

Business Briefs

Real Estate

10% of nation's home builders will go bust

Ten percent of the nation's home builders will go bankrupt during the current "recession," the National Association of Home Builders reported at a mid-June conference. This will take down 10,000 of the 100,000 building companies, and severely affect 150,000 subcontractors. "Home builders are an endangered species," said one panelist.

One investment bank analyst projected "an unprecedented housing boom in the 1990s because the U.S. homeownership rate has dropped to its lowest level in 20 years," which means "enormous pent-up demand . . . with prices again leaping." The 1990s will be "glory years, not gloomy years."

But most home builders thought otherwise. It's "an era of total instability," said one. "Nobody knows what to do" because neither banks nor potential buyers have money.

World Trade

Cuba being starved, driven back to Stone Age

Soviet officials announced June 14 that the first shipments in 1991 of any Soviet foodstuffs other than grains, were expected to arrive in Cuba by the end of June. Despite trade commitments listed in the 1991 economic accord between the two nations, for the first six months of the year, the Soviets shipped only limited amounts of wheat, wood, and oil to Cuba.

The Soviet announcement that the freeze on trade is at least momentarily broken may be a signal to Washington to not write the Soviet Union entirely out of U.S. considerations on Cuba. On June 14, new Soviet Ambassador to the U.S. Viktor Komplektov stated that there will be no radical change in Moscow's relationship with Cuba, despite U.S. warnings that financial assistance to the Soviet Union may be linked to a Soviet cut-off of Cuba. "You don't like Cuba. . . . So what?" he barked.

But, since trade with the newly freed Eastern European nations is now non-existent, the cuts in Soviet shipments of food, medicines, and raw materials have produced dramatic shortages in the Cuban economy. Until 1990, about 80% of Cuba's trade was with the Soviet Union and the former East bloc nations. Cuba imported some 30,000 tons of powdered milk from the socialist countries—equivalent to nearly 1 million liters of milk a day. New suppliers have not been found. Some 20,000 tons of butter a year used to be imported—no butter is made in Cuba—but no butter had been imported in 1991 by June 1.

Neither does Cuba produce any oleaginous products except for small amounts of pork lard, relying on imports of 120,000 tons of fat a year. In the first five months of 1991, they received less than one ton. Some 170,000 of the 600,000 tons of flour consumed a year have been imported, but not one ton has been imported in 1991.

Refugees fleeing Cuba by raft and boat in record numbers speak of eating no meat for three months; that in some provinces there is no soap, and clothes are not available.

Ecological Holocaust

Bush willing to let cholera spread

The Bush administration appears firmly committed to letting Ibero-Americans die of cholera rather than violate its free market dogmas. The *Wall Street Journal* reported June 10 that the administration "is leaning on lending institutions to channel loans to the private sector, where most of the money wouldn't be used to repair Latin America's infrastructure." The U.S. Treasury has held up funds for the International Finance Corp., the World Bank's affiliate, to "prod the bank to increase its private sector lending."

Even the voice of Wall Street recognized that the administration "may be prescribing the wrong medicine for what ails the region," reminding its readers that cholera is transmitted through contaminated water supplies and inadequate sewage treatment facilities. "But instead of encouraging international lenders to

help rebuild Latin America's deficient public facilities, the administration is pressing banks to focus on loans to business to 'privatize' the region's economies."

Jerome Levinson, former general counsel of the Inter-America Development Bank, reminded the *Journal* that until decaying infrastructure is repaired—which requires public funding—"the region won't be fertile ground for new private investment despite the administration's efforts."

The Bush administration itself plans to provide only \$10 million over two years to fight cholera.

Health

AIDS impact on U.S. cities called 'dramatic'

A national study released June 14 by the U.S. Conference of Mayors indicates that the impact of AIDS on U.S. cities will overwhelm their health care systems. From 50-66% of those with AIDS in these cities are on Medicaid or eligible for it, while another 21% are covered by other public health insurance.

The study indicated that the 26 cities will be unable to meet the demands of AIDS care in the next decade. None of the cities said that local resources could meet the projected demand. Many of the hardest hit cities are already depending on emergency federal funds to pay for care.

"The nation's cities have yet to recover from the recession that began soon after the start of the AIDS epidemic," wrote J. Thomas Cochran, the conference's executive director. "Numerous studies have shown that federal funding for cities throughout the 1980s was reduced by 60-70%."

