Business Briefs

Natural Gas

Italy, Libya pipeline may extend to Greece

A 600 kilometer gas pipeline will be built between Libya and Italy, the Italian daily *Corriere della Sera* reported on July 28. The agreement between the two countries was signed in 1996, but the final announcement was made on July 27, by the Italian national oil company, ENI.

When complete, in the year 2003, the companies will start pumping natural gas from a gas field 180 meters under the sea off the shores of Libya, in a project that will cost $5.5 billion. The project will produce 10 billion cubic meters of gas annually, 2 billion of which will be destined for Libya, and 8 billion for export via Italy.

The new chairman of ENI, former World Trade Organization head Renato Ruggiero, announced a second project to extend the pipeline to Greece and Albania. "We will give energy also for the reconstruction of the Balkans," he said in an interview. Ruggiero also mentioned another project to connect Croatia to the Italian pipeline network, through Ravenna. "There is also the idea of an oil pipeline from Constanza, on the Black Sea, to Trieste, serving the whole northern part of Serbia and the Balkans," he said.

The Americas

U.S. seeks to link electricity grids

As U.S. cities swelter, electricity spot market prices zoom to as high as $8,000 per megawatt-hour, and utilities cut off power to customers, U.S. Energy Secretary Bill Richardson proposed a study to find the best methods for expanding cross-border transmission lines between the United States and its southern neighbors, at the Hemispheric Energy Ministers meeting in New Orleans in July. The study, which will cost $430,000, will be paid for by the World Bank, with a $50,000 contribution from the U.S. Department of Energy, the Aug. 1 *Houston Chronicle* reported.

The energy ministers from 34 nations at the conference showcased the takeover of government utilities by the private sector, and called for more private investment. Who these "private investors" will be was indicated by representatives of the George Bush-affiliated Enron Corp. Enron Chairman Ken Lay said that the firm is interested in participating in a huge pipeline project in Venezuela that would link six gas-producing areas. Lay downplayed political risks in Venezuela, saying that the upheaval set off by the election of Hugo Chávez as President doesn't mean there won't be stability, in the long run.

Enron has had problems in other developing countries, which balked at "foreign investment" when it became clear that Enron would control the price of the energy produced, in many cases making it unaffordable to the local population.

South America

Financial crisis shakes up Mercosur

A crisis has erupted in Mercosur, the common market of the Southern Cone, as financial disintegration in Brazil and Argentina has led to supension of trade talks between the two powerhouses of the four-member trade bloc (Uruguay and Paraguay are the other two members). Pressured by industrial and business groups, which are in desperate straits as a result of global economic breakdown, both countries have adopted protectionist measures which violate Mercosur's regulations for free trade among the member states.

Brazil unilaterally called off trade negotiations in July, after Argentina imposed tariffs on several Brazilian imports. The crisis is being portrayed in some media as the "death" of Mercosur. The July 28 *Wall Street Journal* headlined its coverage, "Brazil Tie to Argentina at Breaking Point."

Not unrelated is Brazil's angry reaction to Argentine President Carlos Menem's insane proposal to join NATO, and rumors that Argentina would lead a multi-national intervention into Colombia. Menem's NATO proposal caused a "storm" at Brazil's Foreign Ministry, according to Argentina's *Pagina 12*. Argentina's Industry Ministry blames anglophile Foreign Minister Guido Di Tella for provoking Brazil with the NATO/Colombia discussion, to which Di Tella condescendingly replied that, of course, "We wouldn't act [on the Colombia situation] without hearing from Brazil."

Brazil's Foreign Ministry called for an emergency meeting of Mercosur's leaders, which was scheduled for Montevideo on Aug. 4. In the meantime, both governments are exchanging barbed accusations, and Menem's trip to Brazil in August has been cancelled. A Brazilian official said that Argentina's placing restrictions on imports of Brazilian textiles, leather, steel, automobiles, and shoes, was "the straw that broke the camel's back." Di Tella responded that the devaluation of the Brazilian currency, the real, last January, was itself a protectionist measure. Since January, trade between the two countries has declined by 30% compared to the same period in 1998.

Sudan

China-, Malaysia-led projects advance

China has completed a major oil project in Sudan. After a year of work, the China National Petroleum Corp. and its subsidiary, China Petroleum Engineering Construction Corp., have finished an oil field, a pipeline, and an oil refinery, Xinhua reported on July 26. The Muglad oil field has an output of 150,000 barrels per day, or an annual capacity of 7.5-10 million tons. The pipeline, 1,506 kilometers long, goes from Heglid in southern Sudan to Port Sudan on the Red Sea. The oil refinery processes 2.5 million tons per year.

The project signals an important step forward in the cooperation between China and Sudan, which is already very good. It also is considered a breakthrough for China, in expanding its overseas oil markets.

