

Business Briefs

Natural Gas

China, Australia ready \$10 billion contract

Chinese and Australian authorities are rushing to complete a deal, whereby China would buy \$10 billion worth of Australian natural gas, in time for Chinese President Jiang Zemin's state visit to Australia in September. The deal will be the biggest resource sale in Australia since a deal was struck to supply natural gas to the Japanese a decade ago.

According to Australian sources, a senior Chinese official told Australian Foreign Minister Alexander Downer during his visit to Beijing in July that relations between the two nations were better than at any time since diplomatic ties were established in 1975. China's Ambassador Zhou Wenzhong told the *Australian Financial Review* on Aug. 5, "We appreciate Australia's view on Taiwan," and he said that "this has made it possible to intensify the relationship." Bilateral relations are improving "all round. . . . Trade between our two countries at the moment is about \$10 billion. The Australia-China Business Council wants to double this over five years. It's very ambitious, but I support this goal. If we can make an agreement on LNG [liquefied natural gas], it will not just add hundreds of millions, it will add billions of dollars," he said.

Asia

Japanese, S. Korean firms forming alliances

A growing number of Japanese and South Korean companies are forming partnerships, in which South Korean firms aim to take advantage of Japanese capital and Japanese firms hope to secure a foothold in the South Korean market, *Nikkei* reported on Aug. 11. Both governments support the trend. South Korean Trade Minister Hong Soon-yong plans to visit Japan in late August to talk with the Japanese government about a bilateral investment pact that would guarantee Japanese companies the same treatment as domestic

concerns. An accord is expected to be reached by year end.

Samsung General Chemicals and Hyundai Petrochemical of South Korea, which will merge later this year, plan to invite more than \$1 billion worth of Japanese investment in the merged firm. Mitsui & Co., as financial adviser, has already begun soliciting Japanese firms. Hyundai and Samsung intend to own 49% of the new company, and to have Japanese investors take control of the firm, Korean industry sources said.

In telecommunications, Shinsegi Telecomm, a major South Korean mobile phone company, has started selling handsets made by Tokyo's Sanyo Electric. Japan's Kyocera Corp. and SK Telecom Co. have struck a similar deal, and Japan Telecom and Seoul's Dacom Corp. agreed in July to cooperate on cell phone development. Also, Kawasaki Steel and Dongkuk Steel Mill Co. have agreed on an alliance, including an equity tie-up. Toray Industries and Saehan Industries will set up a joint venture this fall.

Germany

Labor leader: To create jobs, tax speculation

Hanjo Lucassen, chairman of the Saxony state section of the German Labor Federation (DGB), told *EIR* on Aug. 10 that, while the industrial managements are to blame for their lack of commitment to create new jobs, the Social Democratic Party (SPD)-Greens (red-green) coalition government is also to blame, because it has failed to pass legislation that taxes "idle capital," which is not being invested.

When asked about a tax on speculation, Lucassen said that the DGB does not want to be "ideological in this sensitive situation," but that, "indeed, the banks must contribute to the task of creating new jobs. And what we have proposed, is that if the public sector gets relief of only 1% from its regular debt service, this would provide us with 10 billion marks every fiscal year." This sum could be used for government programs to create jobs, and the government budget would get relief in the same range, he said, adding that the government should take the initiative,

because the banks will not propose such a thing on their own.

Lucassen pointed to the high youth unemployment, notably in eastern Germany, saying that despite all the declarations from Bonn, nothing has been done. Against the general background of rising unemployment, the government will have no other choice this autumn but to re-launch costly job-creation programs, to take several hundred thousand jobless off the streets, at least for 6-12 months. And, if the red-green government tries to fund that program by cuts in the social and welfare budgets, the labor movement will revolt. Lucassen said that particularly in eastern Germany, labor is "not very enthusiastic" over this government in Bonn, and to many, it looks "worse than the former government." Labor protests are certain, if the situation does not change in the near future, he warned.

Saxony will hold elections for Parliament on Sept. 19, and three other eastern states will hold elections in the next few weeks: Brandenburg on Sept. 5, Thuringia on Sept. 12, and Berlin on Oct. 10. In all cases, the wind is blowing fiercely against the SPD.

Papua New Guinea

New Prime Minister goes back to IMF, World Bank

Papua New Guinea is returning to the International Monetary Fund-World Bank fold under Prime Minister Sir Mekere Morauta, who was elected on July 14. Three years ago, Prime Minister Sir Julius Chan kicked the World Bank out of P.N.G., but he was in turn driven from office in a hoked-up scandal involving hiring mercenaries from the British-tied Sandline firm to put down a Rio Tinto-inspired insurgency on the island province of Bougainville. Chan was replaced by Bill Skate, who continued Chan's policy toward the IMF, but Skate was also forced out. Thanks to intense political manipulations involving pressure from Australia, Skate's chosen successor was passed over in favor of Sir Mekere, a candidate approved of by Australia, and by the IMF and World Bank.

