

14 when the United States announced its seizure of Iranian assets held in U.S. banks both here and abroad. This established de facto U.S. control over dollar deposits anywhere in the world, in flagrant disregard of the body of international law which states that these funds are in fact under the jurisdiction of the countries in which the banks are located. As a result of the U.S. action, uncertainty concerning the future availability of dollar liquidity has nearly paralyzed the Euromarkets, which provide over \$100 billion annually in credits to governments and major corporations.

Conservative estimates indicate that the developing countries will require next year over \$60 billion to finance their current account deficits, as a result of higher oil prices and interest payments, and the bulk of these funds must come from private Euromarket banks. Should these governments be denied access to the Euromarkets, major defaults could occur as early as the first quarter of 1980.

The pretext for the latest run on the dollar in world currency markets was provided when the U.S. Federal Reserve arranged a slight, momentary easing in U.S. interest rates at the same time that major U.S. media were hyping the possibility of another major oil price boost and production cutbacks coming out of the mid-December OPEC meeting. Schröder Bank director Geoffrey Bell and Morgan Guaranty's Rimmer de Vries are both predicting large-scale diversification out of the dollar by OPEC governments—whose 1980 oil surplus, de Vries estimates, could amount to \$80 to \$90 billion.

According to Morgan's scenario, the chaos on the markets could force the West German government to accept an "orderly" phase-out of the dollar's reserve role by issuing special deutschmark-denominated securities to large foreign investors.

While the West Germans are fighting this tooth and nail, the Swiss government, de Vries reports, may shortly add a new element of instability by creating a new Swiss franc-denominated instrument designed to encourage such diversification.

Chase coup

Meanwhile, Chase Manhattan and a group of other U.S. banks pulled a major coup in the Euromarket with their declaration on Nov. 22 that Iran was in default on a \$500 million syndicated loan. Chase and some other New York banks convinced Treasury to permit them to use the frozen Iranian assets to offset "defaulted" Iranian loans even though the legality of this move is highly questionable. This placed European banks participating in Iranian loans in a bind, since if they also move to seize Iranian assets, they will involve themselves and their governments in a conflict which is not of their making. Moreover, since the bulk of Iran's assets were held in U.S. banks, many non-American banks may not be able to offset the Iranian loans in any event and will

De la Gorce: Iran crisis aimed at Europe

In a Nov. 28 column in *Le Figaro*, foreign policy analyst Paul-Marie de la Gorce reviewed the various military options being discussed in Washington as a "solution" to the Iranian situation. De la Gorce breaks them down into two categories, limited, or global intervention, each with several variants, none of which is satisfactory, particularly since they would mean "more damages for Europe and Japan than for Iran."

All of the "limited" intervention variants "have one point in common: they would entail risks and inconveniences, would probably sacrifice the lives of the hostages, but would not ensure any essential change in the political situation in the region in favor of the United States."

Those of Carter's advisors who favor "global intervention" are "consciously or not inspired by the lessons given by Henry Kissinger." Such an intervention, however, would lead to "a civil and foreign war of unpredictable dimensions," including Soviet intervention.

Warning of dangers created by pre-election year politicking in Washington, de la Gorce concluded:

"we can thus measure the importance of the present efforts to bring out a political solution. Several diplomatic initiatives concur in this direction—those of France in particular at the same time as those of Mr. Waldheim (U.N. Secretary General). They all suppose cooperation with the Soviet Union. After the capture of the hostages, the latter had opposed, like all other powers, the Iranian request for a meeting of the Security Council. Was this a sign and was it picked up by Washington? ... Nonetheless, on Saturday Moscow began to warn that any American action, even limited would not go without a response.

Despite these warnings, American leaders are counting on the ordinary caution of the Soviets: they are undoubtedly right. But this is not enough to set aside the dangers of a military confrontation in the Middle East, nor the dangers of the prolongations it would have in this region of the world, nor the opportunities which would then be opened for the U.S.S.R. to exploit the crisis in its favor."