

Business Briefs

Great Britain

Depression worse than '30s, says prof.

The "present depression" in Great Britain is "likely to be worse even than the Great Depression of the 1930s," Theo Barker, University of London professor of economic history, wrote in a commentary in the July 20 *London Times*. Barker's piece was entitled "You've Never Had It So Bad."

Pointing to the large number of unemployed in Britain today, Barker stressed that "the present deprivation . . . is much more widespread" than in the 1930s, since at that time it was concentrated in certain specific economic areas, while today, "empty factories, offices and shops, betray the tell-tale signs of depression all over the place. . . . Managers and the better-off now find themselves among the ranks of the unemployed, often in middle age when it is more difficult, if not impossible, ever to find a job again. Such collapses of family fortune were rare in the 1930s. Few higher-priced houses had to be put up for sale." The property market, he claimed, is in worse shape now than it was then, and Britain has a much smaller manufacturing base to cushion the blow.

"It is surely high time for greater realism and the beginnings of a debate about the seriousness of our present predicament," he insisted.

Derivatives

Bankers Trust covering up Italian firm default

Bankers Trust is trying to cover up a derivatives default by the Italian EFIM state holding company, which went under one year ago, according to informed European financial sources. These sources say that the only reason markets are now aware of the existence of the swap deal between Bankers Trust and EFIM, a company with some \$8 billion in debts, was the revelation last April by Italian state-appointed liquidator Alberto Predieri, who told EFIM's international bank creditors that EFIM's state receivers would make no repay-

ments of any EFIM debts until the issue of the swap was resolved. Bankers are reportedly desperate to hide the default for fear of a "domino effect" on the multitrillion-dollar international swaps market, which is dominated by American and British banks.

A spokesman for Chase Manhattan, who heads the bank creditors' committee, stated cryptically, "The issue at stake is much broader than just EFIM." Creditor banks, notably American ones, with huge derivatives exposure to bankrupt Italian companies, are feverishly pressuring the Italian government to bail out their derivatives exposure to EFIM, the Italian agro-business conglomerate Ferruzzi, and possibly several other large Italian multinationals believed to have fallen into similar derivatives-related illiquidity since the 30% collapse of the lira last September.

The July 19 *London Financial Times* reported that the European Commission is blocking a deal between the Italian government and the creditor banks on EFIM, by blocking disbursement of \$4.4 billion from the Italian government to the EFIM creditor banks, deeming it a form of what Brussels calls "unfair aid."

Corporate Strategy

Trans-nationals decrease direct investments abroad

The U.N. *World Investment Report 1993* released in July reports that direct investments of "trans-nationals," i.e., multinational corporations, in foreign countries has fallen from \$234 billion in 1990 to \$150 billion in 1992.

However, the emphasis of the report is that there is a growing influence of trans-nationals on the world economy. Total turnover in 1993 reached \$5.5 trillion and thus exceeded total world trade, which is only \$4 trillion. Due to reorganizations inside the U.N., the yearly investment report for the first time was compiled under supervision of the U.N. Council on Trade and Development (Unctad).

The Swiss daily *Neue Zürcher Zeitung* remarked that the report marks a change in the attitude toward multinational companies. No longer are they accused of unfair, evil practices. Instead, they are considered as vital to the

accomplishment of "interconnectedness of national economies" and an "integrated world production." Hence, they are now called "trans-nationals."

Trans-nationals, according to the report, are encouraged by the new multilateral policies of the OECD and World Bank, national deregulation measures, and moves toward regional integration such as the North American Free Trade Agreement and the European Community domestic market.

Poverty

A permanent underclass is emerging in Australia

A permanent underclass is emerging in Australia, according to a study undertaken by the *Sydney Morning Herald*. The number of people out of work for two years or more is now five times the level it was in 1980, some 20% of Australian adults are functionally illiterate, and 40% of people convicted in local courts are unemployed.

Meanwhile, an OECD study reported in *The Age* of Melbourne on July 24, shows that government spending in Australia to help people out of unemployment is amongst the lowest in the western world. With 10.8% unemployment, Australia spends 0.01% of Gross Domestic Product on direct job creation compared to 0.44% in Germany and 0.7% in Finland.

Labor

Thailand faces 30,000 industrial layoffs

Some 30,000 industrial workers in Thailand could lose their jobs by early next year, the July 14 *Bangkok Post* reported. Most layoffs would be low-skilled workers in export industries, especially textiles, who are being laid off as both foreign investment is decreasing and use of automation in the industries is increasing.

Thailand has lost its "advantage in labor terms" (i.e., cheap labor) to China, Vietnam,

Briefly

Laos, Sri Lanka, and Africa, and can no longer rely on traditional industries, the *Bangkok Post* commented. Older, untrained workers are being hit the hardest by the layoffs.

