

# Business Briefs

## Asia

### China, Vietnam reach bilateral accords

Vietnam and China expanded economic cooperation, during the visit of Chinese Deputy Prime Minister Wu Bangguo to Hanoi in October. Three bilateral deals were signed, including a \$25 million soft loan for Vietnam, \$180 million in interest-free loans to upgrade the Thai Nguyen steel complex, which Vietnam started with Chinese assistance in 1959, and a \$110 million credit for expansion of a urea factory. Wu's visit is the first by a Chinese deputy prime minister since the normalization of relations in 1991.

Vietnam News reported that Wu and Vietnamese Deputy Prime Minister Nguyen Tan Dung agreed to start negotiations on cross-border trade, and possible cooperation in technology transfer, personnel training, hydrometeorology, irrigation, and civil aviation.

## Petroleum

### South Pars oil fields will be a bonanza

It has become more apparent why the chairman of Amoco, William Lowrie, said he was "a little bit envious" of the deal announced on Sept. 29, involving Malaysia, Russia, Iran, and France, for the exploitation of the South Pars gas field in Iran. Iranian Deputy Minister of Oil for International Affairs Hadi Nejad Housseinian described the deal to a press conference in Teheran on Oct. 11. He said that, once it is brought on-stream, the field will produce \$1.2-1.5 billion worth of liquefied and natural gas per year, and that the two stages of the project will produce \$35-45 billion of gas over 30 years. With the second and third stages, 2 billion cubic feet of natural gas and 70-75,000 barrels of liquefied gas will be piped, per day, into Iran's national grid, for domestic consumption, export, or liquefaction.

The entire deal is worth \$2 billion. France's Total is to carry out the executive work. The first unit is to go on-stream in July

2001, producing 500 million cubic feet; the three other units will be commissioned thereafter.

"The investment will be liquidated within seven years with delivery of liquefied gas at the gas field on the basis of the daily price," Nejad Housseinian said, according to an IRNA release. "If the delivery of gas at the gas field falls short of the estimated figure, the balance should be paid through export of gas from the same field or through export of crude oil from Sirri oil field." He also said that 30% of the materials and engineering services and 40% of the technology and manpower, would be provided domestically.

## Papua New Guinea

### 2 million will need food aid, as drought worsens

Australian experts have warned the Papua New Guinea (P.N.G.) government that there is an 80% chance that the ongoing drought, the worst in 50 years, will extend into April 1998, and that the government should prepare to start feeding half of its population of 4 million by December. *The Age* reported on Oct. 23. This warning came as Royal Australian Air Force Hercules transport planes and Blackhawk helicopters began ferrying food and emergency relief supplies to the worst-hit drought areas.

The report, by Dr. Geoff Humphreys of the School of Earth Sciences at Macquarie University, said that up to 540,000 people do not have enough food, 130,000 people have no water, and 77,000 people were in "critical, life-threatening situations with no food." "El Niño conditions [are expected] to persist at least until the end of the year, while predictions from CPC Washington [Climate Prediction Center] indicate that the El Niño phase is likely to last at least into the March-May period," the report said. "The outlook for an end to drought conditions throughout much of P.N.G. and Indonesia remains poor, although some diurnal storm activities can be expected at mostly lower altitudes."

Already, the P.N.G. government has reported that 100 people, mostly children and

the elderly, have died from illnesses, and it estimates that up to 700,000 of its 4.3 million population are now drastically affected. It will need roughly \$14 million for drought relief, which will put great pressure on its already over-stretched budget, especially because its copper and gold exports have dried up, along with the rivers on which barges transport the ores. About 50% of the country's schools have closed.

## Economic Policy

### Brazil told to return to industrial society

Brazil must dump rule by markets, and return to industrial protection and a strong national state backed by the military, said Prof. Andre Araujo, a former executive of Emerson Electric now turned author, in an interview in *Isto E*, one of Brazil's major weeklies, during the week of Oct. 20. Brazil's nationalist current is becoming increasingly vocal, as the global financial crisis worsens.

Araujo dismissed the economic thinking of President Fernando Henrique Cardoso's economic team, as originating in the policies of 19th-century Emperor Dom João VI, who opened Brazil's ports to all foreign products, so England could sell its cashmere. In the post-World War II period, the most radical advocate of this English school of economy in Brazil was Eugenio Gudin, Araujo said. Gudin argued that Brazil had "an agricultural vocation, should be a raw material-exporting country, and should not venture into building industry."

Today, Economics Minister Gustavo Franco is a radical follower of Gudin, Araujo charged. "This is a policy which turns Brazil into a subsidiary of a globalized system. The country does not have its own policy, dances to music played by others, and becomes a minor associate of a bigger system . . . [in which] the market has to police countries," and unemployment is accepted, or even welcomed. He dismissed the success stories given about the U.S. and Britain today; examine them, and you see not growth, but poverty, he said.

Araujo said that privatizations "are being used as operations of financial self-engineering, where very little real money comes in.

