

Business Briefs

Petroleum

Venezuela, Brazil talk on joint oil company

A joint project to combine Venezuela's oil company with that of Brazil was discussed during President Rafael Caldera's recent visit to Brazil, Venezuelan Energy Minister Erwin Arrieta told the daily *El Universal* in mid-October. The project would join their respective state companies for the purpose of "exploration, drilling, refining, and commercialization" of oil.

At the same time, the Brazilian press is reporting that the U.S. Department of Commerce is involved in a project to develop the Tiete-Paraná region in Brazil. On Nov. 3, a committee to develop the area will be founded in Washington, with the task of first determining basic infrastructure and energy development projects for the region. The United States will give an initial \$1.3 million to the committee, presumably for feasibility studies, and the U.S. EximBank, Trade Development Agency, Environmental Protection Agency, and Overseas Private Investment Corp. will also be involved.

Several private companies are reportedly considering an investment of \$7 billion in the region over the next five years, which would range from energy, transportation, and other basic infrastructure to agro-industry, metallurgy, telecommunications, and high-technology laser companies. A gas pipeline extending into Bolivia is under discussion as well.

Political Economy

List championed over Adam Smith in Colombia

Fabio Castillo, the Colombian author of the best-seller exposé *The Horsemen of Cocaine*, issued a challenge to the free-market insanity rampant in Ibero-America in the daily *El Espectador* on Oct. 18. Friedrich List's system of political economy is superior to Adam Smith's "free market," Castillo said. He wrote:

"The First World defends laissez-faire

... [as if] free enterprise is best for everyone on the market, while protection and [state] interference in the market is congenitally wrong. Why? Why do they never mention Friedrich List, the German economist opposed to Smith and for whom local protection is a strategic matter, and the state's action on the market a necessity . . . to guarantee social welfare. . . . In his two works, *The Natural System of Political Economy* (1837) and *The National System of Political Economy* (1854), List says that economy is not a game of open rules. . . . Nations must think of trade as a strategic issue, and not simply as a question of where one can buy the cheapest shirt this week. Economy is not a matter of being right or wrong, but of strong or weak. Thus, protection is not a sin, but a decision."

Castillo commented on List's analysis of the British decision of 1846 to abolish the Corn Law, leaving peasants to battle for better prices while Britain industrialized itself. "The discussion on protectionism has not changed for the past two centuries," said Castillo. "It has always been dominated by the country which draws the best advantage from its abolition."

Fusion Energy

New laser project gets DOE go-ahead

Secretary Hazel O'Leary announced on Oct. 21 that the U.S. Department of Energy intends to proceed with the engineering and design of the National Ignition Facility (NIF), a new multipurpose laser which will be sited at Lawrence Livermore National Laboratory in California.

The NIF will be the most powerful laser in the world. The facility will consist of 192 laser beams directed onto a small capsule of hydrogen, causing the target to implode. The temperature and pressure inside the compressed capsule reach a point at which the hydrogen atoms fuse and release a burst of energy.

While the goal of the NIF is to produce more energy than it consumes with the hope of developing a fusion energy source, its primary mission will be to allow scientists to conduct

experiments relating to weapons physics. O'Leary said that the NIF is necessary to help ensure the safety and reliability of our nuclear stockpile while downsizing our arsenal and working toward a comprehensive test ban.

O'Leary also spoke of the NIF as part of national economic security, and said that it is through large scientific challenges that we generate spinoffs in high-tech products for the U.S. economy, "an idea we've stumbled on in the past, which we embrace today," she said.

Opposition to the NIF has come from anti-nuclear and environmental groups which cite non-proliferation concerns. Tom Cochran of the Natural Resources Defense Council, who was recently named to the DOE Fusion Energy Advisory Committee, said that the DOE "can't have it both ways"; that is, to give up nuclear testing and then to build the NIF to test nuclear concepts. But, O'Leary stated, "the non-proliferation circles in which I move" see the NIF as leading to a "no need to test" position.

Health

Physicians worry over drug-resistant bacteria

A growing number of physicians are ringing alarm bells over the potential for common bacteria to become drug resistant and to start a deadly epidemic which no one will be able to treat, the Oct. 20 *Washington Times* reported.

"The federal agencies responsible for taking care of this are all clearly underfunded," said Dr. David Shlaes from Cleveland Heights, Ohio. Shlaes is a member of a special task force created by the American Society for Microbiology to study the problem. "We need basic research. We need to get pharmaceuticals back into the game. We need more surveillance to find out how widespread resistance already is," he said.

Dr. Stuart Levy of Tufts University, author of *The Antibiotic Paradox; How the Miracle Drugs Are Destroying the Miracle*, said, "It's a major crisis because people are dying, and people are going to die in the future. . . . The rare event is happening again and again." Levy and Chris Foreman at the Brookings Institution are using this crisis to attack the use

of antibiotics in the livestock industry.

