...dependence on China ...ows for critical metals

abor problems in Guyana sharply ck on imports of refractory bauxquired for the manufacture of linings in the steel industry— vernment changed the stockpile ations to qualify Chinese bauxite. iinese could thus benefit from a General Services Administration uy 250,000 tons of bauxite and 1.8 pounds of vanadium pentoxide stockpile.

he meantime officials say the for International Development ay soon be mobilized to help Chient its mining program from ic to foreign consumption. Any ort would be the first AID project a and would require the amendlaws dating from the 1950s that to Communist countries.

he boom in imports of Chinese s causing grumbling, too. In preears the Chinese exported mainly s and concentrates, but recently ve begun exporting upgraded maas well, competing directly with rs in the U.S. and Western Eunports of titanium sponge and metal powder from China and adium made from Chinese oxide sed the hackles of American probecause Chinese prices are cony below their own. "The supply has come out of balance," says J. Shortsleeve, international sident for the Metals Div. of arbide Corp., which processes both vanadium and tungsten. "The imports are becoming a matter of concern." Another industry official suggests that producers may call for quotas if the situation persists.

Other critical materials likely to be supplied by the Chinese in increasing quantities include beryllium—used in nuclear reactors and aerospace applications—mercury, cadmium, and silicon. Although the Chinese recently ran advertisements for cobalt in the *People's Daily*, China does not yet shape up as an alternative to the Soviet Union and southern Africa as a source of cobalt, manganese, or chrome. "But that is simply based on known reserves," says Paul Kreuger, chief of the Office of Resource Preparedness at the Federal Emergency Management Agency. In terms of minerals, he observes, "the country is largely unexplored." ■

WORLD BANK
The IBM deal that opens a cash source

Having been asked to check its heavy borrowing in German and Swiss markets, the World Bank recently joined with IBM in a "swap" agreement that netted it the foreign currencies it needed. In gaining the currencies, the bank entered into its first-ever forward foreign-exchange transaction, a deal in which a financial institution or a corporation agrees to supply one currency for another at a future date. The move could make it easier for the bank to increase its borrowing.

In early August, Eugene H. Rotberg, the bank's treasurer, decided to take advantage of the attractive 8% rates available on Swiss franc debt and the 11% rates available on Deutschemark credits. But Swiss and German central bankers complained that the bank had already borrowed heavily in their markets. "Having just been to the Swiss and German markets a week earlier, we began looking for a company that had already borrowed those currencies," Rotberg told BUSINESS WEEK.

Salomon Bros., one of the World Bank's underwriters, put Rotberg in touch with IBM, which had borrowed 500 million D-marks and 200 million Swiss francs in the spring of 1980. Because the two currencies had depreciated 28% and 22%, respectively, against the U.S. dollar, IBM wished to lock up some quick profits by prepaying the debts, but the loan agreements did not permit the company to do that.

Balancing debt. After striking a deal with IBM, Rotberg borrowed $290 million in the Euromarkets and simultaneously converted them to Swiss francs and D-marks in the foreign exchange markets. But this left the bank's books with dollar liabilities and foreign currency assets. On closing the deal with IBM on Aug. 25, the bank gained the Swiss franc and D-mark liabilities it needed, and IBM obtained the foreign currency assets it needed to balance its debt.

Under the arrangement, IBM agrees to

World Bank's Rotberg secured Swiss and German currencies in a swap agreement.

pay the World Bank enough to meet payments on the $290 million, while the bank agrees to pay IBM the Swiss francs and D-marks it will need, regardless of the exchange rates at the time the debts mature.

But bankers say that the need for entering such a "swap" highlights the bank's increasing difficulty in borrowing in low-interest markets. A. W. Clausen,

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