United States and the Soviet Union, the opportunities in which U.S. corporations have showed the most interest are joint projects for the development of the Soviet Union's vast natural gas and raw material resources.

The Soviet Union possesses large, and largely untapped, reserves not only of natural gas, but of copper, nickel, platinum group metals, timber and other resources. Development of these resources through joint ventures would benefit not just the United States and the Soviet Union but consumers of these products the world over. This is especially true with respect to natural gas....

The prospect of U.S. firms participating in the development of Soviet natural gas reserves is potentially attractive on several counts....

Regardless of which alternative developed, the effect would be to enlarge world supplies of energy, mitigate upward pressure on world prices, and reduce the potential for the kind of political divisiveness to which competiton for vital scarce commodities can lead....

The question of Government financing is important but not controlling. U.S. Government participation would facilitate agreements, and have favorable balance of payments effects, but Government financing is not a *sine qua non*.

Perhaps the single greatest obstacle to the consummation of cooperative energy development is, and has been, uncertainty. This uncertainty has not been over commercial viability, but over whether a venture, once assembled, would be approved by the U.S. Government....

I know that American businessmen would like to be able to put together joint ventures with the Soviet Union, apply for Government approval and be assured that the projects would be treated as any similar project with any other country might be treated. For various reasons, such approval may be too much to ask....

How The ExIm Bank Can Solve The Trade Crisis

Under the powers granted it by Congress, the Export-Import Bank of the United States is equipped to get the world out of the trade-depression that hit during the third quarter of this year. The Eximbank can intervene in world markets to channel the huge amounts of liquidity that are now being used for speculation and debt refinancing into productive trade and investment. With a couple of almost routine authorizations by Congress, the Eximbank could begin this job first thing Monday morning—if the Executive Branch of the federal government wants to.

At present the Eximbank plays a minor (but essential) role in American trade. It borrows funds from the federal government's Federal Financing Bank, and uses them to make direct loans or guarantee U.S. exports, at the present rate of about $9 billion a year.

But this activity constitutes only a small portion of the scope of operation defined for the bank in the Export-Import Bank Act of 1945. The first paragraph of the bank's charter states:

"...the Bank is authorized and empowered to do a general banking business...; to receive deposits; to purchase, discount, rediscount, sell, and negotiate, with or without its endorsement or guaranty, and to guarantee notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers, and other evidences of indebtedness; and to guarantee, insure, coinsure, and reinsure against political and credit risks of loss; to purchase, sell, and guarantee securities ... to purchase and sell coin, bullion, and exchange; to borrow and to lend money...."

In other words, the Eximbank can legally perform every conceivable banking function. These powers have not been used, according to Eximbank legal staff, because they were designed for emergency circumstances. But a 10 percent dropoff of industrial countries' exports in a single quarter — a 40 percent annual rate — is an emergency by anyone's definition.

This particular institution is eminently well equipped to take on the causes of the trade collapse. The problem is not insufficient credit or liquidity in the international monetary system. On the contrary, the system is flooded with liquidity. However, the international banks who make up most trade and related financing are not lending for trade, but for refinancing of preexisting debts, and other speculative operations.

Statistics just released by the Bank for International Settlements show that bank lending to developing countries has *almost totally excluded trade*. During the second quarter of 1977, according to the BIS, nominal bank lending to the developing countries rose by $13 billion. However, almost all of this money — $12.7 billion — went back to the banks immediately in the form of deposits from the borrowing countries. The point of this paper-shuffling operation is Third World debt service, now at an annual rate of more than $40 billion.

Since second-quarter lending normally finances third- and fourth-quarter trade, the result of the shutoff of *net* lending was the trade collapse during the third quarter. Despite the collapse of trade, however, the world supply of liquidity did not stop growing. One basic measure, the reserves of central banks, continued to grow at a 10 percent annual clip; another measure, the combined money supply of industrial countries, grew at a 9.7 percent annual rate as of August 1977.

