Business Briefs

Free Trade

U.S. Textile Industry Is Disappearing

The U.S. textile industry is disappearing, under the "free trade" wrecking ball. The U.S. Bureau of Labor Statistics reports that in January this year, 12,500 textile workers lost their jobs. The National Council of Textile Organizations warns that 13,000 U.S. mills are at risk.

On March 7, Chinese figures were released for the January export of textiles and clothing to the United States. Chinese textile imports to the U.S. have been undergoing a dramatic increase since China's acceptance into the World Trade Organization began the phased lifting of import quotas for textiles, in 2002. In 2001, Chinese imports accounted for 10% of the U.S. market. By 2004, the Chinese share was 70%.

At the end of last year, the last phase of removing quotas was completed. In January 2005, as compared to the year before, export of Chinese apparel products to the United States increased an average of 546%. Nearly 27 million cotton trousers, for example, were shipped two months ago, as compared to 1.9 million in January 2004. In a few categories, China shipped more than the entire previous year's trade in one month's time.

The U.S. industry has petitioned the government to reimpose quotas on China in specific categories, five of which have been granted. The firms want the government to initiate these safeguards automatically. They have been supported by Turkey and Peru, which find they are being chased out of the U.S. market by cheaper Chinese goods.

Foreign Exchange

China Will Use Caution As Dollar Declines

China will not sell dollar-denominated assets in its forex reserves just because of the dollar decline, Guo Shuqing, director of the State Administration of Foreign Exchange and vice-governor of the People's Bank of China, said on March 5 at the annual meeting of the Chinese People's Political Consultative Conference, China Economic Net reported. Guo also said that China will try to narrow its surplus in international payments to avoid the negative effects of a big surplus.

"We will not adjust the structure of our foreign exchange reserves according to short-term fluctuations (such as the one seen in the U.S. dollar in the past year)," Guo said. "If we sell U.S. dollars now when it is tumbling, it means we lose money. If we do sell them, we have to buy other currencies such as the euro. But what if the euro drops?"

Guo said China might contemplate changing the currency mix of its reserves, but only after taking into consideration a number of factors, such as the major currencies the country uses in foreign trade payment, foreign investment, and repaying foreign debt.

China is also striving to balance its international payments. China has a big surplus because of its stress on export growth and the building of forex reserves in case of another crisis such as the Asian financial crisis of the late 1990s.

But, Guo said, China is now coming to a greater understanding of the cost of having a large surplus. He had warned in an article earlier this year, that the preference of exports over imports will impede the technological upgrading of domestic enterprises. He also warned that rising forex reserves have led to unwanted growth in the money supply.

Petroleum

Argentina's Kirchner: Boycott Shell Oil Co.

Argentina's President Nestor Kirchner called for a national boycott of the Anglo-Dutch Shell Oil Company, after it raised the price of gasoline and diesel oil by between 2.4% and 4.2% on March 8. Gone are the days when one sector could walk away "with the income of all Argentines," he warned, speaking March 9 at the Presidential Palace. He lambasted Shell as well as other private sector interests whose actions have recently led to higher consumer prices. The International Monetary Fund is using the price hikes to press for imposition of harsh austerity.

On March 8, Kirchner underscored that "it's all right for companies to make profits, but those have to go along with the wellbeing of the entirety of Argentina's citizenry." The next day, he Kirchner contrasted the solidarity shown by a variety of social and humanitarian agencies in producing the traditional white jackets that are being given to a million public school children, with the "irresponsible" attitude of Shell and others.

What people have to understand, Kirchner said, is that a "normal" Argentina is one in which the growth of one sector will mean that all sectors can grow "as a way of creating an Argentina that will represent the whole."

European Union

Bankers Cabal Gangs Up On Chirac, Schröder

A bankers cabal is challenging French President Jacques Chirac and German Chancellor Gerhard Schröder, who are trying to keep their economies afloat as unemployment rises. The IMF, Morgan Stanley, and Standard & Poor's are all demanding more budget cuts, in accord with the European Union's Maastricht Treaty, and are threatening an increase of interest rates and credit downgrading if nations don't comply.

Talks between the European Union's finance ministers on a "reform" of the Maastricht Pact continued in Brussels on March 8, after a nine-hour marathon the night before ended without result.

Chirac and Schröder, meeting in Blomberg, Germany, on March 7, showed a combative attitude, attacking "an ill-placed technocratic automatism" and "slavish interpretation of the [EU Stability] Pact." They insisted that a reform must take place, creating room for governmental spending at this present time of record unemployment. "There must be visibly more promotion of economic growth than before," Schröder said.