

Business Briefs

Infrastructure

Rhine-Rhône Canal up grade moves ahead

The first section of the modernized Rhine-Rhône Canal has been completed, with the construction having taken only five months—unusual in a Europe that has otherwise seen nothing but slow progress on such projects. The 20-kilometer strip of waterway between the cities of Mulhouse and Niffer, in the French region of Alsace close to the Rhine River, is now navigable for barges of 4,400 tons.

The French government recently reaffirmed its intent to accelerate the construction work on the other sections to make the entire canal navigable between Mulhouse and Marseille by approximately the year 2010, but the exact timetable and the sources of financing are still unclear.

Ukraine

Minister condemns loss of science capability

Ukrainian Defense Minister Valeri Shmarov condemned the loss of Ukraine's scientific capabilities, at a briefing in Washington at the American Association for the Advancement of Science on July 10. "It is a most stupid thing to miss the advantages that have been accumulated in our scientific efforts," he said.

Shmarov, after listing the achievements of Ukrainian science, said, "the condition of science is far from being satisfactory. Less than one-half of 1% of what is needed is being allocated to maintain science." The result, he said, is that "Ukraine is losing its scientific potential."

Shmarov praised the role of the Soros Foundation in helping Ukraine, and the bilateral cooperation that Ukraine has in science with many other nations, including the United States, France, Germany, and the United Kingdom.

At the briefing, Shmarov cautioned that "the pace of the process of NATO enlargement

has to be under control in order to avoid the previous situation of polarization and confrontation. I am not supportive . . . of the stand of some countries in eastern Europe of rapid involvement in NATO. It takes a gradual and steady process of development."

Rather, Shmarov said, "at this stage, the internal political and economic situation is more of a national security threat than external factors," and the number one threat is the "power-shortage problem. . . . Anybody would agree that the power shortage is a far more serious threat than foreign military invasion."

South Africa

Telecommunications will not be opened

South Africa has ruled out opening its telecommunications market to international competition, and it has also been announced that Telkom, the state monopoly, will not yet be privatized, as had earlier been announced, the July 10 London *Financial Times* reported.

Pallo Jordan, the minister of posts, telecommunications, and broadcasting, said during the presentation of a discussion document on the future of the industry, "If we opened up the market now, and allowed in, say, AT&T and British Telecom to compete openly, they would wipe us out within a week. I am not going to look at that option; it is subversive."

The campaign launched by the Congress of South African Trade Unions to "kill off any moves toward privatization," played a major role in the decision, the paper said.

Instead, Jordan announced a "consultative process" by which South Africans are being given 10 weeks to respond to a questionnaire on privatization and competition. Jordan will then take the answers to an "evaluation colloquium" in mid-September. An as-yet-unnamed group of persons representing the main stakeholders in the industry will then sit down with the minister to produce a white paper to be put before the cabinet by

the end of the year. "My view is that Telkom is the collective property of SA Incorporated. Until now it has only served 15% of the population, and it must become accountable to the other 85%," Jordan said.

The South African government spends six times more a year on servicing its debt than it does on the politically crucial Reconstruction and Development Program, of which the provision of telephones is just one small part.

Labor

Recycling steps up in United States

The pace of labor recycling is intensifying in the United States, the July 17 issue of *Business Week* magazine reported. Workers are being fired, and forced to hunt for new jobs, or else rehired at their old job, but in each case at lower pay and benefit levels. Examples of the trend include:

- Briggs and Stratton, which is based in Milwaukee, Wisconsin and makes small engines for lawn mowers, announced last year that it is shifting 2,000 of its 5,500 jobs to Kentucky and Missouri. The reason, said *Business Week*, is that it "can pay half the \$21-an-hour [its] workers up north get in wages and benefits."

- In the Oakland, California airport, the ticket agents for American Airlines wear a uniform that looks like the American Airlines dark blue uniform, but the workers do not technically work for American Airlines. In May, American Airlines terminated its ticket agents, and hired replacements from Johnson Controls, Inc. American pays its veterans up to \$19 per hour; these replacement workers make \$7 to \$9 per hour, with inferior benefits. North American Airlines is allowing outsiders to work at 28 second-tier airports.

- Throughout industry, many workers are fired from their jobs, which they have held for 10 to 15 years, only to be hired back by a "business services agency," which contracts out to the business to do the identical job but at lower wages. According to the Bureau of

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Labor Statistics, between 1984 and 1994, employment in the "business services" sector doubled from 3 million to 6 million workers.

