

Business Briefs

World Trade

Chinese nuclear order to go to France?

France appears to have gained the upper hand over Great Britain in negotiations to win a contract to build a nuclear power station in Guangdong Province near Hong Kong in the People's Republic of China.

Until recently it had appeared that Britain would at least supply the conventional equipment for a twin 900 megawatt pressurized water reactor project to be built by France's Framatome.

However, Hong Kong's China Light and Power Company, which had intended to purchase power from the plant, upset Peking's financing plans when it revealed it will not be able to purchase as much power as originally planned due to the recession-related drop in demand for electricity.

China has set a July 1 deadline for Hong Kong to decide whether it will take power, after which the Chinese have stated that they will "go it alone." This could result in France winning contracts for the entire project with an agreement possibly being signed as early as next month when French President Francois Mitterrand visits China.

Gold

Expert says Soviets will be first on world market

Oxford University Sovietologist Michael Kaser told a NATO-organized conference held in Brussels April 7 that by the 1990s the Soviet Union will become the world's leading force on the world gold market, outstripping South Africa.

Kaser's argument is that the Soviets must find a means for offsetting a drop in expected foreign exchange earnings, due to cutbacks by European countries in their contracts for Soviet natural gas.

A Brookings Institute specialist on Soviet foreign exchange earnings counters Kaser's viewpoint, on the grounds that mining gold is so much more costly than extracting natural gas that the net earnings from increased gold sales would be negligible.

Kaser's paper is part of a three-year study conducted by 30 Sovietologists, due for publication this year by the Association of American Geographers. Edited by Theodore Shabad of the *New York Times* and Prof. Robert Jensen of Syracuse University, the compendium argues that the Soviets will have to engage in huge hard commodity sales over the next decade.

"The idea is that the Russians will sell their natural resources to Western countries, because this is the only way to earn foreign exchange," Shabad told *EIR*. Another leading participant in the multi-volume report claims that the report "is outdated," however. The same source believes the Soviets will strive to "conserve" their gold holdings—estimated at \$20 to \$40 billion—simply to maintain their creditworthiness for international borrowing.

Money Laundering

IMF disagrees with U.S. drug money study

Officials at the International Monetary Fund (IMF) have told *EIR* that they disagree with the conclusions of a U.S. Senate Permanent Investigations Subcommittee report on narcotics money laundering in offshore banking centers. The report, entitled "Crime and Secrecy" (see *EIR*, April 19), antagonizes the IMF because it suggests that illegal money laundering in small island banking havens should be stopped, rather than "regulated" as the IMF suggests.

Right after the Senate report was made public, the IMF issued its own study on the same subject, entitled "Aspects of the International Banking Safety Net." The report calls for increased central bank "supervision" of "risky lending practices" in offshore centers. According to IMF officials, it is intended to counteract the argument that banking secrecy per se is dangerous; and if the prudence of loans issued can be monitored, such secrecy practices constitute no danger to the world financial system.

IMF officials, *EIR* has also learned, have in several cases actually been the authors of legislation creating offshore, banking havens. The IMF offers services as an outside

consultant in helping countries to set up Hong Kong-style "separate accounting books" for offshore banking centers which want to appear legitimate.

These activities are centered in the IMF's Central Banking Department, which worked closely with British financial officials during the 1970s to create central banking authorities in the Caribbean. According to IMF officials, several Caribbean countries they have worked with are known to openly encourage narcotics and other illegal financial flows because it makes good business.

Domestic Policy

Manatt Democrats lead attack on Reagan

Senator Bill Bradley (D-N.J.), House Banking Committee Chairman Fernand St. Germain (D-R.I.), and other members of the Charles Manatt wing of the Democratic Party have allied with Henry Kissinger, fiscal conservative Jack Kemp (R-N.Y.), and Paul Volcker to support the IMF's new Bretton Woods currency system campaign, a source close to Kemp told *EIR* April 14.

This group is working from both "liberal" and "conservative" sides explicitly to attack and "embarrass the President" about his lack of international economic policy, he said.

"Basically, we're doing two things," the source continued. "First of all, we're going to give the administration a great deal of very bad publicity to pressure them, to embarrass the President because we are demanding an international economic policy and he has none. By contrast, the White House will be seen going to Williamsburg unprepared, and prepared even to stonewall and block any discussion of the world financial crisis. So we will raise discussion outside the administration to a sharper level.

"Second, we hope by creating this atmosphere to give an opening to foreign leaders to bring up the subject at Williamsburg," he said. British Prime Minister Margaret Thatcher is scheduled to demand the new Bretton Woods at Williamsburg, Washington, sources have told *EIR*.

