

## INTERNATIONAL MARKETS NEWSLETTER

# Europe Must Unite For 'Serious Dialogue' With Third World



EXCLUSIVE TO NSIPS

Nov. 27 (NSIPS) — On the eve of the summit meeting of nine European prime ministers, the Italian government has taken the lead in Europe for the new world economic order. Italy's position, which Foreign Minister Arnaldo Forlani set out yesterday in a Rome press conference after two days of talks with the British government, is to unite Europe behind "a global, united approach to serious negotiations with the Third World" and "radical changes" in the world economic system.

Europe's leaders will make their response to Third World demands for debt moratorium at next week's summit. Italy is leading the effort to aim a devastating shock at Wall Street — and its stooge Jimmy Carter — through support for debt moratorium and a new monetary system. Support for the Italian position has emerged out of Britain's successful battle against International Monetary Fund austerity and bitter West German opposition to Wall Street's plan to bail out the bankrupt dollar empire through world hyperinflation.

Forlani declared that he and British Foreign Secretary Anthony Crosland had worked out "a common position on all domestic and international issues," including opposition to austerity in Europe and cooperation with the Third World and the oil-producing countries. "No individual country is now able to save itself from the economic crisis," Forlani warned, "not Italy nor Britain. But this applies to France and West Germany, and to the United States and Japan as well. So we must have a dialogue with the Third World oil and raw materials producers."

Rejecting U.S. efforts to put off the next round of top-level negotiations between the industrial countries and the Third World until the Carter Administration takes over in January, the Italian spokesman said bluntly, "The dialogue with these countries cannot be postponed."

In parallel, the British government declared its commitment to the new world economic order through the Queen's Speech to Parliament, an annual affair in which the Government's summary of its legislative program is unveiled. "My government will continue to take part in international efforts to promote a more stable world economic order, and a fairer distribution within an expanding world economy of the world's wealth between rich and poor nations," Queen Elizabeth II said yesterday reading from a statement prepared by Callaghan. Callaghan has just won a major round against the International Monetary Fund, forcing the IMF to cough up a \$3.9 billion loan without austerity strings attached.

### The Deutsche Zeitung Signal

With continuous press attacks on Jimmy Carter and coverage of the fight in the U.S. to overturn the fraudulent outcome of the

Nov. 2 elections, the Europeans are making clear that they have every hope that the United States will carry out the necessary housecleaning to participate in a new world economic order. However, the Europeans publicly warned this week, if the U.S. permits itself to be ruled by a Carter Administration, Europe will not stand by and allow U.S. opposition to sabotage a Third World debt moratorium and the formation of a new international monetary system. The leading West German weekly the Deutsche Zeitung, which speaks for the Ruhr industrial community, gave Wall Street a harsh warning. "America's world power depends on foreign investment in the dollar," the weekly wrote, noting that foreign central banks now hold almost one-fifth of the U.S. national debt. "This depends on confidence in the dollar. With Carter in office foreigners will lose the confidence they had in President Ford.... Carter is advised by medicine men who believe in economic hocus-pocus....

"What would happen if only one-tenth of this \$135 billion foreign investment were withdrawn?" the newspaper asks. "There would be a chain reaction," and the dollar empire would disintegrate.

This is an explicit threat to dump the dollar, pulling Wall Street's empire down in ruins. No West German has dared to utter such a threat in the 30-year history of the Federal Republic. Throughout the long dissolution of the dollar since the 1968 gold crisis, West Germany, and other European sectors have absorbed inflation exported by the United States, and at a faster rate this year than ever previously. The Deutsche Zeitung, whose editors say they reflect the policy of the Schmidt government, has exercised West Germany's veto against the Carter world inflation policy.

Wall Street spokesmen have warned the West Germans that "their economic success depends on the NATO military umbrella, and they have to pay for protection." But the tables have turned, especially after the public outcry in West Germany against the insane proposals of NATO general Karl Schnell to hand out "tactical" nuclear weapons to field units of the Bundeswehr. Jimmy Carter's plans for nuclear war are forcing the West Germans to retaliate with financial warfare.

A similar fight is shaping in France, whose foreign minister, Louis de Guiringaud, met with Chancellor Schmidt yesterday. The French Gaullists, under the leadership of General Charles De Gaulle's former Prime Minister Michel Debre, are preparing to turn the UDR, the Gaullist political party, into a fighting machine for the new world economic order at the Dec. 5 annual UDR national conference.

West German Chancellor Helmut Schmidt and Italian Socialist Party leader Benito Craxi have also brought this fight into

the annual meeting yesterday of the Second International, the federation of social-democratic parties that has long been dominated by Atlanticist agent Willy Brandt, the chairman of the SPD. Craxi called for support for the new world economic order; a new monetary system without the chaos of the floating dollar; disarmament and reconversion of military capacity to high-technology industrial use. Schmidt blasted the Carter inflation line, ridiculing "the idea that seems to be prevailing in 140 different countries that the way to get out of economic problems is to print money." Reportedly, Craxi will take over the position of Second International vice-president with responsibility for relations with the Arab world.

