

A person walks into the Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) headquarters in Hsinchu, Taiwan on Oct 20, 2021. (AP)



### Taiwan chipmaker TSMC says quarterly profit \$6 billion

Taiwan Semiconductor Manufacturing Co., the biggest contract manufacturer of processor chips, reported Thursday its quarterly profit rose 16.4% over a year earlier to \$6 billion amid surging demand for chips for smartphones and other electronics.

Revenue in the final three months of 2021 rose 21.2% to 438.2 billion New Taiwan dollars (\$15.8 billion), TSMC announced. Profit was 166.2 billion New Taiwan dollars.

TSMC, headquartered in Hsinchu, Taiwan, makes processor chips for major

brands including Apple Inc. and Qualcomm Inc.

Chipmakers have benefited from demand for next-generation telecoms, high-performance computing and chips for use in products from cars to medical devices.

TSMC announced plans last year to invest \$100 billion over the next three years in manufacturing and research and development. Most semiconductors used in smartphones, medical equipment, computers and other products are made in Taiwan, South Korea and China.

TSMC announced plans in October to build its first chip factory in Japan. The company and Sony Corp. later said they would jointly invest \$7 billion in the facility.

Outside Taiwan, TSMC also operates a semiconductor wafer fabrication facility in Camas, Washington, and design centers in San Jose, California, and Austin, Texas.

The company has announced plans for a second U.S. production site in Arizona as concern grows over American reliance on sources in Asia for high-tech components. (AP)

### Utility customers are getting hit with higher bills

# Europe gas crisis hinges on cold, high prices luring supply

FRANKFURT, Germany, Jan 13, (AP) — Europe's natural gas crisis isn't letting up. Reserves are low. Prices are high. Utility customers are getting hit with higher bills. Major Russian supplier Gazprom isn't selling gas like it used to.

It all raises the question: How exactly is Europe, which imports most of its energy, going to make it through the winter without a gas disaster, especially if the season turns out to be colder or longer than usual?

Here's how the European Union, home to 447 million people, will try to deal with the crisis:

**The Problem Is Low Storage Levels:** Utilities turn to gas stored in underground caverns to handle sudden additional demand for gas for heating or electricity. But Europe started 2021 with gas storage only 56% full, compared with 73% a year earlier. The reasons vary: cold weather last winter, lack of Russian deliveries on the spot market and robust demand in Asia for liquid natural gas that comes by ship. Europe's association of pipeline operators says cold weather would mean needing to import 5% to 10% more gas than the maximum volumes observed in recent years to avoid the risk of shutoffs.

**As A Result, Gas Prices Have Soared:** The benchmark price in Europe is around 80 euros per megawatt hour, more than four times its level of 19 euros at the start of 2021 and up from as low as 4 euros in 2020. Prices have eased from as much as nine times their level at the start of last year. That price shock is feeding through to utility bills, alarming consumers and politicians.

**Europe Is Relying On High Prices Attracting More Supply:** Analysts at Rystad Energy used ship-tracking data last month to watch 11 tankers bringing liquid natural gas, or LNG, to Asia make U-turns in the middle of the ocean to take advantage of lucrative sales in Europe. With prices so high, traders were tempted to divert cargoes to Europe even if they had to offer 100% of the price as compensation, analysts at data firm Energy Intelligence said.

"I wouldn't say that LNG is 100% enough, but it will play a very important role" in Europe's energy solution, said Xi Nan, head of liquid natural gas markets at Rystad. But she added a caveat: "Depending on how much Europe is willing to pay."

**Russia Hasn't Sent As Much Gas:** State-owned Gazprom has sold less short-term gas through its pipelines crossing Poland and Ukraine and hasn't filled as much of its European storage as it normally does, though it appears to be fulfilling its long-term contracts. Analysts believe Russia may be underlining its desire for Europe to approve the Nord Stream 2 pipeline to Germany that bypasses Poland and Ukraine. There also are increased tensions with Europe over Russian troop deployments near the Ukraine border.

**Letting Storage Fall Too Low Can Be A Problem:** As storage caverns are depleted toward winter's end, the pressure falls and gas comes out more slowly. That means reserves might not fall all the way to zero but might deliver gas too slowly to meet a sudden surge in demand.

**In The Short Term:** European governments are offering cash subsidies to consumers to soften the blow. Sweden became the latest Wednesday by announcing 6 billion kronor (\$661 million) to help households most affected by higher electric prices.

**Longer Term:** The solution is more investment in renewables such as wind and solar. Yet officials concede gas will play a role for years during that transition.

**Political Unrest In Kazakhstan Isn't Contributing:** The resource-rich Central Asian country supplies oil to the EU - but not gas - and the oil flow wasn't affected by violent protests that began over soaring fuel prices but quickly spread, reflecting wider discontent over Kazakhstan's authoritarian government.

