Business

Latin Americans study U.S. business

■ A&M-CC gives them help with manufacturing

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It was easy for Juan Arango to come up with the idea for an electronics business. Finding the investors to back the plan proved a bit more difficult, but he did it.

The toughest challenge, however, came later.

In his native Colombia, there's simply not enough people who do that kind of intricate work.

He's one of about a dozen entrepreneurs from Latin American nations with similar labor shortages who are touring South Texas to learn how to survive shifts in the international manufacturing marketplace.

Texas A&M University-Corpus Christi's Coastal Bend Business Innovation Center is one of three business incubators in the nation selected to receive a U.S. Agency for International Development grant to host the Latin American IdEA Partnership Incubator Program. Participants from Chile, Colombia, Mexico and Peru are taught the practices and technology used in U.S. manufacturing companies, while also getting tips on how to do business in Texas and the United States.

David Fonseca, manager for the innovation center in Flour Bluff, said he hoped the workshop would give participants the tools they needed to grow their companies, along with a better understanding of how to access international markets.

Generally most participants thought Texas would be fertile ground for manufacturing partnerships.

Texas trails only California in manufacturing employment with nearly 890,200 workers in that sector in December, according to the Bureau of Labor Statistics. California's manufacturing sector is made up of 1.25 million workers, but grew by only 0.2 percent during 2014, compared with Texas' growth rate of 1.3 percent.

The upswing in Texas manufacturing was encouraging to Arango, who, with a group of investors in Colombia, wants to manufacture electronic devices such as point-of-sale terminals commonly found in restaurants and bars. He said he'd consider investing in the state if the price and opportunity were right.

"It seems Texas is more willing to do business with both people who are here and people who want to come here," Arango said.

This week, the group sat through sessions with speakers that included engineers, professors and manufacturing specialists. Group members will head

See MANUFACTURING, 9A

TEXAS MANUFACTURING OUTPUT

- Texas ranks No. 2 in the U.S. for manufacturing output, as measured by gross domestic product, with a value of $211 billion in 2012.
- The state's manufacturing GDP increased 9.1 percent between 2011 and 2012, and has more than doubled since 2002. Its three largest, most lucrative sectors are petroleum products, machinery and chemicals.
- Texas leads the nation in petroleum refining and chemical production. Together, these sectors account for 47 percent of the state's total manufacturing output.
- Computer and electronic products, when paired with machinery, contribute nearly one-fourth of the state's manufacturing GDP.

Source: Bureau of Economic Analysis

GNC defends herbal labeling

■ N.Y. AG says contents match in less than 25%

By Steve Twedt
Pittsburgh Post-Gazette (TNS)

PITTSBURGH — GNC is defending the ingredients listed on its labels, even though the Pittsburgh health and wellness retailer plans to comply with a demand from the New York attorney general that it at least temporarily stop selling certain herbs and other products in its New York stores.

GNC issued a statement late Wednesday, saying that it is "standing firmly behind the quality, purity and potency" of ingredients listed on its labels.

The company was one of four called out by Attorney General Eric Schneiderman this week.

Schneiderman sent cease-and-desist letters to GNC, Target, Walgreens and Walmart alleging the stores had sold herbal supplements whose labels listed products "that either could not be verified to contain the labeled substance, or which were found to contain ingredients not listed on the labels."

A Walgreens spokesman said that chain will remove its products that are under scrutiny in all of its stores nationally, but it was unclear what actions Target and Walmart are considering.

The targeted GNC products were five "Herbal Plus" supplements: Gingko Biloba, St. John's Wort, Gingseng, Echinacea and Saw Palmetto. According to the attorney general, DNA tests showed labels on those products matched the contents of products only 22 percent of the time.

Supplement industry groups such as the Natural Products Association has questioned the AG's testing process. The Natural Products Association said the GNC products in question were botanical extracts "in which DNA is unlikely to be intact."

ASSOCIATED PRESS

Insurance providers such as Anthem, which announced personal data on up to 80 million customers had been stolen in a cyberattack, are not required to encrypt such information. The 1990s law that covers insurers merely suggests data encryption.

No requirement to encrypt data

■ 1990s law does not order security step

By Ricardo Alonso-Zaldivar
Associated Press

WASHINGTON — Insurers aren't required to encrypt consumers' data under a 1990s federal law that remains the foundation for health care privacy in the Internet age — an omission that seems striking in light of the major cyberattack against Anthem.

Encryption uses mathematical formulas to scramble data, converting sensitive details coveted by intruders into gibberish. Anthem, the second-largest U.S. health insurer, has said the data stolen from a company database that stored information on 80 million people was not encrypted.

The main federal health privacy law — the Health Insurance Portability and Accountability Act, or HIPAA — encourages encryption, but doesn't require it.

The lack of a clear encryption standard undermines public confidence, some experts say, even as the government plows ahead to spread the use of computerized medical records and promote electronic information sharing among hospitals, doctors and insurers.

