

Business Briefs

Unemployment

General Motors to cut 20% of workforce

Claiming that it doesn't take as many workers to make a car today, General Motors announced on Nov. 17 that it will cut 42,000 positions over the next five years, amounting to 20% of its workforce, ABC News reported. The decision was expected after GM filed a report the week before with the Securities and Exchange Commission, on plans to shut down several plants. GM said it would achieve the cuts through attrition and plant closings.

A major factor in GM's decision is the fact that an estimated 25% of its international profits are based on sales to Brazil, whose recent stock market plunge and "fiscal shock" policies have put the purchase of a new car beyond most people's budget.

These cuts come on top of other job cuts in November, with Eastman Kodak announcing 10,000 layoffs and Fruit of the Loom 2,100. According to Challenger, Gray & Christmas, Inc., an international outplacement firm that tracks job-cuts daily, the bigger cuts are escalating. In the firm's monthly report for October, issued on Nov. 6, Executive Vice President John Challenger said that cuts in the realm of five digits may occur "in just a matter of days." Challenger attributed the growing cuts in part to the Asian financial meltdown.

Industry

Westinghouse to sell off all industrial capacity

Westinghouse Electric Corp. will be sold to Siemens of Germany for \$1.53 billion, and by the middle of 1998, it will sell its nuclear and other manufacturing businesses and become CBS, the Nov. 17 *Wall Street Journal* reported. The move continues the general economic shift into the disastrous so-called "post-industrial society," which began in the 1960s.

In the third quarter of this year, Westinghouse posted a \$143 million loss from its industrial operations, which it blames on re-

duced electric power orders and customer delays in its nuclear power business. This is a result of the fact that electric utilities have been unable, financially and politically, to order large-scale baseload power-generating plants for more than a decade. But, sales in its radio business, and, to some extent, CBS television, are "booming."

The Westinghouse Electric Co. was founded in 1886 by inventor George Westinghouse (1846-1914), who acquired more than 400 patents in his lifetime. The firm installed the nation's first single-phase power transmission system in Telluride, Colorado in 1891, the first polyphase system in Chicago in 1893, and much of the Niagara Falls power facility, which was completed in 1895.

Westinghouse is one of the nation's three nuclear power plant manufacturers, and one of a handful of makers of large utility turbines and generators. In 1972, Westinghouse joined with Tenneco Power Systems to establish Offshore Power Systems, to manufacture floating nuclear power plants, orders for which never materialized, thanks to the anti-nuclear movement. It is possible that the French nuclear supplier, Framatome, could be a buyer for the Westinghouse nuclear manufacturing capacity, because the design for the two nuclear plants that Framatome built in China was licensed from Westinghouse.

Indonesia

IMF exacerbates currency crisis

The devaluation of Indonesia's currency, the rupiah, has taken a heavy toll on the nation's garment and food-processing sectors, amid increasing concerns that growing unemployment will lead to social and political explosions going into an election year in 1998, according to Indonesian news wire reports. The effects of the currency devaluation are being exacerbated by International Monetary Fund policies, conditions which Indonesia was forced to accept for a stabilization loan.

The chairman of the Central Java chapter

of the Indonesian Textile Association told a seminar on the monetary implications and effects of the November 1997 deregulation measures that, if these new rules go into effect, the textile sector will produce a new product next year: skilled but unemployed people. The textile sector, which increased its exports from \$85 million in 1981 to \$6 billion in 1996, is caught between tight liquidity, rising costs of raw materials, and a stagnant market.

The country's leading food processor, PT Indofood Sukses Makmur, reported a net loss of 456 billion rupiah (\$125 million) for the first nine months of 1997, due entirely to the rupiah's devaluation. At the same time last year, Indofood reported a \$71 million profit.

Similarly, the chairman of the only recognized trade union, the All Indonesian Workers Union, warned that 1998 will be a "red" alert year for unemployment. Already, 25,000 new unemployed are expected just from the closing of 16 banks. In addition, 84% of 230,000 college graduates are unable to find work. The rate of increase in unemployment is expected to rise from 7% to 10% for 1997, and up to 11% for 1998.

Economic Policy

Union leader attacks IMF for failures

Bill Jordan, general secretary of the International Confederation of Free Trade Unions (ICFTU), attacked the International Monetary Fund in a speech in Moscow on Nov. 25, at a conference on the Russian wage arrears crisis, the London *Guardian* reported. Jordan, former head of Britain's AEEU engineering union, was in Moscow on behalf of an ICFTU campaign to force payment of an estimated \$9 billion worth of back wages owed to some 20 million Russian "wage earners," who make up about 25% of the workforce. Jordan declared that both the Pacific Rim crisis and the billions owed to Russian workers are part of the same failure by international financial institutions to promote socially responsible economic reforms.

AUSTRALIAN unions, headed up by the Australian Council of Trade Unions, will meet with unions from around the world to work out a strategy to stop the violation of employees' rights. The major focus will be on the abuses of Rio Tinto, the world's largest mining company run by British monarchy interests.

