

# Business Briefs

## Romania

### 'Shock therapy' program launched

Romanian Prime Minister Victor Ciorbea presented the government's "shock therapy" program in a live televised speech on Feb. 17, Omri reported. He said that 3,600 state companies will be privatized in 1997; companies which are unprofitable will be closed or auctioned off. The government expects a rise in unemployment to about 8%, from the current 6%. The decision to implement this insane program was made after President Emil Constantinescu travelled to Brussels to discuss Romania's entry into so-called European structures.

A social program negotiated with the International Monetary Fund is supposed to "compensate" those most affected by the measures—more than 10% of the GDP will be channelled to this program. As the carrot, the IMF has agreed to use some \$400 million to "help the needy," and over the long term, Romania is to receive \$1 billion from international lenders.

All prices, with the exception of bread, are to be immediately liberalized (i.e., will rise dramatically), and the state budget will make only very limited provisions for subsidies. State-owned agricultural land is to be privatized, and all banks are to be gradually privatized. Ciorbea said he expects inflation, currently 90%, to fall to 30% by the end of the year.

## Labor

### Italian unions ready fight against wage cuts

Italy's big labor federations have scheduled a "protest for employment" on March 22, a one-day general strike, in response to the latest government proposals for wage cuts, which came with delivery of a new report by the Brussels European Union Commission, that calls for deregulation and regional diversification (i.e., cuts) in wage levels.

On Feb. 15, Central Bank governor Antonio Fazio called for broad-scale deregula-

tion, and a linkage of incomes to productivity rates. The unions rejected such proposals as totally inappropriate in the current depression, when many industrial firms are not even struggling for improved productivity, but rather, for their very survival.

Fazio admitted that more than 1 million jobs were officially lost during 1992-96, because of fiscal austerity after the lira devaluation and the Clean Hands technocratic revolution, with the application of the *Britannia* policy of privatizations and budget-balancing measures. However, Fazio proposes as a solution, total "flexibility" of labor, tying wages to "productivity." As a model, he indicated the recently concluded national metalworkers contract, where for the first time the unions accepted a net nominal loss of wage increases against inflation.

## China

### State-owned economy in urgent restructuring

Debt restructuring of the Chinese state-owned economy is an urgent project, because of the heavy debts of state enterprises and the rising ratio of bad loans from state banks, the Beijing newspaper *Jingji Cankao Bao* reported on Oct. 31, 1996, according to the Foreign Broadcast Information Service of Feb. 13. Pilot work in certain cities was begun in January 1996, said Dr. Wu Tianlin, director of the Production System Department of the State Restructuring Commission. The policy is to combine debt restructuring with investment of increased capital, and to clarify the property rights of state-owned enterprises.

Wu stated that debt restructuring should focus on existing flexible assets of the state-owned economy, and explore new ways to revitalize it. He is proposing the following measures:

- "Loans for allocation" should be changed to "investment for loans." Funds earmarked for establishing banks in a pilot city, and for infrastructure construction, should be considered as the government's input of capital in the city's trust and investment company. This company should act as an agent of the government to perform the

function of state-asset investor and convert the debts incurred as a result of "loans for allocation" to the capital of stocks.

- Money borrowed on behalf of financial departments' and enterprises' overdue local tax payments should be considered as capital invested by the state. State-asset management organizations should act as the investor and change debts into stocks. Investment provided by employees should be changed to internal shares held by employees.

- Long-term, stable payments between enterprises closely linked in production, should be changed, through consultation, to the capital of shares, so that corporations may hold each other's shares.

- Interest charges should be stopped for some bad debts.

- Banks' bad debt reserve funds should be used to write off some bad debts.

The National Administration of State Property reported that the asset-liability rate of state-owned enterprises in China was 58.4% in 1990, but rose to 71.7% in 1993. As of 1994, the asset liability rate of 123,900 state-owned enterprises was at 75.05%. In addition, there is a large proportion of bad debts owed to state banks. The Production System Department of the State Restructuring Commission reported that the bad debt rate of state-owned enterprises and the bad asset rate of specialized state banks are both more than 20%. In the debt structure of state-owned enterprises, more than 65% are loans from state banks and roughly about 65% of their debts are bad debts.

## Bulgaria

### The 'worst is still to come,' under IMF diktat

The German daily *Süddeutsche Zeitung* reported on Feb. 20 that while hardships are severe, "the worst is still to come for the Bulgarians. Already in autumn, the IMF [International Monetary Fund] had demanded that all the fiscal, monetary, and currency policy be placed under the command of a currency board. Now this is being accepted by all political forces in Bulgaria. It seems, that only a few of them are able to imagine what such

## Briefly

a financial dictate will mean." Hundreds of thousands will lose their jobs, the daily said, doubling the official unemployment rate, now at 13%.

Heating of apartments has become impossible due to the "hyperinflation of more than 300%," and "the majority of the 9 million Bulgarians are now freezing and starving." Every day, there are extended queues at all the 30 recently established soup kitchens in Sofia, and more and more old people are living on whatever they can scrounge up out of garbage cans. "The strikes have ended, but the economy is still shut down. . . . The state is bankrupt, de facto it is insolvent."

