

Business Briefs

Development

Italian industry takes anti-U.S. stand

"For a certain period we imitated the Americans and their *financial* capitalism. If we want to be able to compete at the international level, the model we must follow instead must be the *industrial* capitalism of the Japanese," wrote Italian Industry Minister Guido Bodrato in an interview published by *La Stampa* in mid-August. Bodrato said that it is necessary to invest more in "research and technological innovation" so as to create the conditions for higher productivity.

La Stampa Aug. 26 published an editorial which read: "It is necessary to transfer resources from the West [into the Soviet Union] by an amount of approximately 1-2% of the annual Gross National Product of the OECD countries from now through the year 2000. This capital must mostly be made available as aid at the state level for the construction of new infrastructure networks and as direct investment by private industries, in joint projects and other forms of collaboration. . . . If we are not ready to accept this change, it is useless for us to express solidarity with Yeltsin: Sooner or later some generals will again try a coup and will go back to aiming atomic missiles at us."

The East

Soviet proposals make Jeffrey Sachs go ape

Harvard's Jeffrey Sachs, the youth who designed the drug-linked Bolivian economic "miracle" and the Polish economic disaster, has recently been extremely upset to hear Soviet economists proposing that their economy be put on a productive basis.

For example, prominent politician and economist Arkadi Volsky, chairman of the Association of Industry and Science, wants to revitalize the Council of 1895, the Imperial Russian Association of Industry and Commerce founded under Prime Minister Count Sergei Witte to promote industrial development.

Soviet economist Stanislav Shatalin wants to create a "Euro-Asiatic currency zone," dealing in some form of European Currency Unit, which would institutionalize "one economic entity" extending from Brest-Litovsk to Vladivostok, including Hungary, Poland, Czechoslovakia, and Bulgaria.

Meanwhile, Russian economist Grigory Yavlinsky stressed "the opportunity to design a new generation of high-speed trains, with the chance for Western businesses to become involved in joint venture manufacture in a Soviet factory." This was included in a "dossier of up to 100 specific projects" presented to Western economists and business leaders who were in Moscow to attend a meeting sponsored by the Davos, Switzerland World Economic Forum, reported London's *Guardian*. The paper said that the dossier "highlights the country's pressing need for investment in the transport, telecommunications, consumer goods, and high-technology sectors."

Jeffrey Sachs was there, and threw a tantrum. Sachs was demanding immediate, International Monetary Fund-supervised convertibility of the ruble, and "extraordinary clashes" broke out over this issue. He "fidgeted furiously," and called all the Soviet proposals "silly." At one point, the *Guardian* reported, Sachs was forced to apologize for his insulting comments.

International Exchange

Americans are indifferent, so who wants to invest?

Why is there such a precipitous drop in foreign direct investment in the United States? asked Edward Graham, senior fellow at the Institute for International Economics in Washington, in a commentary in the Sept. 2 London *Independent*. Direct foreign investment in the United States in the first quarter of 1991 showed an annual rate of scarcely 11% of the 1989 rate.

There are the "deep social and economic problems facing the United States," with the combined "fiscal deficit of the U.S. federal, state, and local governments set to rise." There are continuing drug problems, "murder rates remain scandalous," scholastic achievement

of Americans is collapsing, and "forecast future bank failures are likely to wipe out the reserves of the Federal Deposit Insurance Corp."

But even such explanations don't go far enough. Graham wrote: "As deep as these problems ran, they are far less severe than those of, say, the Soviet Union. But what might appall the foreign direct investor much more than America's problems per se is the apparent apathy of the American people and their elected leaders to them. . . . At least, the people of the Soviet Union and their popular leaders have shown they are willing to risk their lives to stand up to the KGB."

AIDS

Asia, South Africa face virus explosion

Asia faces an explosive epidemic of AIDS on the scale of Africa, a medical conference in Kuala Lumpur, Malaysia was told Sept. 5. John Dwyer, chairman of the AIDS Society for Asia and the Pacific, said, "The epidemic in Asia is young but spreading rapidly." He said that although the number of cases of full-blown AIDS was small compared to world figures, Asia now accounted for about 10% or 800,000 of the known cases of infection. Dwyer is professor of medicine at the University of New South Wales in Australia.

Meanwhile, 10,000 new AIDS cases are being detected each month in South Africa, according to an editorial in the Sept. 3 issue of the Johannesburg paper *The Star*. The editorial bemoans the fact that the country "is nowhere near ready for a major pandemic. . . . Many blacks believe AIDS is a plot to deter them from having babies. And white leaders have similarly failed to convince white people, who perceive AIDS as preponderantly a black disease, of its dire economic and social consequences for everyone."

