Business Briefs

Manufacturing

Job Loss in U.S. Becoming Permanent

Pumping in money will not lead to industrial recovery in the United States, because firms are moving factories overseas, meaning that the loss of American manufacturing jobs is not cyclical, but permanent, wrote *Wall Street Journal* analyst Louis Uchitelle on July 20, echoing the National Association of Manufacturers' recent warning.

The *Journal* highlighted the "historic" shift in the disappearance of U.S. manufacturing jobs, meaning the breakdown of the U.S. manufacturing sector. "While hundreds of factories close in any given year, something historic and fundamentally different is occurring now," Uchitelle noted, adding that "for manufacturing, this isn't a cyclical downturn." Factory jobs that have moved overseas are unlikely to return to the United States, while manufacturing-related jobs have also disappeared.

This pattern also suggests that any corporate investment that may "return" in the future, will just be to move jobs and production overseas.

Mexico

Layoffs, Wage Cuts Slam Country

The latest manifestation of Mexico's unemployment crisis has surfaced in the state of Puebla, where the near-bankruptcy of Volkswagen has triggered fears that more than 5,000 workers could end up jobless—2,220 immediately, and the rest on down through the production chain. The union is negotiating with the company to avoid the layoffs, by offering everything from four-day workweeks and 20% wage reductions, to using pension fund resources, called AFORES, to help support the threatened workforce. The head of the Businessmen's Coordinating Council (CCE), Luis Regordosa Valenciana, said the union's petition to use AFORES funds to balance workers' incomes at the Puebla VW plant was "not viable," and urged instead that the company take charge of the funds and speculate with them on the stock market!

Meanwhile, official reports reveal that contracted salaries in Mexico have gone down by 0.2% between January and May of this year, largely in the industrial sector (cement, petrochemicals, textiles, and rubber, in particular). According to the *Washington Post* on July 15, workers in Mexico are earning far less than they did a decade ago, before the 1994-95 financial crisis and peso devaluation. The sunken wage level, a decade later, is being blamed for there being too many workers for too few jobs. The *Post* called the auto industry "one of the exceptions to the downtrend in wages," but it obviously didn't look at Puebla.

Transportation

Malaysia Studies Large Issue of Rail Bonds

Malaysia may issue rail bonds worth $3.95 billion to finance a mammoth railway project, as part of the planned "Trans-Asia Railroad" link, the *Edge* weekly said July 20. The project requires Malaysia's existing rail network to be electrified and converted to double track and also involves building new stretches. It will be part of the $30 billion, 5,500 kilometer trans-Asia line from Singapore up to Kunming in southern China.

Quoting sources close to the project, the weekly said several parties had come up with proposals calling for the government to issue paper or guarantee a bond issue for up to 20 years. The *Edge,* which did not name the parties, said the proposals would now be forwarded to the government. "Irrespective of how the project is paid for, whether with CPO [crude palm oil] or hard cash, eventually the government will have to fork out the money," said one source, adding, "No bank will touch it." On July 18, the Malaysia Mining Corp. Bhd (MMC), said civil works on the multibillion-dollar project could be completed in three years. MMC is pitching for the job with local infrastructure firm Gamuda Bhd.

Earlier, government-to-government deals with China and India had landed contracts for China Railway Engineering Corp. (CREC) and Indian Railway Construction Co. (IRCON). IRCON was picked to lay an electrified track over a 339 km section in northern Malaysia, while CREC was given a 297 km southern stretch, joined by 174 km of track already being built in the middle. The two were reported in May to have bid 50% more than the $3.2 billion Malaysia wanted to pay.

Oil

Iran and South Africa Plan Joint Investments

Iranian and South African oil companies are planning joint investments worth $2 billion, which may treble in years to come, Iran's Foreign Minister Kamal Kharrazi said on July 21 in Pretoria, South Africa.

"Oil companies from both sides discussed a number of projects with a maximum investment of $2 billion. Such joint investments may increase by $4 billion in the years to come," said Kharrazi.

More than 40 Iranian officials and 20 businessmen are in South Africa for the seventh joint commission meeting between the two countries. Last year, South Africa bought 40% of its oil from Iran. Businessmen from the two sides met in a separate forum in Johannesburg. There are at least 12 South African corporations, including in sugar, mining, and banking, together with oil giants Sasol and PetroSA, active in the oil industry in the Middle East.

Unemployment

'Misfortune 500' Announce More Job Cuts

July 22-23 saw a continuation of the large layoffs gutting the American industrial sector:

• Eastman Kodak will slash 4,000-6,000 jobs this year, to cut costs at its struggling photographic film unit, after it had said profits plunged by 61% in the second quarter. Jobs will be eliminated in its administrative, manufacturing, and research and development departments, as well as in its consumer imaging and Kodak professional operations. The new job cuts, blamed in part on "persistent economic weakness," come on top of 7,300 jobs cut last year. Since 1998, the photo giant has chopped its workforce by 19%.

