to their full capacity, as compared with today's depression lows, and merely send Europe the difference without removing any oil now currently marketed to the U.S. majors, European oil companies would receive an extra 500 million tons a year. (In 1975, France, Britain, Germany, Italy, and Belgium together consumed 413 mt of crude oil imports.) If Iraq, Libya, Algeria, Nigeria, Kuwait, Saudi Arabia, and Iran were to step up their current production from 1,050 mt-year to its immediate potential, they could produce 1,550, according to the 1975 edition of the International Petroleum Encyclopedia.

U.S. Trade Deficit Rises; World Trade Falls Another Notch

Dec. 4 (NSIPS) — Newly available world trade calculations for October show that the August-September downturn has produced a significant drop in both the imports and exports of the three strongest advanced market economies — the U.S., West Germany, and Japan — with acute ramifications for the Third World. Exports in each case dropped significantly from the 1976 peaks, peaks which themselves chiefly represented printing-press financing of price-cut orders, rather than an expansion of any country's actual industrial profit. On the import side, exceptional oil stockpiling did not prevent the U.S. and Japan from an overall decline in purchases. This temporary prop, on the one hand, and the abrupt fall in West German export orders on the other, suggest that the current picture is indeed worse than these statistics show.

U.S. trade displayed its ninth deficit in ten months in October, $696 million in the red; after a record $11 billion surplus last year, the 1976 deficit is projected by bankers at a record shortfall of $8-9 billion. Calculated on the "merchandise trade balance" basis used by most other nations, the U.S. deficit for January through October already exceeds $11 bn. Unlike the high trade gap of 1972, which reflected booming import demand by an economy revved up faster than the rest of the world's, the current balance expresses a drop in both exports (-1.5 per cent from September to October) and imports (-2.1 per cent). October exports fell 5 per cent below their 1976 peak of July, in real terms; imports dropped slightly less from their July peak as oil imports continued to climb. The auto sector exemplifies the general trend — imports from Canada in particular and foreign countries at large dropped, and so did exports of American-made cars.

In West Germany, at least half of whose economy depends on exports, foreign orders plummeted 35 per cent between July-August and September-October. October deliveries already showed a three per cent decrease from their September high, in itself scarcely a sufficient indicator to puncture remaining illusions about West Germany's solidity. However, the order picture, combined with the conjuncture surrounding it, is decisive.

The October figures for Japan delineate an equally dramatic turning point. Exports fell 4.5 per cent in one month on a seasonally adjusted customs clearance basis; the import dropoff was 8 per cent. Like West Germany, Japan still has a trade surplus, but the mechanisms that have sustained its trade have been destroyed. In the first nine months of 1976, Japan ran a giant trade surplus with the U.S. and Europe, fueled by inflationary financing of a 50 per cent jump in Japanese exports (often "dumped" exports) to the U.S. and the Common Market, with comparatively level imports from those regions. This Japanese surplus was used to stockpile imports from Southeast Asian countries (who otherwise would have been driven to default on their debts or freeze them). The first three quarters of 1976 saw a 50 per cent increase in this category of Japanese imports from the same period of 1975, and the imports represented one quarter of total Southeast Asian sales. The October decrease in Japanese imports, sharper than 8 per cent once oil purchases are deducted, indicates that deliveries from Southeast Asia may have already begun to decline. The collapse of Australian iron ore and other commodity exports to Japan was a major factor forcing the Australian dollar devaluation. And, given the U.S. and Western European situation, the export side of Japan's own future balance sheet, barring world economic restructuring, is plain.

Third World Ramifications

The last time a drop of this magnitude occurred in advanced sector trade was during late 1974 and early 1975, when the petrodollar push generated by the oil price hoax expired. The result was a constant-dollar drop in non-socialist developed nations' total exports of a full 20 per cent from the first quarter of 1974 to the first quarter of 1975. During the same period, the imports of non-OPEC Third World nations fell from $37 billion to $33 billion, or, in real terms, 20 per cent.

At this point, however, Third World imports are already back down to their late-1973 level; after declining gradually from their autumn 1974 peak, they will now take a murderous plunge. Though overall Third World trade statistics for the third quarter of 1976 are not yet available, the agricultural imports contraction can be supplemented by a number of indicative developments. Copper producers, for example, face a standstill with world prices too low to permit production except by slave labor, and record stockpiles rusting for over year as industrial usage slumps. Ferro-manganese, produced by Brazil, Canada, Rhodesia and South Africa, has become useless with the collapse of steel production; the glut is so acute that ports are clogged with shipments of the alloy and no warehouses can be found for further stockpiling. Trade in other commodities like aluminium will last only as long as the spurious auto pileup.

The poorest Third World countries, exemplified by sub-Saharan Africa, can scarcely reduce their imports further. The locus of collapse will be those sectors which have thus far preserved a semblance of economic activity, notably Latin America. While Venezuela's oil revenues have financed increasing industrial imports, and Colombia's speculative coffee sales make it a special case, Brazil is continuing a political fight over whether capital goods for industry and agriculture will continue to be bought. Argentina, unable to sell or store most of its bumper wheat crop, has undergone 30-40 per cent import cuts since this spring. Peru is cutting two-thirds of its planned food imports in the second half of this year, with another one-third

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cut planned for 1977; their fishmeal and iron ore exports have drastically shrunk, and their trade deficit will scarcely be aided by expanding copper production under present circumstances. As for Mexico, already in the first five months of 1976 imports declined a nominal 5 per cent with inflation at a 20-25 per cent annual rate. The recent peso devaluation, it is no secret, has the effect of strangling imports apart from the imposition of formal restrictions. Another key Third World country, Jamaica, trebled its trade deficit in the first half of 1976 as compared with the same 1975 period; exports earnings declined 39 per cent, reserves evaporated, and imports were cut 17 per cent. A reliance on the recuperative effects of an aluminium price hike, given the situation of the advanced sector, is clearly chimerical.