Sudan's ties with Malaysia are also improving. During the 4th Langkawi International Dialogue meeting on July 26, the two countries initiated negotiations for a joint-venture rail project in Sudan. Sudanese Foreign Minister Ali Nimeri reported on a meeting between Malaysian Prime Minister Dr. Mahathir bin Mohamad and Lt. Gen. Omar Hassan Ahmad. Asked the scale of the project, Nimeri said, "Sudan is a vast country. If you take the pipeline now, which we have built, it is 1,600 km, the longest in Africa." (The Malaysian news agency Bernama pointed out that Sudan is the largest country in Africa.) Ali said Sudan is also interested in Malaysian investments in air links, communications, and the oil industry.

Petroleum

Iraqi oil exports grow; ties with India improve

Iraq expects to become the second largest exporter of crude oil by 2000, according to Iraqi Oil Minister Amir Mohammad Rashid, in a statement published by the Iraqi News Agency on July 28. Iraq is second only to Saudi Arabia, Rashid said, and Iraq will continue to increase its output capacities, to 3.5 million barrels per day (mbd) over the next year, up from the current 2.2 mbd. Iraq is allowed to export $5.2 billion worth of oil every six months according to the UN oil-for-food program. The country has been allowed to purchase some spare parts, worth $300 million, to repair its oil industry, which was smashed by the sanctions.

On July 29, Indian Oil Minister V.K. Ramamurthy announced that India will grant a $25 million loan to Iraq. He was on a visit to Baghdad as head of a 40-person delegation for the 13th session of the joint economic and trade commission. The minister said that he was aware of the fact that the loan is contrary to the UN sanctions resolution, but that India would never allow a friend like Iraq to suffer. "India is deeply concerned about the situation in Iraq," he said, adding that the Indian government will offer Iraq "all the political, material, and moral support" it needs to rid itself of UN sanctions. The loan, to be paid back in two years, will enable Iraq to purchase 1,000 buses from India. The loan is the first of its kind, in nine years of UN sanctions.

Ramamurthy had said the day before that India is interested in developing an oil field in southern Iraq (in the North Rumeila field), as well as a new project in Iraq's western desert. India's state company, the Oil and Natural Gas Corp. Ltd., is reportedly discussing with Iraq the development of 100 wells in the country's vast Tuba oil field.

Meanwhile, according to well-placed sources, Iran's oil machinery imports are increasingly at the mercy of British, Canadian, and Australian middlemen who control the import of American oil-drilling and -exploration equipment into Iran. These companies cannot trade directly with Iran because of the sanctions regime. The British, however, have reestablished diplomatic ties. Through this mediation, the price of machinery is increased 35%, and British-linked Iranian businessmen who import the goods also jack up the price.

Finance

British greed jeopardizes success, warns columnist

"Loot—Why Are the British So Greedy?" reads the headline of a two-page feature in the London *Sunday Times,* accompanied by a picture showing a euphoric lunatic taking a bath in zillions of coins. The piece is an extract from a book, *The National Wealth,* by Dominic Hobson, and presents numerous examples of how British managers and other British "fat cats" are making their millions and billions of pounds. In this "massive anatomy of the nation at the end of the 20th century," Hobson states, "greed is good and helped to make Britain rich, but many of today's fat cats and City [of London] millionaires have become so excessively grasping that they endanger our success."

The new and old rich in Britain "are not great leaders of men," Hobson writes. Instead, the very secrets of their standard of living are, first, "impudence," and second, "ignorance."

Briefly

BEIJING, China's capital, is suffering an extraordinary heat wave. But unlike the sorry state of things in the United States, where the heat has resulted cutbacks in usage and rolling brown- and black-outs, Beijing has met the demand, because over the past two years, it has increased capacity to the city by an extraordinary 30%, Chinese government TV reported on July 30.

SOUTH AFRICA'S twelve public service unions, led by the South African Democratic Teachers Union, have begun a general strike for a 10% wage increase, the London *Daily Telegraph* reported on July 31. The government is offering 6.3% for most civil service workers.

'UKRAINE is very close to default," Elfie Siegl wrote, in the German daily *Frankfurter Allgemeine Zeitung* on July 28. Deputy Prime Minister Sergei Tyhypko declared at a recent cabinet meeting that Ukraine is now "on the verge of financial collapse." Most firms are in catastrophic shape, with total corporate debt at roughly $60 billion, almost double Ukraine's GDP for 1998.

COMPAQ Computer Corp., headquartered in Houston, Texas, announced 6-8,000 layoffs as a result of a price war among manufacturers in business computers, the July 29 *Houston Chronicle* reported. The layoffs come on top of 17,000 layoffs announced last year when Compaq acquired Digital Equipment Corp.

RUSSIA has closed down its Molodyozhnaya research station in Antarctica, because of "a sharp decline in the funding of the Russian Antarctic Expedition," an official of the Russian Weather Forecasting Service told Interfax on July 22.

IRAN AND RUSSIA are considering economic agreements and contracts amounting to $8 billion. Talks in Moscow in late July focussed on cooperation in exploration and exploitation of mines and natural resources, and possible joint ventures.