TAIWAN'S Education Minister Wu Jin has officially granted recognition to degrees earned on the mainland, against President Lee Teng-hui's wishes. About 6,000 Taiwanese students are affected. The Nov. 20 *Far Eastern Economic Review* described the decision as "the first open break with a cabinet minister on cross-strait policy."

NATWEST Markets, the investment arm of NatWest, has lost more than \$500 million in derivatives trading so far in 1997, the Nov. 30 *London Sunday Times* reported. NatWest Markets is selling its equity and derivatives business to Deutsche Morgan Grenfell; the unit is "hemorrhaging money," according to one source.

CHILDREN in the western Pacific are at an increasing risk of AIDS because of the drugs and sex trade, said World Health Organization regional director Dr. S.T. Tan, the Nov. 25 *Philippine Star* reported. In 1996, 400,000 children under the age of 15 were infected with the HIV virus, upping the regional total to 830,000. Mother-to-child transmission accounts for 90% of infant infections.

OFF-BALANCE-SHEET liabilities of German banks hit DM 21.7 trillion (\$12.8 trillion) in June 1997, the Bundesbank said in a report. The 1996 total was DM 16.8 trillion, which in turn was 61% more than 1995. The latest figure is more than six times Germany's yearly GDP.

GERMANY plans to offer a maglev system to the government of the United Arab Emirates for its new rail connection from Abu Dhabi to Dubai, the Transport Ministry in Bonn said on Nov. 17.

"What we are seeing is the transformation of one of the largest countries in the world from a communist state to a free market state. That requires the management of change by the leadership of Russia. They have abdicated that role. They have taken their orders from the international financial institutions, and the resulting chaos is a consequence of bad advice and bad leadership in accepting that advice," Jordan said. "There's a crime being perpetrated here in Russia. Millions of Russians are being robbed. There's no difference between a robbery on the streets of Moscow and one that takes place in the workplace."

Mikhail Shmakov, head of the Russian trade union federation, said that, despite intense worker anger, there are drawbacks to going on strike. "Strikes are only effective where the factories themselves are working," he said. Also, about 10 million Russians are being paid in kind from what they produce. Thus, if a strike occurred, this ersatz form of "payment" would stop.

World Bank representative Michael Carter defended the international financial institutions. Most of the Russian enterprises far behind in wage payments would have long since been declared bankrupt had they been in the West, and the workers would have been on the street, he said. "The idea of muscularly moving in the direction of tougher bankruptcy proceedings is pretty alarming. In a sense, wage arrears are an alternative to unemployment. I would say it's surely better."

Finance

Vietnam under attack for protecting its currency

The *Far Eastern Economic Review* attacked Vietnam as a lost dream, charging that the potential of a few years ago has not materialized, because of an overly protective policy, i.e., Vietnam has refused to open up its financial sector to looting. The *Review* calls this a "gun-to-the-head monetary policy," referring to Vietnam's effort to prevent speculation against its currency, the dong.

Vietnam has been watching China and Southeast Asia, and has decided not to go the

way of the dead pussycats, i.e., the so-called "Asian Tigers" whose economies were inherently fragile because of a lack of machine-tool and other sectors that make up a "full-set" economy. Vietnam's Central Bank has made it difficult for foreigners to get dong, except through dollar purchases. The *Far Eastern Economic Review* blames the deposed governor of the Central Bank, Cao Si Kiem, who is head of the Communist Party commission on banking and is "responsible for the current strong-arm monetary policy that has led to problems in the interbank and foreign exchange markets."

The World Bank has joined in the attack on Vietnam, in a 100-page report, the Bangkok *Business Day* reported on Nov. 18. The report "raised its critical voice to a high pitch," demanding "restructuring of the entire banking sector," a "reinvigorated structural reform effort," and "a higher degree of flexibility in foreign exchange rates," *Business Day* said. Those methods have been a disaster elsewhere.

Middle East

More support pledged for Egyptian projects

Sheikh Zayid Bin Sulatan al-Nhayan, Emir of the United Arab Emirates, said that he will increase U.A.E. support for Egypt's projects aiming at cultivating more than 1 million acres of desert area, and pledged to encourage other Arab states to contribute to these projects, the Egyptian daily *Al-Ahram* reported on Nov. 25. Zayid is the main financier of the two major water transfer projects in Egypt, the Toshki Canal, and the Peace Pipeline, which brings water from the Nile to the Sinai peninsula.

Zayid said that Egypt is the "pillar of the Arab world," and that the "agricultural development projects are the right way to meet the needs of the Egyptian people, through expanding the rate of bringing water to arable land." He said that President Hosni Mubarak had showed him plans for a number of such projects, and asked whether the U.A.E. could participate in financing them. Zayid said that he told Mubarak, "The U.A.E. will spare no effort in supporting these projects."