Among the OPEC oil-producing countries, trade has remained quite stable up to now, although Iran and Iraq have begun to pinch pennies on imports. No one dares to suggest that this sector itself can bail out the world trade collapse, any more than a "consumer-led" or 'cyclical" impetus. Last November, at the Rambouillet financial summit, Western Europe accepted the perpetuation of the dollar "debt mountain," as West Germans call it, on the pledge that a U.S. recovery would get them over that hill. Now world leaders are a year wiser; but there does not exist another year's leisure to distill their experience.

General Currency Crisis to Break in January

Dec. 4 — A generalized crisis of world currencies is set to explode by early January in the wake of a sharp downturn in world trade now in progress in each of the three leading Western economic sectors, the U.S., West Germany, and Japan. By destroying the "real economy" underpinnings of national credit systems, the trade downswing theatens to wreck not only the dollar but *all* paper currencies. Whether this renewed currency panic will lead to the reassertion of U.S. dollar hegemony and top-down fascist regulation of the world's economy under the auspices of a Carter Administration, or whether it will provoke a tri-sector convergence around building a new world monetary system, is a question which can only be determined in the political arena.

Why the Dollar Has Survived So Far

The U.S. dollar's "amazing" relative stability during 1976, despite the flagging U.S. recovery, has been based entirely on short-term pirating of other nations' currencies. The greatest source of the dollar's strength has been the fall of the British pound sterling and the rapid phasing out of the old sterling trade area in favor of dollar finance. The recent attack on the currencies of Canada and Australia, both formerly large holders of sterling who have substantial ties to British business, was a subsumed apsect of this operation to buoy the dollar. Similarly, the U.S.-bank-orchestrated run out of the Mexican peso and the Japanese yen has provided temporary support for the dollar. However, as will be shown in detail below, none of these operations is capable of sustaining the "strong dollar" hoax much longer.

Take, for example, one of the key bulwarks of dollar strength up to this point — the Japan-Australia-Far East Asian trade zone. On the basis of U.S. inflation and inventory rebuilding, the Japanese stepped up their exports into this country by 50 per cent during the first nine months of this year, then turned around and increased their imports of necessary raw materials from Australia and other Asian countries by 50 per cent. The bulk of this trade was financed in dollars (helped along by the run on the pound sterling which forced Australia, Malaysia and other Asian sterling holders to dump the currency), thus providing a critical margin of real loot with which to prop the inflated dollar.

But with the end of the auto sales boomlet in the U.S., this entire Asian dollar trade nexus has come down with a crash. With the first sign of a Japanese export decline in July, foreign capital began to desert the country en masse, and by October, Japan's huge balance of payments surplus was transformed into a deficit of $98 million. The decline in Japanese industrial production over the last three months triggered a shutdown of imports of Australian iron ore, helping to set off the Australian currency crisis. (In a similar way, the collapse of Candian auto exports to the U.S. exacerbated the Canadian crisis.)

The response of the desperate Rockefeller-Rothschild banking interests to this crisis this week has been to step up the speculative attacks on the Japanese yen, Australian dollar, and Canadian dollar. Australia, whose Labour Party government was overthrown by Rothschild-linked Rio Tinto Zinc interests last year, was forced to devalue its currency by 17.5 per cent at the beginning of this week. The Candian dollar has plunged 7 per cent since the Québec elections. Meanwhile, the Japanese yen sank to 279 to the dollar on Friday, compared to 286 last summer, despite heavy support by the Japanese central bank on the order of $50 to $100 million a day.

The Rockefeller-Rothschild rationale for these attacks is that by stampeding investors out of every other currency they will breathe life back into the dollar. Canadian businessmen, for example, have borrowed several billions of U.S. dollars in the last year. The currency collapse forces them to liquidate current business activity to get cash and buy dollars; otherwise their debts will rise massively in terms of the U.S. dollars they must repay. Thus, "demand for dollars" magically appears.

Dollar Achilles Heel

Ironically, the very means by which the U.S. financiers are attempting to buoy the dollar now will only hasten the currency's collapse in the near future. By attempting to destroy every other currency which could serve as an international reserve — first the pound, then the yen, and next (it is rumored) the deutschemark, the dollar is left bearing the brunt of the international debt-refinancing burden. U. S. Federal Reserve chairman Arthur Burns has been forced to engineer a collapse of U.S. interest rates, partly due to the depressed U.S. economy, but mainly to free up cash to refinance $400 billion in Third World and European debt.

During the last month alone, Britain has had to borrow $600 million and France $300 million in Eurocurrency loans, financed in both U.S. dollars and deutschemarks. But with the West German currency no longer able to play the role of a secondary reserve currency - particularly given the 35 per cent erosion of foreign orders the country has experienced since August — all this debt-refinancing will have to be done in dollars. Burns and Carter will have to resort to the printing presses, creating dollar