Business Briefs

Steel

ISG Will Lay Off 40% at Bethlehem

The *Cleveland Plain Dealer* reported Jan. 7 that 40% of Bethlehem Steel Co.'s workforce will be laid off when the company is acquired by raider ISG.

Buy-out expert Wilber Ross, a former top exective for Rothschild financial interests who created ISG to pick up bankrupt LTV Steel at bargain basement prices in 2002, has posted an official $1.5 billion bid for the assets of Bethlehem Steel. The "secret" has become open, that the deal involves the layoff of at least 4,800 of Bethlehem's current 12,000-person workforce and the imposition of a labor contract identical to that just negotiated by ISG and the United Steel Workers of America, which drastically reduces pensions and health benefits and eliminates many work rules. Ross has regularly boasted of increased "productivity" at ISG with a greatly reduced workforce and "more flexible" work rules.

Both the current Bethlehem management and the union justify the deal and the layoffs, arguing that everyone will be worse off if Bethlehem simply goes under. While the deal appears to be done, official acceptance by Bethlehem's management and approval by Federal bankruptcy court are required.

The combination of the two companies would result in the largest single integrated steel producer in the United States, and create a model which would dominate the industry.

Venezuela

Oil Chief Admits, Production Stopped

Venezuelan state oil company (PDVSA) president Alí Rodríguez acknowledged on Jan. 6 that the government has been unable to raise oil production in the wake of a political strike by oil workers, despite statements by President Hugo Chávez and others that production had already doubled. Oil production is still down at 600,000 barrels a day, one-fifth the levels before the strike began Dec. 2, Rodríguez said. The company has only been able so far to hire 15 workers to replace strikers.

This is no small matter. Exports from the world's fifth-largest oil exporting country were 81% down in December, at about 15 million barrels.

Admitting that international tankers are refusing to dock at Venezuelan ports and terminals because of unsafe conditions, Rodríguez claimed that exports would total 40 million barrels by the end of January, because international tankers were about to arrive, and because the company has shown it can operate with much fewer workers. The idea that the oil industry could be run for any length of time without major damage, with such limited numbers of personnel as the government is currently able to deploy, is truly crazy.

Nor is the opposition yielding. The teachers unions voted Jan. 4 that they will join the strike, and bank workers voted on Jan. 7 to shut down the banks on Jan. 8 and 9—and, after the weekend, to resume operating on Jan. 13, at their already-reduced three hours a day. In a maneuver to get the Bush Administration to weigh in on the side of the opposition, Air Force Maj. Juan Díaz Castillo, Chávez's former personal pilot now with the opposition, held a press conference in Miami on Jan. 4, to charge that Chávez gave al-Qaeda $1 million after Sept. 11, 2001, in the guise of providing aid to the Afghan people.

United States

Factory Orders Fell for Third Month

New factory orders in the United States fell in November, the third consecutive monthly drop, as businesses cut capital spending, according to a report by the U.S. Commerce Department on Jan. 7. New orders for U.S. manufactured goods dropped 0.8% in November from October, to $319.3 billion, led by a decline in transportation equipment. Orders for non-defense capital goods, excluding aircraft, which is an indicator of business spending plans, tumbled by 2.6%.

"There is no pickup in investment spending, and it doesn't look like it's going to pick up any time soon," said an economist at Dresdner Kleinwort Wasserstein.

Mexico

Fox Facing NAFTA Fire in Farm Sector

President Vicente Fox personally opened the first round of discussions with Mexican farm leaders on Jan. 6, to hammer out a "National Accord for the Countryside" in the midst of widespread protests about new regulations in the North American Free Trade Agreement, which took effect Jan. 1. Fox acknowledged that 30% of Mexico's rural families "live or survive" on an income of less than one dollar a day, but he insisted NAFTA was the law. Like his Agriculture Secretary, who was booed out of a farm convention, Fox lectured the farmers that they should put aside their individual interests, and work to make agriculture "profitable and competitive," suggesting they produce crops in which Mexico has a comparative advantage under NAFTA.

If the Fox government sticks to this tack, Mexico will blow up. The government won a 20-day reprieve at the end of December by agreeing to hold negotiations on the National Accord, but the situation has not calmed down. Protests were held Jan. 6 at seaports, airports and two border points. Much of the action is being directed by groups dominated by left-populist and "indigenous"-separatist tendencies (e.g., the Zapatistas), who named their planned actions from Jan. 5-Feb. 5, "a great national insurgency." They promise to mobilize a half-million peasants throughout the country in hunger strikes, marches, blockades, and "symbolic" closings of ports, customs houses, and borders through which food enters the country.