On Feb. 18, new price hikes were instituted, and fuel prices almost tripled. Prime Minister Stefan Sofiyanski said drastic hikes were the only way to stabilize the economy. Officially, fuel will sell for 850-1,130 leva per liter (30-40¢), while the black market price is 10-30% higher. Fuel shortages continue to leave public transport and road traffic paralyzed throughout the country.

In 1996, more than half of the budget went to paying interest on the foreign and domestic debt, Vanyo Konsulov, from the Economic Institute of the Bulgarian Academy of Sciences, said on Feb. 18. Expenditures on national defense were barely 30%; on wages and salaries, 42%; and on social security, 37%, of 1990 levels.

### Trade

#### Iran sets deals with Central Asian nations

Iran continued to increase its trade relations with Central Asian nations, undertaking major new initiatives with Turkmenistan and Kazakhstan in February.

Iran and Turkmenistan signed five economic cooperation agreements related to building railways, dams, gas and oil pipeline networks, and commerce and environmental protection, which will affect Central Asia and the Economic Cooperation Organization (ECO) nations, the Iranian daily *Ette-la'at* reported on Feb. 17. In a joint communiqué issued after their meeting, Iranian President Ali Akbar Hashemi Rafsanjani and Turkmenistan President Saparmurat Ni-

yazov endorsed the ECO plans formulated in Ashkhabad, Turkmenistan, for regional natural gas pipelines and transportation systems.

Also, on Feb. 15, the third Iran-Kazakhstan joint economic cooperation commission opened in Teheran, on transport, oil, petrochemicals, and metals. Kazakh Minister of Transportation Yuriy Lavrinenko, who co-chaired the meetings with Iranian Minister of Mines and Metals, Hussein Mahlouji, voiced his country's willingness to cooperate with Iran in oil, petrochemical industries, and tourism. He stressed that the Kazakh government attaches special importance to expansion of ties with Iran, and added that the commission can provide a solid ground for long-term mutual economic cooperation. The volume of commercial trade between Iran and Kazakhstan surpassed \$100 million in 1996, a 30% increase compared to the previous year.

### Philippines

#### 'Tiger' label exposed, as infant deaths soar

"Despite the 'tiger economy' hype, malnutrition sends more Filipino pre-school children into premature graves than in even poorer countries like Egypt, Kenya, Tanzania, or Zimbabwe," the Feb. 13 *Manila Standard* reported in an article entitled "'Economic Tiger' Hype Blurs High Toll from Infant Deaths." The article summarized the results of a recently released World Bank-Asian Development Bank report on early childhood development.

The article reported that the "entigered" Philippines has an infant mortality rate of 57 per 1,000, while one in five households are "haunted by food insecurity," with especially serious iodine and vitamin A deficiencies and protein-energy malnutrition. Based on annual budget figures, Manila spends only \$7.80 for every pre-schooler, 40% below the minimum needed. And, although 99% of Filipino children are enrolled in school, only 68% of grade one entrants complete elementary schooling.

It was the World Bank which started the hype about the "economic tigers," with the 1993 release of its "East Asian Miracle" report (see *EIR*, Feb. 7, pp. 33-44).

**JORDANIAN** engineers staged a sit-in on Feb. 22, and threatened a nationwide strike over pay demands. The union said the government is not being serious about its promise last October to reach a solution within three months. The engineers say their salaries are lower than 10 years ago, in real terms.

**FUJI BANK** has opened the first major joint venture in Myanmar, the Jan. 30 *Asia Times* reported. Fuji, one of the world's largest banks, opened the Fuji-Yoma Bank with Yangon's Yoma Bank, raising expectations of increased Japanese investment in Myanmar.

**SINGAPORE**, which played a leading role in scuttling the Kra Canal project, was accused by Thailand Deputy Prime Minister Montri Phongphanit of bribing an "influential politician" to scrap the plans for a new international airport, the *Bangkok Post* reported on Jan. 31. Prime Minister Yongchaiyut Chavalit had cancelled the airport the week before.

**RUSSIA** will have to go through "a decade or two of zero growth," and the generalized take-down of its defense industries, because it has no choice under current policies decided by Western governments, Stanislaw Gomulka, a pro-IMF former adviser to the Polish Central Bank and currently at London School of Economics, told *EIR* on Feb. 19.

**UGANDA** has "one of the lowest life expectancies in the world," the German magazine *Entwicklung und Zusammenarbeit (Development and Cooperation)* reported in January, corroborating reports first published in *EIR*. Life expectancy, 45 years in 1993, has dropped to 37, mainly because of AIDS, which infects an estimated 10% of the population.

**THE NILE BASIN** ministerial conference on water and peace was held on Feb. 22-24 in Cairo, Egypt. The meetings discussed 22 projects worth \$100 million for studies for the development of Nile resources.