Business Briefs

Mining

Barrick, Anglogold embark on joint Africa ventures

Barrick Gold Corp. of Canada and Anglogold, a subsidiary of the British oligarchy-controlled company Anglo American, will undertake joint exploration for gold in Laurent Kabila's Democratic Republic of Congo, and in Mali and Senegal, the Elko, Nevada *Daily Free Press* reported on June 15. Anglogold will buy into various African properties of Barrick.

Former U.S. President Sir George Bush serves as an honorary member of Barrick's international advisory board, and Barrick chairman Peter Munk is closely associated with Britain's Prince Philip and Prince Charles.

Barrick also announced that it has signed a deal with Anglo American to exploit the Tialkam property in Niger; Anglo American and Barrick will each own 45%, and the Niger government will hold the remaining 10%.

Middle East

Israel to build Dead Sea, Red Sea rail link

The Israeli Interior Ministry has given initial approval for a rail line to connect the Dead Sea with the port of Aqaba on the Red Sea, ministry spokesman Moshe Mosco said on July 5, the *Jerusalem Post* reported. The rail line, first proposed in the Israeli-Jordanian joint committee on infrastructure projects, will zig-zag across the Jordanian-Israeli border, and provide an inexpensive method for exporting potash, salt, and other minerals.

A private feasibility study has been completed by the Japanese-based firm Nissho Iwai, Japan's sixth-largest corporation and the thirteenth-largest worldwide. Nissho has commissioned the Wheeling Lake Erie railroad company to prepare the report.

However, a source close to the negotiations between the Japanese company and the Israeli Infrastructure and Roads Ministry said that any future projects between Jordan and Israel will not be realized until progress is achieved in the peace process. For the moment, Jordan will not enter into any deals with Israel.

"Most of the line will be on the Jordanian side and, therefore, the issuance of tender will be according to Jordanian law," explained Jordanian Infrastructure Ministry spokesman Ra'anan Gissin. The project is estimated to cost $300-350 million. "We hope that part of the money will be obtained through investments by the World Bank, the International Monetary Fund, and other international organizations," he said.

Natural Gas

Peru refuses Royal Dutch Shell dictates

On July 15, Royal Dutch Shell informed the Peruvian government that it will not enter into the next phase of development of the Camisea gas reserves, the largest gas find in South America, estimated at 12.2 billion cubic feet of natural gas and 640 million barrels of liquid gas, located in the Peruvian jungle. The Fujimori government envisioned the Camisea project as Peru's "project of the century," with investments of $3 billion, including construction of three pipelines to the Peruvian coast and one to Brazil, and the construction of a giant petrochemical plant on the coast.

Shell, together with Mobil Oil, had signed a contract in May 1996 to carry out the initial development of the find, with the final contract to be signed in 1998. With Peru in deep financial trouble, Shell-Mobil demanded that three additional conditions be added to the contract, before they would sign: an exorbitantly high price for the gas used domestically for electricity; the right to export gas to Brazil, before supplying the Peruvian market; and a monopoly on gas distribution inside Peru. On July 9, while President Alberto Fujimori was in London, the London *Times* threatened that his government could be brought down, should it not accept Shell's demands. Should Shell pull out of the Camisea project, it wrote, "Questions will inevitably be asked about Mr. Fujimori's stewardship of the country."

President Fujimori took personal responsibility for the decision to reject London's blackmail, explaining to the nation why Shell's demands were deemed unacceptable. The stock market, the value of Peru's Brady bonds, and its currency, the sol, all dropped. Other mining "megaprojects" have already been cancelled since the "Asian crisis" worsened last October, and, despite fears that the same may happen to the Antamina copper project, Fujimori's decision to face down Shell's blackmail has met with support inside Peru, including from prominent businessmen who denounced Shell for pressuring Peru. Economics Minister Jorge Baca announced that the project will be offered again in two months, but divided into four parts. It is rumored that a consortium of the U.S.-based Chevron and Japan's Mitsui is interested in picking up the project.

Brazil

Maglev proposed for transport bottlenecks

Efforts are under way to modernize the transport corridor between São Paulo and Rio de Janeiro, Brazil, the German economic daily *Handelsblatt* reported on July 17, in an article entitled "Defeating Chaos with the Transrapid," which promoted the German maglev rail system. Transcorr, a consortium consisting of eight Brazilian and eight German firms, is currently working on a detailed study on the São Paulo-Rio corridor. The study is being financed by the Kreditanstalt für Wiederaufbau, with roughly $7 million. The overall investment needed for the project is estimated at about $16 billion.

