

# Business Briefs

## Petroleum

### British control grows, as BP takes over Amoco

British Petroleum announced on Aug. 11 that it had reached an agreement to buy Amoco, forming the biggest company in Britain, and giving the British oligarchy direct control over two of the world's three largest oil companies. The largest is Royal Dutch/Shell, followed by Exxon, and now BP Amoco.

The \$48 billion merger, said to be the largest-ever industrial merger, will create a company (to be named BP Amoco Plc) with a market capitalization of \$110 billion. The new company will have 14.8 billion barrels of oil and gas-equivalent reserves, with a daily production of some 3 million barrels. It will be the largest producer of oil and gas in the United States, with output from Alaska, the Gulf of Mexico, and the lower 48 states; BP is already the largest oil and gas producer in Canada, thanks to its 1988 purchase of Dome Petroleum.

BP's roots go back to Burmah Oil and the Anglo-Persian Oil Co., while Chicago-based Amoco, née Standard (Indiana), is one of the spin-offs of Standard Oil.

## Aviation

### Deregulation threatens safety, expert says

Air safety is being jeopardized globally, as wages, working conditions, and safety regulations are being "bid down in a global auction," warned Stuart Howard, secretary of the International Transport Federation (ITF) civil aviation section. "As markets open up . . . it is making it harder for airlines based in countries with high safety standards to compete. Operators and manufacturers are pushing for the (so-called) 'least cost safe' regulatory option instead of best practice," he told a regional meeting of the ITF in Sydney, the July 28 *Australian Financial Review* reported.

The statement echoes *EIR*'s warnings on

the danger of deregulation policies going back to the early 1980s.

"Labor has taken a battering and the reason is intense competition unleashed by liberalization. About 30% of airline costs are labor costs. So airlines engage in fare wars, which are actually costs wars, which in most cases are actually wage wars. The best way to ensure safety is direct employment of staff, but instead we are seeing more casualization," Howard said. "We are seeing the rise of the 'virtual airline' as big carriers franchised to cheaper operators."

The deputy chairman of Australia's Civil Aviation Safety Authority, Dick Smith, in a letter to senior aircraft engineers last December, stated that "evidence exists . . . that some organizations pressure licensed aircraft engineers to certify work which they would not ordinarily have signed for, or to breach regulations in some way which could affect air safety."

## Mining

### Queen's Rio Tinto eyes Australia's BHP

Rio Tinto Plc, the world's largest mining company, in which the Queen of England is a major shareholder, is eyeing the minerals division of Australia's Broken Hill Proprietary Co. Ltd. (BHP Ltd.), as a target in its expansion, the *Australian Financial Review* reported on Aug. 3. Although Rio Tinto refused to confirm the City of London rumor, a spokesman said that the company is "always looking at a number of opportunities in the mining sector." A Rio Tinto merger with BHP would be one of the biggest in Australian corporate history.

Unlike the cash-rich Rio Tinto, BHP, known as "the Big Australian," is foundering. It recently suffered a \$1 billion loss, and a \$3 billion write-down of assets. Its share price is around \$13 per share, down from more than \$24 per share a few years ago. For the last year or so, one of Rio Tinto's top Australian operators, John Ralph, has sat on BHP's board. Industry sources told *EIR* at the beginning of the year that this meant that Rio Tinto was sizing BHP up for takeover.

A merger between the two would give Rio Tinto control of 10% of future world diamond supply, putting it in a position to mount a serious challenge to DeBeers' CSO diamond cartel.

## Trade

### China, India seek to improve relations

Despite the setback to India-China bilateral relations in the wake of India's nuclear tests, China's Ambassador to India Zhou Gang called for increased bilateral trade and economic relations, at a meeting of the Federation of Indian Chambers of Commerce and Industry on Aug. 12, *The Hindu* reported. "The reforms and the opening up of the economy in both the countries has provided great opportunities for expanding trade and economic relations," he said.

Zhou Gang said that, on "the eve of the next century, trade and economic relations and cooperation between China and India would be pushed on to a new high . . . through sincere and fruitful efforts from our two governments, entrepreneurs, businessmen, and the people of our two countries."

Zhou Gang told the industrialists that there is a solid basis for expanding bilateral economic relations, because both countries are blessed with vast natural resources, very large domestic markets, and relatively cheap labor. He said that the Chinese government and the Chinese people have always attached great importance to the development of Sino-Indian friendly relations, and that over recent years, through concerted efforts from both sides, the Sino-Indian economic and trade relations and technological cooperation had developed rapidly, and the exchange of visits in economic and trade circles between the two countries had kept expanding.

