

Business Briefs

Currency

Japan largest holder of cash, gold, says IMF

Japan replaced West Germany in 1987 as the nation holding the most currency reserves, the International Monetary Fund reported March 7. Japan's reserves rose \$32 billion in value during 1987, reaching \$81.1 billion, the IMF said, surpassing West Germany, which held \$78.8 billion at the end of 1987.

The IMF lists gold separately. There, too, Japan took over as the largest holder, with 61.5 billion ounces in January 1988, up from 35.4 billion at the end of 1986. West Germany's stock of gold rose to 59.2 billion ounces from 46.6 billion in the same period. The United States held only 32.5 billion ounces in January, down from 39.8 billion.

Taiwan also showed a sharp increase of \$20.3 billion in its holdings of currency. With a population of only 20 million people, it had more than 10% of the world's reserves.

Energy

Record Soviet output depressing oil prices

The Soviet Union produced record volumes of oil in 1987 and may have sold more abroad than in any previous year, adding to a glut which has depressed prices to their lowest in 15 months, market analysts said March 3.

According to Petroleum Economics, Ltd. (PEL), a firm of consultants which tracks Soviet oil output, the Soviet Union produced the equivalent of 10.6 billion barrels last year. That was well above target and about 150,000 barrels-per-day above the Soviets' previous record.

Provisional figures also showed that the Soviet Union, badly needing hard currency, probably boosted crude and oil product exports to the West above the 1984 peak of 60.2 million tons (about 1.2 million b/d), PEL said.

Analysts attributed the record Soviet output to active drilling, a more efficient

industry, and greater use of gas instead of oil to meet domestic energy needs. Development of the big Tsngis field north of the Caspian Sea helped offset declines in Siberia.

East Bloc

One-third of Poles live in poverty

"At least 25% and perhaps even 33%" of the Polish population "lives in poverty; an absolute figure of between 9 and 12 million citizens," according to *Przegląd Wiadomości Agencyjnych*, Poland's independent press. "The whole society is undernourished," it said.

According to the report, an inordinately large proportion of Polish family budgets is devoted to the purchase of food. In wealthier nations, about 20% of income is spent on food, it said, while in Poland expenditures on food amount to about 50% of a family's spending. Pensioners and families with many children spend as much as 80-95% of their monthly income on food.

The Polish diet has been drastically affected by the general long-term economic crisis, especially since 1982, when food prices began their dramatic and as-yet-unabated rise. The consumption of meat has greatly declined; only bread, milk, and eggs have maintained their "pre-crisis" levels.

The article concludes: "Only a small part of the population spends as much on food as a rational diet demands. . . . The poorest groups spend less than half of what they should on food. Taking health norms into account—the whole society is undernourished."

'War' on Drugs

U.S. anti-drug spending down \$17.5 billion

The FY 1989 budget for the U.S. International Narcotics Control Program administered by the State Department has been reduced approximately 17% overall from 1987

figures—from \$118.439 billion in 1987 to \$101 billion in 1989.

Only Peru and Ecuador will receive more money in 1988 than they received in 1987. The figures are given in the State department's just-released *International Narcotics Control Strategy Report*.

Assistance to Peru will rise from \$8.43 million to \$10 million. Ecuador's budget will rise from \$1.178 million to \$1.6 million. Assistance to Bolivia will be cut \$2.54 million; Colombia will receive \$1.553 million less than in 1987, although the situation in Colombia is acknowledged to be worse than ever; assistance to Mexico will be cut by \$500,000.

Agriculture

Rice scarce across Indochina

Nations throughout Southeast Asia are reporting often severe shortages of rice, the staple foodstuff throughout the region.

Laos is 200,000 tons short of rice this year, and has already asked the world to supply half of that amount to prevent malnutrition. Among those answering the call is Thailand.

Kampuchea is able to produce less than half the rice it once grew—and exported—and also has estimated a 200,000-ton shortfall. Vietnam had a one-year bumper harvest a few years ago and came close to feeding its population, but approaching its 14th year of internal peace, it has yet to reap food sufficient for its people.

Le The Trung, director of a Hanoi-military medical institute, says malnutrition in Vietnam is serious and widespread. Beriberi, neuritis, and intestinal ailments are all on the increase.

According to the *Bangkok Post*, in Kampuchea, Vietnamese forces have compelled peasants to sell scarce rice at cut-rate prices to feed the Vietnamese military. Scores of eyewitnesses from a variety of countries have reported seeing trucks full of rice sacks driving down Highway 1 towards Ho Chi Minh City. Kampuchean rice output has fallen by half over the last 20 years.

