

# Business Briefs

## Gold

### Japan-U.S. accord seeks to stabilize prices

A tacit accord between Japan and the United States to raise world gold prices in order to help stabilize Soviet *perestroika* has been reached, according to West European gold analysts.

The secret agreement involving the U.S. Federal Reserve, Japan's Ministry of Finance, and large insurance companies is to force the world price of gold significantly higher in coming months in order to indirectly help Soviet hard currency earnings for imports and to help stabilize *perestroika* without having to offer new bank credits to Moscow.

Best estimates are that a gold price of \$450 will be the minimum needed to help Soviet needs. The gold price has been hovering at a recent two-year low of some \$360 per ounce, largely because of extraordinary amounts of Soviet sales to the West to get hard currency.

The Japanese Ministry of Finance has reportedly already begun to implement the new policy by revising the rule which limits the amount of assets large Japanese reinsurance companies are allowed to hold in gold, from the current 1% level up to 3%. Based on their current asset valuation, this shift alone would allow the Japanese reinsurance companies to purchase some 25% of total world annual supply. Sources also point to the Sept. 4 speech by Federal Reserve Board member Wayne Angell to the U.S.A.-Canada Institute in Moscow, in which he spoke of a commodity "anchor" to prepare ruble convertibility by linking the value to gold, among other commodities.

## Asia

### World Bank lauds China anti-inflation measures

Peter Harrold, senior economist of the World Bank resident mission in the People's Republic of China, is quoted by Chinese news service Xinhua Oct. 16, saying that his bank congratulates China for taking "drastic measures" to solve the inflation problem.

Speaking at a seminar on world develop-

ment in Beijing, Harrold said, "China can be justly proud of its use of interest rate policies to solve the banking crisis that was developing last year at the time of the bank runs of August and early September. The problem is not to let those drastic measures which were taken in the short run interrupt the long-run economic reform."

Harrold suggested the Communist Chinese government intensify economic reform as inflation is falling "very rapidly." He warned, "The tighter austerity program could generate economic recession." He added, "Now is the time that the government could be very serious in deepening reform to prevent inflation that could come back again."

## Nuclear Energy

### Pakistan calls for expanded cooperation

Pakistan has called for a North-South and South-South cooperation program to bring the benefits of nuclear energy to developing nations.

Munir Ahmed Khan, chairman of the Pakistan Atomic Energy Commission, said on Oct. 21 that the wider use of nuclear energy would be a great help in checking environmental pollution. He said that nuclear power provided the only source of clean, safe, competitive and inexhaustible energy for developing countries, and that to deny them nuclear power in the name of non-proliferation and force them to use fossil fuel was to invite ecological disaster. He said the proposal for a nuclear cooperation program should not be rejected because it came from a Third World country.

## Debt

### U.S. bishops ask relief for Third World

U.S. Catholic Bishops called the burden of the Third World debt "economically unsound, politically dangerous, and ethically unacceptable," in a report issued by the U.S. Catholic

Conference, the official organ of the American Catholic bishops.

The report questions whether the Third World debt should be repaid, given the human suffering it engenders. "Is it merely a rhetorical question to ask how many infants and children die every day in Africa because resources are now being swallowed up in debt repayment?" the document asks. While saying there is generally a moral presumption that debts should be repaid, the bishops add, "we believe that in many instances the presumptive obligation to repay should be overridden or modified because of the social costs imposed on the poor."

The bishops grounded their analysis on the theme of "solidarity" emphasized by Pope John Paul II. The debt crisis, they say, is not simply a technical problem, "but a failure to [practice] solidarity."

## Trade

### Soviet raw materials exports dropping

The Soviet Union aims to freeze raw materials exports at 1985 levels and double exports of manufactured and processed goods by the year 2000, Ivan Ivanov, deputy head of the Soviet Foreign Economic Commission said Nov. 4, according to Reuters.

Ivanov was speaking at the end of a two-day conference on how to improve the performance of Soviet exports. "By the turn of the century, half of Soviet exports must be processed goods . . . the current level is between 25 and 30%," he said. Igor Faminsky of the Foreign Economic Commission added that this target is "a complex difficult matter. One of the reasons we're not exporting goods is because they're of low competitive quality."

European oil traders also report that Soviet exports of heating oil to Rotterdam and other European cities have dropped by roughly 30% since August. Soviet exports of heating oil, normally averaging 230,000 barrels per day, have dropped by at least 30% on average in the past three months, and perhaps by as much as 50%. Coal strikes and infrastructure breakdowns inside Russia are believed to be the reasons for the declines.

