# Europeans Announce A Decisive Break With Carter

The Western European press has made a collective announcement of Europe's final decision to break with the bankrupt dollar monetary system and the unhinged war policies of the Carter Administration, confirming beyond question the intentions of European governments — but just short of the necessary death blow against Carter's ability to unleash terrorism and war.

Early Aug. 3, the British Broadcasting Company radio news revealed that the Bank of England is selling off its dollar reserves and buying gold, the clearest public signal so far from the Western Europeans that they plan to replace the dollar with a gold-reserve monetary system. Yesterday, the West German industrialists' daily Handelsblatt reported from London that British financiers expected Arab oil-producing countries to begin demanding oil payment in gold, rather than the fast-depreciating U.S. dollar.

In Paris, representatives of the state oil company, the Compagnie Francaise des Petroles, and officials of leading French banks confirmed that negotiations were nearly complete on oil-for-gold arrangements with their Arab oil suppliers. On the world foreign exchange markets, the dollar resumed its plunge against the West German mark and other leading currencies after last week's brief pause. This time, according to reports in the financial press, the dollar collapsed because the British, West German, and other central banks had sold dollars to drive it down intentionally. The Soviet party daily Pravda gloated over appeals in the West German daily press for European banks "to adopt measures against the market manipulations organized out of Washington," adding that the West German central bank had stopped supporting the besieged U.S. currency.

To back up this monetary stance, the Europeans and Arabs have concluded agreements during the last two weeks which, taken as a whole, make up the skeleton of development banking arrangements, within the context of the emerging gold-based monetary system.

### *Critical Period*

What West German Chancellor Schmidt, French President Giscard, British Prime Minister Callaghan, and Italian Premier Andreotti have done is everything but to state publicly what the Carter Administration and every informed circle in world finance knows: that Europe wants out of the crumbling dollar empire and the psychotic war plans of Carter and Brzezinski. The world entered the critical period this week, and the time lapse before Europe decides for a break with Carter and a new monetary system, or capitulation and Carter's war, will be measured in days. If the European leaders crack under the Carter National Security Council's threats, including personal assassination threats, the last opportunity to turn the world aside from the course towards war might be lost irrevocably.

Despite public lies about "benign neglect" and "unconcern" for the dollar collapse from the U.S. Treasury, Carter, Brzezinski, and Treasury Secretary Blumenthal know precisely what is at stake, and why they are sending assassins against their opponents. According to high officials at the Treasury, the rest of the world is preparing for the founding of a gold-reserve monetary system through gigantic shifts in national gold reserves. At the current rising market price for gold, at least $146 today, the now-idle gold reserve of central banks would add $100 billion to world reserves, the Treasury calculates. At least $50 billion of this will be swapped between countries with large gold reserves, like France, Spain, and Italy, and countries with strong foreign exchange holdings but little gold, such as Japan, Britain, and the Arab oil producers. These swaps are already underway, preparing an even distribution of gold reserves required for the new monetary system.

As the West German daily Handelsblatt indicated, the fastest way to accomplish this massive redistribution of reserves is to price oil in terms of gold, or a gold-related Arab currency. Meeting in Vienna this week are central bankers and finance ministers of the Organization of Petroleum Exporting Countries (OPEC), charged by their countries with finding an alternative to conducting the oil trade in U.S. dollars, whose value is evaporating on the foreign exchange markets. The OPEC countries have not yet made an announcement in response to European proposals to exchange oil for gold. But sources close to the Saudi Arabian government, the largest of the oil producers, report that the meeting will not make any commitment whatsoever to the demands of the Carter Administration and the International Monetary Fund to use Arab oil revenues to bail out the New York banks' holdings of worthless debt paper.

In effect, the Arabs have already sealed Chase Manhattan's death warrant. They have yet to dump Rockefeller's dollar, and undermine the Carter Administration's plans to drag them into a new Mideast war. However, New York and Washington financial circles expect the rockslide against the dollar to begin at any moment. Congressional sources close to Senators Frank Church (D-Idaho) and Jacob Javits (R-NY), the leading Senate proponents of war against OPEC, say they expect a massive run out of dollar deposits in general, and OPEC deposits at the New York banks. The war-hungry Senators, these sources say, are desperately looking for ways to prevent the banks going under when the Arabs "pull the rug out from under them." In New York, panic erupted at the New York Federal Reserve Bank Aug. 1, when a financial weekly, the Money Manager, disclosed urgent communications between New York Fed President Paul Volcker and Fed Chairman Arthur Burns on the precarious position of the dollar. Reportedly, Volcker warned that a continued fall of the dollar would provoke the Arabs to pull out of dollar assets, sending that currency under for the last time.

