

Business Briefs

Poland

IMF backing off on bridge loan

The International Monetary Fund (IMF) is not keeping its promises to the government of Hanna Suchocka for a bridge loan to Poland. The loan of \$650 million, which was dangled by the IMF in early January on the condition that the miners strike be called off, will be withheld, because the government still doesn't meet the IMF's budget-cutting and privatization guidelines. The government first has to streamline its budget for fiscal year 1993, IMF envoy Mark Allen declared in Warsaw on Jan. 13.

In December, Suchocka halted a strike in upper Silesia with a commitment to mobilize the equivalent of 250 million deutschmarks (\$155 million) for special "social" programs for miners and their families. To meet the IMF guidelines, she either has to cancel her promises or take the money from other budgets, risking strikes there.

Trade

GATT will hurt U.S. economy severely

Under the Uruguay Round terms of the General Agreement on Tariffs and Trade (GATT), the U.S. economy would shrink by \$36-62 billion a year, according to a study by the Economic Strategy Institute (ESI), the Jan. 12 *Chicago Tribune* reported. The study conceded that U.S. farm exports would increase by \$2.5-3.5 billion a year, but forecast that the U.S. trade deficit would swell by another \$32-37 billion, that the U.S. textile industry would shrink by \$13 billion a year, and U.S. production of raw steel would decrease by \$1.9 billion a year.

With the U.S. government prohibited from using trade penalties such as countervailing duties, the U.S. electronics industry would lose \$6-8 billion a year. The resurgence of the U.S. semiconductor industry, which regained a significant share of the world market with

U.S. government assistance, would be thwarted, and probably reversed, the report warned.

The report also revealed the farce of Bush administration claims from two years ago that the new GATT agreement would add \$4 trillion to the world economy over the next 10 years. Noting that in December the Bush administration increased the estimate of world economic gains to \$5 trillion, the ESI report stated, "As these divergent predictions suggest, the U.S. government in fact has no real idea what a Uruguay Round agreement will mean for the world economy or for America."

The development center of the OECD predicted a worldwide gain of \$19.5 billion a year from a new GATT agreement, which, the ESI report points out, is less than 0.02% of the total world economy.

Eastern Europe

Fourth year of economic collapse, institute warns

1993 will be the fourth year of economic collapse and rising unemployment for eastern Europe, according to a forecast produced by the Vienna Institute for International Comparative Economic Studies (WIIW) in January.

The report lists former Czechoslovakia, Romania, Bulgaria, and the Community of Independent States (CIS) of the former Soviet Union as the nations which are not likely to see a slowdown in the collapse of their industrial production. Rather, they are likely to see a decline in industrial output by 15-16% and more in 1993.

Even in those eastern European countries where conditions look slightly better, like Poland and Hungary, the jobless rate will increase significantly this year. In Poland, which had an official jobless rate of 13.5% (2.5 million unemployed) at the end of 1992, there will be an increase to 16.2% (or 3 million), and in Hungary, the jobless rate will increase from its present 11% to 17% (from 627,000 to 1 million workers). In the former Czechoslovakia, unemployment will almost double, from 390,000 to 750,000, which will hike the jobless rate up from 5.5% to 10.5%.

Inflation rates will also remain exorbitant

this year, with 25% in Hungary, 45% in Poland, 100% in Bulgaria, and 250% in Romania. Russia has an inflation rate of 1,000%.

AIDS

Poverty co-factor finally being recognized

A recent statement by the U.S. National Commission on AIDS tends to show that poverty is becoming increasingly recognized as an important co-factor in the spread of AIDS. The commission blamed racism for acting as a barrier in dealing with AIDS, where African-Americans and Hispanics constitute fully half of all Americans living with HIV disease. It said, "The cumulative effects of racial discrimination, the chronic lack of access to resources, and the resulting underdevelopment of community infrastructures have had lasting effects."

Commission member Harlon Dalton of Yale University said that the epidemic is disproportionately hitting minorities. "Within these communities there is a justifiable fear that public concern for the epidemic will wane as AIDS more than ever becomes a disease of the 'other'—of people with whom white America does not identify," Dalton said.

The commission's statement tends to corroborate the view put forward by *EIR* and Dr. Mark Whiteside that AIDS is an environmental disease in which poverty is a major co-factor, and which is a marker for the overall biological holocaust in world health.

Estonia

Government backtracks on 'shock therapy'

The threat of widespread social unrest has forced the government of Estonia to partially break with radical free market programs and stop the privatization sale of 38 large state enterprises. The selloff was part of a package of International Monetary Fund (IMF) condi-

tions accepted in August by the previous Estonian government. Since the autumn elections, the agreement had been followed by the new "conservative" government.

