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Commodities: Flight in precious metals

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France supports the proposal of the EC Commission for a stabilisation fund to prevent the commodity prices from falling below a certain minimum level – a rare instance of agreement, albeit at the expense of all the Community's taxpayers, between the bureaucratic perfectionism of the Commission and the aims of the French Africa policy. This automation however is rejected by the other EC states, Italy excepted: evidently taking warning from the similar design of the common agricultural policy, they favour special decisions in each case subject to an overall ceiling, and they want to make sure that resources of the stabilisation fund are only used to improve production structures. Italy wants long-term supply and purchase contracts instead of a stabilisation fund, with both sides giving guarantees on quantities and on prices or earnings. With such a display of discord in the EC it is difficult to believe in successful conclusion of the association talks by next autumn. kw.

Mineral Resources

New Measures in Germany

In West Germany, as in all industrialised countries, the energy crisis has given rise to second thoughts on energy and raw material policy. The dependence on imported raw materials is felt to create a critical situation. It is to be lessened in future: a secure raw material basis is the aim. In line with the concept for safe raw material supplies it is intended to further international cooperation and set up more production plants with German participation in raw material producing countries. The exploration promotion programme is also to be extended to improve the supply of mineral raw materials. Selective research, prospecting and exploration are to be covered by guarantees and tax incentives.

In its raw material policy, and more particularly in its oil policy, the Federal Republic's approach has on occasion been somewhat unfortunate. One often hears of the disadvantageous division of the seabed of the North Sea: the German sector seems to be rather barren. But why should so much weight be attached to this fact when the North Sea – with 1 p.c. of the world's oil and 3 p.c. of its gas reserves – counts for so very little on a world scale. More subtlety could have been shown when Deminex went for a participation in Abu Dhabi: given a proper structure, this joint enterprise of German mineral oil firms which was formed in 1969 could yet become a suitable instrument for securing oil for the Federal Republic.

The Government took a new step to carry out its energy programme when it took over the majority of the share capital of Gelsenberg for the state and merged the company with Veba, another enterprise under state influence. The intention is presumably to create a mineral oil group under state influence. Such a group could certainly be more easily guided in international negotiations. Whether it constitutes a commendable solution for the dilemma created by Germany's dearth of mineral raw materials, however, is another question. iwe.

Commodities

Flight in Precious Metals

Venerated by some as the ultimate standard for valuing all means of payments, disqualified by others as a barbaric metal and relic of a feudal age – gold is experiencing an undreamt-of renascence in its function as a means of hoarding capital. Huge turnovers amidst scenes of panic and speculative boom in precious metals were a feature of the worldwide flight away from paper money and into commodities.

The market price of gold which had already broken through the record mark of $ 100 per ounce during the 1973 boom went up by about 50 p.c. in the first two months of this year. The prices of the "white" metals, silver and platinum, doubled at the same time. That they soared so much higher is attributed to the impact of speculation: metal market facilities for speculation are available in these metals – in contrast to gold – and they are not subject to any restrictions.

The flight into the precious metals is degenerating into an international mass movement. Terrified by the galloping money depreciation and frequent monetary crises or else emboldened by the hope of profits from lucrative speculation, versed big investors and small savers alike are turning their backs on paper money and putting their trust in precious commodities. The traditional forms of investment in the stock, bond and property markets ceased long ago to offer a credible alternative to those who, for reasons of safety or speculation, want to put their money in real assets. The higher prices of precious metals are, besides, backed by sound calculations based on stagnating production, rising operational costs and growing demands from industry.

A threat is, however, emerging for the silver market through the easing of the Indian export regulations for silver and the lifting of the US embargo on the holding of gold. The price of gold, on the other hand, would be hit severely if the official price were raised and the monetary authorities were to sell gold in the market. The central banks, which hold about half of all gold stocks, could try this way of countering balance of payments difficulties and foreign currency stringencies resulting from the massive oil price increases. zz.