At their meeting in Vienna this week, the finance ministers of OPEC agreed to convene an emergency session and take action "to protect our incomes" if the dollar "fell below the danger point," in a Kuwait official statement cited in European media reports. Otherwise, the OPEC finance ministers conspicuously failed to make a commitment to the so-called "Witteveen facility" of the International Monetary Fund for balance of payments aid to faltering nations. Usually reliable sources report that the OPEC countries will offer a bare $150 million to the facility — against Witteveen's original demand for $10 billion. A State Department official deprecated press reports that the OPEC countries would grant $2.5 billion to the IMF fund, saying that the outlook for the scheme is "uncertain." The $150 million figure "might be right," the official said, "but we're hoping for somewhat more than that."

Although the Arabs are not willing to take public responsibility for collapsing the Eurocurrency structure, they are openly hostile to any measures that might stabilize it, and prepared to jump at the first sign of crisis. Witteveen convened a meeting of potential donor nations for Aug. 6 in Paris, virtually the last chance before the IMF's September annual meeting to put the facility together. From present indications, the facility will not come through, a major blow to confidence in the Eurodollar market and lending to Third World deficit countries in particular.

### *Arab Banking Plans*

New monetary arrangements are already taking shape in the form of bilateral agreements between Britain, Italy, France and the Arab oil-producing countries to create new development banks. Aug. 3 the official monetary authority of the United Arab Emirates (UAE), a Persian Gulf oil producer, announced a fundamental reform of its banking system, with the object of providing liquidity for development loans to the Third World. Under the guidance of the Bank of England, the UAE Currency Board said, it will pursue a "hard dinar" monetary policy, and prevent international banks from using local liquidity for speculative purposes.

In a series of related developments, the Italians and British are founding new banking institutions in common with the Arabs, following the creation of the Saudi-French Bank earlier this month, a partnership of the Saudi Arabian Monetary Agency and the leading French bank, Paribas. Italian press accounts say that Premier Andreotti, who leaves for Saudi Arabia Aug. 6, will set up a development bank with the Saudis. The new bank, according to the Italian daily Corriere della Sera, will fund three-way development projects including European industry, Arab oil-producers, and developing countries. In addition, Corriere reported, Andreotti is working with U.S. industrial companies to bring them in on the deal with Saudi Arabia.

With the aid of the Bank of England, OPEC investors have joined with Britain's largest bank, Barclay's, to create the new Allied Arab Bank in London. Funding for the new institution will come from financial groups in the Emirates and Nigeria. Especially significant is the fact that the capital of the new institution will be paid in pounds sterling — the first open resurrection of the British currency as an international instrument since the Bank of England took the pound off the dollar standard last week.

These parallel moves by European governments reflect top-level political coordination. What European governments and financial circles envisage is a monetary system that links a unified European currency bloc to a group of Arab currencies, with a common gold parity. Without difficulty, the Soviet bloc's transferable ruble, which has a gold content and gold parity, could be linked to the European-Arab arrangements, for purposes of three-way trade. The new gold reserve system would provide the liquidity for new joint banking arrangements between the Arabs and Europeans — and ultimately the Soviets — to finance an expansion of "hard-commodity" export trade with Eastern Europe and the Third World. If the world survives the decisive weeks ahead, Western Europe and its allies will have beaten the depression.

While the political role of the Soviet Union in these events has yet to be defined, *EIR* has obtained definitive confirmation from an array of Swiss financial sources that large-scale transactions are taking place between the Soviets, Arabs, and Europeans through the Zurich market. Swiss sources confirmed with some reluctance that Arab countries are building up transferable ruble accounts out of a pool managed by the big three Swiss banks for switch-financing purposes, with the encouragement of the Soviet monetary authorities. Rumors from Switzerland that the Soviets are becoming net purchasers of gold, rather than major sellers, appear to have been a disinformation cover for large-scale transactions involving the Soviet transferable ruble, which Mideastern investors did not wish to make public.

*— David Goldman*