

Business Briefs

Great Britain

Major urged to speed up infrastructure spending

Two institutes have warned of a deepening recession in Britain and have urged the government to stimulate the economy with public infrastructure investments.

The Institute of Purchasing and Supply (IPS) reports that production growth in the manufacturing industry is at zero and that new orders have significantly declined.

The Oxford Economic Forecasting Group forecasts that national output (Gross Domestic Product) will be down 1.1% this year and proposes higher public spending in infrastructure and specific help for the housing market.

The semi-annual report of the chemical giant ICI, a traditional economic measure for British industry, showed a 17% before taxes loss for the first half of 1992 and ICI chief Henderson said he sees "no sign whatsoever for an end to the recession."

Tory Prime Minister John Major, however, announced that he is ready to endure a "bitter autumn" for his popularity, by keeping the pound sterling parity with European currencies and toughening his anti-inflationary policy. According to the latest Mori poll for the London *Sunday Times*, the opposition Labour Party is now ahead of the Tories for the first time since the last elections.

Trade

Canadian opponents of NAFTA go on the attack

Canadian opponents of the North American Free Trade Agreement (NAFTA) mounted an attack on the treaty even before government officials from the United States, Mexico, and Canada finished negotiating it on Aug. 13, Reuters reported Aug. 6.

The leader of the opposition New Democrats has gone on the road across Canada and to Chicago to rally opposition. The Free Trade Agreement with the United States signed several years ago "has been a disaster for Canada," New Democrats leader Audrey McLaughlin said in late July. "Michael Wilson has no mandate to go one step further and sign a NAFTA

... no mandate from Parliament, and certainly not one from the people of Canada," she said.

Two New Democratic provincial prime ministers, Bob Rae of Ontario and Michael Harcourt of British Columbia, have called on the Canadian government to pull out of the talks.

Opponents are complaining they have been shut out of negotiations conducted in secret, even though the deal could lead to huge changes in the economy and the loss of jobs. According to Reuters, their opposition is partly rooted in a sharp rise in official unemployment, to 11.6% of the work force, during the two-year recession—the highest among the Group of Seven industrial nations.

Labor

Revolts against 'reform' reported across China

In the "rust belt" of China, as the old industrial heartland in Sichuan and Manchuria provinces is now known, reports of labor actions against the economic austerity "reform" policies are increasing.

Workers occupied the Chongqing Knitting Mill in Sichuan's capital, and took the city official in charge hostage when it was announced that the mill was to be shut down, Reuters reported on Aug. 3. The city Communist Party chief told Reuters: "I told them that if the factory goes bankrupt, it does not mean they will starve. It does mean they may not eat as well, however." More than 40% of Sichuan's state enterprises lost money in the first half of 1992.

China Labor Minister Ruan Chongwu on Aug. 3 confirmed reports that disgruntled workers were staging protests but denied they were exacerbated by reforms in the state sector that have led to 1 million job losses this year. Ruan said redundancies were causing some discontent among workers in state enterprises but that three recent official surveys showed 94-98% of workers were satisfied with China's labor reforms. "There is a small number of workers who are not happy with these reforms," he said.

Meanwhile, Beijing allowed 66 firms to go bankrupt in the first half of this year, "in the process of making enterprises cut losses and

operate efficiently," Xinhua news agency reported Aug. 5. Beijing has been reluctant to allow so many bankruptcies for fear of causing layoffs and social unrest. The figure was far higher than Beijing had previously admitted. Nine enterprises were shut down in the city of Shenyang, in China's industrial northeast, alone.

Environmentalism

ASEAN denounces use of conditions on trade pacts

The Association of Southeast Asian Nations (ASEAN) officials and business leaders told U.S. counterparts at a meeting in Bangkok that unilateral American actions against developing countries had impeded international trade, according to Thailand's permanent secretary for commerce Bajr Isarasena, Reuters reported on Aug. 5.

ASEAN officials also told Deputy U.S. Trade Representative Michael Moskow that Washington should not use environmental issues to win concessions from other countries. "We don't think trade and environmental issues mix. Raising the latter will disrupt trade," said Bajr, referring to a recent U.S. decision to ban canned tuna imports from countries accused of indiscriminate fishing.

Disease

AIDS reaching alarming proportions in Asia

A majority of the world's 10 million AIDS cases by the year 2000 will be found in Asia, an Asian Development Bank (ADB) report said on Aug. 2, Reuters reported from Manila, the Philippines.

India and Thailand, which in 1987 had fewer than 1,000 cases each of infection by the HIV virus which causes AIDS, now have hundreds of thousands of victims, the ADB's Infrastructure Department and its Economic and Development Resource Center said in the report. Thailand has an estimated 200-400,000 cases of people infected with the virus while India has between 400,000 and 1 million

cases, according to an excerpt from the report in the ADB quarterly review. The number of people who have the HIV virus is expected to reach 40 million by the end of the century and more than half of them will be found in Asia, the report warned.

