

Business Briefs

Transportation

India, Iran upgrade rail cooperation

Four bilateral rail projects were recently identified in which Iran and India will cooperate, the Iranian news agency IRNA reported on July 10. According to sources in the Indian Ministry of Railways, the projects include "exchange of technical experts in the field of training, signalling projects by India for the Shahrud-Mashhad rail sector, upgrading of maintenance facilities by India for locomotive workshops in Iran, and container movement and multi-modal transport between India and Iran and India and Central Asian countries."

Iran is soon expected to send its railway personnel to India for training. (India is considered the most advanced Third World country in the rail sector.) The signalling project, which India considers the most important, was originally to have been for the Bandar Abbas-Ahvas sector, but it was changed to the Shahrud-Mashhad, in order to serve the needs of the Central Asian countries. India has also offered to Iran, to construct seven railway stations there.

Meanwhile, the Iranian daily *Ettela'at* reported that the head of the Azeri Railways Organization, Mamdov, is leading a high-ranking delegation to Teheran, to expand bilateral cooperation. One item discussed will be the purchase of rail cars, cooperation in transportation, and starting a rail line to the border near Jolfa.

Tax Policy

Italian government to tax derivatives

The Italian government has introduced a capital gains tax, including on derivatives instruments, which will become effective in July 1998. Derivatives profits will be taxed at 12.5%, which is the rate today applied to state bonds. The measure has been introduced by executive order. In view of recent debate indicating an awareness on the part of

economic circles, including the central bank, of the impending global financial crash, the measure is believed to be aimed at not only generating revenue, but at deflating the domestic financial bubble.

The Italian stock market has increased 25% since the beginning of the year, thanks to a boom in derivatives contracts. The government policy of slashing interest rates on state bonds has led Italian families to move their investments into higher-yielding mutual funds. This has brought derivatives transactions in the Milan futures exchange (FIB 30) to the level of 2,500 billion liras a day (about \$1.6 billion), a modest figure in the global daily trade in derivatives instruments, but a huge sum compared to the size of the Italian stock exchange.

The chairman of Italy's trust funds association, Victor Ukmar, predicted in an interview with the daily *Corriere della Sera*, that the measure will depress the stock market. "We did not yet realize that globalization makes it more and more complicated to levy taxes on capital that moves at an impressive speed. . . . If a European tax were imposed (something I hardly believe), capital would flow to Singapore or New York," Uckmar said. "I see the risk, raised a few weeks ago by the [London] *Economist*: Maybe we are heading toward an era in which those who pay taxes represent an endangered species."

Eco-Fascism

'Appropriate technology' fuels infectious diseases

The proliferation of so-called "appropriate technologies" may be leading to outbreaks of infectious diseases worldwide, Forrest Mims, the former publisher of *Science Probe*, and several Italian collaborators, warned in the June 20 issue of *Science* magazine.

In primitive slash-and-burn agriculture, for example, the smoke produced by biomass burning prevents ultraviolet (UV) radiation from reaching the ground. Mims argues that the much-maligned UV-B plays a critical role in public health by killing air-

borne bacteria, pathogenic microorganisms in water, and mosquito larvae. Mims et al. believe that the increasing incidence of yellow fever in Brazil, Bolivia, and sub-Saharan Africa may be related to biomass burning that blocks out UV.

Mims's letter echoes the arguments made by *21st Century's* book, *The Holes in the Ozone Scare, the Scientific Evidence that the Sky Isn't Falling*, regarding the beneficial role of UV radiation.

Mims is one of the leading critics of the ozone depletion theory as a result of his work with a worldwide network of people who use an inexpensive UV measuring instrument which he designed. Mims's network has discovered enormous variations, from hourly to annual, in the intensity of incoming UV radiation, largely dependent on meteorological conditions. The data, so far, show no overall increase in UV radiation, debunking the ozone depletion scare. While Mims's instrument was ridiculed at first by the "scientists" promoting ozone depletion, it turns out, after extensive study, that his instrument is more accurate and reliable at measuring UV than those deployed by NASA.

Consumer Credit

Rationalization will boost consumer costs

Credit card companies, "bloody from brutal competition" and a rise in the number of defaults, have started to raise fees and interest rates, limit credit lines, and scale back bonus programs, as a "rationalization" of the industry begins, the July 6 *New York Times* reported.

With bad credit card debt reaching 7% of total balances, and personal bankruptcies increasing at a 27% annual rate, the card companies have begun to boost costs to the consumer. According to *Credit Card Management* magazine, "nuisance fees," such as late charges, increased by 55% last year. Last year, GE imposed a \$25 annual fee on people who pay their bills in full each month to avoid interest fees, and now Advanta wants to charge \$25 for closing an account. Ac-

KYRGYZSTAN'S President Askar Akayev said that maintaining good relations with China would help his nation achieve economic prosperity, *Slovo Kyrgystana* reported on July 8. The border issue has been fully resolved, he said, and the nation could complete transport links to Europe and Asia, which will significantly aid the development of the economy.