Both the Kemp allies and the Democrats

are pushing hard for Volcker to be reappointed as Fed Chairman, the source said, as the only man who can manage the new Bretton Woods. "Volcker is very good," he stated, "because he says he has learned from his mistakes with the dollar of 1971-73." In "private conversation," he added, "Volcker is now quite explicit about disliking floating exchange rates, and in favor of creating a new system. The political people at the White House don't think he has done a good job for the Reagan economy, and they want a Republican appointee in there," he said.

Banking

IMF bill rolling through Senate

The \$8.6 billion IMF quota increase bill is steamrolling through the U. S. Senate; however, with a lot of "grassroots work," as one aide stated April 14, it could be stopped in the House.

The Senate Banking Committee finished hearings on the bill, and received Federal Reserve Chairman Paul Volcker's new bank regulation legislation to tack onto it April 15. The bill will be completed April 19. The final Senate product will be a three-part "compromise" containing the IMF quotas, the Percy-Morgan Bank for International Settlements amendment demanding the U.S. study the possibility of becoming a member of the BIS, and the Volcker bank regulations announced the week of April 11, which will turn control of U.S. banks over to the IMF. This tripartite bill is expected to be voted up by the full Senate the first week in May.

One Senate aide said his Senator is very opposed to the bill, but knows that the banks are determined to ensure that it passes. Several other senators who oppose the bill are also afraid to speak out.

But, the aide said, "the Senate does not respond to constituency pressure. D'Amato from New York is a bankers' boy, Garn is a bankers' boy, Heinz, too. Most of the Senate is like that."

The House Banking Committee will be holding hearings April 20-21, April 26-28, and May 3-4.

Markup of the bill in House Banking

will be at the end of May, and the full House may still be debating it by June, one House staffer said. "The problem is the full House membership. The constituency mail is incredibly intense on this issue, members are getting hundreds of letters, which is a huge number, all 100 percent against the bill. There is no reason in hell for any of these members to support this bill. The only way they can play statesmen and normally support such a bill is if it gets no public attention, but that game is up on this one," he asserted.

International Finance

Projected deficit provokes Saudi withdrawals

After months of intense infighting within the Saudi royal family, King Fahd made a televised address to his country April 11, to state that falling oil revenues would force the kingdom into its largest deficit in three decades.

Fahd announced that after cuts in all categories of the budget, Saudi Arabia is expected to run a \$10 billion deficit. That is projected on the basis of Saudi Arabia increasing the income from its sorely depressed oil sales.

Fahd is reported to be prepared to begin to liquidate the kingdom's massive foreign assets, estimated variously at between \$140 and \$160 billion. Whether Saudi Arabia will indeed liquidate the amount equivalent to the projected deficit of \$10 billion is not yet clear, but there is no doubt that unless Saudi oil income rebounds, the kingdom will be forced to withdraw substantial funds.

According to a source at a New York bank that advises the Saudi central bank, the Saudi Arabian Monetary Agency (SAMA), "King Fahd has staked his life on getting an economic recovery internationally . . . it's the only way Saudi Arabia can sell oil."

The sudden resignation of Abdul Aziz Qureishi, the central bank governor, the same week undoubtedly stems from the King's decision. No replacement has yet been named for the highly sensitive post. Qureishi had held the post since just before the 1974 oil hoax.

Briefly

● **THE SHIPBUILDERS** Council of America predicts that shipbuilding employment will decrease to 93,000 by the end of 1983, a loss of 32,000 skilled shipyard workers since 1977. The largest loss, 20,000, occurred in non-Navy projects, which suffered an especially sharp downturn since November 1982. J. G. Davis, secretary-general of the International Maritime Industries Forum, claimed that "Unless there are new orders, and there are no signs of that, many shipyards in the Western world will be on the point of closure within 18 months."

● **THE NEDC**, Britain's National Economic Development Council, which issued a report this month predicting no increase in jobs in that nation until 1990, has drawn moans from the British Confederation of Industries and from Chancellor of the Exchequer Sir Geoffrey Howe. However, the Trade Union Council admitted that if present economic policies are continued, a zero growth in jobs from the rest of the decade is likely. The NECD report polled 40 committees representing various industries and found, "none of the committees which have reported foresees an increase in employment in its sector up to the end of the decade. . . ."

● **LAWRENCE KUDLOW**, chief economist for the White House Office of Management and Budget, is expected to resign soon. A former employee of Bear, Stearns, a New York brokerage house, Kudlow is a top agent of the monetarist Mont Pelerin Society within the administration. He was an architect of the President's disastrous February 1981 four-point economic plan, which accepted the monetarist usury imposed by Paul Volcker while slashing the budget.

● **BILLY DAVIS**, candidate for governor of Mississippi, notes that the state's farmers have to pay \$30 billion this year in interest on debt, while the official estimates of their net return over cost are \$15 to \$16 billion. The U.S. Agriculture Department does not consider interest payments as cost.