# Briefly

## Black Economy

### Center for money laundering is the U.S.

"The U.S. [has] the dubious distinction as the international center for money laundering," the *Chicago Tribune* reported on Nov. 5 in a front-page article. New laws and increasing pressure on traditional hot money havens "have radically shifted the trail of the laundering of profits from the \$100 billion narcotics trade in the U.S."

U.S. Attorney for Connecticut Stanley Twardy told the *Tribune*, "Traffickers prefer the stability of the U.S. and the safety of our banks. They know the authorities are inundated by the [currency transaction] reports so they have become bolder."

A Senate investigator said, "The government has allowed itself to be swamped by not hiring the people it needs to do audits. We have been told by insiders that the IRS [Internal Revenue Service] has assigned 50% of its auditors to reviewing" the reports that banks must submit on transactions over \$10,000.

The associate general counsel for Citibank claimed Citibank "willingly" assists in investigations of drug money, but complained, "We have been served in the United States with subpoenas, freeze orders and other legal processes issued by U.S. courts exercising some form of control over assets of our customers held by Citicorp entities outside of the U.S."

## Environment

### Studies refute ozone depletion hoax

Frederick Hallett, vice president of White Consolidated Industries, writes that the scientific evidence shows that the levels of ultraviolet radiation reaching the United States have decreased dramatically, in a letter to the editor of the Nov. 3 *Wall Street Journal*. Why therefore, he asks, is there all the hullabaloo about increased cancer because chlorofluorocarbons are supposedly depleting the ozone layer?

"There are studies by Norwegians, Rus-

sians, and the Max Planck Institute that show either unchanging or declining UV-B at the surface," Hallett said. "This calls into question the validity of the Rowland-Molina theory and hence the whole CFC replacement effort. This, in turn, threatens the massive vested interests" of the environmentalists."

Hallett said his questions on this with environmental groups "were greeted with derision. . . . When I expressed amazement that no one was undertaking a more current and credible UV-B study, I was urged to get back to the agenda topic, which was, ironically, a schedule for getting rid of HCFCs, the so-called soft CFCs that are such an important part of the CFC substitution scenario. . . . To my knowledge, no government entities, including the Environmental Protection Agency, are pursuing UV-B measurements. The topic never comes up in ozone-depletion 'establishment' meetings, of which I have attended many. It seems to me that such measurements are a vital part of any intellectually honest evaluation of the threat posed by CFCs."

## Oil

### U.S. crude in largest decline since 1970s

The Independent Petroleum Association of America (IPAA) forecasted the largest decline in crude oil production for 1990 since the 1970s, in a news release of Oct. 29.

The IPAA said its Supply and Demand Committee projected U.S. crude oil production to decline by 329,000 barrels per day (bpd) to 7.4 million bpd, in 1990, while imports are projected to rise more than 10%. The IPAA forecasts an import level of 8.1 million bpd for next year, comprising 46% of domestic supply.

The IPAA noted that U.S. crude oil production in 1989 has already declined 460,000 bpd, as compared to 1988.

The IPAA release also stated that "Nuclear generation of electricity is expected to decline in 1989, due to a number of unscheduled shutdowns and a slowdown in new capacity additions."

● **INSURANCE COMPANIES** have raised their rates in the wake of Hurricane Hugo, the California earthquake, and the refinery fire in Texas, the *Wall Street Journal* reported Nov. 6. Increases were expected for commercial property insurance and reinsurance, but "several insurers are raising all commercial rates," the *Journal* said.

● **A NATURAL GAS** agreement whereby Iran will supply gas to the Soviet Transcaucasus republics has been signed between the Soviet Union and Iran during a visit of Soviet Minister of Foreign Economic Relations Katushev to Teheran, according to Radio Moscow Nov. 1.

● **FRANCE AND GERMANY** will intensify cooperation in the energy sector, including protecting industries of both countries against a new oil crisis or cuts in natural gas supplies from the Soviet Union, under agreements signed at the 54th Franco-German consultations in Bonn Nov. 2.

● **3 MILLION SOVIET** workers have lost their jobs since 1986 because of the economic reforms introduced by Mikhail Gorbachov, the Soviet Communist Party daily *Pravda* reported Oct. 31. *Pravda* reported that unemployment will total between 15 and 16 million by 2005.

● **SUGAR SHORTAGES** are growing as world sugar consumption has outpaced production for the fifth consecutive year, the *Wall Street Journal* reported Nov. 6. The most recent forecasts indicate production could lag behind consumption by 1.7 million metric tons this year.

● **HEAVY INDUSTRY** employment fell sharply in October in the U.S., paced by auto manufacturing, which cut 15,000 jobs for a total of 50,000 jobs lost in the auto sector for 1989, according to Labor Department figures.