

Business Briefs

Nuclear Energy

Funds okayed for Russian power plants in India

The Indian Union Cabinet on Sept. 9 approved the supplement to an agreement between India and Russia to set up two units at the Kundankulam Nuclear Power Station in Tamil Nadu, and approved the transfer of funds required for the project, the *Times of India* reported on Sept. 11.

The Cabinet also approved an outlay for preliminary expenses, which will be provided to the Nuclear Power Corp. in the form of interest-free loans. The project consists of two units of 1,000 megawatts each at Kundankulam. The agreement had been signed in 1988 between India and the former Soviet Union, and was modified by the supplement signed on June 21 this year with Russia under a technical cooperation arrangement. The agreement said India would benefit from planning and executing the project for developing nuclear energy to generate electricity on a commercial basis.

Labor

Unemployed heads toward 1 billion by end of 1998

Some 1 billion people will be without full-time employment by the end of 1998, the International Labor Organization (ILO) said in a report on Sept. 24. The ILO says the turmoil in Asia will cause the number of unemployed to rise by 10 million, to 150 million, while the number of people lacking full-time jobs or earning less than the minimum needed to survive, will rise to 30% of the world's workers, or 750-900 million people.

The report, which is over-optimistic in its forecasts with respect to the United States and Europe, said that "there has been an above-average increase in jobs in the United States, despite growing wage inequality and a fall in real wages." In Europe, the report says, there are 18 million unemployed in the European Union, "but output and employment showed signs of picking up later in the year."

Unemployment is rising in the two Southeast Asian nations which have been hardest hit by the financial crisis: Thailand's unemployment is forecast to rise to 6%, or 2 million; Indonesia is expecting a steep rise, along with food shortages.

Poverty will spread in Russia, and it "threatens to replicate the earlier experience of Indonesia." Unemployment remains high in central and eastern Europe, while a "potential global pull-back by investors" in Ibero-American emerging markets will increase unemployment and "underemployment."

Sub-Saharan Africa, after "a prolonged period of poor growth, has given way to slightly improving employment in 1998, but most new jobs are in low-productivity agriculture."

Poland

High social costs of economic 'reforms'

Poland is faced with growing social and economic problems despite a new administrative division of Poland, according to *Trybuna*, a weekly associated with the former Workers' Party, in an article entitled "Old Poverty in New Boundaries," the Foreign Broadcast Information Service reported on Sept. 10. The growing problems are the result of so-called economic reforms.

According to the 1997 Gus (Main Office of Statistics) report on living conditions, as many as 5% of households cannot afford even the cheapest food and clothing. Some 26% of Polish families cannot afford prescription medicines. Nearly 16% of households are late in paying rent and other fixed fees. Electricity and gas bills are not being paid by 13.8% of households, and 12.2% are behind in paying off housing loans. One-third of all households have declared their need for financial assistance.

Unemployment is falling, according to the National Labor Office. Yet, in many regions, the unemployment rate is still high. For Poland as a whole in July it was 9.8%; however, in many provinces, it was twice as high. For example, in Slupsk, it was 18.8%; in Koszalin, 17.8%; in Walbrzych, 17.5%;

in Olsztyn, 17.2%; and in Wroclaw (which was hit by floods last year), 16.6%. This is now rapidly getting worse, because of the crisis in Russia and Ukraine. Many Polish farmers and small producers were able to survive because of trade along the border on the open-air markets. Now, with the devaluation of the ruble, even this source of income is drying up.

Even in those regions where the situation is considered a little better, for example, in Silesian province, where the unemployment rate was 6.2% prior to the mass layoffs of miners, the proportion of unemployed women is higher than in any other province: 69%.

The new boundaries will worsen it, the weekly said, because responsibility for education, health care, and infrastructure will be passed from the central government to local governments, which do not have any tax base. Poor regions in eastern and northern Poland will be merged. Zamosc will be in the same group with poor Chelm, Biala Podlaska, and the economically depressed Lublin. Bialystok will remain with Suwalki and Lomza.

Indonesia

Malnutrition alarming, according to UNICEF

A recent UNICEF report which focusses on the island of Java, where about 140 million of Indonesia's more than 200 million people live, reports alarming rates of malnutrition, according to the Sept. 24 *South China Morning Post*. The report is entitled "Indonesia: Malnutrition Stunts Growth of a Generation."

According to the report, more than half the children under two years of age in Java suffer from malnutrition; the number of children under three who suffer severe malnutrition has risen to 1 in 7, up from 1 in 12 in 1996, according to a study by the Helen Keller International charity. Anemia in children below three is up 50% since 1996, and now affects 60% of Java's children, while diarrhea rates have doubled among women and children.

Dr. Dini Latief, head of community nu-

trition at the Indonesia Department of Health, says that 8 million children under five suffer malnutrition ranging from mild to severe, which she attributes to low income. She said that caloric intake is only 75-80% of minimum daily requirements.