The editorial surmises, "There has probably been no deliberate coverup of statistics in South Africa—not like in Zimbabwe where the new Minister of Health suddenly revealed that more than one in four workers are HIV positive. But our figures may not be that differ-

ent. One thing seems certain: HIV infection will have to become a notifiable disease!"

Authorities in Mexico are alarmed over the incidence of AIDS, especially among females. In the Mexico City municipality of Nezahualcoyotl, there are reports of 400,000 carriers of the virus. The ratio of AIDS-infected women to men has gone from 1 woman for every 25 men, to 1 woman for every 4 men. Recent reports show that the majority of carriers in this area of the city are housewives.

China

European firms to build third-largest dam

Italian, German, and French firms in partnership with China are to build the world's third-largest dam in Sichuan Province, in a significant departure from the labor-intensity that dominates foreign investment in China. The World Bank is lending almost half of the \$1.9 billion needed for the 240 meter dam on the Yalong River, only a few meters short of the world's highest dam in the Soviet Union.

Dumez International and GTM International (French), Impreglio SpA and Torno (Italian), and Philip Holzmann AG and Hochtief AG (German) signed the contract with Premier Li Peng in August.

The project will have six 550 megawatt generators. Agence France Presse reported, "Annual production has been put at half the province's energy production, still far short of needs."

Malthusianism

AID complains of food distribution

The U.S. Agency for International Development (AID) and local Peruvian businessmen are protesting the fact that the managing director of the H.B. Fuller Co., Bernardo Wagner, has set up free daily distribution of high-protein porridge to tens of thousands of poor Peruvian children. One Peruvian businessman who is active in the Peruvian-American Chamber

of Commerce lamented, "I'm against handing out food. All you are doing is encouraging these people to produce more children."

U.S. AID hasn't yet decided what to say officially about Fuller's program, since it prefers "self-help" programs. One AID official said, "We are committed to supporting community organizations in their own initiatives . . . [which] may on occasion be a less efficient way of tackling the feeding problem, [but] we feel so much is to be gained from people developing their own methods."

Isn't that what Fuller has done? He explained, "I'm a capitalist, but the kind of capitalism I see here is a monstrosity. . . . The first priority is to feed these children. To do it in a socially acceptable way is wonderful, but that comes second."

Canada

Project delays linked to 'eco-fascists'

Delays in projects in the province of Quebec have been blamed on "eco-fascists" by industry leader Richard Le Hir, head of the Quebec Manufacturers' Association. Branding some environmental groups "eco-fascists" and "eco-terrorists," he proposed on Sept. 3 that "irresponsible" environmental groups that propagate information based on "fear instead of facts" be barred from hearings of the provincial Office of Public Hearings on the Government (BAPE), according to the *Montreal Gazette*.

BAPE, at the urging of a number of environmental groups including Greenpeace, recently rejected a \$230 million Soligaz natural gas storage project in Varennes, Quebec as unsafe for residents, even though similar facilities in France have proven safe.

Expressing concern over scores of lost jobs and a damaged Quebec economy resulting from environmentalist tactics, the Quebec manufacturers presented eight proposals on how to streamline the BAPE proceedings. "As much as we want Quebec to be green, we mustn't allow it to become an economic vegetable," Le Hir said. The QMA's members account for 60% of manufacturing production in Quebec.

Briefly

● **A CHOLERA** epidemic that hit near Tokyo in late August has continued to spread, with one death, 15 confirmed cases, and five others suspected. Authorities are quoted "suspecting a type of surf clam taken from Tokyo Bay" as the source of the epidemic. The epidemic was first reported in Chiba prefecture, on the eastern edge of Tokyo's suburbs.

● **JAPAN** will host a development conference on Cambodia, said a Japanese Foreign Ministry spokesman Sept. 2, who added that Tokyo hoped this would take place in 1991. He said Tokyo would be talking to the International Monetary Fund, the World Bank, the Asian Development Bank, and industrialized countries seeking credit to rebuild the war-devastated country.

● **THE SOVIET** space program is virtually on hold following the political upheaval there. Testing of the small space shuttle and huge Energiya rocket are indefinitely postponed, it would appear. Soviet space managers have tried to get the U.S. to purchase some Soviet space assets or capabilities, to get some cash into the program. Broad estimates are that the Soviet space budget was cut 20% over the past two years, and will be cut by half over the next five.

● **A MAGLEV TRAIN** in Germany's north to connect Berlin and Hamburg was endorsed by the R&D section of the Christian Democratic parliamentary group in Bonn Sept. 4. Spokesman Christian Lenzer said with an estimated 100 trains running between Germany's two largest cities every day, the investment would clearly pay off.

● **318,000 PEOPLE** in the United States exhausted their unemployment benefits in July, the highest level in more than 40 years, according to a study of Labor Department statistics prepared by the Center on Budget and Policy Priorities. According to the statistics, 8.5 million Americans were out of work in July.