"We need a whole new look at HIPAA," said David Kibbe, CEO of DirectTrust, a nonprofit working to create a national framework for secure electronic exchange of personal health information.

"Any identifying information relevant to a patient ... should be encrypted," said Kibbe. It should make no difference, he says, whether that information is being transmitted on the Internet or sitting in a company database, as was the case with Anthem.

The agency charged with enforcing the privacy rules is a small unit of the federal Health and Human Services Department, called the Office for Civil Rights.

The office said in a statement Friday that it has yet to receive formal notification of the hack from Anthem, but nonetheless is treating the case as a privacy law matter. Although Anthem alerted mainline law enforcement agencies, the law allows 60 days for notifying HHS.

The statement from the privacy office said the kind of personal data stolen by the Anthem hackers is covered by HIPAA, even if it does not include medical information.

"The personally identifiable information health plans maintain on enrollees and members — including names and Social Security numbers — is protected under HIPAA, even if no specific diagnostic or treatment information is disclosed," the statement said.

A 2009 federal law promoting computerized medical records sought to nudge the health care industry toward encryption. Known as the HITECH Act, it required public disclosure of any health data breach affecting 500 or more people. It also created an exemption for companies that encrypt their data.

Encryption has been seen as a controversial issue in the industry, particularly with data that's only being stored and not transmitted. Encryption adds costs and can make day-to-day operations more cumbersome. It can also be defeated if someone manages to decipher the code or steals the key to it.

In fact, Anthem spokeswoman Kristin Binns said encryption would not have thwarted the latest attack because the hacker also had a system administrator's ID and password. She said the company normally encrypts data that it exports.

But some security experts said a stolen credential by itself shouldn't be an all-access pass to encrypted data.

CONSUMER SPENDING

Credit card debt rises

■ Borrowing increase may be good sign

By Martin Crutsinger
Associated Press

WASHINGTON — Consumers increased their borrowing in December, with credit cards rising at the fastest pace in eight months. It could be a sign that consumer spending will accelerate as strong jobs gains give shoppers more confidence about taking on debt.

Consumer borrowing expanded by $14.8 billion in December, pushing consumer debt to a record $3.31 trillion, the Federal Reserve reported Friday. In November, borrowing had climbed by $13.5 billion.

The December rise included a $5.8 billion jump in the category that includes credit cards, marking the biggest gain since April. The result followed a $945 million drop in the category in November.

Consumer borrowing in the category that includes auto loans and student loans also rose in December, climbing $9 billion after a $14.4 billion increase in November.

Total debt is up 6.9 percent in the past year. The category covering auto and student loans is up 8.2 percent, while the credit card category has risen just 3.5 percent.

The auto and student loan category has been growing at the fastest rate since the Great Recession of 2007-2009. That partly reflects the fact that many workers who lost jobs during the downturn decided to take out loans to go back to school. Some students also stayed their longer, acquiring more student debt, because had trouble landing jobs.

In contrast, consumers aren't using credit cards as much as they used to before the recession. Many economists believe this indicates greater caution about taking on debt to finance consumer spending. But with robust job growth over the past year, consumers are likely to borrow more and fuel consumer spending, which accounts for 70 percent of economic activity.

The Fed's monthly report on consumer credit does not cover mortgages, home equity loans or other types of loans secured by real estate.

SEC settlement will affect Chinese companies

■ Accounting firms in U.S. to provide data

By Marcy Gordon
Associated Press

WASHINGTON — The Chinese affiliates of the "Big Four" accounting firms have agreed to pay a total $2 million and provide documents in a settlement with U.S. regulators resolving a yearslong dispute over fraud investigations of Chinese companies.

The Securities and Exchange Commission on Friday announced the deal with the Chinese arms of PricewaterhouseCoopers, Deloitte Touche Tohmatsu, KPMG and Ernst & Young. They each will pay a $500,000 penalty and take steps to provide documents to SEC investigators over the next four years. The deal resolves a dispute that pitted China's assertion of its sovereignty against efforts of U.S. regulators to crack down on corporate fraud and questionable accounting.

Hundreds of Chinese companies trade on U.S. stock exchanges, raising billions of dollars by selling shares to American investors since the late 1990s. The SEC has investigated at least two dozen of them for possible accounting fraud.

The SEC has been battling the four affiliates over their withholding of company audit documents from investigators. The firms, which are subject to Chinese law, insisted that law bars them from releasing the documents.

An administrative law judge at the SEC ruled in January 2014 that the Chinese-affiliated firms acted improperly when they withheld audit documents from investigators looking into possible fraud by Chinese companies trading on U.S. exchanges.

The accounting firms appealed the judge's decision. If no deal had been reached and his ruling had been upheld, it might have left dozens of Chinese companies with no way to provide audits required for their shares to be traded in the U.S.