The 26 cities are Anaheim, Atlanta, Baltimore, Boston, Chicago, Cleveland, Dallas, Denver, Fort Lauderdale, Houston, Indianapolis, Jersey City, Kansas City, Los Angeles, Minneapolis, New Haven, New Orleans, New York, Newark, Philadelphia, Phoenix, San Diego, San Francisco, San Juan, Seattle, and Tampa.

Soviet Union

Chevron 'joint venture' now in big trouble

A joint venture involving the Chevron oil multinational's exploration and development of the giant Tenghiz oil reserves in Kazakhstan, is now in big trouble. According to the June 9 London *Observer*, the liberal-reformist *Moscow News* is now calling the Chevron-Tenghiz plan a "dirty deal," while a radical Soviet newspaper is charging that Chevron stands to gain unreasonably large profits, amounting to about \$30 billion.

Supreme Soviet speaker Anatoly Lukyanov has suggested to Western reporters that a Soviet parliamentary investigation into the Tenghiz deal might soon be opened. Yet another Soviet publication, *Business World*, is raising a different objection, claiming that the whole project is environmentally dangerous.

As the *Observer* notes, Mikhail Gorbachov himself had characterized the joint venture with Chevron as a "breakthrough," when he spoke to the Soviet parliament about his summit meetings with George Bush in Washington.

Vatican

New encyclical favors Japan's concept of profit

The Pope's latest encyclical favors the "community enterprise" approach over U.S.-style capitalism, Angelo Caloia, president of the Vatican Bank's management council, told the June 4 Italian daily *Corriere della Sera*.

An Italian professor of economics and a specialist in development policy, he says that the encyclical suggests that a business should seek profit not only to pay higher dividends to shareholders or better position itself in the stock market. It should "cultivate" profit carefully because it "contains the resources for the business's continuity."

"Our conception of a business enterprise is closer to the Japanese model than the Amer-

ican one," said Caloia. "It is the idea of a community enterprise that can produce goods while strengthening the consensus of all those involved in production."

Infrastructure

Big transport projects planned in Europe

The European Parliament has passed a resolution in favor of major rail and highway transportation development between Germany, Hungary, and Czechoslovakia, forecasting a huge increase of transport volume on the main east-west routes by the year 2000. The resolution calls for priority development of the transport axis between Nuremberg, Prague, and Budapest.

A study prepared at the German Transportation Ministry says that transport volumes of commercial goods will increase by 1000% in the next nine years.

A German member of the European Parliament, Heinz Koehler, a Social Democrat, referenced the study and the parliament resolution, calling for priority development of rail transport capacities between the three nations.

Meanwhile, at a Berlin press conference June 12, Hermann Becker, chairman of the Association of German Construction Industry, said that the immense amount of work that has to be done to reconstruct eastern Germany required a "long-term approach in project funding," and proposed a 10-year program, totaling DM 200 billion. The program should be a concerted effort between government and industry focusing on railroad and highway development, telecommunications, water and waste processing, and home-building, Becker recommended. He also called for private-initiative projects to complement projects launched by the state in eastern Germany.

Becker said that DM 56 billion would be required to build railroads and highways, another DM 57 billion for telecommunications, and DM 159 billion for water and waste processing. Home-building requirements would be in the range of several hundred billion deutschemarks.

● **JAPAN'S** Construction Ministry has announced plans to invest \$3.2 trillion in infrastructure projects over the next decade, a 73% increase over such spending in the 1980s, according to the *Journal of Commerce*. Recent agreements opened up bidding on such projects to U.S. firms.

● **AN ITALIAN** engineering team representing the country's four largest engineering firms has made a proposal for a rail tunnel and two highway tunnels under the Straits of Messina, connecting southern Italy and Sicily. The firm said the rail tunnel could be built in five years at a cost of \$9-10 billion.

● **CHINA'S** Hebei Province, suffering from flooding of the Yangtze River, needs water control and irrigation projects based on construction of a huge dam and a grid of canals, according to its governor. Such a dam project was first planned by Dr. Sun Yat-sen in the early part of this century.

● **JACQUES ATTALI**, chairman of the London-based European Bank for Reconstruction and Development, is reported to have told Mikhail Gorbachov in Moscow June 15 that there will be no future jumbo loans to the Soviet Union, but there will be loans for concretely defined projects.

● **FLORIDA'S** governor has given the go-ahead for a 22-kilometer magnetic levitation rail link between Orlando Airport and Disneyworld, at construction costs of about \$500 million, to be completed in 1996 using German maglev technology.

● **THE SWEDISH** parliament has voted in favor of building the Oresund Bridge to connect the industrial regions of Malmoe and Copenhagen, Denmark by rail and road. The Danish parliament is to take a final vote on the project in August.