

Business Briefs

Gold

Asian money to move into gold?

After substantial dishoarding in the course of 1980, large amounts of Asian gold purchases are expected once the gold price breaks below the \$400 barrier, Hong Kong gold trading sources report. "A lot of Asian money, mainly Chinese, is on the sidelines waiting for the right price," a well-informed Hong Kong-based investment banker says.

Bankers have noted a striking change in investment patterns among overseas Chinese businessmen in Asia during the past two months. Chinese interests had previously concentrated on strengthening their hold on the regional economy, including some spectacular tender fights with older, established British companies.

Now Chinese interests, whose capital outside of the center, Hong Kong, is estimated at about \$50 billion, are converting holdings into cash and moving money out of Malaysia and other Asian "boom" areas, perhaps anticipating severe payments problems in late 1981 or 1982.

Banking

Problems slow bank reorganization plan

Financial problems at Citibank, Chase Manhattan, and other big commercial banks have thrown a monkey wrench into plans to reorganize the U.S. banking system along Canadian lines, investment bankers say. Citibank has reported a 40 percent profit reduction for the second quarter of 1981 due to losses associated with continued high interest rates and an immense foul-up in its electronic banking operations. John Reed, the bank's electronics whiz kid, may soon leave.

At this point, the big commercial banks are not in financial shape to absorb loss-making regional commercial and savings banks on a large scale, it appears.

Citibank's big problems arose from its headlong dive into the consumer market, including mailing unsolicited credit cards to individuals who later defaulted. The bank has more than \$100 million in bad consumer loans to write off from last year, and this year will be even worse. In addition, its computer services and electronic banking operations have produced only operating losses, despite costly capital investments.

If high interest rates continue, investment bankers add, the 363 savings and loan associations now on the Federal Home Loan Bank Board's danger list will require some form of federal bailout. Even if Congress were to lift restrictions on interstate and interindustry takeovers, they say, the commercial banks could not conduct the mass buyout operation they were bragging about only a few months ago.

International Credit

IMF wants to muscle Poles into membership

Pressure is mounting on Poland to join the International Monetary Fund (IMF), following conclusion last week of a seven-year rescheduling of Poland's 1981 debt payments. It is not known whether the Soviet Union has in any way softened its opposition to Poland's joining the Fund.

The debt rescheduling reached in the last week of July was between Poland and its commercial bank creditors. U.S. banks had firmly opposed a seven-year term of repayment, until the Polish government announced its new economic program package.

The loan package is based on an immediate reduction of living standards so severe that Polish circles have compared it to "war communism," the rationing imposed in the East Bloc after World War II.

Food prices, across the board, have been hiked as much as 400 percent. Personal fuel consumption and housing construction will be sharply decreased. Factories operating in deficit are now sched-

uled to be closed. The program resembles IMF austerity recommendations so closely that Western financial journals have interpreted it as a softening by East Bloc officials on the demand that Poland join the IMF.

On July 27 the IMF, for the first time, released a detailed analysis of the Polish economy.

The next day, New York's *Journal of Commerce* urged that Washington use its current offer of a \$400 million credit line tied to U.S. wheat exports to Poland to increase pressure for Polish membership in the IMF.

Underground Economy

Large drug-money haul in California

California state internal revenue service and customs officials announced this week they had succeeded in cracking a drug ring worth more than \$100 million a year. Nathan Markowitz, a Los Angeles lawyer with offices all over the United States, had funneled 29 unreported money laundering transfers through Garfield Bank in Montebello, with the complicity of bank officials.

Garfield Bank's president John Gabriel is a large contributor to Gov. Jerry Brown and Brown's allies.

One of the more interesting recipients of campaign contributions from John Gabriel has been former California Lt. Gov. Mirv Dymally. A Caribbean by birth, Dymally negotiated on behalf of the People's Temple of "Reverend" Jim Jones with the government of Guyana for admission of the Jones cult into Guyanese territory. All reports on Dymally's role in the Jonestown negotiations indicate that he was fully informed on the Peoples' Temple's intention to use Guyana as a base for narcotics, guns and smuggled diamonds shipment into the U.S. and Latin America. In 1979, the Jones cult engaged in a mass suicide of 900 individuals.

Officials broke the case earlier this year by nabbing Markowitz, who turned state's witness and provided law enforce-

ment officers detailed information on his dealings with Gabriel. In April, Markowitz was murdered.

