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## GOLD

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### Tight supplies

Our gold editor has just received the exclusive account of an embarrassing and potentially devastating setback to the vast Middle East/Indian trade in gold bullion. First, some background. It is an astonishing but well-documented fact that approximately one-half of world gold supplies coming onto the market in any given year are conduited to the ultimate purchasers via smugglers. Although Timothy Green, a consultant to the London-based mining finance house Consolidated Goldfields and a leading authority on world gold smuggling, has mentioned this fact on several

occasions, he has not chosen to stress the point that gold smuggling is generally used to cover-up "dirty money" transactions, including, most importantly, the \$200 billion a year global traffic in illegal drugs. The clandestine gold trading operations are centered primarily in the Middle East, India, and the Far East.

The news of a major blow to the Middle East/Indian trade was reported by Christopher Glynn, also of Consolidated Goldfields, in a Feb. 7 speech to the International Precious Metals Institute in New York City. According to Glynn, the trouble

arose when a new group of gold fabricators squeezed out the traditional manufacturers in the region and decided to manufacture "ten tola" gold bars in a slightly different shape. According to Glynn, "These bars (had been) of a size and shape which, so I am assured, permit secretion in some rather sensitive bodily recesses." (A "tola" is equivalent to approximately 4/10 of an ounce.) Glynn continued:

"Unfortunately, whether by oversight or sheer callousness I am not sure, the new entrants decided to make their bars just a tiny bit longer. They have not been a success. In fact, the whole exercise has been decidedly uncomfortable for both fabricators and customers. I am reliably informed that a new term of rejection has been introduced in the Gulf States: 'You know what you can't do with your ten tola bars don't you!'"

—Alice Shepard

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under full oil rationing. Moreover, Silk added, "there are (other) immediate steps that could be taken, such as imposing thermostatic controls on public buildings, and raising oil prices and oil taxes to curb consumption."

Putting this scenario into implementation would have two effects on the U.S. economy: first, oil consumption cuts translate into immediate production cuts in the heavily energy-dependent U.S. economy. Second, U.S. industry would demand a huge supply of funds to finance such increased oil price flow throughs, feeding the increased demand of funds that the Carter Administration would allegedly like to see halted.

—Richard Freeman

### U.S. trade war versus the EMS

*Treasury Undersecretary C. Fred Bergsten, in a March 7 speech, described the codes the U.S. has proposed for the Multilateral Trade Negotiations at the "Tokyo Round" of 98 nations. The U.S. administration's determination to wage trade war against "advanced" LDCs was made explicit.*

We sought as major components of the new code acceptance by advanced developing countries of increased obligations on subsidies....

...The principal obligation under the new code is a commitment not to use export subsidies on industrial or mineral products ...

...This provision specifically recognizes that export subsidies are an integral part of many development programs, but that they become less necessary as nations develop. The requirement is designed to encourage the phase out of export subsidies as nations become more advanced....

...In the absence of such obligations, we would countervail subsidized imports without an injury determination as in the past. It is extremely important to get as broad participation as possible in the MTN code — and we believe the benefit of recourse to an injury test in the U.S. is a real incentive....

We have had particular problems with government intervention in the investment process ... foreign governments frequently require that for a U.S. firm to do business with the government it must agree to transfer technology to the nation ... a major objective must be to achieve discipline....