Mitchell, a leading scientist at Wadham College in Oxford, England, attacked the idea of "sustainable development" as ensuring poverty in the Third World, and attacked "greenhouse effect" politics as immoral, in an article in the latest issue of *Physics World*, the July 31 London *Daily Telegraph* reported.

Mitchell argued that "sustainable development" is "morally unacceptable" because world energy demand will have to roughly double if the world's 5 billion people are to be brought out of poverty. Sustainable development, he charged, "simply means the *status quo* of half the world's population living in

poverty." The only morally acceptable basis for action, is to bring the 2.5 billion up to the standard of living of the developed world. Even with efficiency measures, this would increase the gases that cause the greenhouse effect. "We shall therefore, in my view, have to learn to live with it."

Mitchell argued that priorities for world development should be devoted to adapting to a warmer climate rather than preventing it. "This means developing new agricultures, using unused land, and even encouraging means of population migration," he said.

The professor dismissed computer models of future climate behavior as a guide to policy because "scientific knowledge is currently inadequate." What is essential is long-term climate research. Increased understanding will only come from laboratory studies, satellite monitoring, and improvement of computer models, he said.

AIDS

Africa facing zero population growth

Industry and actuarial experts are increasingly alarmed by the prospect that AIDS will reduce many African nations to a rate of zero population growth, with devastating effects on industry.

South Africa's population growth will have ceased by the turn of the century, predicts Theo Hartwig, Chief Actuary of the Old Mutual Insurance Group and one of South Africa's leading statisticians. Hartwig has concluded that by 1995, about 10% of the working population will be infected with the AIDS virus, 30,000 will be ill, and 25,000 will die that year. By 1998, there will be 40% infected, 175,000 will be ill, and 130,000 will die.

AIDS is a threat to the mining industry in terms of output, profits, and labor, Johann Liebenberg, a senior general manager of the South African Chamber of Mines, said in an interview with *South Magazine*. He noted that pre-employment testing for the HIV virus has meant that most Malawians are already turned away. "Our experience with Malawians has

been pretty tough; there are only some 36 Malawians currently working in our mining industry," he said.

Ellis Smith, the chairman of the Federation of Master Printers in Zimbabwe, told its annual meeting recently, that more apprentices must be recruited to replace those who are dying from AIDS. "At present, AIDS-infected people represent 4% of the population. This percentage is going to increase to perhaps 25% or even 30% by the year 2000," Smith said. He noted that the failure to train more people would lead to a rapid escalation of wages for a shrinking pool of skilled workers. The number of AIDS cases in Zimbabwe has risen from 119 in 1987 to almost 6,000 at the end of 1990.

In Uganda, where 1.3 million of the total population of around 17 million are now HIV-positive and the number of AIDS cases is doubling every six months, households are increasingly short of farm labor and have to take children out of school or abandon more labor-intensive crops, *South Magazine* reported.

Infrastructure

Minister urges Berlin to Moscow high-speed railroad

There should be a high-speed rail connection from Berlin to Warsaw and Moscow, recommended Wilhelm Knittel, the assistant transportation minister of Germany, at an east-west transport panel in Sofia, Bulgaria on July 31.

Knittel said that the route already projected from Hanover to Berlin, on which construction work would begin this autumn, should be extended to the capitals of Poland and the Soviet Union to link them up with the West European high-speed railroad grid.

Knittel also emphasized the importance of continent-wide waterway transport, which is expected to increase significantly after the opening of the Rhine-Main-Danube Canal in late 1992. The canal will create a continuous waterway for container freight and other cargo over the distance of 3,500 kilometers between the North Sea and the Black Sea.

● A MINING pact on gold was signed between the Soviet Union and South Africa on July 16 in Johannesburg. The two nations produce almost half the world's gold. Radio Moscow quoted Naas Steenkamp, president of the Chamber of Mines in South Africa, saying that the agreement could lead to exchange of technology, equipment, and mining methods.

● AN ASSOCIATION for economic cooperation in northeast Asia has been founded in Beijing between China, Japan, North Korea, South Korea, the U.S.S.R., and Mongolia. While not a trade pact, the association will "promote economic cooperation" in the region.

● PAKISTAN and Sudan held meetings to consolidate economic and technology ties July 20-21, according to Islamabad Radio. Working groups were set up for trade, industrial cooperation, and agriculture.

● MCDONNELL Douglas, the U.S.'s number one defense contractor, asked the Pentagon last January to advance it \$1 billion against its defense contracts to try to stem cash flow problems, *Aviation Week* reported July 29. In a letter to the Defense Department, the firm stated that market conditions had made "borrowing from traditional sources very difficult."

● THE MOON-MARS mission should involve both a manned program and developing the automation and robotic technology to complement human exploration, the Office of Technology Assessment recommended in a study, "Exploring the Moon and Mars," released Aug. 1.

● THE CARRIZO Plaines solar power plant in California is shutting down because it cannot compete with other forms of energy. Atlantic Richfield Co. originally built the plant in the early 1980s based on the estimate that it would be economical when oil went to \$60 per barrel.