The reports corroborate recent statements by Indonesian Food Minister A.M. Saefuddin, who said that 4.4 million people in Central and East Java can afford only one meal a day, while 17 million face food shortages.

Brazil

Interest rates will shut down production

"The country and the productive sector will not survive these interest rates," the president of the Brazilian Machinery Association, Luiz Carlos Delben Leite, stated upon taking office in mid-September, *Jornal do Brasil* reported on Sept. 21. Employment in the sector is already below 1992 levels, when the machine-making industry in Brazil employed 235,000 people. At the end of 1997, that had dropped to 180,000; today, there are 170,000 employed, and that number, he said, will fall further, as soon as the September interest-rate increases hit full force. Today there are only 4,500 businesses left in the sector, as some 1,300 companies have been forced to shut down or become sellers of imported machines, since President Fernando Henrique Cardoso imposed his free trade "Real Plan" in 1994. Brazil imported \$2.6 billion worth of machines in 1993, and \$8.9 billion worth in 1997, with most of that increase replacing national production, he charged.

In addition, the government development bank, BNDES, said on Sept. 17 that it will no longer provide 100% financing for machinery and equipment purchases, but only 60% financing. According to Delben, BNDES financing covers 50-60% of all sales in the sector. "The decision is unacceptable," and will lead to layoffs, he warned.

The auto industry is also shutting down. One auto executive called the situation "much worse" than that of October-November 1997, when interest rates also paralyzed

sales. The four top producers (Fiat, Ford, General Motors, and Volkswagen) have already imposed across-the-board "collective holidays," i.e., temporary plant shut-downs, to try and lower inventories. The permanent workforce has also been reduced: Fiat employs 6,500 fewer workers than it did in 1997 (employing 17,000 now); VW will employ 4,200 fewer workers at the end of this year, compared to last. The auto parts industry is asking workers to accept lower salaries and shorter working hours, or face firings.

Health

Doctors warn of spread of Russian tuberculosis

A mutant form of tuberculosis that is "multi-drug resistant" (MDR-TB) is pouring onto the streets of Russia from fetid prisons, and doctors are warning that its worldwide spread could be extremely rapid, the Sept. 23 London *Guardian* reported. Russian jails are thought to have up to 20,000 inmates with MDR-TB.

Tina Demeulenaere, of the Moscow chapter of the Doctors Without Borders aid group, is quoted: "Sub-standard treatment and non-isolation of TB patients means the prison system is turning out MDR-TB patients like biscuits. It is a time bomb, because they are being freed, they infect other people, these people travel. It'll be all over the world before you know it." Dr. Oleg Zezelkalo, also with Doctors Without Borders, says the disease is "comparable to AIDS. TB has a tendency to spread. We're in the early stages of an epidemic. It's moving up the social scale to the middle classes, and it's not going to stop at the borders of Russia."

A joint appeal by Doctors Without Borders, the British aid agency Merlin, and the United States Public Health Research Institute warns: "It is only a matter of time before MDR-TB of Russian origin becomes a daily reality worldwide." Alex Goldfarb, director of the Russian TB Project, asserts that if some \$250 million is not spent soon on this health crisis, "the cost of the epidemic to the world will be counted in billions, and may become unmanageable."

ITALY granted \$1.2 billion in credit to Iranian banks, during the third session of Iran-Italy Joint Economic Commission, in Tehran on Sept. 20. Firms receiving the credit are to purchase Italian-made products and engage in projects to which Italy is a party.

TAIWAN is reconsidering plans for full liberalization of international capital flows, which were supposed to go into effect by the end of 2000, due to the financial crisis in Asia, the London *Financial Times* reported on Sept. 23.

AUSTRALIA is one of the six poorest countries in the developed world, with one in eight people living below the poverty line, according to the UN *Human Development Report*. It is estimated that 1.7 million Australians are likely to die before the age of 60 because of poverty, and half the children of single parents live in poverty.

BLAKENEY Management is moving to take over Lonrho Africa, the non-mining side of what was once Tiny Rowland's Lonrho. Blakeney has acquired almost 10% in Lonrho Africa. One of the main investors in Blackeney is Nicholas Roditi, a Rhodesian who runs George Soros's Quantum Fund.

MEXICO'S tortilla prices were hiked 15.4% in mid-September, the third rise this year, *El Financiero* reported on Sept. 18. The price for a kilo of tortillas has risen 58% so far in 1998, and 300% since December 1994. It is the only food eaten by the majority of Mexico's more than 40 million poor.

THE GOLD MARKET is becoming tight, and fuelling panic in the financial markets. The London Bullion Markets' one-month lease rates, i.e., the cost of borrowing gold from central banks, increased overnight recently by 130 basis points, toward 1.7%. The rush toward gold, contrasts with recent articles alleging that gold has lost its "safe haven" function.