

# Business Briefs

## ***Ibero-America***

### **Venezuelan exporters question Pérez's policies**

The new president of Venezuela's National Exporters Association, Eduardo McBride, insists on the need to "correct the [government's] economic program, because it no longer works."

In a March 4 statement to the press, McBride said that the Carlos Andrés Pérez government "made a bad deal with the International Monetary Fund, in accepting its demand to create new tax measures that will have counterproductive effects, such that they are going to collect less because there will be greater evasion."

He accused Economics Minister Carlos Bologna of going back on his word to consult with the business sector before undertaking any such measures.

He also demanded that the authorities establish monetary mechanisms to screen legal dollars from drug dollars, "which are doing such damage to the economy." The flood of narco-dollars is causing an artificial cheapening of the dollar and a revaluation of the Venezuelan bolívar, which in turn is hurting exporters. "What does [Minister Bologna] think the banks are financing us with?" asked McBride, who suggested that the country was burdened with "a finance minister, instead of an economics minister."

## ***Health***

### **TB on the rise among hospital employees**

One-hundred and five hospital employees in Woodhull Hospital in New York have converted to test positive for tuberculosis over the past year. This represents an increase of 1,000% over last year's conversion rate.

Woodhull is located in Bushwick, a very poor section of New York City, and has a clientele with a low standard of living. The hospital itself has not been able to afford the kind of germ-killing ultra-violet lighting and better ventilation that are minimal steps in preventing tuberculosis transmission.

Federal officials are said to be horrified, although only speaking anonymously. Other New York hospitals are extremely reluctant to release figures on their rates of infection, strongly suggesting that the epidemic is out of control.

## ***Environmentalism***

### **Street kids killed to ready Rio for Earth Summit**

Between 50 and 60 homeless street children in Brazil are being murdered daily, largely by police officers out to get rid of the petty crime that plagues city streets, according to a CNN news report. The slaughter is also aimed at cleaning up Rio de Janeiro's image, as the June environmentalist "Earth Summit" or "Eco-92" approaches.

The British journalist who filed the report interviewed Rio's police chief, who said he "didn't approve" of the murders, and that if he found any of his officers involved, he would arrest them. The journalist noted that no one has been arrested.

A congressional committee set up to investigate the charges has issued what is being called a landmark report demanding the indictment of more than 100 individuals from Rio de Janeiro and São Paulo. The report names lawyers, former and current police officers, and one state legislator. The report, a seven-month effort, cites nearly 5,000 juvenile murders in three years. Most of the victims were black.

## ***Industry***

### **German President calls for investment in east**

"We are investing in our own, western future when we invest in the east of the united Germany," declared Richard von Weizsäcker, the German President, in his opening address to the Leipzig spring industrial fair March 4. He criticized Chancellor Helmut Kohl's rosy propaganda about the alleged upswing in the five eastern states of Germany, saying, "The time

and effort needed to bring affluence" to Germany's east has "been badly underestimated."

The German population, especially in the country's west, he said, had "deceived themselves into believing that capitalism in the west was robust enough to fuel growth in the east." This, he explained, has proven to be a grand delusion, because economic growth has come to a standstill in the west. Not to invest in the eastern states now, however, would be to close one's eyes to the fact that the west owed something to the east: "The western German economy has had much profit from the demand factor created by reunification. The east German demand for goods came just at the right time to help fill the holes resulting from the weakness of world trade."

Echoing his remarks, Tyll Necker, president of the German industry association BDI, warned the same assembly that should Germany as a whole fail to create an upswing in the east through massive investments, eventually at the price of slowing down projects in the west, "Not only eastern Germany but the economic potential of the Federal Republic as a whole would suffer lasting damage."

## ***Flea Market Economics***

### **Call for privatization of U.S. highways**

Joseph Flom, senior partner of the largest U.S. law firm, Skadden Arps Slate Meagher and Flom, wrote in the March 6 "Business Law" column of London's *Financial Times* that a "unique area for new investment activities in the United States" is provided by the Inter-Modal Surface Transportation Efficiency Act of 1991, which opens up U.S. road, bridge, and tunnel construction to private investment. The initiative is the latest effort by the proponents of junk bonds and leveraged buyouts to loot the U.S. economy. Despite the investments being "private," Flom wants federal subsidies of up to 80%.

Flom noted that the budget crises at all levels of government will make it exceedingly difficult to fund the required level of infrastructure spending. "Accordingly, a significant portion of the cost of infrastructure improvement will have to come from other sources. . . ."

## Briefly

"In the act, the federal government authorizes the imposition of tolls on federally subsidized bridges, roads, and tunnels (other than those on the Interstate system) to finance their construction or rehabilitation. Toll revenues may be set aside to provide a reasonable rate of return to private investors. . . .

