

# Business Briefs

## Finance

### Regulate capital flows, says Chinese newspaper

Developing countries need to regulate capital flows better to prevent future financial crises, an editorial in the April 2 *China Daily* said. "Many developing countries, vocally represented by Malaysia, . . . feel vulnerable to the sudden and sometimes unpredictable flow of foreign funds," it said. It is now widely recognized that East Asian countries and Brazil, for example, were victims of speculative capital attacks, rather than themselves culprits who created the problem, it said.

The editorial reviews the importance of distinguishing different types of foreign capital flows, favoring foreign direct investment in project-oriented deals over short-term speculation and foreign portfolio investment, for example, with the aim of maximizing sovereign control of national economies.

The biggest stumbling block to reform, the editorial said, is that "at the level of the wealthy Group of Seven countries, there is a division between the United States, which insists markets should be left alone (and countries should improve their economic policies and financial systems), and several others, including France, Germany, and Japan, which advocate greater government intervention to curb market excesses. . . . As long as there is no consensus between the three giants . . . debate will not lead to international action."

## Petroleum

### BASF, Gazprom sign deal to explore Arctic Sea

On March 31, Gazprom board chairman Rem Vyachirev and BASF board chairman Jürgen Strube signed the biggest-ever private German-Russian economic agreement, for the exploration of three gigantic Russian gas and oil fields in the northern Russian region of Timan-Petchora and in Western Siberia. A precise dollar figure was not placed on the investments involved, but it

will be in the range of several billion dollars. Strube stated that he views the long-term cooperation as a "great chance" for BASF.

The 30-meter-deep Arctic Sea oil field Prirazlomnoye (near Archangelsk) alone could contain as much as 1 billion tons of oil, according to preliminary aerial estimates.

BASF would assist Gazprom in the mapping, investigation, and exploitation of the fields, and in the transport and marketing of the gas and oil. BASF and Gazprom are also planning to start joint projects in other areas, such as petrochemical and other chemical production, medicine, telecommunications (integration of optical telecommunications cables with gas-oil pipelines), and joint participation in international gas-oil exploration projects. As BASF managers emphasized, cooperation is focussed on joint investments, compared to the recent multibillion-dollar deal between the German gas supplier Ruhrgas AG and Gazprom, which was a trading deal.

Wingas, a joint venture by BASF and Gazprom, has invested 4.5 billion deutschemarks in Germany in recent years, in particular for a 1,600 kilometer gas pipeline. In 1994, Gazprom, BASF, and the German industrial groups Linde and Salzgitter agreed to construct a petrochemical complex in Novy Urengoy, Siberia. However, not much has happened in this project. At the moment, 33% of all gas consumed in Germany is of Russian origin.

## Biological Holocaust

### UN rings alarm on HIV rates among Asian youth

The United Nations AIDS program issued a new report in Bangkok on April 2, which warns that the rates of infection among youth 25 years old and under are vectored to rival rates in sub-Saharan Africa. The report estimates that there are 1.2 million new HIV infections annually, of which 700,000 are among those 25 years old and younger.

Peter Piot, UNAIDS executive director, said that there are currently 7.2 million people in Asia living with AIDS-HIV, but that

20% of these were infected in the past year alone, and 50% of the new infections are among youth 25 and younger. Piot cited the economic crisis as a factor in the rate of increase, pointing to lack of education and spending on health care, but also pressure on the young to help support their families, leading, in particular, to young women turning to prostitution.

The hardest hit countries are India, Cambodia, Thailand, and Myanmar. India has close to 5 million HIV-AIDS cases, Thailand slightly more than 1 million, Myanmar an estimated 440,000, and Cambodia around 180,000 adult AIDS cases, the worst rate at 3.7% of the total population. So far, 250,000 have died from AIDS in Thailand. UNAIDS expert Kul Gautam said that the rates in Asia are less spectacular than in sub-Saharan Africa, where some countries show that 15-20% of 16-year-old girls are HIV positive, but Asia could soon outstrip these rates. He added that 10% of AIDS orphans are in Asia, which could rise to 33% within a decade.

## Cartels

### British Petroleum set to take over ARCO

British Petroleum-Amoco (BP), at the heart of the British oligarchy's raw materials and strategic materials cartels, announced on March 31 that its board had agreed to take over the California-based Atlantic Richfield Co. (ARCO), America's seventh-largest oil producer. BP will pay \$28 billion, or approximately \$75 per share for ARCO stock.

In December 1998, BP completed its \$62 billion takeover of Amoco Corp., the former Standard Oil of Indiana Co., which had been one of the "Seven Sisters" oil giants and the fifth-largest oil company in the world. With its purchase of ARCO, BP will reportedly now be the largest oil producer and refiner in America. The U.S.-based Exxon Corp., which is in the process of merging with Mobil Corp., is the world's largest oil producer, but this includes its production around the world. BP-Amoco-ARCO will be the largest producer of U.S. reserves, as well as the largest refiner. This

is a key point of control for the British Commonwealth oligarchy, which is buying up raw material assets as the world financial disintegration advances.