**Europe Remembers What A Bad Winter Can Mean:** A late-winter cold snap in 2018 sent energy prices skyrocketing. Britain warned that some industrial uses of electricity powered by natural gas could face shutoffs. It



A worker at a Ukrainian gas station Volovets in western Ukraine Wednesday, Oct 7, 2015. Europe's natural gas woes are far from over in Jan 2022. Prices are high. Underground reserves that are relied on in cold weather are low. Russia's state-owned Gazprom isn't selling as much spot gas as it used to. The pipeline operators have told the European Union's executive commission that if there's a cold winter, the continent's gas companies will need to import more than they have in the past. (AP)

didn't come to that, but no one wants to see that scenario. Nor a repeat of the disruption from January 2009, when a pricing dispute between Gazprom and Ukraine led to a two-week shutoff in southeast Europe. It cut off gas heat to 70,000 apartments in Sarajevo, the capital of Bosnia-Herzegovina, forcing people to stay with relatives and emptying stores of space heaters.

**If All Else Fails:** EU legislation requires countries to help each other in the case of a gas shortfall. Governments can declare a gas emergency and shut off industrial customers to spare households, hurting the economy but sparing a humanitarian and political disaster.

In theory, they can demand cross-border gas supplies from each other.

In recent years, Europe has built more reversible pipeline connections but not enough to cover the entire continent, leaving some countries more exposed than others.

Yet the system has never been tested, and there are questions about how willing countries would be to share gas in a crisis. The European Commission, the EU's executive branch,

is working on revising the rules to include joint gas purchases but on a voluntary basis, said Ruven C. Fleming, energy law blogger and assistant professor at the University of Groningen in the Netherlands.

The revision "is a quite clear indication that even those who installed the mechanism don't think it would work very well," Fleming said.

# India and Britain launch talks on free trade deal

One of the most ambitious negotiations after Brexit

NEW DELHI, Jan 13, (AP) — India and Britain on Thursday launched talks on a free trade deal that is expected to boost bilateral trade by billions of dollars in one of the most ambitious negotiations after Brexit.

Britain's International Trade Secretary Anne-Marie Trevelyan met with Piyush Goyal, India's minister of commerce and industry, in New Delhi before formal talks next week.

"This is the first of my important agreements this year as Britain set out on her independent journey post-Brexit," Trevelyan told reporters.

She said the countries have a unique opportunity to build ties in trade, defense, climate and health as they recover from the COVID-19 pandemic.

Goyal said the free trade agreement, expected to be finalized in one year, will double the current trade of \$50 billion by 2030. A British government statement said the deal could potentially double U.K. exports to India and boost two-way trade by \$38 billion a year by 2035.

Both sides hope the deal will bring huge benefits for several industries, from food and drink to cutting-edge renewable technology.

"A deal with India is a golden opportunity to put U.K. businesses at the front of the queue as the Indian economy continues to grow rapidly," Trevelyan said, adding that Britain was keen to tap into the growing middle class in Asia's third-largest economy.

After leaving the European Union in 2016, Britain has focused its trade policies on the Indo-Pacific region. India, a former British colony, is viewed as a favorable location given uncertainties over the U.K.'s ties with China.

Investment from Indian companies already supports 95,000 jobs across the U.K., the British statement said.

Britain is angling for a deal that slashes barriers, including tariffs on exports of British-made cars.



Anne-Marie Trevelyan — Secretary of State for International Trade speaks at the Conservative Party Conference in Manchester, England, Sunday, Oct. 3, 2021. India and Britain are launching talks on pursuing a free trade deal that is expected to boost bilateral trade by billions, making it among the most ambitious negotiations to take place after Brexit. (AP)

## EU rejects merger of Daewoo, Hyundai

BRUSSELS, Jan 13, (AP) — The European Union on Thursday rejected the merger between South Korean shipbuilders Hyundai and Daewoo, saying a union between two of the world's biggest players in the industry would have given the combined company a global stranglehold on the production of liquefied natural gas carriers.

EU Competition Commissioner Margrethe Vestager says the merger "would have led to less choice, higher prices and ultimately less innovation for European customers." European companies account for almost half the orders in the \$45 billion market.

"We prohibited the merger," Vestager said, arguing the new company would have eliminated a major player and grabbed a global market share exceeding 60%.

And it is not an easy market for new players to jump into. LNG shipbuild-

ing is a complicated process that requires transporting frozen gas at minus 162 degrees Celsius across the globe.

"Only a handful of shipbuilders around the world are able to build these vessels," she said.

Hyundai Heavy Industries Holdings called the decision disappointing, saying it "will pursue possible measures, including an appeal to the General Court of the European Union." It denied that the new company would have a chokehold on the market, saying "credible competitors already exist," including Samsung in South Korea and Mitsubishi and Kawasaki in Japan.