Markowitz had bank accounts and trust funds in offshore centers in Bermuda and the British Virgin Islands. A close associate of his opened a trust with Barclay's Bank International in the British Virgin Islands, according to the indictment papers. Markowitz had a substantial shareholding in a Virgin Islands company called the Merchants and Mariners Bank.

Garfield would receive cash from Markowitz's agents, deliberately fail to file Treasury deposit forms, and then either ship the cash offshore or wire it out of the U.S. The funds would then be reinvested in the U.S., with Markowitz's team working up phony papers to make the investments look legitimate. The Markowitz ring also had business dealings in Liberia, where Mirv Dymally is also known to have been active for many years.

Agriculture

Terrorists hit medfly program

One of the helicopters used in the medfly eradication program in California was hit with gunfire this week and several others shot at, authorities reported. The helicopters are used in applying the Malathion bait over large areas in an effort to wipe out the pest which is threatening California's \$4 billion annual fruit and vegetable income.

Mexico has already quarantined California produce, and several U.S. states are threatening to do likewise. The Mexican agriculture ministry is also stepping up its program of sterile fruit fly release along U.S.-Mexican border towns.

Environmentalists led by California Gov. Jerry Brown had refused to allow the proper chemical control program, based on aerial spraying to be implemented.

Even before Governor Brown was forced to give the go-ahead to the spraying program, threats had been issued. On

July 3 the *San Francisco Chronicle* reported that individuals claiming to be Vietnam veterans and others had sent letters to Arnold Morrison, coordinator for the medfly eradication effort, threatening to bomb helicopters being prepared for use.

California is the locus of an anti-pesticide movement that has turned to violent action in the recent period.

Many believe the opposition to farm chemicals to be inspired by groups and individuals involved in the extensive marijuana cultivation in northern California.

Trade

Soviet grain talks begin this month

Agriculture Secretary John Block announced on July 24 that, pending final confirmation by the Soviet Union, U.S. and Soviet representatives would meet in Vienna in early August to discuss a new bilateral grain agreement.

The U.S. delegation will be headed by U.S. Trade Representative William Brock and Boris Gordeev, Soviet Deputy Minister for Foreign Trade, will lead the Soviet delegation, said the Agriculture Secretary. Other members of the U.S. delegation will include Seeley Lodwick, undersecretary of agriculture for international affairs and commodity programs; Donald Nelson, assistant trade representative for agricultural affairs, and officials from the USDA's Foreign Agriculture Service.

Significantly, the official release on the talks, issued by the U.S. trade representative's office, did not mention any role for the State Department.

According to Brock, the Vienna talks may lead to a five-year agreement replacing the one that expires in September, or a simple one-year extension of the existing pact, or an entirely new arrangement.

At the same time the Soviets have begun to buy American grain. A very serious drought has destroyed some important Soviet growing areas.

Briefly

● **THE NEW YORK FED** will call for defense budget cuts in an article to appear Aug. 12 in its quarterly review.

● **HENRY WALLICH**, a governor of the Fed, and former IMF Managing Director Johannes Witteveen, have circulated "absolutely irreconcilable proposals quoting the same data" to the Group of 30, an advisory body to the IMF that Witteveen heads.

● **FEDERAL RESERVE** officials are furious over a provision in the Senate resolution passed July 28 calling for "productive uses" of credit. "That's credit allocation!" an official fumed.

● **BANK OF JAPAN** support for the yen to the extent of \$1.5 billion, combined with \$500 million of Bundesbank support for the yen in the week of July 28, renewed guesses that the two banks have a currently operative mutual-support pact.

● **TUCKER ANTHONY** gold analyst August Arace is warning against purchases of South African gold shares, citing expected further drops in the bullion price and higher mine operating costs in the next six months.

● **GEORGE BALL**, the Trilateral Commission liaison with Italy's Propaganda-2 operatives, pronounced in a *Washington Post* op-ed July 30 that "so long as the world economy consists of a congeries of economies defined by national boundaries and directed toward individual national objectives, we shall continue to trip over our own feet."

● **THE GUARDIAN** of London recommends "an absolute monarchy, or at least one with the hiring-and-firing powers of an early George III," (known as the "Fat Guelph" to American revolutionaries) as the answer to what it calls the "failure of monetarism" in Great Britain.