Sir Mekere has announced plans to re-

JORDAN leased its main freight rail line for 25 years to an international investment consortium in a deal worth \$130 million. The firm involved is Raytheon Infrastructure, a subsidiary of Raytheon Engineers and Constructors and Wisconsin Central Transportation of the United States. The deal is linked to a \$500 million fertilizer project being built by Hydro Agri, a division of Norway's Norsk Hydro.

THE TURKISH Parliament, following a deal among the government parties and the Islamic Virtue Party, passed reforms demanded by the International Monetary Fund, including changing Turkey's constitution to allow for privatization and international arbitration in cases involving the government and foreign investors. Other reforms under debate include those to social security, which have triggered trade union protests.

ROMANIA'S Health Ministry on Aug. 5 announced that a meningitis epidemic has broken out in Iasi, Suceava, Botosani, Bacau, and Neamt, Romanian Radio reported. The previous day, Iasi Mayor Constantin Simirad declared the town an "epidemic zone" in order to force the water utility company to restore water supply to homes that have been disconnected because of unpaid bills.

DENMARK'S capital, Copenhagen, and Sweden's city of Malmö now have a direct road link, after a 16 kilometer four-lane road and dual-track rail bridge and tunnel across the Oresund was completed on Aug. 14. Full operation will begin on July 1, 2000, cutting travel time to 10 minutes, from the 45 minutes it takes by ferry.

UNEMPLOYMENT is higher in "Euroland" than in the non-European Monetary Union parts of the European Union. The latest jobless report from Brussels for June shows an average rate of unemployment of 10.3% for the EMU member-states, and when the four non-members are added in, the rate drops to 9.4%.

structure P.N.G.'s economy under the guidance of the IMF, and has established a privatization commission to oversee a radical program of selling state asset to pay off a 22 billion kina (\$15 billion) national debt. The assets slated to be sold off include a cement company, the harbor authority, a sugar company, the government insurance company, the government broadcasting company, the national airline, and the national telecommunications company. More than half of the debt is owed to the central bank.

The national airline, Air Niugini, upon the country's return to IMF policies, sacked its 98 person engineering workforce over a pay dispute. The engineers had walked off the job in protest at management's unwillingness to grant a pay raise in line with inflation. They were summarily dismissed by airline CEO Andrew Ogil, who accused the engineers union of striking illegally by contravening laws that stipulate seven days' notice and a secret ballot before industrial action, but bristled when his own 400,000 kina salary was raised as an issue. Ogil assured the public that their safety was "absolute, there is no compromise of air safety standards whatsoever."

Africa

Nigeria rejects British proposal for monitoring

Nigerian Finance Minister Adamu Ciroma has rejected an outrageous proposal made by Britain, to put the Central Bank under International Monetary Fund control. In an interview with the Aug. 3 London *Financial Times*, Ciroma said that his government agreed with several IMF demands, including to improve transparency. "But," the paper reports, "there were differences with the IMF over the pace of some reforms and he [Ciroma] described the suggestion from Nigeria's largest creditor, Britain, that IMF officials monitor the central bank in return for debt relief, as politically unacceptable." Ciroma is quoted saying that there are things the IMF wants Nigeria to do right away, which it plans to do only next year, such as deregulating petroleum product prices.

The *Financial Times* reports on an IMF delegation visit to Nigeria the week before. "They said they were impressed by the commitment with which [President Olusegun Obasanjo] had begun tackling corruption. . . . But Nigerian officials said the IMF team expressed frustration with exchange rate controls, as well as subsidies on fertilizers and fuel, and went away until October without setting a benchmark for a deal."

Corporate

Major consolidation in the aluminum industry

Alcan Aluminum of Canada, currently the world's second-largest producer of aluminum, announced on Aug. 11 that it will buy Pechiney SA of France and the aluminum and packaging units of Switzerland's Aluisse Lonza Group (Algroup) for \$9.2 billion in stock. The combined companies, to be temporarily named Alcan-Pechiney-Algroup (APA) and based in Canada, would become the world's largest aluminum producer, surpassing Alcoa.

Alcoa, in response, made a \$5.6 billion bid for Reynolds Metals, a deal which, if successful, would put it back on top. Two days after Alcoa's bid, a counter-bid for Reynolds was made by McCook Metals of Chicago, a firm owned by the money company, Michigan Avenue Partners. Rumors place McCook's offer at \$67-72 a share; Alcoa's offer is \$65 a share. In 1998, Alcoa bought Alu-max, at the time the third- or fourth-largest U.S. aluminum producer, and Spain's state-owned Inespal, and in 1995 it bought the Italian state-owned Alumix, according to Reuters.

Based upon 1998 figures, Alcoa produced 2.5 million metric tons of aluminum, or 11.3% of world production, followed by Alcan with 1.5 million tons, or 6.6%. The companies comprising APA produced 2.6 million tons in 1998, or 11.7% of the world total, while the combined output of Alcoa and Reynolds was 3.5 million tons, or 15.5% of world output. The third-largest producer in 1998 was China's State Bureau of Nonferrous Metals Industry, with 1.0 million tons, or 4.5%.