Retail

Dramatic Decline In German Sales

German retail sales in November 2002 had their second biggest year-on-year drop for any month since German reunification, according to the monthly report by the Bundesbank released on Jan. 7. November retail sales were down 3.7% compared to October, and a shocking 6% down from a year ago. Only in August 1997 was there an bigger slump in retail sales.

The managing director of the German retail association (HDE) emphasized that consumers were in a state of shock in November 2002, amid all the talk from the newly elected Social Democratic-Green coalition government, about higher taxes and social security contributions. He expects the downward trend to escalate during January when the new burdens on households will go into effect.

Car sales in November fell by 7%. German consumer confidence has now plunged to an eight-year low.

China

Warning Against Too Much 'High-Tech'

An important Jan. 7 commentary in *People's Daily* warned that China needs concentrated development of agriculture and basic industry, and could be "dragged into a mire" by too much "high-tech" and service-sector "industrialization." It said that the government's policy of fostering a "new type of industrialization" is being "interpreted" by local governments in a way that can lead to problems.

The real policy of the government is to use advanced technologies to expand industry, but also to maintain a high employment rate. Too many local governments are "swarming into the so-called high-tech and service sectors," warns the commentary. Localist policies have led to severe problems before, such as during the runaway inflation of 1988-89.

Now, two-thirds of China's technical professionals are working in the service sector, rather than manufacturing, and the total social investment in manufacturing has been declining during the past five years. "It's ridiculous for all cities to spearhead the high-tech industries," stated Zhu Gaofeng of the Chinese Academy of Engineering. "Without development in the manufacturing sector, all the other industries cannot grow healthily, which will further worsen the unemployment problem, impede the general improvement of people's living condition and even jeopardize the nation's stability and security."

A separate report by Xinhua news agency showed that China has made huge investments in solving its water-management problems since 1997. One-fifth of the state Treasury bonds issued in that period—660 billion yuan worth—were used for water projects, Minister of Water Resources Wang Shucheng stated on Jan. 6. This investment was used for building embankments, upgrading old dams, improving agricultural irrigation systems and making potable water available to more people.

In addition, a special investment fund of 30 billion yuan was used to reinforce the dikes along the Yangtze River—using new technologies and materials—to prevent a recurrence of the disastrous floods of 1998.

Germany

Schröder Presents 'Mittelstand Offensive'

Meeting in Wiesbaden Jan. 6, the executive of Chancellor Gerhard Schröder's Social Democrats approved an "offensive for the *Mittelstand*," the productive small and middle-sized manufacturers central to German industry. Making no reference to the ongoing world economic depression, the initiative does not propose measures that would really improve the special situation of the productive *Mittelstand*—like a package for new infrastructural investments of several tens of billions euros annnually.

Most of the initiative consists of tiny steps, such as tax cuts for minuscule firms with less than 17,500 euros annual income; deregulation of the professional diploma presently required to establish and head a skilled crafts shop.

Better, are the references to the newly created Mittelstand Bank, as a crucial lender of credits to smaller and medium-sized firms; and the promise to increase support for firms engaged abroad, in terms of loans and export credit guarantees. If linked to productive investment projects in Germany and abroad, this could have a positive impact. But the initiative stays vague on this aspect.

Briefly

BANKRUPTCIES of U.S. corporations shattered the record in 2002. Overall, 186 public companies listing $368 billion in assets filed for bankruptcy, dwarfing the previous asset-total record of $259 billion set in 2001, according to the tracking service BankruptcyData.com. The debris included five of the ten largest bankruptcies ever, including WorldCom, insurance and finance giant Conseco, Global Crossing (telecom), UAL (United Airlines' parent), and Adelphia Communications.

HOME FORECLOSURES on mortgages edged up to a record level in during July-September 2002, according to the Mortgage Bankers' Association of America. U.S. home loans in the process of foreclosure rose to 1.15% of 34 million mortgages at the end of the third quarter. up from 1.13% in the second quarter. The previous high was 1.14% in 1999. The percentage of mortgage loans that are delinquent fell slightly to 4.66% at the end of September, down from 4.77%.

JOB CUTS in the range of 1.467 million were announced by U.S. companies in 2002, the employment research firm Challenger, Gray & Christmas reported on Jan. 5. Firms had said they intended to slash more than 92,900 jobs from their payrolls in December. This was a 41% drop from the 157,500 planned layoffs in November, but "not . . . an indication of a downward trend," said the firm.

'EQUITY-ONLY' JOBS, in which workers receive stock options and a letter of intent to hire in the future, rather than wages and benefits, are on the rise, especially among laid-off "information technology" workers, who no longer want to wait indefinitely for paying jobs, according to the *San Francisco Chronicle* on Dec. 22. The so-called "equity-only" jobs are often with start-up IT companies. California officials warn that such agreements violate state labor laws, which stipulate that all workers must be paid at least the minimum wage.