"More important, for the first time since federal aid to highways began in 1916, the legislation permits bridge, road, and tunnel toll projects to be privately owned and permits substantial federal subsidies to private investors willing to undertake transportation infrastructure investments.

"A federal subsidy of up to 50% of costs is allowed to build new roads or rehabilitate existing bridges, roads, or tunnels. A federal subsidy of up to 80% is allowed to private investors willing to construct new bridges or tunnels or replace existing bridges or tunnels."

### Finance

## BIS head warns of 'global crises'

Bank for International Settlements head Alexandre Lamfalussy has warned that 15 years of financial deregulation and market globalization make the possibility of a global financial catastrophe very real. His statement cites as a special danger the explosion in "off-balance sheet" transactions and the cut-throat competition for international banking business.

He states, "Is there not something about the financial system which would imply that destructive shocks carry a greater systemic risk than in other industries? In particular: Do not globalization and the speed with which shocks are transmitted create fertile ground for full-blown crises?"

He takes up the counterargument of deregulation advocates. "Our observer would have noted quite a few financial disturbances, even major ones which did not lead to a full-blown worldwide financial crisis. One can point to Latin American and East European debt exposures of commercial banks, failures in the U.S. thrift industry, the 1987 stock market collapse, banking and financial failures in the United States, United Kingdom, the Nordic countries, Australia, and Japan. Most of these had

their roots in aspects of the ongoing financial revolution. But they did not degenerate into a real financial crisis."

But, says Lamfalussy, "These arguments do not alleviate my concern. . . . The authorities have been quite good at crisis management, but this praise should not be misunderstood. . . . Luck has been on our side. . . . But the hard fact is that the resilience of our new financial environment has not yet been tested by a genuine worldwide recession."

### Russia

## Space program is needed, says official

"Our tragedy is that we have not formed a stable public opinion as to why we need cosmonautics," stated Russian space chairman Aleksandr Dunayev, in an interview reported March 6 by Federal News Service. He juxtaposed this to the American "spirit of respect for space science," made easier by the fact that the U.S. space program was never secret. Now that the military requirements for space technology are greatly reduced, he stated, the Russian and other Community of Independent States governments are having a difficult time getting public support for civil space investments.

About 7 billion rubles were spent on cosmonautics in 1989, some 6.3 billion in 1990, and less last year, but Dunayev reported that there are unfinished construction projects alone of over 180 billion rubles, so the "allocated funds are a mere pittance. Cosmonautics needs large investments, and they are lacking." Expenditures for the Mir space station are \$1 million a day, he stated, and so the visits by foreign cosmonauts, which are paid for by their countries, are encouraged, to help pay for Mir.

Dunayev confirmed that managers of the former Soviet space program are trying to sell whatever they have for hard currency. Also, he said, "We have undertaken to launch satellites and participate in design projects in India. There are similar plans regarding Brazil. We also wish to use the European Space Agency." He said that the space program definitely needs outside aid.

● **MALAYSIA** will build a steel rolling mill in Vietnam in exchange for Vietnamese industrial and agricultural products; Eric Chia, president of the Malaysian steel company Perwaja, announced after meeting Premier Vo Van Kiet in Hanoi Feb. 22. The premier also asked for assistance for a trans-Vietnam 500 kilovolt transmission line.

● **FUSION SCIENTISTS** in Russia have been hired by the United States, according to Department of Energy spokesman Phil Keif, who said that \$90,000 is being paid for the services of researchers at the Kurchatov Institute of Atomic Energy in Moscow. "These guys are top-notch fusion scientists," Keiff said. "It's an amazing bargain."

● **THE EUROPEAN** Space Agency has informally proposed to member nations budgets for the 1990s which will be more than \$2 billion short of the agency's original plans. The plan is to increase spending each year by 5%, except for Germany, whose contribution would remain flat because of reunification costs.

● **TWO MILLION** people in Kenya will become infected with AIDS in the next three years, and 320,000 of them will die by 1995, says a study by the Kenyan government. It says that 42,000 people died of AIDS through the end of 1991.

● **'OVERPOPULATION'** and "pollution" are killing millions of people each year, with worse to come, says a World Health Organization report prepared for the U.N. Earth Summit in Rio in June the London *Guardian* reported on March 6. The report will retail the discredited malthusian line that population growth must be halted or resources could be overwhelmed.

● **PAUL VOLCKER**, former U.S. Federal Reserve chairman, will be heading up financial operations in Russia and eastern European countries in a joint venture between Lord Jacob Rothschild and the New York investment bank James Wolfensohn.