More dollars in circulation backed by fewer goods in international trade means a weak dollar. This created the objective basis for the dollar's collapse, enabling British agent Treasury Secretary Blumenthal to start a round of dollar-dumping in late July. The main beneficiary of the dollar collapse was the City of London, which sucked in a stupendous $17 billion of loose international funds this year. That sum is about equal to the absolute dropoff in international trade.

Preliminary indications are that the rate of lending to the developing sector during the third quarter dropped even faster than in the second, indicating an even worse trade situation for the fourth quarter of 1977 and the first quarter of 1978. In large measure, this is due to London's conspiracy to undermine the dollar. If international funds are leaving the Eurodollar deposit pool, the big international lending banks will be less secure about going out on a limb with new international loans. Thus, the trade shrinkage and the collapse of the dollar have become a self-feeding spiral — mediated by the London monetarists.

How to Do It

To break out of this spiral, some major institutional force must wilfully intervene in the international credit markets, absorb the ill-used funds in circulation, and lend them for productive purposes. The most striking initiative working in this direction is a West German scheme to create a Eurodollar market center in Luxembourg, and use deposits concentrated there to finance international trade.

The Eximbank should do the same thing, under the authority granted it by Congress. It should immediately establish offices in Luxembourg (rather than in London, recognizing the preexisting efforts of the West Germans and others to transform Eurodollars into hard-commodity credits). Through its Luxembourg office, it should announce that it will take Eurodollar deposits on five-year term, at 2 percent less than the current rate for loans between Eurodollar banks, or slightly over 5 percent.

To attract deposits, the Eximbank should issue a statement saying essentially the following: "The Export-Import Bank of the United States has a policy commitment to force up levels of international trade by making loans to developing countries. It will cooperate with the export credit institutions of all other countries to bring the industrial might of the industrial sector together to make this policy work. Therefore, deposits made to the Eximbank are backed by the industrial potential of the United States, and indirectly its allies, and are the soundest investment available."

Within a week, the Eximbank should have a few tens of billions of dollars on its hands. Within a month, producers of steel, tractors, trucks, fertilizer, and nuclear power plants in the advanced sector will be gearing up production. The Eximbank's policy commitment to expand trade will ensure a recovery of the U.S. dollar on the foreign exchange markets virtually overnight. To further consolidate the dollar's position, the Eximbank can, under law, begin gold operations of the type that U.S. Labor Party Chairman Lyndon H. LaRouche proposed for a private-sector international development bank. The Eximbank should begin purchases and sales of gold bullion, and offer to take deposits and make loans pegged to the gold price. This measure will further stabilize the dollar and enable the Eximbank to obtain funds at a far cheaper rate than current inflated market interest rates. More important, it will link the U.S. to current European proposals to conduct international credit transactions in gold.

The Real Charter

It might be objected, the Eximbank staff warn, that this new role might contravene the section of the charter that reads, "the Bank in the exercise of its functions should supplement and encourage, and not compete with, private capital." That stricture hardly applies to the current situation, when the commercial banks have virtually abandoned the business of financing trade to the developing countries. Indeed, the commercial banks are lobbying the Eximbank to rediscount their own trade credits. By increasing the overall volume of trade, the Eximbank will rapidly increase the opportunities for sound commercial banking.

Congress must clean up a few details in addition to this. First, it must pass a routine authorization for an increase in the Eximbank's lending ceiling. It must also repeal Sections 7(a) and 7(b) of the Eximbank Act, which put a limit of $300 million on loans to the Soviet Union, among other restrictions. The Administration currently favors repeal of the anti-Soviet clauses of the legislation in any case, in the interest of expanding East-West trade. The rest can be done by the Eximbank itself, under 32-year-old legislative powers.

This proposal follows the letter and the spirit of the drafters of the Export-Import Bank Act of 1945, who stated: "It is the policy of the United States to foster expansion of exports of goods and related services, thereby contributing to the promotion and maintenance of high levels of employment and real income and to the increased development of the productive resources of the United States."

— David Goldman