**SEAGATE**, a firm which dominates Singapore's data-storage sector and accounted for 30% of its 1996 electronics output, posted a third-quarter loss of \$240 million, the Oct. 20 *Business Day* reported. The financial crisis caused costs of a \$214 million acquisition charge and a \$63 million exposure fee for Thai and Malaysian currencies.

**STUDENTS** at the University of Glasgow on Oct. 22 began receiving emergency food parcels of baked beans and bread to prevent starvation, the London *Times* reported. About 23,500 students across Scotland have been waiting since August for their grant checks from the government's Student Awards Agency.

**ZAMBIA** will sell off sections of the state firm, Consolidated Copper, to the Kafue Consortium, for less than \$300 million, and with tax breaks given to the new owners, the Oct. 13 *Lusaka Times* reported. Kafue includes South Africa's Avmin Ltd., Noranda of Canada, Phelps Dodge of the U.S.A., and Commonwealth Development Corp. of the U.K.

**BULGARIA'S** food production fell in 1996, *Agra-Europe* reports. Grain production fell 46%, compared to 1995; potatoes, 54%; and sunflowers, 27%. Consumption has also fallen. Meat and sausage consumption per capita, for example, fell from 31.4 kg and 18.2 kg in 1992, to 25.3 kg and 12.9 kg in 1996.

**'TRANSCAUCASIA:** Prospects for Developing Infrastructure," was the theme of a conference in Tbilisi, Georgia in September. Over 200 representatives of firms from 20 nations discussed oil pipelines, transportation, and communications projects.

**ESTONIA, LATVIA,** and Russia are "hot zones," in which untreatable tuberculosis is threatening to overwhelm local health systems, a study by the World Health Organization reports. WHO stresses that "acquired drug resistance" is preventable with proper care.

What is occurring, in reality, is a recycling of capital." Instead, he said, "a strategic country, historically, requires a relatively strong state. Because a nationalist government comes under more foreign pressure. And, because of these foreign pressures, it tends to be more authoritarian. . . . That is not to say that it is a dictatorship. But of necessity it would be more authoritarian, because otherwise it would not be able to keep hold of the reins of power." Military backing for a nationalist regime would be needed, "because the military, by formation, have a nationalist tendency around the world, and even more in Brazil. When Companhia Vale do Rio Doce was sold, there was resistance, which could not be made public, because no channels existed for this. But, in a moment of crisis, these repressed sentiments of the armed class could sound again."

## Central Asia

### Natural gas pipeline vital to Turkmenistan

Turkmenistan Foreign Minister Boris Shikmuratov said that the construction of a pipeline which will carry Turkmen natural gas through Iran to Turkey and Europe, is "a matter of life and death" for the country, the Oct. 21 issue of the Kazakh publication *Express* reported. He said that Turkmenistan has ceased exporting gas to the countries of the former U.S.S.R., because of their unpaid debts, which amount to \$3 billion. Thus, exports to new markets in Europe will be absolutely vital, he said.

Shikmuratov, referring to meetings with U.S. Secretary of State Madeleine Albright, said that the United States has reiterated its agreement not to oppose the pipeline through Iran.

Meanwhile, the government of Iran has said that there are several foreign firms in negotiations over the construction of the pipeline, raising suspicion that British and Dutch firms may be in on the deal. This was denied by Royal Dutch Shell spokesman Maarten Broekers, who told the *Washington Post* that Shell "is not in negotiations with Iran on the projects. . . . Shell has been carrying out preliminary negotiations with Turk-

menistan and Turkey for some time, but nothing has been decided yet," including the route. "It could pass through Iran . . . but it could also bypass that country," he said. The *Post* said the pipeline will cost \$2.6 billion.

## Raw Materials

### Malaysia organizing to boost rubber price

Malaysia is seeking regional cooperation to raise the price of rubber. Malaysia, Indonesia, and Thailand together produce 85% of the world's rubber, but, said Malaysia's Primary Industries Minister Lim Keng Yaik, "We can't even be price setters — we are just price-takers." He said that consumers had suppressed rubber prices for so long that the selling price is now lower than that of synthetic rubber.

Now, with the currency collapse in all three countries, the situation is worse, since the buffer stock mechanism of the International Natural Rubber Organization goes by Malaysian currency valuations rather than dollar values, and is thus not intervening to support the price.

## Finance

### Asset-stripped Sunbeam on the market

Al "Chainsaw" Dunlap, the asset-stripper and protégé of the late Sir Jimmy Goldsmith, announced on Oct. 23 that he had "successfully completed the turnaround" of Sunbeam Corp., his most recent victim, and has put it up for sale. Morgan Stanley has been hired to find a buyer.

Dunlap's "success" involved slashing half of the company's 12,000-person workforce, and unloading 87% of the company's 5,000-item product line. As usual, the blood in the water attracted the attention of Wall Street, and Sunbeam's stock rose from \$12 a share at the beginning of Chainsaw's reign, to \$48 a share on Oct. 23.