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innovatively to financial tensions, and he plugged the proposed New York off-shore banking facility as such an innovation. Wriston noted that the creation of a banking free zone in New York would remove sovereign risk for banks dealing in the dollar part of the Euro market—i.e., allow them to seize the assets of debtor countries in default.

Wriston also warned that the imposition of credit ceilings in the Eurodollar market would penalize the developing countries, whose need for funds will increase because of the latest oil price increases; however, it is not clear what Citibank's Third World lending policy will be over the next months. While Morgan Guaranty Chairman Walter Heinz Page III sided with Wriston in opposing Euromarket regulation at the London conference, Morgan senior economist Rimmer de Vries said recently that the bank will be carefully scrutinizing all developing country loans in the coming period.

—*Lydia Schulman*

In the U.S.

The U.S. Congress Subcommittee on Mines and Mining is now holding hearings every month to investigate the Carter administration's commitment to opening up new nonfuel minerals mines on federal lands.

According to one staffer regularly involved with these sessions, the Subcommittee is "making it as embarrassing as possible for the Department of the Interior and for the administration" over their reluctance to give up federal lands for mining development.

The Carter Administration's minerals policy was originally designed to curry support from environmentalist organizations. Now, with oil prices rising, it has become cost efficient to launch massive coal and other minerals development schemes throughout North America.

—*Renée Sigerson*

TRADE

After the Shah: high-technology contracts cancelled in Iran

Secretary of State Vance and Energy Secretary Schlesinger's support for the overthrow of the Shah of Iran has cost the industrialized sector a conservatively estimated $38 billion in contracts cancelled or defaulted on in the past six months. Vance and Schlesinger backed the Shah's overthrow in order to destroy the leading example of a "Third World" industrialization effort centered around nuclear energy.

The London *Financial Times* characterizes the Iranian cancellations as "losses unprecedented in business experience worldwide, short of a major natural disaster or a glo bal war." The same source claims that the dollar value of recently cancelled contracts may go as high as $75 billion. Leading the list of projects cancelled are the $6.9 billion pair of 1,200 megawatt nuclear power stations at Bushire, one of which was 80 percent completed, the other 50 percent. The *Financial Times* suggests its own attitude toward the cancellations by citing an "Iranian energy expert" who recently wrote a scholarly paper advocating that the two giant nuclear power stations "be turned into grain silos."

There has been discussion that the Iranian nuclear cancellation—directed against Siemens subsidiary Krafwerkunion (KWU)—may terminate West Germany's nuclear program. KWU still has options and letters of intent to build six more nuclear plants in Brazil. Secretary of State Vance and Assistant Secretary of State Warren Christopher have expended considerable effort to get those Brazilian nuclear contracts cancelled as well, however.

Although the Iranian government has not yet officially cancelled the two KWU reactors, the few hundred remaining German workers have just been expelled from the country and Iran has repudiated $400 million in payments due to Kraftwerkunion. Iran has also refused to pay interest on the defaulted sum as "contrary to the Islamic prohibition of usury."

Cancellation is also expected on a $5.9 billion French nuclear plant project led by Framatome. Two 900 megawatt reactors were to have been built. Site-work had already been completed.

The Shah had been determined to use the occasion of the previous oil hoax—that of 1973—to transform his nation into one of the world's leading industrial nations. An important side effect of this commitment was to set up an example for the rest of the OPEC sector toward high-technology investment in the capital-goods sector, which in turn generated significant export orders for advanced sector industry.

This at least partially stabilized an otherwise crippling blow dealt to the world economy by the 1973 oil price hoax, launched by oligarchical circles in Europe and the United States, including notably the "Seven Sisters" oil companies.

But the Shah failed to create mass-based political institutions to underpin his program. With the Shah out of the way, City of London banking circles are now confidently trumpeting their view that the swelling oil producer surplus will not be channeled into any significant OPEC-sector industrial investment.

—*Richard Shulman*

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