

Business Briefs

Labor

Most young U.S. workers lack basic skills

Sixty percent of U.S. workers aged 21 to 25 lack the basic reading and writing skills needed in the modern workplace, according to the U.S. Secretary of Labor's Commission on Achieving Necessary Skills, the *New York Times* reported June 7. Only 68% of U.S. white adults read at an 11th grade level or better, while only 31% of U.S. black adults do, according to a recent report from the Urban League.

Since minorities will account for over half the U.S. work force by 2005 (10.1% Asian, 15.8% black, 27.8% Hispanic, according to the Bureau of Labor Statistics), the crisis in educating inner-city youths, who are predominantly minorities, has many worried. Sen. Bill Bradley (D-N.J.) told the *Times*, "Children of white America and their future will depend increasingly on the talents of non-white America. If we have fewer people with sufficient skill levels, we won't compete as well against other national economies. Children of white America will have a future where their economic prospects will be less than they might otherwise be. This is a matter of real enlightened self-interest."

Trade

Canadian textile reversal threatens free trade pact

Canada's sudden reversal on the issue of textiles and their yarn content now poses a threat to the ongoing talks on a North American Free Trade Agreement (NAFTA).

In early June, according to the *Journal of Commerce*, Canadian negotiators informed U.S. officials that Canada could no longer agree to a new trade rule that would require that all garments and textiles must be made from North American yarn in order to qualify for duty-free status. Previously, under the U.S.-Canada agreement, the origin of the yarn was not a consideration, as long as the fabric used in the garments or textiles was woven in either

the United States or Canada.

The sudden reversal by Canada on this issue is the result of intense political pressure from Quebec, where most of Canada's textile and apparel industry is located. Canadian Prime Minister Brian Mulroney has set elections for this fall in a bid to save his faltering political career, but with strong sentiment in Quebec to use the election to hold a referendum to secede from Canada, Mulroney's government is acutely sensitive to any demands originating in Quebec.

In British Columbia, Prime Minister Michael Harcourt told delegates to the Canadian Labor Congress in Vancouver on June 8 that "if a deal is reached, this government will recommend rejection." He said he had written Mulroney asking that Canada withdraw from the negotiations, the June 9 *Toronto Financial Post* reported. He said that NAFTA is an obstacle to economic development. "Clearly the U.S. is attempting to set itself up as the hub of the wheel with Canada and Mexico as the spokes."

Monetarism

Former IMF boss attacks IMF program

The International Monetary Fund's (IMF) package for the Community of Independent States (CIS) will lead to mass impoverishment, charged French central bank head and former IMF director Jacques de Larosière at the concluding session of the International Monetary Conference in Toronto, according to Germany's *Handelsblatt*. The IMF-dictated price-liberalization in the former Soviet Union must lead to a massive impoverishment of the population and to political disintegration, de Larosière told the paper: "You can quote me on that."

The article, by correspondent Klaus Engelen, paraphrases de Larosière extensively. The freeing of prices under pressure from the IMF in Russia and the other republics will drive up the income of the still intact "monopolies" and "impoverish the broad masses who hope for market economy and democracy. . . . This process of impoverishment, with its running inflation and declining real wages,

could easily lead to political explosions, and a market-oriented transformation could no longer be implemented."

The IMF programs make no sense in the former Soviet republics, he said. What is required are "new reform and aid strategies, which cannot be found in economic textbooks or in expert papers." A threatening "economic and political debacle" must be prevented by providing technical aid and less money transfer.

De Larosière proposes "boards" of managers and experts from industry, trade, banks, and insurance to be sent to the CIS states.

"De Larosière's devastating judgment on the IMF reform strategy towards the CIS states is a sensation to insiders of the western aid efforts. Never has a western central bank head put such big question marks behind the IMF reform policies for the CIS states that are supported by western governments," commented *Handelsblatt*.

Dope, Inc.

Former Soviet states see drug trade grow

The former Soviet Union is in the process of becoming a center of drug trafficking and international money laundering, in significant part because of the "frantic race for capitalism" and the attempts to make the ruble convertible. So documents a new report by a U.N. anti-drug task force, headed by the former Colombian ambassador to Hungary Enrique Parejo González, who survived an assassination attempt by the drug mafia in Budapest some years ago.

The report warns that the drug abuse problem in the areas of the former U.S.S.R. is "bound to develop exponentially in the near future. . . . All the ingredients are there: unemployment, poverty, a phase during which freedom is carried to an extreme, fascination with western modes of life, the appearance of new drugs and 'business' in all its forms, which will encourage new dealers and proselytism."

The report, featured in the June 9 *London Financial Times*, says that 3 million acres of territory in the former U.S.S.R. are under marijuana cultivation, while there are also

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100,000 acres of opium poppy fields in Russia alone. Newly opened borders are not patrolled, and new routes for exporting drugs have been created through the Caucasus, replacing former routes through the Balkans.

