Business Briefs

Mining

Indonesia asserts national sovereignty

The government of Indonesia allegedly "stunned foreign mining executives" on June 24, by demanding a substantially increased share in the ownership and profits of mining enterprises in that country, according to the *Wall Street Journal*. The *Journal,* alarmed by this assertion of national sovereignty, also reported that Indonesia is demanding the right to take a portion of capital gains made on foreign stock markets from holdings in Indonesian mining ventures.

An official of Indonesia's Mines and Energy Ministry defended the move, saying, "Here we are talking about the national ownership of Indonesia's natural resources."

Representatives of more than 60 mining companies were reportedly told they must accept the new terms or risk having pending contracts revoked and applications denied. An executive of "a large international mining concern," is quoted, "Companies are unanimous in their horror as to what's been proposed. [The terms] are absolutely unprecedented."

Indonesia's feisty action comes on the heels of the conference of the "Developing 8" Muslim countries, where plans were worked out for cooperation to achieve rapid economic progress for member states, including Indonesia.

Gold

Australia's sell-off fuels price plunge

Australia's gold companys' stock prices were hammered, along with the world gold price, because of the July 4 announcement by the Reserve Bank of Australia that it had sold off two-thirds (167 tons) of its reserves. Gold closed at $318.50 an ounce in Sydney on July 7, down $4.90. The London "gold fix" was $324.45 an ounce, the lowest since December 1985. Australian gold stocks lost $500 million off their value almost overnight.

The decision to sell was made late last year by the bank's board. The official reason given by Australia's Treasurer Peter Costello, was that it is no longer appropriate to hold a significant part of international reserves in gold, but would be better invested in currencies.

There is compelling evidence that the recent collapse in the world gold market is a move by key central banks in anticipation of an imminent financial market crash. In an interview with the radio program "EIR Talks" on July 8, Lyndon LaRouche commented, "First of all, everybody of any competence in the world today is agreed that we are headed for a big financial crash. . . . The citizen today will probably hear that the price of gold is collapsing, and the citizen who is duped into believing what he's told by many of the news media, will believe that the world is now moving more into paper money, and away from gold and commodities. Well, no such thing! It's moving into commodities."

"The reason the gold price is being depressed, is for the benefit of the speculators," LaRouche said. "And as soon as the suckers dump their gold in fear that the price of their gold is going to drop, then . . . these guys will own it all. And when the price goes up, they'll have the money and the suckers will be bankrupt."

Finance

Bubble could burst, columnist warns

"Is the financial planet once again losing contact with reality? Could the quasi-permanent europhoria lasting for months, even years, in the European and American stock exchanges, lead by its excesses to a crash comparable to that of October 1987?" Eric Leser warned, in a front-page article in the July 8 Paris daily *Le Monde*.

The stock exchanges have been on a constant rise (18-30%) since the beginning of the year, but what is more dangerous, he said, is that this rise comes on top of a long-term massive upward trend. "Since January 1991, the Dow Jones index . . . has gained 210%. . . . One must go to the '20s, more precisely between 1921 and 1929, to find a similar progression. . . . In five and a half years, Zurich has climbed by 330%, Amsterdam 280%, Frankfurt by 175%, London by 140%, and Paris by 95%."

He said, "Economists have always fabricated new theories, sometimes even very attractive ones, to justify the existence of financial bubbles." And now, "those speculative fevers" have gripped American citizens, "from the taxi driver to the American heads of companies."

Leser quoted David Shulman of Salomon Brothers, that all "the bad news concerning Wall Street is true. . . . The traditional instruments to measure the value of titles have no longer any influence on investors. What counts, is that the demand for stock is more important than the offer and thus . . . the prices go up." Leser concluded, "If that's not the very definition of a speculative bubble . . ."

Shipping

Oceanic fleet key to Hongkong's future

China's Communications Minister Huang Zhendong emphasized the importance of development of the oceanic shipping industry, for the long-term prosperity and stability of Hongkong after it returns to China, in an interview with China's news agency Xinhua on June 19.

After July 1, the navigation routes between the inland areas of China and Hongkong will be treated as "special regional routes," equivalent to foreign trade transport. Hongkong has for five years been the world's leading container port, handling 13.4 million containers in 1996. It is now also an important entrepôt for inland areas, Huang said. Some 70% of the total container transport volume, is related to inland areas, and economic growth of the interior is expected to further boost container transport to Hongkong. The international harbors in the inland areas handled 8 million containers last year. "The growth rate in the first five months of this year stayed at 25%, ensuring the steady flow of containers to Hongkong," he said.

