

Business Briefs

Raw Materials

Global Cartel Unites To Push Down Supply Costs

The Who's Who of the global raw materials cartel have united in an "online procurement joint venture" to purchase more than \$300 billion worth of supplies cheaply over the Internet, the daily *Australian* reported on May 15. The venture includes Australia's big three mining companies, Rio Tinto, BHP, and WMC, as well as Alcan Aluminum, Alcoa, Anglo American, Barrick Gold Group, De Beers Consolidated Mines, Newmont Mining, Noranda, Phelps Dodge, and South America's Codelco and CVRD. Collectively, they represent 60% of global miners by market capitalization, and last year spent a collective \$340 billion on procurement.

The new virtual marketplace will give the companies, with their collective buying power, huge cost savings. BHP alone is expected to save \$850 million per year. "It is anticipated that the expansive, open, neutral platform will transform the procurement practices of the mining and metals industry," a joint statement released by the companies involved said. "It will bring significant benefits to both suppliers and buyers through standardization, transparency, streamlined transaction processes, and improved inventory management."

Mining

DeBeers Frets over Control of Diamonds

"An unusual arrangement" is in the works, whereby the national governments of Zimbabwe and the Congo are jointly planning to exploit a diamond-mining concession potentially worth \$1 billion, instead of leaving the field to London-run cartels, the May 30 *Wall Street Journal* reported, with evident alarm.

A new company, Oryx Diamonds Ltd., will offer its shares to the public on June 13. Oryx is a partnership of Zimbabwe's military and defense officials with Laurent Kabila's Congo government, which are allied

against the British-backed invasion from Uganda and Rwanda. The new venture will be used to help pay for the defense of the Congo.

"If diamonds in general are seen to be fuelling conflict, it has a terrible impact on the whole industry," said James McLuskie, manager of international operations for De Beers, which until last year had considered exploring the Congo property.

But a spokesman for Oryx "rejects the notion that Oryx will fuel the civil war [sic], insisting that serious mining will provide the jobs, money, and stability Congo needs."

Meanwhile, DeBeers Consolidated Mines Ltd. of South Africa has proposed a wholly owned subsidiary to be set up, with 100% foreign direct investment of over \$30 million, to conduct large-scale diamond prospecting and mining operations in India. In another proposal, DeBeers Centenary Mauritius Ltd. has sought to acquire up to 50% equity in the government-owned Hindustan Diamond Company Ltd. Backed by the South African Department of Mines, DeBeers has also sought to set up DeBeers India Exploration Private Ltd.

Central Asia

West-Backed Oil, Gas Pipelines Advance

There are various Anglo-American moves afoot to speed up development of pipelines and other "east-west energy corridor" projects to transport Caspian Sea oil and gas, that would circumvent Iran as a transshipment point, the London *Financial Times* reports. However, other reports indicate that there are serious snags regarding some of these projects.

In late May, John Wolf, President Clinton's special adviser on Caspian energy diplomacy, was in London. According to the *Financial Times*, he has insisted that, whatever the outcome of the Presidential elections in November, Washington is likely to stand firm on its Caspian energy policy, and that the United States will continue to promote an east-west energy corridor, linking the Caspian to Turkey, rather than sanctioning oil exports to Iran.

The two main projects being pushed, are a \$2.4 billion oil pipeline linking Baku, Azerbaijan; Tbilisi, Georgia; and Ceyhan, Turkey; and a Trans-Caspian gas pipeline linking Turkmenistan, Azerbaijan, Georgia, and Turkey. The United States continues to oppose any investment in Iran's oil and gas sector.

On May 31, the Georgian Parliament joined the Azeris, ratifying three accords which clear the way for construction of the Baku-Tbilisi-Ceyhan pipeline. Turkey is expected to do the same shortly. On May 29, the first meeting of 43 potential investors took place in Baku, to establish the main export pipeline company.

However, John Upperton, a spokesman for Royal Dutch Shell and the consortium of U.S.-based General Electric and Bechtel Corp., told Radio Free Europe/Radio Liberty on May 24, that Turkmenistan has failed to respond to his group's latest offer, and therefore the group plans to reduce spending and staff. According to *Platt's Oilgram*, an industry newsletter, the group has stopped all spending on the project until Turkmenistan renews its mandate. Unnamed Turkish officials were also quoted, saying that the project to pipe gas to Turkey with a 2,000 kilometer line is "all but dead."

Energy

Malaysia's Mahathir Challenges Oil Multis

Malaysian Prime Minister Dr. Mahathir bin Mohamad urged oil and gas multinational firms to put people above profits, and challenged them to develop new energy sources, in a speech to the Asia Oil and Gas Conference 2000, in the capital, Kuala Lumpur, on May 29. Oil is "the most powerful political weapon in the world. Simply by producing more or producing less, political objectives can be achieved. Preventing an oil-rich country from producing is equal to laying siege to a city," he said.