Protests began when 3,000 workers rallied in Bangkok to demand government intervention, as 1,300 workers have already lost their jobs and another 10,000 workers were scheduled to be laid off on July 15 at the Thai-American Textile company. The workers were not informed ahead of time that they would lose their jobs. On July 16, protests grew as 10,000 workers demonstrated against impending layoffs. The workers seized part of a road in front of the Government House on the fourth day of the demonstrations demanding re-opening of closed factories and reinstatement of laid-off workers. State enterprise employees also expressed their support for the demonstrating workers.

Army Commander Gen. Wimon Wongwanich said he hoped the demonstrations would not escalate. "What concerns me is the national security," he said.

Demographics

Education and income related to death rate

Education and income are among the most important factors in determining when a person will die, according to a study by Gregory Pappas and three others at the National Center for Health Statistics published July 8 in the *New England Journal of Medicine*, the *Washington Post* reported. "Researchers found that Americans who are less educated or have low incomes suffer substantially higher death rates, adjusted for age, than those who are better educated or better off financially. And although overall U.S. death rates have declined substantially in the past 30 years, the gap between socio-economic groups has widened."

Other studies published in the same issue of the medical journal suggest that a strong correlation exists between ill health and social deprivation or lack of education. These studies point out that poor people have poor nutrition, live in overcrowded housing where disease spreads rapidly, have less access to preventive health care, and are under "unmanageable stress" caused by "economic factors."

One physician researcher proposes to rob Peter to pay Paul: "Resources should be reallocated from the medical care system to systems that support the prevention of illness—for example, through the creation of meaningful jobs, and a resulting higher standard of living, or through a cleaner environment."

The Pappas study found that in 1986, white men age 25 to 64 with annual incomes of less than \$9,000 had an age-adjusted rate of 16 deaths per 1,000 persons; those with \$25,000 in income or more had a rate of 2.4 per 1,000. White men with less than 12 years of school had a rate of 7.6 deaths per 1,000—almost twice the rate for those with 12 years or more. Similar differences were found for women and blacks.

Germany

Employers call for end to 'shock therapy'

The Thuringian Employers Association (VWT) emphatically called on Bonn in mid-July to stop the "economic shock therapy" in eastern Germany. The call came as workers at the Bischofferode potash mine are on a hunger strike demanding that the mine, vital to world fertilizer supplies, remain in production.

The VWT warned of further "deindustrialization" due to the increasing danger of bankruptcies of companies which have already been privatized, which could lead to a "social explosion" in the region. Bonn has to realize that the time of "economic shock therapy" in the new German states has expired, it warned.

Three well-known companies in Thuringia which had been privatized by the Treuhand agency recently had to declare insolvency. Another 348 Thuringian companies with 32,000 workers that are still under Treuhand agency control could suffer the same fate.

Jürgen Bohn, the Thuringian state minister of economics, charged on July 23 that Bonn's debt-collecting policy is the cause of the deindustrialization of eastern Germany. He said that as long as the Treuhand continued absorbing all corporate profits to pay old debt, it would not be possible to create enough jobs to replace those being lost.

● **GERMANY** will have an additional 300,000 jobless by the end of 1993, bringing unemployment up to around 4 million people, Economics Minister Günter Rexroth said on July 19. This is the third adjustment of official figures in four weeks.

● **LESZEK BALCEROWICZ**, who was fired as Poland's finance minister for bringing in International Monetary Fund "free market" reforms which further destroyed the economy and created desperate poverty amid speculative paper wealth, is a candidate to become head of the European Bank for Reconstruction and Development.

● **UNEMPLOYMENT** in OECD nations in 1994 will peak at a record level of 36 million, a rise of 10 million since 1990, the OECD annual report on labor market trends forecasts. Another 13 million are "discouraged" from looking for jobs or work only part-time. In western Europe, unemployment will reach 23 million, about 12% of the total work force.

● **CHINA** will launch three telecommunications satellites for foreign customers in 1994 and 1995, a spokesman for the China National Aerospace Administration said, AP reported on July 20. China is trying to build its commercial satellite launching business, but the three contracts are all it has out of 55 to be launched over 1993-95.

● **THE ISRAELI** government is under pressure from Greenpeace to shut down its methyl bromide factory, which produces 30% of world supply. Methyl bromide is an essential fungicide and fumigant which increases crop production and saves up to 50% of food crops during storage and transport.

● **CHINA** protested on July 16 against a recent U.S. move to slash its textile quota, taken in retaliation for false labeling, and said it may submit the case to international arbitration. Beijing says the reduction will cost China \$80.78 million, Reuters reported.