

Business Briefs

Labor

Mont Pelerin 'success' relies on child labor

Child labor is still widespread, and growing, in many parts of Ibero-America, according to a report issued by the United Nations Economic Commission for Latin America, wire services reported on March 13. Especially noteworthy is the dependence on child labor in Chile, the Mont Pelerin Society's leading free-market "success story" on the continent.

Child labor in Chile reportedly rose to 6.2% of the 13- to 17-year-olds in 1992, up from 3.8% in 1987. More current figures are unavailable, but this rise, according to the U.N. Children's Fund director for the region, suggests that Chilean children are taking jobs adults are unable to fill, such as in the low-paid fruit industry where "nimble fingers" make them well suited to picking and packaging.

In Brazil, the number of children working rose to 32% in 1992, up from 31% in 1979, while in Honduras the figure was 22% in 1992. In Argentina, described as a "bright spot" in the report, child labor (22% in 1980) was still 14% in 1992.

Some 16 to 18 million children in the region are believed to be working, but this figure could be much higher, the report said, because "in many cases minors' work is not reported for legal reasons, and the statistics do not include children under the age of 12."

China

Commercial bank backs State-owned firms

The Industrial and Commercial Bank of China, a leading supplier of working capital to industrial and commercial firms, will continue to support State-owned enterprises this year, *China Daily* reported on March 8. The bank has drawn up a 13-point document on supporting the reform of State-owned firms, which are the backbone of the national economy.

According to the document, the bank's

offices should establish groups composed of senior bank officials, to support the reform of State-owned enterprises. It urged the groups to strengthen their coordination with local governments, and to participate in the drafting and implementation of corporate reform plans. The document is considered a step toward enhancing the bank's financial support of State-owned enterprises, according to a bank official.

In a related report, about half of the enterprises selected nationwide as pilot projects for modernization have finished transforming their corporate management, according to *China Business Times*. Statistics indicate that 607 of the 1,290 pilot-project enterprises have established boards of directors, boards of supervisors, and hold general meetings, a radical departure from the previous management system's reliance on factory directors and party organization.

Poland

Gdansk shipyard faces bankruptcy

While German shipyard workers are told that they may be unemployed because of Polish shipyards, the Gdansk shipyard, partially owned by employees and partially belonging to the State Treasury, is facing bankruptcy because of \$6 million in debts to Gdansk Power Enterprise and \$8 million to the Bank Handlowy in Warsaw, according to Warsaw television reports and Polish sources.

The shipyard board promised to carry out radical changes, including reducing the workforce from 9,000 to 5,000, in hopes of getting an agreement from the government to start a program of "restructuring." However, judging by government statements, it is more likely that the shipyard will be declared bankrupt and sold for a song to a "strategic investor," most likely a Norwegian firm.

Prime Minister Wlodzimierz Cimoszewicz, from the SLD, the post-communist party, had the audacity to say that "for a dozen or so years, the yard was treated as a place for playing politics," referring, obviously, to strikes in the 1980s, and that that is the reason for today's problems. Finance Minister Grzegorz Kolodko, who has be-

come more of a free market fanatic after trips to Geneva and London, said that "market forces decide the existence of plants or their bankruptcy in a market economy. This is why Gdansk shipyard cannot count on the government's financial help."

According to a source close to Solidarity '80, the shipyard in Szczecin may also soon face bankruptcy, despite good production and sales (although often at the expense of safety rules), because, as a result of disadvantageous tax and credit laws, its debts are growing faster than income by a margin of 30%.

France

Chevènement scores Bank of France 'reform'

Jean-Pierre Chevènement, the Socialist defense minister who resigned in protest against the Gulf war against Iraq, attacked the 1993 "reform" giving greater independence to the Bank of France, on RTL radio on March 17.

"This is dramatic. Since the beginning, I fought against" greater independence for the bank, he said. Now, "I hear every day some parliamentarians, including from the majority [conservatives], regretting, bitterly, their vote in favor of the independence of the Bank of France, which gives power, no longer to the government, but to the governor, M. Trichet." Because of this, he complained, economic policy has been too focused on monetary policy, which "makes us dependent on financial markets."

Asked if the government could intervene with the central bank as German Chancellor Helmut Kohl did with the Bundesbank, imposing parity on the West German and East German marks during unification, he replied: "What you said is the proof of the power of nations. . . . When a major national interest orders it, politics retakes all its rights. And today, the major fact in France, is the existence of 4 to 5 million unemployed." He added, "With the next financial crash, which will surely come, the government would do well to reconsider the hasty reform which was carried out in 1993."