Dr. Mahathir reviewed trends in the industry, which are leading to the emergence of new oligopolies, noting that the "story of the oil industry is the story of attempts at monopolizing the industry," not improvement

SUB-SAHARAN Africa faces conditions today worse than they were in the 1960s, the World Bank admits in a new report. Africa is unique among all regions of the world, in failing to achieve any economic progress during the 1990s. Disease, civil strife, and infrastructure collapse have created a hellish situation for all but a small number of African nations, the report said.

SOUTH AFRICA and Iran signed a science and technology partnership agreement on May 30, the first of its kind. An Iranian official urged the two nations to initiate joint projects and exchange scientific and industrial know-how.

TOYOTA'S automobile manufacturing venture with a Chinese firm, to produce low-cost automobiles inside China for the Chinese market, has been approved by the Beijing government.

MOHAMED AL-FAYED'S Harrods Energy is developing Cambodia's oil. Al-Fayed visited Cambodia in March, when he met with Prime Minister Hun Sen and agreed to carry out the exploratory work in western Cambodia, where two basins are expected to produce either oil or gas.

RUSSIAN agencies reported on June 1 that the number of children in Russia has declined 15.7% since 1991, and that their health is worsening. According to Interfax, only 20% of all children born in Russia can be considered healthy, while 10-12% of primary school children are healthy. Since 1991, the incidence of functional disorders and chronic illnesses has increased almost 20%.

ROMANIA'S banking crisis, including rumors of an imminent default of Romanian Commerce Bank, which is slated to be privatized, has put the default of the nation back on the agenda. Prime Minister Mugur Isarescu said in early June that the panic was created in connection with the application for new loans to the International Monetary Fund.

in the general welfare. He reviewed the break-up of John D. Rockefeller's control in the United States, which produced the spin-offs that became the Seven Sisters, which are now re-consolidating to maintain their monopoly over exploration, production, refining, marketing, and the technology associated with all of these phases. The governments that stand behind the oil multitis "regard oil as a legitimate weapon of foreign policy. . . . Human rights? Human rights is for people who have leaders willing to submit to the will of the powerful," he said.

Government-backed national oil companies, which predominate in Southeast Asia, cannot compete with these multitis; they will become irrelevant, and will be supplanted by these emerging newly consolidated multitis, Mahathir said.

As for new sources of energy, Dr. Mahathir reviewed objections to hydropower, nuclear, and solar energy, concluding that the discovery of new oil reserves keeps postponing the needed investment in new sources; he suggested that perhaps governments should step in. He asked his audience to "spare a thought for ordinary people whose needs are really what make your industry tick. Without them, oil would be worthless. When the great hedge-fund traders manipulate currencies, they see only figures on the screen. . . . that a 0.1% drop in value can kill hundreds of people, starve them, is of no interest to these traders."

Myanmar

Lack of Foreign Investment Hasn't Halted Infrastructure

Although foreign investment in Myanmar has nearly dried up, internal infrastructure projects are booming, according to the Singapore *Straits Times* on May 4.

Except for France's Total and the United States' Unocal, which have refused to buckle to pressure to pull out of their massive oil development and pipeline project, most other major investors have pulled out. Nonetheless, the paper reports, "this cash-strapped government has built 101 major bridges, 104 dams, 43 hospitals, 350 primary schools, and 3,700 miles of road," and a new,

modern airport terminal. In response, the World Bank is demanding "radical structural reforms," including privatization, ending currency controls, and cutting defense spending.

Finance

India Backs Monetary Fund for Asia

Indian Foreign Minister Jaswant Singh, speaking on security cooperation between India and the Association of Southeast Asian Nations (ASEAN) in Singapore, said he strongly favors an Asian Monetary Fund (AMF), a concept initiated by Japan during the recent financial crisis in the region, to protect their economies from attack by speculators, the *Asian Age* reported on June 1. "We must look at it much more closely," Jaswant Singh said.

On June 1, International Monetary Fund Managing Director Horst Köhler, who was to be in India on June 5, said he was open to the idea of an Asian fund, but that such a body would need to complement, and not compete with, IMF operations. On June 1, in Bangkok, Thailand, at the start of a week-long tour of several Asian-Pacific countries, Köhler said that discussion about capital controls must not be taboo, because they may potentially serve as a last resort against speculative attacks on a national currency. Apparently with a reference to the case of Malaysia, where controls have been successful, Köhler added that capital controls only work, however, if the respective government pursues a reasonable management of the national economy.

Originally, India did not endorse the AMF concept. One reason was that India was not included in the discussions. However, some overtures since have been made by ASEAN nations and Japan toward India, which have been noted in New Delhi. Jaswant Singh is by far the most powerful member of the Vajpayee government. His interest in the AMF, which is linked to his concept of enhancing security in India's vicinity, indicates that New Delhi is interested in playing a role in the near future on this issue.