- Tool maker Snap-On will eliminate 560 jobs by early 2004 when it closes factories in Kenosha, Wisconsin and Mount Carmel, Illinois. Production at the two factories, which make hand tools and power tools, will be phased out starting Oct. 1.
- Software firm Siebel Systems eliminated 490 jobs, as sales fell for the eighth straight quarter amid weak corporate demand. The company also is moving jobs overseas and consolidating facilities in order to cut costs, warning that "economic conditions continue to be a challenge." Last year Siebel slashed 1,150 jobs, which constituted 16% of its workforce.
- Boeing, the world's largest aircraft maker, said on July 17 that it will cut 4,000-5,000 more jobs at its Seattle-based commercial jet unit by the end of 2003, adding to the 35,000 job cuts (37% of the workforce) in the unit, and 40,000 (20%) jobs reduction in the company as a whole, since Sept. 11, 2001. The new, "extremely painful" layoffs reflect an "unprecedented and very difficult time in the aviation industry," said Alan Mulally, CEO of the jet unit.

Gold

Share Market a New Investor-Looting Scheme?

According to a report in the London *Times* on July 21, the Financial Services Authority (FSA) in Britain and the Securities and Exchange Commission (SEC) in the United States are considering a proposal by the World Gold Council to set up the trading of "gold shares" in London and New York. While the buying of physical gold presently is quite a cumbersome process, the establishment of gold-share trading would allow investors to sell and buy gold as easily as trading corporate stocks. Dealing in gold shares is already under way on the Australian stock exchange, where Gold Bullion, a company linked to the World Gold Council, created a market backed by 3.5 tons of gold four months ago. Gold Bullion chairman Graham Tuckwell is quoted saying, "The plan is to create a platform on which anyone, anywhere can buy gold, and the cost of entry is like any other share." As the *Times* explained, each gold share traded in London would represent one-tenth of a troy ounce of actual gold, which can be traced back to a specific bar of metal, located at a secret gold depository at the Hongkong and Shanghai Banking Corp. (HBSC) somewhere in the City of London.

The plans for establishing a gold share market are coming at a time where there is very strong demand for gold, including by investors who have lost any confidence in paper money, due to unprecedented liquidity-pumping by central banks. The new scheme would absorb some of that demand. However, the investors will not receive any physical gold for their money, just pieces of paper claiming ownership of gold deposited in a hidden bunker of a private financial institution.

Eurasia

Korea and Russia Hold Cooperation Meeting

Seoul's Ministry of Finance and Economy (MOFE) announced July 18 that Korea and Russia will convene the fifth Korea-Russia Joint Committee on Economic, Scientific and Technological Cooperation in Seoul. The ministry said the meeting, scheduled to take place July 21-22, will give Seoul and Moscow an opportunity to further expand bilateral cooperation on several fronts.

This will be the first such meeting since President Roh Moo-hyun took office in February, and is expected to lay the foundation for future exchanges in trade, investment, fishing rights, finances, and energy development. Minister of Finance and Economy Kim Jin-pyo will lead the Korean delegation, which will also include a vice minister from the Ministry of Construction and Transportation, and deputy minister-level officials from other, related government agencies.

Briefly

CENTRAL AMERICANS "exported" to the United States are keeping their countries alive economically. Reports released on July 14 show that more than 4 million immigrants from El Salvador, Nicaragua, Guatemala, Costa Rica, and Honduras will send more than $4 billion in remittances to their families in 2003. In Honduras, this more than doubles the total earnings from banana and coffee exports; Salvadorans' $1 billion in remittances are nearly 65% of the country's exports and 13.5% of its GNP; 1.2 million Guatemalans' will remit $2 billion to that country.

AUSTRALIAN financial community sees a China-hawk revival in the United States dragging down the Australian economy, the *Australian Financial Review* reported on July 22. The *Review* worries that Prime Minister John Howard's subservience to the United States will undermine the growing Australian economic interaction with China. Australia exports almost as much to China as to the United States, and it signed a $13 billion liquefied natural gas deal with Beijing last year.

FREDDIE MAC/FANNIE MAE debt price hit a two-month low on July 22, on rumors that the European Central Bank had recommended that national central banks cut their substantial holdings. Central banks are big buyers of securities issued by Fannie and Freddie. As of mid-July, they held $184 billion of agency securities, up from $88 billion three years ago.

SOUTH AFRICA could become an economic catastrophe because of AIDS, according to a recent study by the World Bank and Heidelberg University in Germany. The study, "The Long-Run Economic Costs of AIDS: Theory and an Application to South Africa," projects that if nothing dramatic is done to stem the spread of AIDS, South Africa faces an inescapable descent into the economic backwardness of past centuries, dependent upon child labor, with no infrastructure.