

adjustment than indicated in the text.

There are more fundamental questions. The analysis treats the debtor as an "optimizing dead-beat" deciding whether to adjust and pay or spurn its creditors; but this approach makes it difficult to explain why Chile paid with no relief but Peru, initially with a lower debt ratio, chose not to pay. Moreover, the approach subscribes to the policy bribe thesis that countries adjust only if an external sweetener is provided, whereas Latin America's experience in the 1980s surely demonstrates that adjustment provides its own reward (and non-adjustment its own punishment). Or again, the analysis is built around a single-actor bank, and the reality of divergent bank diagnoses and strategies only enters late in the story and then only qualitatively. Moreover, the formal analysis does not address the psychological benefits of debt normalization that proved so important in at least the Mexican case (measured by the decline in domestic interest rates after the debt agreement).

A nice analysis of bank-IFI bargaining essentially outlines a trade-off whereby the banks must confer larger debt reduction if they expect larger new money from the IFIs. A cute and sobering conclusion is that a necessary condition of a Brady deal is that the country still has a debt overhang afterwards. Otherwise the IFI's new money involves no expected loss to match that incurred by the banks, thereby violating the requirement that the banks and IFIs share the burden proportionately to their preexisting claims on the country. In practice this consideration seems minor, however, in view of the large capital inflows in 1991-92 and near-par prices on Brady bonds.

In sum, Diwan and Rodrik have made an important contribution that is thought provoking and illuminating, but that leaves considerable room for debate about specific formulation as well as more fundamental assumptions.

—William R. Cline

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## LABOR

### WORKING WORLD

International Labour Organization (ILO)  
*World Labour Report 1993*  
International Labour Office, CH-1211 Geneva  
22, Switzerland

*The second in a new annual series, this 1993 ILO Report is an excellent reference on issues ranging from forced labor to stress at work.*

Last year, the International Labour Organization (ILO) inaugurated an annual review called the *World Labour Report*. The report is an excellent source of cross-country data regarding labor markets. In addition, the *Report* highlights several key international issues and summarizes recent developments region by region.

The 1993 report examines five topics: (1) forced labor, (2) employment, (3) trade unions, (4) social problems and economic adjustment in developing countries and (5) stress at work. These issues are important to international economic policy and to national competitiveness programs.

One might think that slavery and forced labor were obsolete practices of a less enlightened era. One would be wrong. Slavery survives not only in its ancient form, but also in modern forms such as debt bondage. The *Report* documents the persistence of slavery in Mauritania, debt bondage in Pakistan (including 7.5 million children) and Peru and forced labor in Brazil and the Dominican Republic.

These ILO findings have several implications for trade policy. First, is the United States importing any products made by forced labor because, if so, that would be a violation of US law? Second, why are these countries still in the Generalized System of Preferences program where the use of forced labor is a disqualifying practice? Third, should the world community use trade bans to discourage forced labor? The GATT permits im-

port bans on  
Should the GA

The *Report* remained depressed. A bright spot is the jobs that they a

The third report provides information by country. The *Report* offers several in union strength (where unions' centralization of control level of unions' control of the union is particularly remained high developing the cratic change unions.

The *Report* tion such as th to allow union zones. Govern element of lev ILO, "multinat vironment a co veloping na vulnerable to strong argum anti-union me

The *Report* tural adjustme cial security, p community pr tive programs, went on econ

The last toj mates that stre lion annually. stress, the ILO about it. The that have com include worke ible work sche est to adopt su their producti

port bans on products made with forced labor. Should the GATT do more?

The *Report* notes that global employment has remained depressed over the past year. The one bright spot is the newly industrialized economies of Asia and the Pacific. They are creating so many jobs that they are suffering from labor shortages.

The third topic is trade unions, where the report provides useful data on the rate of unionization by country – what the ILO calls *density*. The *Report* offers several hypotheses for the variations in union strength, such as size of the public sector (where unions are gaining members), the centralization of collective bargaining and the unity level of unions. The discussion of the transformation of the unions of formerly Communist countries is particularly interesting. Union density has remained high, but new alternative unions are developing that are more committed to democratic change than the *reformed* Communist trade unions.

The *Report* also discusses barriers to unionization such as the reluctance of some governments to allow unions to operate in export processing zones. Government restraints on unions are one element of level playing fields. According to the ILO, "multinationals often make a union-free environment a condition for investment." Since developing nations seeking investment are vulnerable to such pressure, one can make a strong argument for international discipline of anti-union measures in export process zones.

The *Report* provides a useful inventory of structural adjustment programs for workers such as social security, public works, fund assistance and community protection. In one of the more effective programs, Bolivia, 81 percent of all funding went on economic and social infrastructure.

