

- TRANSPORTATION INTO AND OUT OF RUSSIA AND UKRAINE ARE TROUBLESOME IN TERMS OF EQUIPMENT, EFFICIENCY, COST AND SECURITY. ADDITIONAL COMMENTS ON TRANSPORTATION ARE PROVIDED IN A LATER SECTION.

DETERIORATING ECONOMIC CONDITIONS:

- THE FOURTH FACTOR THAT WILL AFFECT BUSINESS OPPORTUNITIES AND CONDITIONS IN THE FORMER USSR ARE THE DETERIORATING INTERNAL ECONOMIC CONDITIONS. THESE INCLUDE:

INFLATION

- DESPITE PRESS REPORTS OF 1000% INFLATION, CITIZENS TALK ABOUT 15-20% INFLATION PER MONTH AND OTHERS HAVE REPORTED RISES IN SOME BASIC COMMODITIES OF 2000-3000%. WAGES IN MANY CASES HAVE RISEN ONLY 2-3 TIMES.
- THE EXPECTED RESULT OF THIS WILL BE INCREASING SOCIAL UNREST, HUNGER, POVERTY, CRIME AND CORRUPTION.

UNEMPLOYMENT

- WITH MASSIVE INDUSTRIAL RESTRUCTURING EXPECTED PARTICULARLY IN PLANTS FORMERLY PRODUCING MILITARY GOODS, UNEMPLOYMENT CAN BE EXPECTED TO RISE AND ADD TO THE PREVIOUSLY NOTED PROBLEMS.
- BANKRUPTCY LAWS ARE ALSO NOT YET IN PLACE. THIS IS TEMPORARILY DELAYING ADDITIONAL LAY OFFS.

DECLINING INDUSTRIAL PRODUCTION

- AS A RESULT OF LESS MILITARY PRODUCTION, OUTMODED MACHINERY, LACK OF SPARE PARTS, RISING INTERNAL OIL PRICES, TRANSPORTATION PROBLEMS AND INTER-REPUBLIC DISPUTES, INDUSTRIAL PRODUCTION IS FALLING IN THE FORMER USSR. SHORTAGES OF COMPONENTS MADE IN SEPARATE PLANTS LOCATED IN OTHER REPUBLICS HAS SHUT DOWN MAIN ASSEMBLY PLANTS IN MANY CASES.
- ONE OF THE DOWNSTREAM RESULTS OF THIS IS THAT THERE IS A SURPLUS OF RAW MATERIALS AND COMMODITIES IN RUSSIA THAT USED TO GO INTO THE INTERNAL MARKET.
- IN SOME CASES THESE ARE BEING DUMPED ON TO WORLD MARKETS FOR HARD CURRENCY WHICH IS DEPRESSING WORLD PRICES AND NEGATIVELY AFFECTING PRODUCTION AND INVESTMENT PLANS OF WESTERN COMPANIES.