 by Renée Sigerson

# BP moves into minerals marketing

*British domestic corporate profitability is at depression levels. British Petroleum has launched the new strategy: "go global."*

On July 7, British Petroleum reached agreement to purchase the mining and minerals exploration company Selection Trust from its major shareholder, Charter Consolidated. At over $1 billion (£480 million), the acquisition is the largest ever on the U.K. stock exchange.

Following weeks of speculation as to whether the deal would come through, the final terms of the purchase signal the opening phase of a strategy by British-based multinationals to become "more global" in their activities. This is their solution to the hideous collapse of British industry, documented in recent issues of *EIR*.

The final terms of the acquisition are quite different from what was originally mooted by the international financial press. Instead of paying Charter cash for Selection Trust, BP has given an open option for an exchange of shares. Selection shareholders would receive shares in unspecified North Sea holdings of BP, as well as continuing ownership of Selection's subsidiary Alexander Shand, an opencast coal mining and engineering outfit. This arrangement will also reduce the British government's holding in BP from 46 percent to 43 percent.

BP's first purpose in this arrangement is to massively beef up its marketing strength, which is very weak compared, for example, to Royal Dutch Shell, which earns the weight of its activities from global marketing, not extraction and direct sale, of petroleum supplies.

Most important, BP is about to become the petroleum tentacle of a huge, integrated fuels and minerals empire.

The hidden feature of the deal, and the steppingstone to consolidating such a fuel-minerals empire, is that the share-exchange agreement will link BP directly into the South African-based minerals giant Anglo-American Corporation. Just as Charter Consolidated owns 26 percent of Selection Trust, which it is now about to convert into BP shares, Anglo-American owns 26 percent of Charter Consolidated.

The aim of the arrangement is not so much to expand fuel or minerals exploration, but to gain marketing clout. Britain foresees its strength in the coming decade in control over raw materials. This is its answer to France and Germany, which, through the European Monetary System, are developing a "superpower" capability in basic manufacturing and heavy industry worldwide. Britain hopes to hold the French-German superpower "hostage," if possible, on access to essential raw materials and fuels.

Selection Trust's most important division, and the one which BP will wholy acquire, is its financing division. One expert on British stocks reported that BP decided to strengthen marketing capabilities after last year. "BP was one of the most exposed companies in Iran," he said. "Following the Iranian upsets, and complications arising with its Alaskan oil fields, BP became a net purchaser of oil during 1979." He added that the Iranian debacle had also taught BP the importance of *not* concentrating its international commitments in any particular region, but rather striving for "global weight."

The acquisition occurs amidst the Thatcher government's maintenance of grueling, tight money conditions domestically. Corporations are closed out of domestic borrowing channels, which are being stuffed with government paper. On July 4, the Bank of England had to pump £900 million into the markets to purchase government gilts. On July 9, the government will issue £800 million in new gilts, soaking up the added liquidity just provided.

Through high interest rates, which succeeded in pushing sterling to a five-year high of $2.38 on July 7, the government hopes to attract international funds into gilts. These funds, however, are only going into Britain short-term. In the first quarter of this year, net foreign purchases of short-term (less than one year's maturity) government paper were £246 million. The same quarter, net foreign purchases of longer-term government funds was *£2* million!

British banks meanwhile are maintaining paper profitability by concentrating more funds in high-interest speculation. Two growth areas for British financial institutions presently are Hong Kong real estate and, following the lifting of exchange controls last October, sale and secondary marketing of high-interest certificates of deposit from their offshore branches.