Health

Tuberculosis a 'threat to all,' says PAHO

Dr. David Brandling-Bennet, deputy director of the Pan-American Health Organization (PAHO), warned that there is no room for complacency in the fight against tuberculosis because it "affects the world's most vulnerable groups, including women and children, as well as the wealthiest communities far from the traditional hotbeds of disease," at a press conference in Washington, D.C. on March 22. Noting that the World Health Organization had declared TB a Global Health Emergency in 1993, he said that it was a "tragedy that three years later the emergency continues," especially because there are effective methods of treatment and prevention.

The PAHO estimates that TB killed more than 75,000 people in the Western Hemisphere in 1995, and that 425,000 people became ill with the disease. The AIDS epidemic has made the problem more alarming, Dr. Bennet said, and will cause TB rates to climb. He noted that, compounding the problem, is the breakdown of public health infrastructure, drug shortages, and poor treatment, which result in the fact that less than 70% of the diagnosed cases are being cured. The rest continue to spread TB, including deadly drug-resistant forms, he said.

Sir John Croft, the Edinburgh, U.K.-based pioneer in the treatment of TB, warned that "there are probably more tuberculosis cases in the world today, than there have ever been before," in the March 20 *International Herald Tribune*.

Corporate Affairs

Computer chip firms begin wave of layoffs

The first layoffs have been announced in the computer chip manufacturing industry, the March 20 *Wall Street Journal* reported. The announcement deals a blow to the "Third Wave," "information age" notion that such technologies could obviate the need for manufacturing, heavy industry, and agriculture.

The industry had been growing over 20% annually for the past five years or more, creating investor euphoria as stock prices in the companies soared to levels 10 or 20 times what they were in the late 1980s. Now, the industry's book-to-bill ratio fell under 1.0 in January and February, meaning that more chips are being shipped, than there are new orders for them. This is the first time the industry's backlog has begun to shrink in more than five years.

In this situation, Cirrus Logic, Inc. announced it is laying off 13% of its 3,500 workers. Wall Street is nervously watching other chip making companies, such as Intel Corp., for similar moves. Stock prices of these companies have been plummeting since October and November 1995. Cirrus Logic's share price is down 54% from where it was in early November, Intel's is down about one-third, and Micron Technology has plummeted from \$94.75 in November, to around \$35 now.

Industry

Tenneco, Rockwell to abandon production lines

Two major U.S. industrial firms are abandoning production lines critical for national economic security. Tenneco, Inc. plans to spin off its Newport News Shipbuilding unit as a separate business, the March 22 *Wall Street Journal* reported. The firm has been downsizing in recent years, because of a declining U.S. Navy budget for new ships. It has the largest shipbuilding facilities on the Atlantic coast, and has built most of the Navy's aircraft carriers.

Rockwell International Corp. is looking to abandon the aerospace business, the March 20 *Wall Street Journal* reported. Rockwell has reportedly retained Morgan Stanley and Co. to help search for a buyer for its aerospace and defense electronics operations. Rockwell builds the U.S. space shuttle, the U.S. Air Force B-1 bomber, Rocketdyne engines for Atlas and Delta launch vehicles, the AGM-130 standoff air-to-air missile, a host of military electronic systems, laser and directed-energy weapons systems, and major components for Boeing 737, 747, and 777 airliners.

LITHUANIAN Health Minister Antanas Vinkus said on March 21 that measures would be taken to reduce health care spending, because his ministry has received less than half of the funds it expected thus far from the State budget, Radio Lithuania reported. Expensive operations such as heart transplants will be stopped, and efforts made to reduce the length of hospital stays.

TAIWAN has placed half of its \$90 billion in reserves in the United States, the daily *World Journal* reported on March 21. The data come from studies by the Economic and Development Council, a cabinet body, to evaluate the impact of tensions over Taiwan's security, and possible reactions by the U.S. Congress.

THREE JAPANESE banks announced March 21 they will take huge losses in the fiscal year ending March 31, after writing down chunks of bad loans, largely to Japan's bankrupt *jusen* mortgage banks. The three are Sanwa Bank Ltd. (\$2.5 billion), the Industrial Bank of Japan Ltd. (\$1.5 billion), and the Long-Term Credit Bank of Japan (\$900 million).

FRENCH trade unions are mobilizing against the privatization of France Telecom, the State-controlled telecommunications company, which, according to the decision of Prime Minister Alain Juppé, will go into effect on Jan. 1, 1998.

CONOCO will team up with Taiwan's State-run Chinese Petroleum Corp. to explore for oil and gas in the Taiwan Strait, despite recent tensions, wire services reported on March 18. It will invest at least \$65 million in the venture.

AUSTRIAN former Finance Minister Ferdinand Lacina warned against a "devil's cycle" of worsening economic and social conditions if fiscal austerity is intensified in an attempt to meet the "Maastricht II criteria," the Vienna daily *Die Presse* reported on March 18.