Vietnamese, Laotian, and Kampuchean leaders have all admitted to lack of invest-

ment money to raise production. Money is needed for farm tools, machinery, irrigation, fertilizer, and roads to markets. For lack of these, productivity is falling. *Nhan Dan*, Vietnam's national paper, reported that "tens of thousands" of peasants are unable to meet agricultural quotas set by the government, and thus find themselves ever-deeper in debt.

Monetary System

Africans, French criticize IMF

At an international conference on Africa's economic situation in Khartoum, Sudan March 9, a declaration highly critical of the austerity programs of the International Monetary Fund was issued. It charged that the programs were "rending the fabric of African society. Rather than improve the human condition, the structural adjustment programs have aggravated it, because they are incomplete."

London's *Financial Times* reports, however, that only a handful of delegates, who argued that IMF policies were ruining African countries, were opposed to the IMF's existence. The majority argued that IMF policies should be given "a human face."

French Premier Jacques Chirac was also critical of the IMF in an interview with the Paris weekly *L'Express* at the end of February. "Rich countries must assume their responsibilities" toward the poor countries, he stated. "We can not let things go without fulfilling our duty. . . . Above all, we must find today new solutions to the grave problem of indebtedness."

Chirac proposed "three urgent reforms" to give these nations "the minimum hope without which no development is possible":

1) Creation of "a system disconnecting Third World debt repayments from the variations of currency exchange rates and of interest rates, over which they have no control and which they have not caused."

2) Softening of conditions of debt repayments. "The measures imposed so far by the IMF are technically understandable, but politically unbearable. We must find a way out."

3) Indexation of debt repayments to the export revenues of the debtor countries, "since their capacity to repay is linked to revenue from sales of raw materials and agricultural produce—of which the prices unfortunately vary aberrantly."

Trade

Moscow to expand ties to Thailand

Moscow is seeking more long-term trade agreements and freight compensation transactions with Thai companies, Soviet Trade Commissioner Victor Glaznev said March 5. Glaznev, who arrived in Bangkok the first week of March to replace Yuri Mikhailov as trade commissioner, said his goal is to double the current Thai-Soviet trade to \$86 million.

Glaznev said a team of seven to nine Soviet businessmen will arrive this month to discuss a freight compensation agreement with Thai companies. Under this type of transaction, first carried out in 1986, Thailand uses Soviet ships to export Thai products to third countries, and the Soviets use the freight charges to buy Thai products. Thasos Shipping Agency is the Soviet agent in Thailand.

Mikhailov said the Thai-Soviet Intergovernmental Committee on Trade is expected to hold its first meeting this year. Glaznev said he expects four Soviet directors representing foreign trade organizations and one bank to arrive in Bangkok during March to launch the first Thai-Japanese-Soviet joint venture, the Aspac Company. The Soviets will use their partnership in the company to promote Soviet exports of mineral fertilizer, chemical products, machinery, and tools.

The Soviets have also accepted a Thai offer for Soviet ships to be repaired in Thai dockyards. Glaznev said discussions are being carried out with the Chaophraya Shipyard Company. In October, Thailand permitted 6-8 Soviet ship to be repaired at the Shipyard—the first time that Thailand has granted such permission to any socialist country. In 1983, Thailand rejected a similar offer. Most Soviet ships are now repaired in Singapore.

Briefly

● **WESTERN BANKS** will tighten their lending policies to Soviet bloc countries, the Organization for Economic Cooperation and Development (OECD) said in an annual survey released March 4. Noting that the gross debt of the East bloc was estimated at \$129 billion at the end of 1987, up \$16 billion over 1986, the OECD report stresses that "some hardening of borrowing is inevitable."

● **VENEZUELA** will use the largest single Ibero-American debt-for-equity swap on record to cover a major share of a \$624 million investment in a new aluminum smelter, according to Celestino Martínez, president of Aluminio del Caroni, SA, a Venezuelan aluminum producer that is a partner in the venture.

● **HEINZ OSKAR VETTER**, former chairman of the DGB, the West German Labor Federation, has called for an across-the-board wage freeze, effectively a wage cut, and reduced working hours—saying this will create the equivalent of one million new jobs.

● **MOSCOW** is poised to expand its international gold trading operations through a local branch of the Moscow Narodny Bank in Singapore, and other countries of Southeast Asia, according to Yevgeny Ulyanov, head of the precious metals department of the Soviet Bank for International Trade. He addressed a two-day international conference on gold in Hong Kong in early March.

● **JAMES BAKER**, U.S. Treasury Secretary, said that Margaret Thatcher's decision to let the pound sterling "float free" against the Deutschmark "does not harm the Dec. 22 Group of 7 accord on exchange rate stabilization." London sources regard this as a signal that Baker wants to "take the dollar down" again, after Super Tuesday's George Bush victories.