While Vestager's office is powerful in vetting such mergers and ensuring European consumers are not hurt by dominant players in the market, it was only the 10th merger that it has blocked in the past decade among 3,000 requests for approval.

Under EU rules, the European Commission can reject mergers even outside its borders because they would affect markets in the 27-nation bloc if the companies do business there. In the case of the LNG carriers, the new company would have a massive stake in the European markets. To move forward, the two companies would put themselves outside of EU law and lose a huge part of their market.

"It does not matter where the merging firms are located," Vestager said. "What matters is whether they compete for demand in Europe. Companies are always welcome to grow by acquisition, as long as this is not at the expense of choice, price, quality and innovation in the European single market." She said the EU also had been in contact with South Korean and Japanese fair trade commissions, which still have to make their own decisions on the merger.

## Country struggles with its worst crisis

# Sri Lanka asks China for restructuring of its loans

COLOMBO, Sri Lanka, Jan 13, (AP) — The president of debt-ridden Sri Lanka asked China for the restructuring of its loans and access to preferential credit for imports of essential goods, as the island nation struggles in the throes of its worst economic crisis, partly due to Beijing-financed projects that don't generate revenue.

President Gotabaya Rajapaksa told visiting Chinese Foreign Minister Wang Yi that it would be "a great relief to the country if attention could be paid on restructuring the debt repayments as a solution to the economic crisis that has arisen in the face of the COVID-19 pandemic," according to a statement from his office.

Rajapaksa asked Wang for a concessionary credit facility for imports so that industries can run without disruption, the statement said. He also requested assistance to enable Chinese tourists to travel to Sri Lanka within a secure bubble.

Wang and Prime Minister Mahinda Rajapaksa, the president's brother, later visited Colombo's Port City, a reclaimed island developed with Chinese investment, where they opened a promenade and inaugurated the sailing of 65 boats to commemorate the 65 years of diplomatic relations between the two countries.

In his speech at the Port City Wang said a persistent and unchecked pandemic has made economic recovery difficult and the two countries must take the anniversary of the diplomatic ties to work closer together.

He did not elaborate nor announce any relief measures.

Wang arrived in Sri Lanka on Saturday from the Maldives on the last leg of a multinational trip that also took him to Eritrea, Kenya and the Comoros in East Africa.

Sri Lanka faces one of its worst economic crises, with foreign reserves down to around \$1.6 billion, barely enough for a few weeks of imports. It also has foreign debt obligations exceeding \$7 billion in 2022, including repayment of bonds worth \$500 million in January and \$1 billion in July.

The declining foreign reserves are partly blamed on infrastructure projects built with Chinese loans that don't make money. China loaned money to build a seaport and airport in the southern Hambantota district, in addition to a wide network of roads.

Central Bank figures show that current Chinese loans to Sri Lanka total around \$3.38 billion, not including loans to state-owned businesses, which are accounted for separately and

thought to be substantial. "Technically we can claim we are bankrupt now," said Muttukrishna Sarvananthan, principal researcher at the Point Pedro Institute of Development. "When you have your net external foreign assets have been in the red, that means you are technically bankrupt."

The situation has left households grappling with severe shortages. People wait in long lines to buy essential goods like milk powder, cooking gas and kerosene. Prices have increased sharply, and the Central Bank says the inflation rate rose to 12.1% by the end of December from 9.9% in November. Food inflation increased to over 22% in the same period.

Because of a currency shortage, importers are unable to clear their cargo containing essentials and manufacturers are not able to buy raw materials from overseas.

Expatriate remittances have also fallen after the government ordered the mandatory conversion of foreign currency and exchange rate controls.

Ratings agency downgrades have resulted in Sri Lanka losing much of its borrowing power. In December, Fitch Ratings noted an increased probability of credit default.

The Central Bank has added a currency swap in Chinese currency worth \$1.5 billion to the reserves, but economists disagree whether it can be part of foreign reserves or not.

Wang's visit has again highlighted the regional power struggle between China and India. Sri Lanka's closest neighbor that considers the island part of its domain.

Before Wang spoke with Sri Lankan leaders, the top Indian diplomat in the country on Sunday morning inaugurated a train service from a station near Colombo to the north using compartments provided through an Indian loan facility.

An Indian embassy statement quoted Vinod Jacob recalling "the priority placed by Indian Prime Minister Narendra Modi on ties with Sri Lanka in line with the 'Neighborhood First' policy."

He said that a recent statement by India's External Affairs Minister S Jaishankar that India would support Sri Lanka in difficult times was an affirmation of that policy in the current context.

"We can see Sri Lanka being saddened between India and China for a potential bailout package," said political analyst Ranga Kalansooriya.