Total mutual trade volume increased from \$265 million in 1991 to \$1.83 billion in 1997. However, this increase doesn't reflect the total economic strength of both nations, Zhou Gang said. "Total trade volume between our two countries in 1997 accounted for only 2.4% of China's that year." But the

**INDONESIAN** Foreign Minister Ali Alatas on Aug. 10 called for greater South-South cooperation to address the danger of globalization. This policy has left developing nations increasingly "marginalized" because most do not have strong bargaining power, he said.

**POLAND'S** Solidarity threatened to strike the arms industry on Aug. 24, unless it is quickly restructured. The union said that there is no money for wages, no new orders from the government, and 18 firms face shutdown by the end of the year with the loss of about 50,000 of 74,000 jobs.

**THAILAND'S** New Aspiration Party, the leading opposition party, has made construction of the Kra Canal a major policy theme, *The Nation* reported on Aug. 2. Former Prime Minister Gen. Chavalit Yongchaiyudh has set up a panel to study the issue, and the party may seek a public referendum on the project.

**THE SOUTH ASIAN** Association for Regional Cooperation needs a regional power grid to meet electricity demand, a workshop of the Federation of Engineering Institutions of South and Central Asia, meeting in Dhaka, Bangladesh on Aug. 12, reported. It would ensure easier financing for projects in nations unable to tap their water and gas reserves.

**BOEING CORP.** has announced that it will lay off 12% of its workforce, or 28,000 workers, during the next 18 months, due to a drop in demand for commercial aircraft in Asia. Boeing's profits fell 46% in the second quarter, and the firm says it has lost \$261 million on commercial aircraft production during the first six months of 1998.

**CHILEAN** privatized pension funds, promoted by the Mont Pelerin Society as a free market model, have lost \$5 billion over the last ten months, as a result of the global financial upheaval. One-third of the \$33 billion in privatized funds are invested in the Santiago stock market.

two nations' "economies are growing fast. In the field of commodities and resources for exchange, there exists a certain degree of complementarity. . . . Further expanding economic relations, trade, and technological cooperation between our two countries is beneficial for the overall development of bilateral relations, and in conformity to the fundamental interests of the peoples of our two countries."

## Great Britain

### Industry is in revolt against Blair policies

What remains of British industry is attacking the economic policies of the government of Prime Minister Tony Blair. Confidence among the manufacturing industry of Britain has been driven to "a new low," not only because of the worsening profile of investments, output, sales, and exports, but also out of fear that the Bank of England may raise short-term interest rates even more. This is the conclusion of a series of statements published over the last few weeks by the Confederation of British Industry (CBI) and other leading associations of Britain's manufacturing sector.

A July 28 CBI statement summing up developments over the first two quarters of this year, said: "Domestic orders in manufacturing fell for the first time in over two years and to the greatest extent since January 1993. Export orders dropped at the fastest rate for 12 years leading to the sharpest fall in business confidence since January 1991, according to the latest CBI Quarterly Industrial Trends Survey out today.

"The survey shows that only 7% of firms are more optimistic about the general business situation, compared with 51% which are less optimistic, giving a negative balance of 44%. This compares with a negative balance of 22% in April. Domestic orders are reported to have fallen, as indicated by a negative balance of 15% of firms, the worst figure since January 1993. . . .

"The survey also indicates that output has fallen for the first time in over five years. The decline, although fairly modest, is the

sharpest since early 1993. Output is expected to fall further over the coming four months, with expectations weaker than at any time since July 1991.

"Plant and machinery investment plans have been negative for two consecutive surveys, and are at their weakest since July 1991."

The CBI survey was conducted between June 25 and July 15, and involved 1,013 firms in 50 industrial sectors which account for half of the United Kingdom's manufacturing exports and about 2 million workers.

## Indonesia

### Habibie: We still need a vision for the future

Indonesian President B.J. Habibie announced on Aug. 10 that Indonesia will proceed with plans to build a bridge linking the islands of Java and Sumatra by the year 2006, despite the economic crisis, the Singapore *Straits Times* reported. The two islands are 32 kilometers apart. He made the statement at the inauguration of a series of six bridges linking the offshore development center of Batam with two nearby islands, Rempang and Galang. While admitting that there are hardships, he said that Indonesia needed to have a "vision far into the future. We should not lose hope, or even worse, drown in continuing disappointment, in facing the various challenges to the nation."

Meanwhile, Indonesia is shutting down crucial technology and infrastructure, because of the economic crisis. On July 31, the government announced that gas exploration in the massive Natuna Island reserves is being suspended because it is "uncompetitive at this time." The gas was intended mostly for Thailand and domestic markets. On the same day, the shareholders of IPTN, the company building the country's first jet aircraft, indicated that they will scrap the plane, which could lead to shutting down PT-DSTP, the firm that had contracted with IPTN to produce the plane. President Habibie's son, Dr. Ilham Habibie, is one of DSTP's project directors, and he is looking for overseas funding.