The problem became much worse after 1979 when Surgeon General William Stewart told the medical world to "close the books on infectious diseases." This led the pharmaceutical industry to drop research on new antibiotics. There is now a 5-7 year lag before 28 new antibiotics come onto the market.

Poland

Privatization program attacks independence

After a long fight within the Polish government, in October Prime Minister Waldemar Pawlak signed the mass privatization program which will allow the sell-off of 444 state industrial enterprises slated to be managed by national investment funds under joint foreign and domestic directorship.

Sources report that Pawlak signed the program only after the International Monetary Fund and the World Bank insisted that the program be implemented before funds are freed to reduce Poland's debt by 49.5%. This argument was used by the Polish "free marketeers" to put pressure on Pawlak, who had said in a late September address on national television that he disapproves of turning management of Polish enterprises over to foreigners.

Nigeria

Sack of finance minister sets back IMF program

Nigerian Finance Minister Kalu Idika Kalu, a former World Bank economist, was fired on Oct. 17. The move "indicates that there is a closing of ranks within the Provisional Ruling Council and the cabinet over the idea" that the International Monetary Fund's Structural Adjustment Program "is as dead as a dodo," Ashikiwe Adione-Egom, an independent economist, told Reuters in Lagos. Kalu, a great believer in privatization and returning Nigeria to free-market reforms, was the one govern-

ment official who was allowed to come to the United States in recent months following the imposition of U.S. sanctions against Nigeria.

Finance Ministry officials said that Kalu tried in vain to get the government to reverse the decision made in January to fix foreign exchange rates and outlaw the free market. Kalu was also opposed to the artificial pegging of interest rates. "Kalu's removal indicates that the government does not want to shift its policy," said Adekunle Olumide, director general of the Lagos Chamber of Commerce and Industry. Kalu's dismissal came just as work was beginning on the calendar year 1995 budget.

Kalu said at the International Monetary Fund-World Bank annual meeting in Madrid in September, "Hopefully, in the context of the next budget we will have the opportunity to review the efficacy of these new controls." Asked if he wanted the regulations lifted, Kalu replied, "Definitely." Analysts say pro-regulators in Abacha's administration appear to still have greater clout on economic policy than the free market lobby, which now includes the central bank governor.

Infrastructure

Berlin-Moscow high-speed railway urged by minister

The construction of a high-speed rail line between Berlin and Moscow would create a big economic boom, declared Elmar Pieroth, minister of financial affairs in the Berlin municipal administration, on Oct. 20 following his return from talks in Moscow. His remarks are among the very few that reflect some sanity in Germany these days, which is otherwise dominated by post-election political power struggles.

Investment of DM 15-20 billion (\$9.4-12.5 billion) or even DM 50 billion into either a modernization of existing rail tracks to make them fit for high-speed trains or for entirely new construction, would create a boom, Pieroth said. The project would also function as a "development corridor with new industrial settlements" and turn Berlin into the central hub of modern rail connections between Europe's west and east, like a "spider in the center of a web," he declared.

Briefly

● **THE CURRENT RATE** of population growth is the lowest recorded since World War II, and marks a return to the trend of declining growth prevalent from the mid-1960s to mid-1970s," the U.N. Population Fund reported in its *Populi* magazine. In 1990-94, world population grew at 1.57% a year, "significantly" below the annual rate of 1.73% of the previous 15 years and the 1.68% recorded for 1992.

● **SOUTH KOREA AND CHINA** have agreed to cooperate in the peaceful use of nuclear energy, Seoul's Foreign Ministry said on Oct. 19. "A provisional agreement was signed in Beijing, and the formal signing will be held later," a spokesman said.

● **IRAQ AND RUSSIA** have decided to start the technical study of carrying out economic and oil projects, Iraqi Oil Minister Safa Hadi Jawad said after returning from Moscow the third week in October. "My talks with the Russian officials were very positive and good," he said.

● **GERMANY** is facing increasing labor unrest in response to a wave of new layoffs and calls for a new round of austerity. Workers at the Zeiss optical plant in Jena, for example, are planning protests after management said it will fire up to 3,000 of its 16,000 workers in the near future.

● **CHINA'S** Guangdong province has undertaken construction of a \$350 million dam at the Feilei Gorge water control project in Qingyuan to prevent a repeat of this year's killer floods, Hongkong's pro-Beijing paper *Wen Wei Po* reported. The dam will control the flow of North River, which poses a threat to the 10 million people.

● **FOOD BANKS** are facing a drop in funding from the U.S. Department of Agriculture from \$80 million in 1993 to \$25 million in 1994. "The impact is going to be very dramatic," Dick Goebel of Second Harvest food bank in St. Paul, Minnesota said on Oct. 18.