BULGARIA'S population of 8.3 million is expected to fall by 1 million by 2020, owing to a low birth rate and emigration, consequences of the country's economic crisis. Kiril Gatev, of the National Statistics Institute, said in Sofia on July 10 that the trend "is exceeding even the most pessimistic forecasts."

CHINA'S state-owned investment company, CITIC, is "in serious discussions about taking over some [Thai] investment companies and injecting a large amount of capital," Thai Deputy Foreign Minister Pitak Intrawitayanut was quoted in the July 10 London *Financial Times*.

MONTGOMERY WARD, the second largest U.S. retail store chain, filed for bankruptcy on July 7. It will close 60 of its 420 direct outlet stores. Discount stores that pay low wages and sell cheap merchandise, have cut into Ward's market—a reflection of the drop in purchasing power.

A REPORT prepared by the Companies and Securities Advisory Committee and submitted to Australian Treasurer Peter Costello on July 6, insensibly recommends allowing parties to derivatives contracts to reduce the amount of collateral they hold to cover their derivatives exposures, the *Australian* reported.

INDIA opened its first industrial exhibition in China in 40 years, on July 7 in Beijing. The exhibit is sponsored by the Wisitex Foundation of India and the China Science and Technology Exchange Center, and features pharmaceuticals, computer software, chemicals, satellite technology, and other products.

cording to Moody's, the total cost of credit cards (combining interest rates, annual fees, and nuisance fees) now represents 18.72% of card balances, up from 17.96% a year ago.

The competitive battle for customers led to an "irrational imbalance in favor of the consumer," complained Michael Urkowitz, executive vice president in charge of credit cards at Chase Manhattan Bank.

Infrastructure

Southern Xinjiang rail line ahead of schedule

Already, 200 kilometers have been completed of the westward extension of the southern Xinjiang rail line in Xinjiang Region, China, and more than 90 bridges have been completed, Xinhua reported on July 5. Construction is expected to be completed by 1999, one year ahead of schedule. This 976-km-long railway will link the city of Korla, on the Lanzhou-Xinjiang rail line, with the ancient Silk Road city of Kashgar, the Chinese terminus of the Karakoram Highway from Pakistan.

The southern Xinjiang rail line, which connects to the Kyrgyzstan rail line and runs parallel to the northern Xinjiang rail line, "will be an important section of the Second Eurasian Continental Bridge, and will help to turn southern Xinjiang into a distribution center of imports and exports in northwest China," Xinhua wrote. "A resource-based economic development belt will be formed around the Tarim Basin as a result of the new railway, which is expected to handle more than 6 million tons of goods by the end of this century." Experts say that the annual cost of rail transportation will be 1 billion yuan (about \$125 million) less than road transport.

The rail line will have a big economic impact, including enabling farmers to get their produce, especially fruits, to market. Backward communications and transportation systems are the major factors restricting the economic development of southern Xinjiang. The Tarim Basin also has mineral reserves of petroleum-gas, coal, metals, building materials, and jade. Nine oil-gas fields

have been verified, with 440 million tons of reserves and a yearly production capacity of 4 million tons. It is estimated that proven oil-gas reserves will be 1.5 billion tons by 2000, while the output will increase to 8 million tons per year. The bulk of the 1.5 million tons of oil produced in the Tarim Basin will be transported by rail.

Xinjiang has also opened four "land-ports" with neighboring nations.

Eastern Europe

Work on ten transport corridors planned

A plan to build or upgrade 10 transport corridors in eastern Europe, which would complement the European Union's TEN projects, is being discussed by the EU Commission, as a follow-up to a meeting of the Third Pan-European Transport Conference (PETC) in Helsinki in June, the July 4 London *Financial Times* reported. The PETC meeting passed a resolution calling for 10 such corridors, which would link eastern Europe to western European corridors, and also further integrate eastern Europe.

The proposed corridors are: Helsinki-Warsaw (via Tallinn)-Katowice; Berlin-Warsaw-Minsk-Moscow; Berlin-Wroclaw-Katowice-Krakow-Lvov-Kiev; Dresden-Bratislava-Budapest-Thessaloniki-Istanbul; Venice-Budapest-Uzgorod-Lvov-Kiev; Gdansk-Zilina; Danube Waterway Gyor-Black Sea; Durres-Skopje-Sofia-Varna; Helsinki-Alexandroupoli; and Corridor X, Munich-Zagreb-Belgrade-Skopje-Thessaloniki. Two additional links are mentioned: Passau-Linz-Graz-Zagreb, and Nis-Sofia-Istanbul.

Total investment needs are estimated to be ECU 66 billion up to ECU 94 billion (an ECU is about \$1.1), and the PETC has appealed to the EU and its European Investment Bank for funding. Experts agree that the EU and national governments will have to provide the major share of the funding for the projects, because private financial resources (which are already low in the West) are almost nonexistent in eastern and central Europe.