According to the March 31 *Wall Street Journal*, following BP's merger with Amoco last December, BP fired 10,000 workers, and BP chief executive officer Sir John Browne unveiled a blueprint to force out most of Amoco's leadership. The *Journal* states, "Almost all of Amoco's senior executives have left the company—many unexpectedly. BP executives talk privately of the 'Amateur Oil company' they acquired." The *Journal* predicts that the same treatment will be meted out to ARCO's executives.

Lord Wright of Richmond is one of the dominant BP board members. During 1972-74, he was head of the Middle East Department of Britain's Foreign and Commonwealth Office; from 1986-91, he was permanent undersecretary of state and head of Britain's diplomatic service. He is on the board of Barclays Bank and is the chairman of the Royal Institute of International Affairs. BP chairman Sir David Simon, CBE, is very close to British Prime Minister Tony Blair. Kuwait reportedly still owns 9.4% of BP's stock, and Morgan Guaranty's trust company reportedly owns more than 15%.

## Industry

### Production collapse hits Ibero-America

The global economic crisis is leading to the collapse of production throughout Ibero-America.

In Peru, the National Society of Industries (SNI) reports that industrial production dropped 8-9% in February, and it expects a similar fall in March. SNI Vice President Eduardo Iriarte charged that government statistics are flawed, because they no longer include entire sectors, such as pesticide and fertilizer production. The SNI has lost 25% of its members, as companies have gone bankrupt or were forced to merge. Tax collection fell 9% in the first two months of 1999, he said, and if the government doesn't renegotiate the terms on which businesses pay taxes, to allow firms to continue to oper-

ate, tax revenue will keep falling.

In Venezuela, 359 manufacturing plants shut down in January and February, according to the head of Conindustria.

In Brazil, industrial production in January was 3.6% below that of January 1998, according to the Brazilian Institute of Statistical Geography, the eighth consecutive month in which production fell. The biggest drops were in transport (-17.2%), metalworking (-15%), and metallurgy (-9.4%). In São Paulo, the industrial heartland of Brazil, production fell 10.9% compared to the year before, the sixth month in a row of decline. The collapse is accelerating: São Paulo production fell 4.6% in November, and 6.9% in December, with transport dropping 24.8%, and metalworking and metallurgy combined, 17.5%. According to the São Paulo Industrial Federation, in January and February, 28,519 industrial jobs were lost. Since July 1994, when Fernando Henrique Cardoso's Real Plan took effect, São Paulo industry has lost more than a half-million jobs, a drop of 24.8%.

## Trade

### Egypt to boost ties to Japan, China, S. Korea

Egyptian President Hosni Mubarak visited China on April 5, inaugurating a 10-day tour to hold summit talks in China, Japan, and South Korea, and to finalize major economic cooperations agreements on trade, industry, and energy cooperation. Egyptian Prime Minister Kamal Al-Ganzouri visited China last year and initialed a number of cooperation protocols on Chinese assistance to build a new industrial zone in northern Suez, which includes ports, steel industries, textiles, and power plants.

"A delegation of major South Korean companies, such as Hyundai, Samsung, and Daewoo, visited Egypt [in March] to study proposals on agreements to invest in Egypt. Investments will be made in Egypt's textile industry, new energy projects, seawater desalination and ventures on the use of nuclear power for peaceful purposes," said Egypt's Ambassador to Seoul, Hussein Darar.

**JAPAN'S** machinery orders in October-December 1998 fell 3% compared to the same period in 1997, the fifth straight quarter of year-on-year declines, according to a survey by the Japan Machinery Federation. Orders by all industrial sectors declined, with transportation machinery down by the widest margin, at 24.8%.

**CONAGRA**, the food cartel giant, had earnings 44% higher in the quarter ending Feb. 28 over same time a year ago. The firm declared earnings of \$171.4 million, up from \$118.9 million the same time in 1998. Farmers, meanwhile, are now facing prices for their commodities at 20-year lows or worse.

**SYRIA** is near economic collapse, according to U.S. officials who recently visited the country. In 1997, production declined 4.4% despite positive growth in the previous two years. Per-capita production decreased from \$1,050 in 1995 to \$900 in 1997.

**QATARI** Emir Sheikh Hamad Bin Khalifa Al Thani started a tour to Asia on April 6, that will take him to Pakistan, India, Thailand, China, Japan, South Korea, and Kazakstan, which consume 80% of Qatar's energy production. The aim of the visit is to increase trade and sign agreements for economic and commercial investments.

**AUSTRALIA'S** population is second to the United States in exposure to the stock market bubble. Latest figures show that financial assets held by Australian households have topped \$1 trillion, a 10% increase from the year before. Some 5.5 million people out of a total population of 18 million are direct investors.

**THE RAIL LINE** construction from Melbourne to Darwin in Australia is being speeded up. The federal government has set up a committee to remove impediments to the line; the major concern is Aboriginal land claims.