Business Briefs

South Africa

Power Firm Seeks Nuclear Future

Future economic development in Africa will be fuelled increasingly by nuclear energy, the head of the continent's largest electricity firm, South Africa's Eskom, announced on Jan. 28. Eskom Chairman Reuel Khoza made the remarks at the World Economic Forum summit in Davos, Switzerland. He noted that, thanks to research in South Africa that had been backed by firms including Electricite de France and the U.K.'s BNFL, Eskom was at the "cutting edge of a new [nuclear] technology." He said that demand for electricity is set to increase with economic growth, which South Africa, at least, has continued, and must be continued across the continent. Eskom is responsible for supplying Africa with more than half its electricity. About nuclear energy, he added, "You can't wish it away." He pointed out that "in France, 80% of electricity is nuclear based."

Eskom is developing the pebble bed modular reactor, a high-temperature gas-cooled reactor based on a German design, which it plans to mass produce for domestic use as well as for export. The go-ahead for the prototype reactor is expected soon, and tests on components are under way.

Pensions

PBGC Now Faces Funding Crisis

The Pension Benefit Guaranty Corporation in the United States faces a funding crisis. PBGC was created by the Federal government in 1974 to deal with pension crises, by taking over insolvent pension plans, and keep paying benefits to retired workers when a company cannot. The PBGC is funded by companies, which pay an annual fee to the PBGC for every worker that is enrolled in a pension plan. But the PBGC started 2001 with an $8 billion surplus, and then burned through that surplus, and is expected to report at the end of January a deficit of between $1 and $2 billion for 2002, which could become larger this year.

During March 2000, the PBGC assumed the pension payments of steel-maker LTV, which drew down $1.6 billion in PBGC funds. In December, it assumed $1.1 billion of unfunded pension claims from National Steel, and a further $3.7 billion in Bethlehem Steel's unfunded claims. But the pension failures show no sign of stopping. In June 2002, U.S. Airways filed for bankruptcy, and it may seek help from the PBGC to pay $3.1 billion in pension contributions over the next seven years. The entire airline industry may soon be depending on the PBGC, as may KMart, which recently filed bankruptcy.

The PBGC has been discussing increases in the annual fees that companies pay for every worker enrolled, and/or the fees paid by companies that have underfunded pension plans. But the latter proposal would increase fees for companies that can't even meet current pension payments.

Due to the three years' plunge of the stock markets and changes in interest rates, the total underfunding of all pension plans insured by the PBGC has risen from approximately $40 billion at the end of 2000, to an estimated $300 billion at the end of 2002. If this continues, the PBGC itself may soon be insolvent. Many workers who retired thinking they would collect a pension, and that the PBGC insured that pension if the company they worked for could not pay, may soon be bitterly disillusioned.

Asia

'Asian Bonds' To Start Late This Year

Thailand's *The Nation* reported Jan. 27 that "Asian Bonds" will partly replace Thailand's $1 billion global issue in 2003, probably beginning in the fourth quarter, according to Thai Finance Ministry sources. The original issue was planned for October 2002, but delayed largely due to the possibility of a U.S.-led invasion of Iraq. "The global-bond issue to refinance public debts is still on the government agenda, but part of it would be issued under the new Asian Bond project," a source said. The first Asian Bond would likely be in a hard currency, such as the U.S. dollar. An initial study by the Fiscal Policy Office's Policy Research Institute had said the Asian Bond could be either a mix of the Thai currrency, the baht, and hard currencies, or entirely baht.

Prime Minister Thaksin Shinawatra has set a six-month deadline for an Asian Bond study, and had said he wanted to see Asian Bonds launched in 2003. Studies are under way by other nations, all to be discussed at the Asia Pacific Economic Cooperation Forum (APEC) summit in Thailand in September. A Thai Finance Ministry source said Thaksin and Singapore Prime Minister Go Chok Tong have already agreed on how much of their reserves would be put in an Asian Bond fund.

North Korea

Minister to Bangkok On Telecommunications

North Korea's Post and Telecommunications Minister Ri Kum-bum arrived in Bangkok, Thailand on Jan. 26 for an extended visit to explore sectoral cooperation between the two countries. Ri will meet his Thai counterpart, Surapong Suebwonglee, on Jan. 29, to discuss cooperation to upgrade North Korea's outdated communications system, an official said, but declined to specify the topics for discussion. Four North Korean officials are traveling with Ri.

The Nation on Jan. 27 said that Washington reportedly pressured Seoul to block a plan by a group of South Korean companies to build a mobile-phone network in Pyongyang, fearing that it might be used by military personnel.

Thailand is an investor in North Korea's telecommunications sector. Loxley Pacific, an affiliate of the Thai conglomerate Loxley Group, obtained a concession last October to operate a mobile-phone network in Rason Special Economic Zone in the north of the country near the Chinese border. Loxley was permitted to provide service for up to 5,000 cell-phone users in the area, where the existing communications network is archaic, expensive, and unreliable. The company also plans to introduce a nationwide Global System for Mobilephone (GSM) network in North Korea. The Korean Central TV company has leased transponders from Thai-

Com-3 for its international satellite broadcasts since July 1999. ThaiCom-3 is owned by the family of Thai Prime Minister Thaksin Shinawatra.

