Business Briefs

Foreign Trade

Mahathir Says, Switch From Dollars to Euros

Malaysian Prime Minister Dr. Mahathir Mohamad on June 7 urged his country's private sector to switch from the dollar to the euro for foreign trade, citing the probable continued devaluation of the dollar, the *New Straits Times* reported on June 8. He said there was no intention to review the peg of Malaysia's currency, the ringgit, against the greenback, but that "the Government felt there was a need for the private sector, especially those involved in exporting manufactured goods, to use the euro for payments since the U.S. dollar was likely to depreciate further." He had earlier called on the state oil company Petronas to explore the possibility of using the euro in its oil and gas trade.

Dr. Mahathir also said the government had opened new markets for Malaysia's exports, especially in South Africa, South America, the Arab countries, and West Asia. "This is to ensure that the nation was not overly dependent on traditional markets such as the U.S. and Europe."

Infrastructure

Experts To Review Meking River Project

At the suggestion of the Mekong River Commission, experts from four nations will review the environmental impact of a Chinese-initiated plan to clear a navigable route for shipping in the upper reaches of the Mekong River, the *Bangkok Post* reported on June 9. Beijing undertook the original study to make the river navigable downstream for large cargo barges, from Yunnan. Initiated by China in 1992, the project aims to improve international trade links. China, Myanmar (Burma), Laos, and Thailand agreed in June 2001 to widen the navigation channel of the 5,594-kilometer river. Beijing provided initial funding, and a Chinese company was appointed to do the work for Laos, Myanmar, and Thailand.

Eleven rapids would be cleared in phase one—nine in Laos, one near the Sino-Burmese border, and another in Thailand, which would allow vessels of up to 100 tons displacement to travel between Yunnan and Luang Prabang, Laos. Currently boats of only 60 tons displacement can make the trip. Khon Phi Luang is the only rapid where blasting has yet to begin. The Thai Cabinet in April put the blasting on hold, to avoid demarcation problems along the Thai-Lao border. The review team would consider what extra work is needed.

U.S. State Budgets

Massachusetts Shifts State Pension Funds

In the rearranging-the-deck-chairs on the *Titanic* department, the State of Massachusetts announced that it will sell $5 billion of stocks and bonds held by its pension fund, and invest the money in hedge funds and real estate, to try to bolster returns and lower risk. According to the London *Financial Times* on June 10, the Massachusetts fund, with $27.8 billion in assets, is the 21st largest U.S. public pension fund, and owns $11.4 billion of stocks. It plans to sell $3.3 billion of those shares, reducing its U.S. stock holdings to 26% from 38%, and to cut its bond holdings to 10% from 16%. The average state allocations are 42% for stocks and 37% of bonds, as a percentage of total assets.

The plan lost 9% of its value last year, and hopes to do better under the new allocation, which also targets increased investment in commodities, junk bonds, and emerging markets.

Health Care

Insurance Premiums Are Rising Sharply

U.S. health insurance premiums for large firms have jumped in 2003 by the largest amount in a decade, and exceed the increase in health-care spending during 2002, according to a study by the Center for Studying Health System Change (CSHSC), released on June 11. The report cites a Towers Perrin survey of large companies, which found that premiums climbed 15% in 2003—the biggest increase in at least a decade—after rising 13% in 2002. The Watson Wyatt Worldwide survey reports that the median premium increase was 15% in 2003.

Since premium increases for small employers are usually higher than those for large companies, these estimates are probably low, CSHSC notes. Health-care spending rose 9.6% in 2002.

Manufacturing

NAM Warns: Collapse Reaching Critical Point

The U.S. manufacturing collapse could soon become irreversible, with dire consequences for economy and living standards, warned a study released on June 10 by the National Association of Manufacturers. The manufacturing base could disappear forever, if ongoing factory closings and layoffs cause the sector to shrink below "critical mass." NAM is the nation's largest industrial trade association, representing 14,000 companies and 350 member associations.

Such a collapse, NAM warns, threatens the survival of manufacturing's "innovation process"—research and development, investments in capital equipment and workers, and "spillovers" that benefit the economy as a whole—which would "deteriorate beyond repair"—and with it the "seedbed of our industrial strength." Moreover, once the manufacturing sector has diminished below its critical mass, NAM cautions, the process by which economic prosperity and higher living standards have been generated, "may never be recovered."

The report, entitled "Securing America's Future: The Case for a Strong Manufacturing Base," commissioned by the Council of Manufacturing Associations (a division of NAM), was prepared by Joel Popkin and Company.

Despite its strong words, NAM denies reality: that the manufacturing breakdown is due to the bankruptcy of the international monetary-financial system, reflecting the downshift from a "producer" to a "consumer" society. Instead, it blames global competition and the rising costs of doing business in the United States (health care, litigation, etc.), as well as the overvalued dollar.