#### West Germany Crucial

These deployments of anti-Atlanticist forces are focused on the summit meeting of European leaders next week which will hammer out the nine countries' position at the Dec. 15 final round of the year-long "North-South" talks in Paris. Italy is on record supporting the Third World's central demand for moratorium on their \$300 billion foreign debts. At the Brussels meeting of European foreign ministers last week, Italian minister Forlani proposed a straight-out European deal with the Third World, under which Europe would back Third World demands

for debt cancellation in return for holding the upcoming rise in the world oil price to a minimum. Britain and Belgium backed the Italians up, against the hysterical opposition of West German foreign minister Genscher.

But the West German hardline position has cracked open, as the Schmidt government reconsiders whether it should act as Henry Kissinger's cop in Europe. A high West German foreign ministry official warned last week that "it is not in our interests and politically unacceptable for West Germany to be isolated in Western Europe." The official, State Secretary Hermes, added that the Schmidt government "cannot block" the North-South negotiations "simply because we fear we will be asked for more concessions than we want to make." An editorial in the right-wing daily Die Welt yesterday predicted that the West Germans will make "generous concessions" on the debt issue and offer "broad, sweeping debt relief" — the first time that position has ever been attributed to the West German government.

Whether West Germany swings in behind the British and Italian axis will be crucial for the outcome of next week's summit meeting. Political associates of Chancellor Helmut Schmidt say that Foreign Minister Genscher, the Atlanticist die-hard in the Schmidt government, is threatening a governmental crisis if Schmidt goes along with the British and Italians.

## How the World Has Been Forced To Prop Up the Dollar

Deutsche Zeitung — the West German newspaper which has been most closely identified with Ruhr industrial interests and the Christian Democratic faction led by Gerhard Stoltenberg — this week issued the first explicit threat by West German capitalists to break with the dollar system. In a Nov. 25 article, Deutsche Zeitung economist Wannemacher warned that "the world power of the dollar depends on foreign investment in the dollar, and with Carter's election, foreign investors will lose confidence in the dollar." Following a sharp attack on Carter's economic policies — to force reflation on West Germany and Japan in order to bail out the U.S. banks' bad loans — Wannemacher characterized Carter's advisers as "medicine men who believe in economic hocus-pocus," and ended with a "rhetorical question: "What would happen if only one tenth of the \$135 billion foreign short-term investments were moved out? This would create a chain reaction."

It is no accident that West German industrialists, up until now the Atlanticists' last bastion of strength on the European continent, have chosen this moment to "discover" the fact that the dollar system is a millstone around their necks. During the months of July to October alone, the West German central bank has had to absorb a massive \$2.9 billion inflow in foreign exchange (mainly dollars), as idle funds freed up by the ongoing depression in the U.S. ran into the deutschemark in search of quick speculative profits. The direct result of this foreign capital inflow was an explosion in the West German money supply, forcing the central bank to impose extremely tight credit conditions to avoid inflation — just at the point when West German industry was entering a new collapse-phase!

Not coincidentally, the \$2.9 billion which the West Germans were forced to monetize was exactly equal to the record trade deficit which the U.S. economy ran up in the third quarter. According to Chase Manhattan's "International Finance"

newsletter, the U.S. is heading toward a record shortfall of \$8.9 billion this year, following last year's \$9 billion trade surplus. U.S. exports have stagnated at a 7 per cent annual rate of growth, barely exceeding current inflation rates.

By continuing to accept the massive inflow of dollar IOU's, West Germany and the rest of the world have taken the brunt of U.S. inflation, reflecting the stagnation, and in recent years, actual negative growth of basic U.S. industry. This has been the case since the 1958 U.S. recession, when U.S. financiers decided that they had reached the limits of profitable investment in domestic industry, and diverted all available capital into the buying up of European equities. The next step was the creation of the Eurodollar market, the completely unregulated pool of "offshore" dollars spawned by the mammoth U.S. payments deficits necessitated by this building of an American Empire. The Eurodollar market has, in turn, become the basis for every imaginable speculative enterprise, including the 1973-74 boom in loans to the Third World based on the artificial jacking up of commodity prices.

Exponential growth of this dollar pool — lacking any reserve requirements whatsoever — has been the primary engine of world inflation since the early 1960s. A crude measure of the degree to which the rest of the world has had to absorb dollar inflation is the growth in non-gold international reserves held by governments, the bulk of which is in dollars. As of August 1976, these reserves totalled \$173 billion, compared to \$53 billion in 1970 !

This is not the least of it. Most of these dollar reserves are in the form of U.S. Treasury securities; that is, U.S. government debt. This is the result of the early 1960s swindle, in which Robert Roosa, now a Carter advisor, persuaded the Europeans to help mop up the excess dollars by investing them in non-negotiable long-term Treasury bonds, appropriately nicknamed "Roosa bonds."