Business Briefs

Nuclear Power

IAEA Promotes Pebble-Bed Reactors

Speaking to a reporter on the sidelines of a nuclear power conference in Shanghai, China, Yury A. Sokolov, the IAEA's deputy director general, said he expected safety and efficiency gains from the next generation of nuclear reactors—known as "pebble bed modular reactors"—which use gas as a neutron moderator. South Africa and China are both pushing development of the experimental technology, though neither has yet started construction of a commercial plant. "This is our future," Sokolov said of the PBMR plants.

Sokolov said the pebble bed reactor would increase the ratio of electrical to thermal output from 33-35% to 50-60%, and could make the use of uranium more efficient, extending the life of the fuel. The gases do not dissolve contaminants or absorb neutrons as water does, so the core would have less radioactive material and be more economical than a light-water reactor, he said.

Currency

Asians Dump Dollar At Record Rates

Chinese and Japanese sales of U.S. treasuries grew in August "at a pace unprecedented in the last five years, as the U.S. subprime mortgage crisis triggered the biggest sell-off of dollar assets since Russia's 1998 default," according to the *China Daily*. China cut its holdings of U.S. treasuries by 2.2% or $9 billion, to $400 billion, while Japan dumped 4% of its holdings (the most since March 2000), bringing its total down to $586 billion. Taiwan's holdings of U.S. government bonds fell by 8.9% to $52 billion.

According to the latest statistics, $400 billion of U.S. treasuries now account for only 28% of China's $1.43 trillion foreign reserves, in sharp contrast to previous years when most of China's foreign reserves were in U.S. treasuries. *China Daily* cited analysts who attributed the rapid exit from the dollar, to the low exchange rate caused by the subprime mortgage fallout, and the U.S. Federal Reserve's decision to lower the interest rate by 50 basis points, both of which are symptoms of the collapsing dollar-based monetary system. The dollar has lost about 7% this year against the euro. Suspicions that the Fed would cut the interest rate again contributed to further pressure for China and other countries to reduce holdings of U.S. assets.

China's State Administration of Foreign Exchange told a conference that foreign exchange management departments should move against hot money flows, by "regulating foreign capital inflow and foreign exchange management, preventing illegal capital inflow and short-term overseas speculation, to ensure the national financial security."

Speculative Investments

Italy Investigates Derivatives in Regions

The Milan Prosecutor's Office has opened a criminal investigation of financial derivatives deals between the Lombardy regional government and UBS and Merrill Lynch. The financial police seized records of the regional government office on Oct. 18, after a popular TV broadcast on Oct. 14 featured the derivatives bubble which has been built up by regional and local administrations.

The investigation focusses on a "sinking fund," whereby the Lombardy money is managed by UBS and Merrill Lynch, but the investment risk is borne entirely by the customer (in this case, the regional administration).

The Finance Committee of the Chamber of Deputies will start hearings on the regional derivative bubbles at the end of October.

It is expected that a bipartisan amendment to the current budget law will be proposed, according to which no local administration will be allowed to purchase a derivatives contract without authorization from the Finance Minister or another supervising authority. The amendment will be proposed by Senators Cinzia Bonfrisco and Giovanni Legnini.

Legnini has called for an "evaluation of financial products proposed to local administrations, through the office of the Finance Ministry, about risk profiles of the contract to be signed," by the Senate Budget Committee.

The senators are considering introducing a cap of 10% of derivatives relative to the local administration's total debt financing, along with risk-sharing with the banks.

Free Trade

Mexicans Are Starving Thanks to NAFTA

As a result of the imposition of the North American Free Trade Agreement (NAFTA) in 1993, combined with almost a quarter-century of the IMF's "structural adjustment" policies, 20% of Mexicans suffer from hunger, according to the country's Social Development Secretary. This, in a country that was once self-sufficient in food production.

In rural areas, the hunger figure shoots up to 40%, while among largely indigenous populations, it is 60%. And statistics indicating 8,000 infant deaths annually due to extreme malnutrition, is certainly inaccurate, given that official statistics aren't even kept in the rural areas of such poorer states as Guerrero, Chiapas, Yucatan, and Oaxaca. In the Chiapas highlands alone, 153,000 children under the age of five are threatened with severe malnutrition.

Economist José Luis Calva of the National Autonomous University (UNAM), reports, in the Oct. 18 *El Universal*, on the shocking 93% decline in public investment in agriculture that occurred between 1980 and 2006. The Mexican Food System that existed under President José López Portillo to combat hunger and malnutrition was abandoned by successor governments.

Farm leaders warn that the next phase of NAFTA, starting in January, will flood the country with cheap U.S. food imports. It will mean "the kiss of death" for the nation's agricultural sector, forcing even more people off the land and out of the country in search of jobs in the United States.