

# Business Briefs

## Space

### Russian-Ukrainian firm launches converted SS-18

The first launch of the Dnepr launch vehicle, which is a converted SS-18 intercontinental ballistic missile, took place on April 21, from Baikonur, Kazakhstan. Its payload was the small UoSat-12 technology satellite, built by Surrey Satellite Technology Ltd., in England.

The Russian-Ukrainian company, Kosmotras, is marketing the Dnepr, and plans a second launch in December with a Ukrainian payload. According to Kosmotras, up to 150 missiles are available to be converted to commercial launchers. The rocket is built by NPO Yuzhnoe in Ukraine, which also builds the Zenit rocket that is being marketed internationally for ocean launches by Sea Launch, headed by Boeing. Considering the hoops Boeing had to go through (and fines it had to pay) to launch anything with the Russians and Ukrainians, it seems doubtful that U.S. satellite owners will want to use the Dnepr.

The 770-pound UoSat payload carries technology experiments, including for microwave digital communications, Earth observation, propulsion, attitude control, and navigation. Surrey Satellite, started by college students a few years ago, works with developing nations on small satellites, to introduce them to space technology. Singapore's Nanyang Technological University and the European Space Agency contributed to the experiments on board UoSat-12.

## Machine Tools

### Germany, Japan face decline in orders

Foreign orders for the German machine tool industry fell 30% in the first quarter of 1999, compared to one year ago. The dramatic turnaround in the industry is evident in the fact that, in the first half of 1998, new machine-tool orders for German industry were still up 40%, but in the second half of 1998, the growth rate slowed to 5%, and the first

quarter 1999 has now shown a contraction by 10% (domestic and foreign orders combined). The German machine-tool industry association has downgraded its 1999 growth expectations from 5%, as announced as late as March 1999, to 3%. Once the old orders have been processed, the industry is set for a sharp contraction.

In Japan, machine-tool orders fell 26.7% in March 1999, compared to the year before, the financial daily *Handelsblatt* reported on May 10. It was the 13th successive month of year-on-year declines. Domestic demand fell 27.9%, to 35.14 billion yen (roughly \$270 million). The contraction of foreign orders, by 25.5% to 36.77 billion yen, was in particular caused by the 43.3% fall in orders from North America—with March 1999 orders of 16.17 billion yen still the most important market for Japanese machine tools. Orders from Europe (14.5 billion yen) were down by 14.5%. East Asian machine-tool demand increased 41%, to 5.9 billion yen, but that was only a small recovery from earlier steep declines.

For 1998, the Japanese machine-tool industry reported a 12.5% decline of new orders. The 24% decline of domestic machine-tool orders resulted from a 30.1% drop of demand from the broader Japanese machine-producing industry and a 24.1% drop in orders from the Japanese automobile sector. Orders from South Korea collapsed 75.1%.

## Banking

### Treaty opens Australia up to foreign takeovers

A new World Trade Organization (WTO) treaty, called the Fifth Protocol to the General Agreement on Trade in Services (GATS), will open up Australia's domestic banks to foreign takeovers, in the name of further "liberalizing" trade in financial services. The Department of Foreign Affairs and Trade has said that a failure to sign the treaty would jeopardize Australian trade, but concerns are being expressed about its impact on the domestic banking industry.

Sen. Barney Cooney, the deputy chairman of the federal parliament's Joint Standing Committee on Treaties, which reviewed

the Fifth Protocol and gave the green light to Australia signing it, admitted, "Any foreign investor could buy our banks, but they would have to comply with our regulatory regime." Peter Westmore, the national spokesman for the National Civic Council, pointed out that since the GATS treaty was first signed in 1995, eight of the ten largest stockbrokerages in the country have been sold to foreign interests. In reply to arguments by the treaty's backers that any foreign takeovers would have to satisfy a national interest test set by the Treasurer, Westmore pointed out that the onus would be on Australia to show how it wasn't in the national interest. "If a government were to veto a foreign takeover, it could be ordered to pay compensation by the WTO," he said.

## Venezuela

### Food consumption drops, as unemployment rises

According to the Supermarkets Association of Venezuela, food consumption dropped 12% nationwide in April. The president of Venezuela's commercial association, Consecomerio, said that this means that the crisis is much worse than anyone thought. "When someone stops buying a pair of shoes, clothing, or jewels, this is not as serious as when someone stops buying eggs, pasta, and meat," he said. The Chamber of Food Industries reports that consumption of cheese, sardines, flour, tuna, vegetable oils, chicken, and pasta had already fallen more than 5% between January and February of this year.

President Hugo Chávez and his ministers brag that inflation has dropped since they took office on Feb. 2. The Central Bank, however, admits that inflation is dropping because consumption (food, clothing, shoes, and services) is dropping. According to Datanalysis, average family income dropped 2% in the first quarter of 1999. The trade unions' Labor Center for Documentation and Analysis reports that unemployment rose four percentage points so far this year, from 11% at the end of 1998, to 15% in April. According to the head of the Venezuelan Labor Federation, 50,000 people lost their jobs

in the first months of 1999.