Under IMF dictate, Estonia freed all prices, which fueled a 1,000% rate of inflation by the end of 1992, cut government subsidies, and created an institution modeled on the German Treuhand agency (which is responsible for state enterprises in the former East Germany), called the Eesti Erastamisettevõte (EERE). Anders Bergmann, an Estonian who had lived in Germany, was placed in charge. As in Germany, this agency became a "state within a state," with virtual dictatorial control over the former state-owned sectors of the economy.

The stoppage of the selloff occurred after the media leaked the fact that under privatization, "at best" half of the 77,000 employees in the 38 enterprises would keep their jobs. Thus, in one stroke, privatization would have thrown about 10% of the nation's total work force of under 500,000 out of work. Real unemployment, concealed through the practice of workers being on permanent "leave with pay," is already at 20%.

The stoppage also occurred in the context of a wave of banking scandals. Under the free market insanity, more than 40 private banks, nearly all of them fly-by-night money-laundering operations, sprang up in Estonia, promising large financial rewards to depositors. In the past two months, 30 of them have gone bankrupt, though still operating under bankruptcy laws. Three of the largest were shut down by the government, and 25,000 Estonian depositors have lost their deposits, with no chance of recovering anything.

Infrastructure

Massachusetts finds high return on spending

For every dollar spent building infrastructure, there is roughly \$2.25 in benefits returned to the economy, the state of Massachusetts has found, the Jan. 10 *Boston Globe* reported.

Spending for the building of new infrastructure has a number of spillover and multiplier effects, the paper reported. "According

to federal statistics, \$1 million invested in construction and related work creates 60.7 jobs—17.3 jobs on site (laborers, cement pourers, engineers); 14 jobs off-site (material suppliers, clerical workers); and 29.4 jobs in corollary industries (service businesses and the like)."

From an analysis of the Third Boston Harbor Tunnel project and the Central Artery project, both currently under construction in the Boston area, the Commonwealth of Massachusetts found that "each dollar spent . . . generates \$1.17 in revenues from payroll taxes and other benefits. When savings on welfare and unemployment [compensation programs] are added, state officials say, the multiplier effect leads to \$2.25 for every \$1 spent."

Space

Russians to test space mirror

The Russians will unfurl a plastic sheet, descriptively called "Banner," in orbit in February, to reflect light from the Sun to the Earth, according to the Jan. 12 *New York Times* and other sources. The idea of placing mirrors in Earth orbit for such purposes was first proposed by Hermann Oberth in 1923, and further design and engineering work was undertaken in the 1970s by space scientist Krafft Ehrlicke.

Space mirrors would have many uses, including the extension of daylight in high latitude regions with limited light during the winter, the protection of crops from freezing temperatures, the extension of growing seasons for crops, easing rescue operations following disasters, and many others. The Russian design will use a 65-foot diameter disk and should reflect sunlight to the surface of the Earth as bright as 3-5 full moons.

The Banner will be stowed in an unmanned Progress supply ship which will be attached to the Mir space station. A consortium of companies and government agencies in Russia are sponsoring the space mirror demonstration, and they hope that a success will attract support, and financial help, from western companies.

Briefly

● **A MAGLEV RAIL** system will cost \$25 million per mile, according to the Arthur D. Little consulting firm in Cambridge, Massachusetts, the Jan. 10 *Boston Globe* reported. It estimated that a nationwide 3,563-mile system would cost \$89 billion, and that direct monetary savings would accrue from less fuel consumption, fewer highway accidents, lower pollution costs, and lower insurance expenses.

● **UZBEKISTAN** President Karimov denounced the "shock therapy" approach of radical price rises and shutdown of state-sector industries as totally inappropriate for the Uzbek economy, in an interview with the Jan. 12 *Frankfurter Allgemeine Zeitung*.

● **A SOUTH AFRICAN** project for a southern African common market has been shelved as a result of renewed fighting in Angola and Mozambique, the December 1992 issue of *Jeune Afrique Economie* reported. The project would have established an economic power along the lines of the European Community.

● **JAPAN** will propose a 17-point package designed to strengthen its economic ties with the European Community and promote bilateral cooperation for aid to developing nations, government officials said Jan. 12, Kyodo reported.

● **ZAIRE** is experiencing an inflation rate of 2,337.5% annually, the French publication *Missi Synthèse* reported recently. "Daily life is made up of penury . . . looting, [and] ethnic riots," it reported.

● **DE BEERS** has regained control of the world's diamond market as a result of renewed fighting in Angola, the Jan. 11 *London Financial Times* reported. In 1992, when the civil war ended and a law prohibiting citizens from possessing diamonds was repealed, 50,000 diggers working for themselves increased Angolan production fivefold (to \$500 million), swelling world supply by about 10%.