"The epidemic appears much less serious in other parts of the region, although low recorded rates of infection may be due to a combination of social conventions which delay the disclosure of infection, widespread ignorance of the disease, and poor testing capabilities," it said. The epidemic is expected to impose heavy economic costs on countries affected.

Dope, Inc.

Friedman invited to discuss legalization

On Aug. 6, Colombia's lower house of Parliament voted unanimously in plenary session to invite University of Chicago economist Milton Friedman to address them on why drugs should be legalized. Friedman is a leading proponent of the economic theory of "free trade."

Congressman Rafael Serrano Prado argued that it was important to compare Friedman's theories with what is going on in Colombia today, and added that he agreed with Friedman that it was the United States that had to solve the drug problem, and that legalization was the answer.

Manufactures

Hamilton cited by NAM, but depression ignored

The National Association of Manufacturers has mailed out a 27-page "Report on Manufactures, 1992" to mark the bicentennial of first U.S. Treasury Secretary Alexander Hamilton's *Report to the Congress on the Subject of Manufactures*. In a cover letter, NAM president Jerry Jasinowski stated that the Department of Commerce, pursuant to a request of NAM, has agreed to undertake a more extensive study of the role of manufacturing in the U.S. economy. The study will be done by the Commerce Department's Economics and Statistics Administration, and is scheduled to be completed early next year.

At the beginning of the NAM report is a letter to President Bush, which quotes Hamilton: "Not only the wealth but the independence and safety of a country appear to be materially connected with the prosperity of manufactures."

Unfortunately, the quote from Hamilton is the best part of the NAM report. According to the NAM, "The contribution to economic output comprised by value added in manufacturing has, over the past four decades, remained relatively stable at slightly more than a fifth of GNP [Gross National Product], with no evidence of secular deindustrialization." The report claims that U.S. manufacturing has enjoyed an "export boom" in the past few years. "In the 1990-91 recession specifically, the improvement in net exports reduced the severity of the GDP [Gross Domestic Product] contraction by about one-third."

NAM does admit that financial and regulatory pressures have adversely affected manufacturing profit margins, technology development, and investment in new plant and equipment.

Infrastructure

Taiwan postpones push into 21st century

Taiwan, at best, is postponing its ambitious \$303 billion infrastructure-building plan to bring the country into the 21st century, the *International Herald Tribune* reported Aug. 4. Taiwanese Prime Minister Hau Pei-tsun recently called the six-year plan, which includes 775 projects, just a "guideline," and said that the projects must be subject to each year's budget review.

One of the projects is a bullet train connecting the island's main cities. Foreign investors were expected to bid for \$50-70 billion in projects.

Despite its \$80 billion in reserves, Taiwanese economists are concerned that the government bonds needed to finance the projects would reach \$600 billion by the year 2000, which is one and a half times Taiwan's annual Gross National Product. Economists are concerned that this situation could force the country to raise taxes and interest rates, which would be very damaging for the labor-intensive industries which are the backbone of the Taiwan economy.

Briefly

● **CHINA** issued new restrictions on fishing in its territorial waters, meaning the entire South China Sea, *China Daily* reported July 22. The new restrictions include limits on the number of fishing vessels to be allowed in Chinese waters, the time of year they can fish, and the types of nets to be used.

● **OIL AND GAS** well completions in the United States collapsed 21.2% in the first six months of this year, according to the American Petroleum Institute. There were 12,313 oil wells, natural gas wells, and dry holes completed from January to June, compared to 15,629 in the same period last year. The total footage drilled also declined 16.1%.

● **SIEMENS AG**, the German electronics group, said Aug. 3 it would not complete construction of a nuclear power plant in Iran, despite strong requests by Teheran. A Siemens spokesman told Reuters that it became impossible to complete the plant in Bushehr as the Bonn government would not permit the export of certain crucial components, such as a centrifuge, for a reactor. Iran has invested about \$3.73 billion in the plant, which Siemens's subsidiary KWU started to build in 1975.

● **FARM PROFITS** in Texas will drop by 14% this year, says a Texas A&M study, the Aug. 5 *Houston Chronicle* reported. In the past two years, prices farmers have received for their production has decreased 2% while their costs have increased 3%. This, combined with lower government payments, will amount to a 14% decrease in farm profits.

● **RUSLAN KHASBULATOV**, Speaker of the Russian Parliament, began a week-long trip to India Aug. 3, Radio Moscow reported. In a visit to the Indian Scientific Center and the Center for Space Technology, he said that the Russian agreement to sell rocket engines to India for its space program "must be fulfilled, as it is in the national interests of Russia and India. We will not allow a third country to interfere in this."