These figures do not include the estimated 52% of Venezuela's 9.5 million labor force who are "employed" in the so-called "informal economy," which is really a form of disguised unemployment.

Conindustria, one of the industrial federations, reports that at least 50 small and medium-size companies went bankrupt in the first quarter. In all, 359 manufacturing companies have shut their doors in the last 12 months.

## Commerce

### Australian intelligence involved in espionage

Australia's intelligence services are actively involved in international commercial espionage, as part of their cooperation with the U.K.-United States alliance's covert communications intelligence (COMINT), according to a report to the Director General for Research in the European Parliament. The report is entitled "Interception Capabilities 2000," and was written by Scottish TV executive Duncan Campbell.

Campbell says that the so-called "U.K.-U.S.A." alliance, which was set up under intelligence arrangements established shortly after World War II, "has routinely intercepted international communications to obtain sensitive data concerning individuals, governments, trade, and international organizations." Further, the report says, "comprehensive systems exist to access, intercept, and process every important modern form of communications."

The report reveals that Australia's cooperation includes its involvement in a little-known organization called ILETs, which "has, without parliamentary or public discussion or awareness, put in place contentious plans to require manufacturers of new communications systems to build in monitoring capacity for use by national security or law enforcement organizations." Martin Brady, the head of Australia's Defense Signals Directorate, admits Australia's involvement in the U.K.-U.S.A. "relationship." DSD passes on "commercially relevant COMINT" to the Office of National Assess-

ments, which decides how it is to be used. It is sometimes passed on to Australian companies to give them an advantage, or balance a disadvantage, in an international trade issue. "Similar systems operate in other U.K.-U.S.A. nations, Canada and New Zealand," the report says.

## Debt

### Relief measures called far from inadequate

Ethiopian President Meles Zenawi said that the Highly Indebted Poor Countries Initiative (HIPC) and other debt reduction initiatives were "far from adequate," and were being used "as the whip to enforce unquestioning acceptance of the economic orthodoxy, the so-called Washington Consensus," in a statement to the conference of African finance and planning ministers in Addis Abeba on May 7. He said that "the choice we are left with under HIPC is to either abandon all independent and rational thinking in economic policymaking or wallow in the quagmire of unsustainable debt."

UN Secretary General Kofi Annan reiterated his view that "all creditors should convert into grants all remaining official bilateral debt of the poorest countries, and creditors should consider clearing the entire debt stock of the poorest African countries."

In the joint statement issued by the attendees, the conference called upon the Group of Seven nations to cancel debt arising from bilateral aid for the poorest countries of Africa. "Debt relief for the poorest countries should not be provided at the expense of Official Development Aid for funding development programs and projects in these and other countries," it said. It called for "exceptional debt relief" for those countries emerging from conflict, including total cancellation.

"Much of the debt is unpayable, altogether it is a very significant impediment to Africa's orderly growth, and current debt resolution mechanisms, particularly the HIPC initiative, are far too slow far too selective in coverage, and far too conditioned," it said.

**THE BRITISH** Treasury said on May 7 that it plans to sell more than half its gold reserves (415 metric tons, or \$3.5 billion worth) in the near future. The announcement caused a sharp drop in prices, \$7-10 an ounce on May 7 and another \$5 on May 10, which had been inching up toward \$290 per ounce.

**A JAPANESE** delegation from the Global Infrastructure Fund is due in Thailand in late May to present detailed proposals covering the environmental and social impact, investment costs, routing, and dredging for the Kra Canal, a 12-kilometer canal that would open a direct passage between the Andaman Sea and the Gulf of Thailand, bypassing the congested Straits of Malacca.

**HSBC HOLDINGS** plc, better known as the drug-tied Hongkong and Shanghai Bank, said on May 10 that it has reached an agreement to buy Edmond Safra's Republic New York Corp. for \$10.3 billion. The deal includes Republic's 49% interest in Safra's Luxembourg-based private banking operation. Among its dirty dealings, Republic runs the "money plane" which ships billions of dollars in cash to Russia.

**HONDA MOTOR** Co. says that it will close one of its five assembly lines in Japan, because of a shrinking home market and dwindling exports. Honda has been manufacturing 1.25 million cars a year in Japan, down from a peak of 1.4 million. In April, Honda's sales dropped 23% compared to April 1998.

'**AIDS** is out of control' in Sub-Saharan Africa, according to Bernhard Schwartlander, chief epidemiologist of the United Nations AIDS organization. The spread of AIDS in Botswana, Namibia, Swaziland, and Zimbabwe exceeds the "most horrifying nightmares," he said. More than one-quarter of the adult population is infected with HIV. In 29 of the affected countries, life expectancy is now 47 years, seven years lower than it would be without AIDS.