Horst Schmidt, head of the German section of Transcorr, emphasized that two-thirds of the Brazilian Gross Domestic Product is generated in the area surrounding the corridor. However, the present transport system in the region, which has 30 million people, is described as one of "pure chaos." One proposal is to include a Rio-São Paulo maglev route for passenger traffic, and maglev extensions toward the industrial center Campinas, 85 kilometers northwest of São Paulo, and toward the Atlantic port of Santos, 100 km from São Paulo. In addition, a freight line between São Paulo and Rio would be constructed, while the existing highway between the two is modernized. Two new container terminals, in Santos and in Campinas, would also be constructed.

The chief coordinator of the Brazilian transport planning agency, Roberto Menezes, warned that transport in the area, and, thus, the economy, could collapse, unless such a plan is carried out. The question is, where the money for the projects should come from. Some private investment schemes, which would be grossly inadequate, are under discussion.

Belgium

Compensation sought for derivatives losses

During 1989-93, the Belgian government signed highly speculative derivatives contracts in London (in particular, currency options and swaps) as part of its so-called "active debt management" approach. It took out huge loans in deutschemarks at low interest rates and invested the money in high-yield Italian lira assets. As a result of the 1992-93 European currency turmoil, the derivatives contracts resulted in disaster. In 1996, an internal study by the Belgian federal accounting office estimated the potential losses of the derivatives contracts, most of them expiring during 1998-2002, at about $2.2 billion.

Now, the London *Sunday Telegraph* reports, "The Belgian government is demanding up to $300 million from Merrill Lynch, the U.S. investment bank, to compensate it for losses it suffered during a series of high-risk derivatives deals." The deals "involved a special kind of derivatives known as 'power options' which multiplied the potential for profit or loss. Even in the arcane world of derivatives, these were regarded as highly unusual. Public hearings have been held into the affair in Belgium, but it has received little attention abroad."

Merrill Lynch recently revealed that it had offered Orange County, California a $420 million settlement on the latter's 1994 derivatives losses. Now, the Belgian government is in "advanced negotiations" with Merrill Lynch to also receive compensation. The government's disaster has been repeatedly used as an example by the German Bundesbank, to warn states and municipalities against entering the derivatives markets.

Germany

Shortage of engineers threatens industry

Germany's industrial status is threatened because of an alarming shortage of new engineers, Helmut Becker of the ZBI, the central association of German engineering organizations, warned in Bonn on July 14.

Becker said that if present trends continue, by the year 2005, Germany would have 50,000 fewer engineers than it required to function as a leading industrial nation. He said that one of the problems that has to be solved, is the underrating of the role of engineers in designing products that are exported. Some 65% of what Germany exports today has been developed by engineers, he said. The engineering profession has to be revived, through a return of the study of technology in the schools, he said.

It is also a question of funding. Present funding of technology innovations by the government must be increased, from the present 15 billion deutschemarks (roughly $8-10 billion) annually, to at least DM 20 billion, by the year 2002, Becker said.

Becker, a former member of Parliament from the Social Democratic Party, added that engineers are under-represented among Germany's lawmakers: Fewer than 10% of the members of the national Parliament have an engineering background. Even in the professional engineering organizations, he lamented, engineering-related decisions are often handled by administrators who have no engineering background (and therefore make the wrong decisions).

Briefly

AZERBAIJAN President Heidar Aliyev planned to visit Britain in late July, the July 18 London *Guardian* reported. He was expected to sign oil and gas contracts with Ramco, British Petroleum, and Monument Oil. He planned to meet Prime Minister Tony Blair and other government officials, and was to be received by the Queen, although it was not a state visit.

IRAN will supply Sudan with 500 rail freight cars, and the Islamic Development Bank will finance the $25.8 million purchase, Sudan's news agency reported. Sudanese engineers will be trained in maintenance and repair work, and Iran will build three small factories to make concrete slabs needed for maintenance.

THAILAND is threatening to withdraw from the International Rubber Organization, which has refused to raise market intervention prices. Thai rubber exports in the first quarter of 1998 rose to 590,000 tons, up from last year's 530,000 tons, but the dollar value fell from $510 million to $423 million.

JORDANIAN Prime Minister Abdul Salam Majali said on July 4 that the government will meet with Syria and Turkey to revive the Hijaz Railway, to transport goods from Europe to Jordan via Turkey and Syria. The rail line was built by the Ottomans in the late 19th century and ran parallel to the Berlin-Baghdad Railway.

IRAQ AND SYRIA agreed in Damascus in mid-July to reopen the Trans-Arabian Pipeline, which was closed in 1980 at the start of the Iraq-Iran War. Iraqi Oil Minister Amer Rashid said that the flow of 300,000 barrels per day, from the Kirkuk oil fields in northern Iraq to the Mediterranean port of Banias, Syria, will "begin as soon as possible."

PERSONAL bankruptcies in the United States will exceed 2.2 million a year by 2001, according to a study by Visa USA. A record 1.35 million personal bankruptcies have been filed so far in calendar 1998.