Huang said that the improving transport

conditions in inland areas, in particular in south China's Pearl River delta, will further boost Hongkong's shipping industry. "Guangdong now has China's longest expressway network. The completion of certain key projects, such as the Guangzhou-Shenzhen Expressway, Shenzhen-Shantou Expressway, and river harbors along the Pearl River, will give full play to Hongkong's handling capacity," Huang said. He revealed that his ministry has been in discussion with relevant Hongkong-based units on certain big transport facilities, which, he believes, will be "mutually beneficial for both inland areas and Hongkong."

Transportation

EU is rebuilding part of the new Silk Road

The European Union (EU) is working on one of the three Eurasian transport routes, the June 23 *Journal of Commerce* reported. Intended to discourage development of the Eurasian Land-Bridge, the article otherwise provided a useful profile of the "new intermodal approach—combining highways, rail lines, and ferries" from Europe, through Moldova, Romania, and Bulgaria into China. This is the Transport Corridor Europe-Caucasus-Asia, or Traceca.

The director of the Traceca project, Daniel Stroobants, the EC's transport task manager, illustrated the plan as an alternative to the overloaded route through Moscow. First presented at a transport conference in May 1993 in Brussels, Traceca would carry cargo to Black Sea ports, which would then be transported via container ships to a Georgian port. The containers would continue overland through Georgia and Azerbaijan, and be reloaded onto ferries at the Port of Baku. Then, they would be shipped, in a "transport triangle," to the port of Aktau, Kazakhstan, and thence by rail to China; or, to a port near Krasnovodsk, Turkmenistan, thence overland by rail or truck to China, via Uzbekistan and Kyrgyzstan.

The head of the Turkmenistan state railway, Berkeli Byashimov, is quoted saying that the route is cost-effective, and that rail is the best mode of transport. Chinese National Foreign Trade Transportation Corp. vice general manager Zhang Jianjun is also quoted, saying the potential of the line has not yet been fully realized; she also noted "the new passageway" opened up by the Chinese in 1992 through Central Asia. Vyacheslav Manukhin, director of Trans-Siberian Express Service, is quoted saying that his company, founded in 1991, is working to speed up transport across Siberia.

The Traceca project has been financed by the EU thus far, in the order of 50 million ECU ($44.2 million), and hundreds of millions more have been promised, including $190 million from the European Bank for Reconstruction and Development for ports and roads; $35 million from the World Bank, to improve roads in Armenia and Georgia; and, private investments into joint ventures in Caucasus and Central Asian rail lines.

Trade

Russia, China sign economic agreements

On June 27, Russian Prime Minister Viktor Chernomyrdin and his Chinese counterpart Li Peng presided over the signing of economic agreements, including a $7 billion framework agreement to supply China with natural gas from a field in Russia's Irkutsk region, and a $1.5 billion pact to supply electricity to China's northeast. The field would be tapped by Rusia (sic) Petroleum, that groups Russia's Sidanco oil firm and South Korea's East Asia Gas Co. Ltd., a member of the Hanbo Group, and a pipeline would to link the field with China.

Also signed was a railroad agreement that seeks to increase Sino-Russian rail freight by allowing Russian rail cars to run on Chinese rails, which is now impossible because of different gauges in the two nations. Chinese and Russian businessmen also signed deals for two joint ventures, including one to make Russian-designed trucks in China. Another pact is reported to call for creation of a technology and science development zone in Russia. Trade between Russia and China reached $6.8 billion in 1996, and both sides have said they want to increase that to $20 billion by the next century.

Briefly

KAZAKHSTAN'S President Nursultan Nazarbayev suggested on June 24 that his nation might soon break with the International Monetary Fund. Kazakhstan recently enacted a law, over IMF objections, which would give tax breaks to companies that invested in the nation's industrial sector; to date, almost all foreign investment has been in gold mining and petroleum.

VIETNAM and China's Guangxi Zhuang Autonomous Region opened the border in June, after a Sino-Vietnamese conference on trade agreed that goods could be unloaded at designated sites. Chinese officials said the new route will make a major contribution to bilateral trade.

HONGKONG'S chief executive Tung Chee-hwa has pledged "resolute action" against speculation in real estate. "Our competitiveness is threatened by persistently high inflation. Rampant speculation in the property market in recent months has seriously affected our competitiveness and people's livelihood," he said.

ROYAL DUTCH SHELL has been told by four tribal communities in Nigeria to leave their region or be forced out, Nigerian press reported. In a letter, they accused Shell of not providing benefits to local people from the 75,000 barrels per day of crude oil pumped in the area.

THE BRITISH, South African-based mining company Commonwealth Gold (Comgold) said on June 24 that it had signed a joint venture agreement with the government of Liberia to develop *all* the country's mining resources. Liberia was an example of a nation first destroyed by "civil war," which then makes an "agreement" with British firms.

POLISH farmers from the Rural Solidarity trade union blocked a border crossing with Germany on June 24, to protest government policy allowing duty free imports of items produced in abundance in Poland.