A Thai government official said recently that Prime Minister Thaksin plans to visit Pyongyang soon to boost ties.

U.S. Imports

Bush TV Coverup A Federal Offense

On Jan. 24, President Bush gave a speech at a warehouse in St. Louis, touting small businesses and the job-creation benefits of his tax cuts. The backdrop was a stack of cartons, on which someone had taped over the "Made in China" markings with "Made in U.S.A." When Bush claimed that his "stimulus" program would create 2.1 million jobs over the next three years, he didn't say whether those jobs would be in the United States or in China.

The *Washington Post* "In the Loop" column reported on Jan. 29 that it is a criminal offense to attempt to conceal information about the country of origin of imported goods, and any person who "defaces, destroys, removes, alters, covers, obscures, or oblierates" any such marking can be fined up to $100,000 and imprisoned for one year. This section of Title 19 of the U.S. Code is supposed to be enforced by U.S. Customs, now part of the Department of Homeland Security.

U.S. States

Budget Holes Just Keep Getting Bigger

New York Gov. George Pataki announced on Jan. 22 that the state's deficit is now at $12 billion, up $2 billion from three weeks ago. This represents $10 billion for the next fiscal year, which in New York begins April 1, and $2 billion in this current fiscal year. Pataki said, "We face a fiscal crisis today of a magnitude we have not confronted in our lifetime."

New Jersey's Gov. James McGreevey announced to a room full of mayors that a new $1.3 billion hole in the state's *current* fiscal year budget will "force" him to order "severe cuts across the state." In this context, he warned the mayors that "due to the dramatic deterioration of the budget," it was "simply impossible" to extend aid for towns and cities. Revenue is down from three taxes—personal income, cigarette, and inheritance—for the first six months of this fiscal year. Another revenue hole New Jersey has to deal with is the $350 million in Federal Medicaid aid which has not been approved, upon which it was counting for its health-care budget. It currently is projecting a $5 billion deficit for next fiscal year.

In Connecticut, Gov. John Rowland insists he must now lay off 1,000 more state workers—on top of 2,800 cut in the last eight weeks—as he demanded that labor unions negotiate more concessions.

Airlines

Pilots Fight Loss Of Pension Plan

The head of bankrupt US Airways' pilots union, William D. Pollock, assailed the airline's threat to terminate the pilots' pension fund, as a move that would "take away the pilots' accrued benefits that we have fought and paid for during our careers." The Pension Benefit Guaranty Corp., a government agency that insures private pension funds, had earlier in January refused the carrier's request to stretch out payments to its pension plan, which is underfunded by $3.1 billion, from 7 years to 30 years. The pilots' plan represents about 70% of the unfunded liabilities.

As a result, the airline would likely terminate the pension fund and turn it over to the agency—which would slash retirement checks for pilots by about 75%. The pension-fund liability has to be resolved, according to CEO David Siegel, for the airline to obtain a $900 million Federal loan guarantee and keep $200 million in interim financing from the Retirement Systems of Alabama.

Briefly

DESALINATION of water is back on the U.S. agenda. Five new plants were tentatively approved in December 2002, by the giant Metropolitan Water District of Southern California, which serves 18 million people. The plants were proposed by five water districts, and together could supply 7% of the overall water district needs by 2003. Construction is to start by 2005. The cost per plant ranges from $70-300 million.

AOL/TIME WARNER, the world's largest media conglomerate, announced on Jan. 29 a $44.9 billion loss in the fourth quarter of 2002, after taking a $45.5 billion charge for the decline in value of its American Online division, and other assets. This brings AOL/Time Warner's year 2002 loss to a record $100 billion, an amount greater than the GDP of most nations in the world.

SAUDI Oil Minister Ali Al-Naimi told the Davos World Economic Forum on Jan. 24, "There is no shortage [of oil] in the market, and there should be no reason for prices where they are today. We checked. We called. I checked with individual customers, refineries, and others. I ask them one question: Do you feel you need more oil? And the answer is no." Al-Naimi blamed the price escalation on war talk; he said that Saudi Arabia and OPEC would ensure that supplies remain plentiful, and try to drive the price back down to $25 per barrel (it closed at $33.40 that day).

EUROPEAN machine-tool production plunged 14% in 2002, as demand fell worldwide. CECIMO, the machine-tool association of the 15 largest European producers including Switzerland, Turkey, and the Czech Republic (in all, half of worldwide production), reports that output fell to just 17.1 billion euros, compared to 19.8 billion in 2001. It was the first annual decline in output since 1993. European demand for machine tools fell 17% last year; U.S. sales dropped sharply as well. Output in France and Italy fell by 5%, in Spain by 8%, in Germany by 17%, in Switzerland by 20%, and in Britain by 29%.