The last topic is stress at work. The ILO estimates that stress costs US industry about \$200 billion annually. In addition to analyzing the cost of stress, the ILO has programs to do something about it. The *Report* details a number of remedies that have come out of the ILO's research. These include worker participation, autonomy and flexible work schedules. Countries that are the quickest to adopt such measures will presumably boost their productivity.

In summary, the *World Labour Report* makes interesting reading and is a good reference document for anyone thinking about the labor factor in international economic policy.

—Steve Charnovitz

## EASTERN EUROPE

### WHOSE MARKETS?

Shafiqul Islam and Michael Mandelbaum,  
editors

*Making Markets: Economic Transformation  
in Eastern Europe and the Post-Soviet States*  
Council on Foreign Relations Press (1993), 58  
East 68th Street, New York, NY 10021

*Six experts analyze (for the non-economist) the  
transforming economies in a volume which,  
according to our reviewer, promotes a "sense-  
less" and self-serving Western policy.*

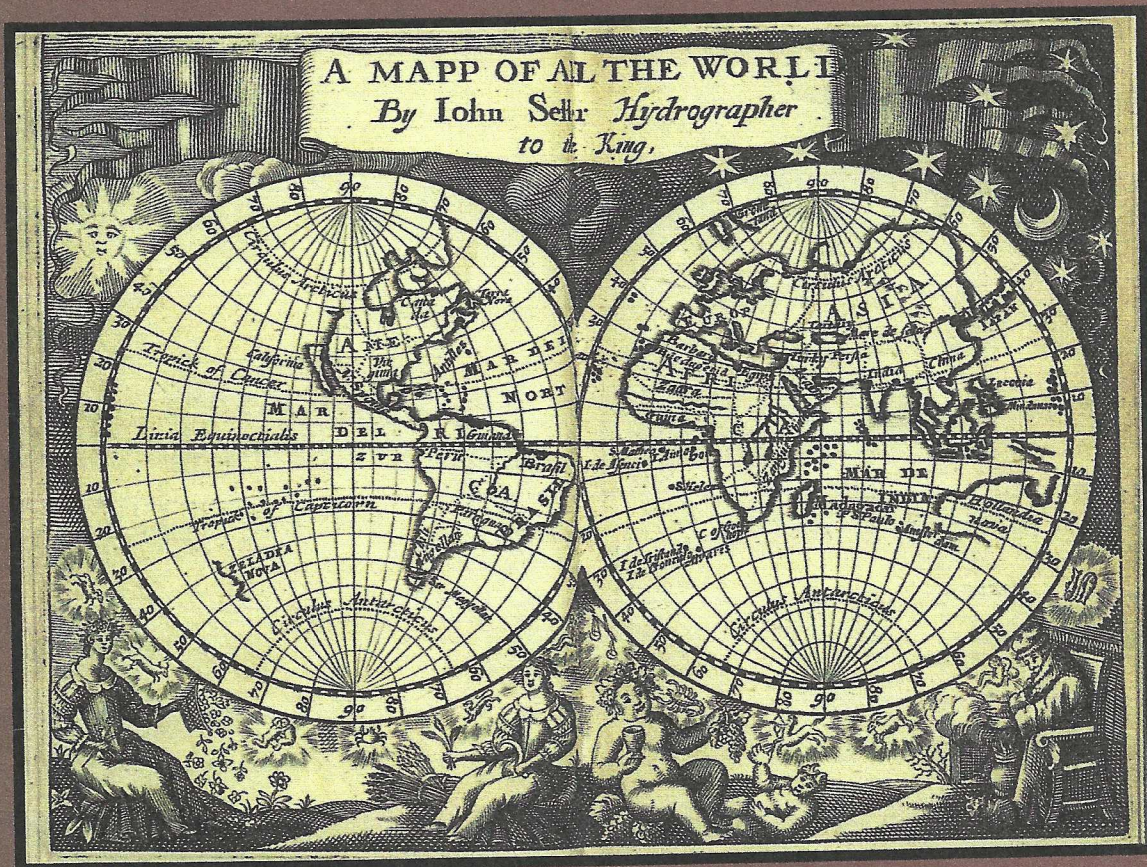
The editors of this convenient volume (Islam and Mandelbaum) intend the book to be a "lucid primer" for non-specialists on the post-Communist economies' transition from central planning to market based systems. They achieve their objective admirably. All major policy recommendations proffered by Western advisors, among whom the authors of the six essays all occupy a prominent position, are revisited and the nature and magnitude of the problems facing the post-Communist economies are assessed.

Richard Portes provides a largely historical review of post-Communist economies, particularly Poland, Hungary and Czechoslovakia, starting with the earliest experiments with liberalization in the 1960s. Paul Marer also focuses primarily on these three countries and attempts to assess the results of their experiences to date. Robert Campbell tackles the almost hopelessly difficult subject, namely the current condition and future prospects of the states that succeeded the former Soviet Union, with refreshing humility. He is more inclined to leave the reader with a series of ques-

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THE NEW MULTINATIONALS



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