Meanwhile, major American manufacturing industries, which produce physical wealth and pay decent wages, keep declining. For example, since 1987, the highly skilled aerospace sector has laid off more than half a million workers.

Health

Ukraine, Russia face water, disease crises

Water and disease emergencies in eastern Ukraine and Moscow are underscoring the massive infrastructure collapse in the former Soviet Union that has resulted from International Monetary Fund-mandated "shock therapy" policies.

According to German and British radio reports, authorities in the eastern Ukrainian city of Kharkov, Ukraine's second largest city with a population of 1.7 million, have urged the entire population to leave the city, because a deadly strain of cholera has been found in the water supply. The sewage treatment system in Kharkov collapsed in late June during heavy rains, and was still out of service as of mid-July. Wastewater from households and industry has been pouring into the water system. Freshwater for the population is being brought in from neighboring towns. The entire water supply in the densely populated areas of eastern Ukraine and contiguous areas in Russia are now threatened.

As of July 14, BBC was reporting that there was not yet any sign of mass exodus from Kharkov.

Meanwhile, BBC also reported that there are calls to declare a health emergency in Moscow, because dysentery, hepatitis, salmonella, and scarlet fever are all spreading. Cholera has been detected in the Moscow River, and is spreading—the first time that it has broken out from within Moscow, rather than being brought into the city from former Soviet republics or from outlying regions in Russia. BBC said that authorities know that the bacteria that

carries tuberculosis and diphtheria has also been detected in the water. People are being told not to bathe in the river, but are doing so anyway because of the heat. BBC commented that funds are lacking, not only for normal health and prevention measures, but even for educational campaigns to warn the population about the disease threats. BBC's Moscow correspondent also reported that there is an uncontrolled growth of disease-carrying rats in the Russian capital.

Petroleum

Iran, Sudan sign deals with western companies

Both Iran and Sudan signed oil contracts with western firms during July. An agreement was signed between the French firm Total and the National Iranian Oil Co. on July 13, which replaced the \$1 billion deal that Conoco Inc. was forced to cancel with Iran, according to news wire reports. The week before, Royal Dutch Shell Group said it had renounced the same deal because of President William Clinton's ban on oil trade with Iran.

Total, which had been in talks with Iran since 1991, said the contract was to develop the Sirri "A" and "E" fields located offshore from an island in the Persian Gulf close to Dubai. Total is responsible for securing the financing of all costs incurred (estimated at \$600 million), and the company will get about one-third of the crude oil in return for its investment.

Meanwhile, Sudan signed an oil deal with the Arakis Energy Corp. of Canada, to develop its oil in the Unity and Greater Helig fields, the July 11 London *Financial Times* reported. The \$750 million project is to be financed jointly with Arab Group International, a Saudi investment group. The project entails a pipeline from the oil fields to Port Sudan on the Red Sea. A spokesman for Arakis said Sudan would be producing 100,000 barrels per day, twice its domestic needs, thus providing surplus for export. Reportedly, the deal includes a price-sharing agreement, whereby the Sudanese government would get half the total revenues.

● **THE DUTCH** Parliament in late June approved the "Betuwe" high-speed rail project, between the port of Rotterdam and the German high-speed rail grid. Current projections are that it will transport 30 million of the 70-75 million tons of containerized freight which is moved annually from Rotterdam to Germany by no later than the year 2015.

● **SALOMON**, Inc. shocked investors on July 11, forecasting a \$65 million loss for the second quarter, far worse than expected. The news prompted Standard & Poor's to review \$15 million of its debt for a possible downgrade. Salomon lost \$400 million in 1994.

● **GEORGE SOROS** will be barred from Slovakia unless he apologizes for comments at the World Economic Forum in Switzerland on July 1, the ruling Movement for a Democratic Slovakia said. Soros attacked Prime Minister Vladimir Meciar as a proponent of business interests and nationalism, which he called "a classical recipe of fascism."

● **ISRAELI** Foreign Minister Shimon Peres said that economic cooperation is vital for the success of the Middle East peace effort, in Vienna on July 11, the Austrian daily *Die Presse* reported. He pointed to the European Union as a model for economic cooperation that could also be practiced in the Middle East.

● **CHINA** has double-tracked the 1,620-km rail line from Lanzhou, capital of Gansu, to Urumqi, capital of Xinjiang, in order to speed development of the land-locked region, *People's Daily* reported on July 2. Development of Xinjiang has been hampered by lack of transport to industrial areas.

● **WHEAT PRICES** on the Chicago Futures Market rose 17% in the second half of June, *Agra-Europe* reported the week of July 3. Compared to one year ago, wheat is 42% more expensive.