

Trade Review by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
CANCELED DEALS			
\$2.8 bn.	India from U.K.	Davy McKee lost the contract to lead a British-French consortium to build the 1.5 mn. tpy Orissa steel complex for the India govt. A letter of intent was signed last September with great fanfare, because the turnkey project would provide 50,000 man-years of work for England and place U.K. in a good position in the developing-country construction market. The British, however, were intransigent in insisting on a renegotiating contract at a much higher price on pretext that a necessary site change raised costs. The Indians waited until May 15, when, by agreement of all Europe, all deals financed at 7.75% which were not completed would become void. Now Europe requires 10% interest.	India decided its own skilled engineers in state-owned MECON will manage the project; only purchases of goods unobtainable in India are going to be contracted through international bidding. Full front-page coverage in the U.K. press lamented the loss, which occurred despite a visit by Prince Charles.
NEW DEALS			
\$420 mn.	India from U.K.	India signed contract with Northern Engineering Industries for 2,000 MW "super" coal-fired electric plant in the Uttar Pradesh coal fields. Not only is the British govt. subsidizing interest rates at 7.75%, it is giving India a \$90 mn. grant and forgiving \$110 mn. owed by India to Great Britain.	This project was given to U.K. without international bidding during Mrs. Gandhi's recent visit to Mrs. Thatcher.
\$164 mn.	India from France	France's CIT Alcatel won a letter of intent for modernization of India's archaic telephone system. Contract is for 200,000 phone lines in computerized electronic digital exchanges. France will provide this technology to a new state enterprise, Hindustan Telecommunications Industries, which will set up a factory at Hosur.	Will be compatible with the existing mechanical equipment. French low-interest export credits lowered total interest cost to 7.5%. Big British campaign for this contract flopped.
\$40 mn.	Cuba from U.K.	Cuba has awarded Seadrec of Scotland contract to design and build a large cutter suction dredge and 7 support vessels to keep Cuban harbors clear. It is Seadrec's third dredge to Cuba. Seadrec is so happy with Cuban business that they plan to open a Havana office.	Morgan Grenfell bank group financing scoop, with U.K. govt. Export Credit Guarantees Dept. subsidizing interest rate.
UPDATE			
	U.S.A./Brazil/Japan	Kaiser Steel of California is completing negotiations with Brazil to buy close to 10 percent of the 3 mn. tpy slab steel which the Tubarão mill in Brazil will turn out starting in June 1983. Kaiser will use the Brazilian semi-finished steel to roll steel sheets and coils in its California plants which will remain operational following Kaiser's decision last year that it could no longer profitably run a vertically integrated steel complex on the West Coast. One attractive feature of the deal is the ships carrying the steel from Brazil to Los Angeles will return with Western U.S. coking coal formerly used by Kaiser's mills and needed for Tubarão, sited on coast, near Brazil's Rio Doce iron ore pits.	Kawasaki Steel agreed to provide Kaiser with its steel slab unloading and transportation know-how. Kawasaki is partners with Italy's Finisider and Brazilian govt. in Tubarão steel mill. Deal to be announced soon ends doubts about Tubarão being able to sell its steel in depressed world markets. Pricing is probably extremely advantageous to Kaiser.