Organized Crime

Philip Morris in league with mafia?

Reliable police sources in Germany charge Philip Morris tobacco company with collaboration with Italian crime circles which smuggle Marlboro cigarettes into Italy. In December 1991, the Italian government temporarily banned Philip Morris brands, charging, among other things, that the smuggling networks also were heavily involved in heroin and weapons trafficking through the Balkans.

Current information is that the company arrogantly circumvented the close scrutiny of the cigarette black market for its U.S. products, by setting up a Polish-based independent company which then received cigarettes from a Brazilian Philip Morris factory, allegedly for Polish distribution. The cigarettes were shipped to the Frankfurt on Oder German-Polish border crossing to get a Polish customs seal, and then were smuggled via Switzerland by truck, or Bulgaria and Albania by boat, into Italy. Philip Morris's defense is, "you can't blame us for what third parties do with our cigarettes."

Industry

Japan's biggest companies face sharp profit falls

Japan's biggest international companies have been hit with big profit falls in past months, the London *Guardian* reported June 6. Minolta and Japan Air Lines suffered losses, and Sony's parent company recorded its first-ever annual operating loss. Fujitsu, Mazda, Nikon, and Daihatsu all saw profits fall by 60%; Toshiba and Mitsubishi Electric saw profit falls of 50%; Nissan and NEC profits fell 40%; and Hitachi profits by 30%.

At Toyota Motor's Thara plant, the assembly line has been working at half of capacity since May due to lack of demand, and Nissan will cut the number of models and parts it produces by 30% over the next two years, the *Guardian* reported.

The Japanese government is under growing pressure to take measures to reverse the economic problems. The recent annual meeting of the industrialists' association, the Keidanren, called on the government to "make all possible efforts to attain a speedy economic recovery." The vice minister for international affairs at the Ministry of International Trade and Industry, Noboru Hatakeyama, said that MITI's index of average industrial production was down by 4.7% for the first quarter of 1992 compared to last year, and down from last quarter 1991. This is "the first time since the oil crisis of 1973-74" that industrial figures have been so poor.

Health

Insects may transmit AIDS

Experiments show that the HIV virus that causes AIDS can be transmitted by insects, the May 1992 edition of the publication *AIDS Forschung* reported in an item entitled "HIV Transfer by Insects: Preservation of HIV Infectivity During Update and Regurgitation by the Stable Fly, *Stomoxys Calcitrans L.*"

The summary of the new findings read: "The stable fly, *Stomoxys calcitrans L.*, is known to transfer a number of infectious agents, such as the virus of equine leukemia, a retrovirus. Transfer is effected by scraping a bleeding skin wound, uptake of a few micro-liters of blood, regurgitation of a portion of the ingested blood minutes later onto a new victim's skin followed by scraping a new wound underneath the regurgitated substance. . . .

"Thus, the prevalent opinion that it is practically impossible for even a few infectious units of HIV to be transferred by blood-sucking insects, is not supported experimentally. However, it remains open whether or not this dose of virus is able to replicate in the infected skin lesion and to spread into the adjacent tissue."

● **CHINA** is negotiating with Ukraine to buy an aircraft carrier currently being built in Ukraine. Last year, China concluded a contract with Russia to buy 24 SU-27 jet fighters, the most modern Russian fighter. The SU-27 is said to be capable of in-flight refueling, which will give China's military a much wider range of air operations.

● **COMMERCIAL** retaliatory measures against the European Community were to be announced June 19 by the United States, which has accused the EC of unfair subsidies for soy beans, wine, and cognac, and other products representing \$2 billion worth of U.S. imports.

● **THE WINTER WHEAT** crop in the United States will be 5% lower than the government forecast in May, the Agriculture Department has announced. The 1992-93 winter wheat crop is now put at 1.54 billion bushels, as rainy weather in the Southern Plains has trimmed yields.

● **RUSSIA** and Japan will sign an agreement on space technology cooperation on the occasion of the visit of Russian President Boris Yeltsin this September, the *Yomiuri Shimbun* reports.

● **THE COLLAPSE** in early June of a large Swedish real estate holding company, Coronado AB, may threaten its two largest creditors, the troubled Nordbanken, which has already received two injections of bailout cash from the state, and the Wallenberg family's SE Banken, Sweden's largest. SE Banken just reported its first-ever operating loss.

● **NORTH KOREA** has offered to stop producing plutonium if the International Atomic Energy Agency provides it with alternative technology for nuclear power plants, South Korean news reports say. Yonhap news agency quoted a source as saying the North Koreans want enriched uranium and related technology, and the offer "is noteworthy but we need to closely watch whether it came from its sincere attitude."