COMMODITIES

Commodity speculation based on war economy drive

Massive speculation in strategic raw materials is now underway based on the expectation that detente can be scuttled and a war economy made permanent:

*Copper prices have jumped to their highest levels in five years, despite the fact that there is at *least* a year's supply of copper stockpiled for non-wartime uses.

*Tin, lead, zinc, and silver have also moved sharply higher.

*Tallow prices have sky-rocketed on reports of Soviet purchases. (Tallow is a raw material in the manufacture of high explosives.)

*Demand for aluminum — the principal component in fighter planes — is so strong that Alcoa is restarting one plant, bringing another up to full production, and is launching the expansion of a third.

Speculation in strategic materials centers on the London commodity exchanges. It can therefore hardly be coincidental that (1) it was the British press and its U.S. outposts which first began oracularly predicting weeks ago that there would be a strategic-metals price run-up; (2) that the principal areas of current warfare and revolution are those with strong British input, such as the People's Republic of China (with promised British Harrier jets), Iran (destabilized by Royal Dutch Shell, British Petroleum, the BBC, and their U.S. allies), and Rhodesia, a "former" British colony.

A review of some of the more candid moments of the British press is instructive.

*The Feb. 20 *Daily Telegraph* of London headlines its commodity coverage, "Commodities Upsurge Reflects Fortune of War," noting that "A crisis does far more for commodities than even a strong underlying level of demand. If the two coincide there is real money to

TRADE

U.S. protectionism aimed at derailing Tokyo summit

Is it simply the inability of U.S. industry to compete with high-technology Japan that propelled the Carter Administration into a new round of protectionism this month? Shocking as that would be, a staffer of the Charles Vanik (D-Ohio)-led House subcommittee on trade revealed an even more shocking reason why the current round of trade talks has been so protracted and so fruitless.

The staffer told an interviewer that the Administration was not conducting the discussions in order to reach a mutually acceptable compromise on trade frictions, but as a political lever aimed at derailing the upcoming heads of state economic summit in Tokyo.

Japan's Prime Minister Masayoshi Ohira had announced two weeks ago that the agenda for the six-nation summit would include monetary reform, north-south issues, energy, and trade. To handle the summit, Ohira assigned T. Hosomi, an adviser to the Industrial Bank of Japan who had been instrumental in the coordination between Japan and Germany that led last year to the creation of the European Monetary System.

The appointment of Hosomi, a close intellectual collaborator of West German Chancellor Schmidt and French President Giscard, signifies that Japan's leading humanists intend to make the Tokyo summit into an historic forum for "a new world monetary system based on the EMS," as Germany's *Frankfurter Allgemeine Zeitung* reported in early February. If successful, such a summit would mean the implementation of a two-tier interest rate structure on the international dollar market under which the EMS, Bank of Japan, and U.S. institutions would make availbe made. So the possibility of a new war in Vietnam which could involve Russia and China sent prices soaring yesterday. Not the soft commodities which have no strategic uses, but the hard commodities, the metals which can be needed in a conflict.

*On the same day, the London *Guardian's* commodity column, headlined "Metal Prices Soar on Chinese Attack," observes that "Strategic materials, such as metals, came in for most attention and record prices were reached on the London Metal Exchange.... Leading the way was copper.... Support for the metal was further prompted by news that Rhodesian forces had attacked the Patriotic Front bases in Zambia. This immediately raised fears of a conflict in Africa which could threaten supplies from the African copper belt. The rise in copper dragged up other base metal prices."

—*Richard Schulman*

FROM OUR COMPETITION

The Economist on spot oil pricing

Our regular check on the accuracy of the London Economist *turned up the following in the publication's Feb. 17 issue:*

The Economist:

"The world oil market is inherently unstable.... Round the fringes (of the OPEC countries and the huge oil companies—ed) run a growing band of small independent traders, powerful enough collectively to dictate the pricing structures of the giants and ultimately to influence the listed prices of the producing countries."

The facts:

Spot-oil-price-determining trading companies like Philipp Brothers are controlled by the same British oligarchs who control Royal Dutch Shell and British Petroleum, a fact well known in the oil industry. The *Economist*'s Rothschild family owners, significant investors in Royal Dutch Shell, know this.

able billions of hard dollars for a Third World industrial development boom. No one would have to fight over markets.

It is the City of London, fearing such an EMS-Tokyo-Dollar link-up, which has used all its influence in Washington to create instead a U.S.-Japan conflict. The staffer for the House subcommittee, a center of Britain's Brookings Institution thought, said as much directly:

"It will be the U.S., Canada and Britain pushing for making trade issues the focus...The summit is going to be embarrassing for Japan." The subcommittee has just advocated consideration of import surcharges against Japanese goods.

Japan's trade negotiator, International Trade and Industry Vice-Minister Toshikazu Hashimoto, faced a complete "stonewalling" when he arrived in the U.S. for talks with Special Trade Ambassador Robert Strauss earlier this month. Hashimoto had expected a "short round" of talks clearing up the final details since the two countries had just agreed on terms for the Multilateral Trade Negotiations (GATT). Instead, according to an individual privy to the talks, Strauss presided imperiously while his staff of young Harvard Business Graduates, former International Monetary Fund officials, and former members of such consulting firms as London-linked McKinseys did the talking for him. "They refused to give an inch. We used all our ammunition, made concessions, but they refused to budge." At points Strauss interjected that his hands were tied by pressure from a Congress itself under unbearable pressure from labor unions, steel firms and shoemakers back home.

Insiders remarked that while Strauss often does act in such a "horse-trading" manner vis-à-vis Congress, at present he is simply going along with new instructions to "stonewall" by the Blumenthal-Solomon-Brookings Institution group in the Treasury Department. This explains why the protectionist threats, dropped for six months, have suddenly resumed. "There is a group in Treasury around Bergsten and Solomon working very closely with the House subcommittee on this. This group is hot to get Japan on the trade issue," explained the Vanik staffer. At the top level, Japanese officials are not taken in by the "pressure from Congress" pretext. Special emissary Nobohiko Ushiba — a former ambassador to the U.S. who was in Washington earlier this month — is said to believe that on trade and protectionism, the Adminstration sets the tone for Congress and not the other way around.

—*Richard Katz*