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The Bonn summit and Soviet strategy

by Chris White

The final communiqué, issued by the participants in the Bonn summit of the seven leading nations of the OECD, repeated, as expected, the two major mythical tenets of present economic policy. In this respect, therefore, the summit represented a significant step forward for Soviet strategy toward the Western nations. And, despite her affirmations to the contrary, Margaret Thatcher is once again caught out, giving aid and comfort to the enemy.

The two myths, reaffirmed by the summiteers, are, first, the existence of an economic recovery among those OECD nations, led by the United States; second, the unanimous endorsement of the international role of the International Monetary Fund.

The whole was packaged in the language of the free traders, exhorting nations to change their laws and regulations, to permit the untrammelled movement of Adam Smith's invisible hand, and follow the example set by the United States.

The communiqué issued found this much common ground despite reported disagreements, between especially the French and American delegations, on the related questions of trade and monetary policy. But the agreement, following the capitulation of the United States, through James Baker and Donald Reagan, to the IMF, at the prior Washington meeting of the Interim Committee, was enough to send the dollar back up again, in relation to the West German deutschemark, until, that is, President Reagan's Schloss Hambach speech, demonstrated how thin the financiers' apparent control may really be.

While this was going on, the world was being given another object lesson in the workings of the invisible hand, by the office of Jaime Lusinchi, the President of Venezuela. His country had joined with the other Ibero-American nations which make up the Cartagena group, to demand government-to-government action on the question of the bankrupt international monetary and financial system.

On the eve of the summit, Carmelo Lauria, chief of staff to the Venezuelan President, told reporters that Britain and the Soviet Union are collaborating to flood the international spot market for oil, and are dumping 800,000 barrels a day to do so. The chief of staff charged that the "Soviet Union and Britain are carrying out an anti-OPEC action, trying to conspire against the strength of the organization."

From the Venezuelan standpoint, to report such collaboration against OPEC is comprehensible. Venezuela's income is primarily based on its oil exports. However, there is more involved. The primary target of such cooperation is not the OPEC nations as such, but the United States.

Enter the ECU

On May 1, Britain's Royal Institute for International Affairs—the Round Table of Cecil Rhodes, and the pro-Hitler Cliveden Set—published a proposal by the degenerate former Chancellor of West Germany, Helmut Schmidt, for international monetary reform. Schmidt proposes to strengthen the international role of the European Monetary System's European Currency Unit (ECU) as a counterweight to the dollar and the yen.

In Schmidt's 15-point plan, the ECU is transformed into a full-fledged European-wide currency, used to denominate private-sector loans, with ECU checks and coinage introduced. Schmidt demands that the European Monetary Cooperation Fund evolve into a central bank for European central banks, implementing a European-wide money-supply and interest-rate policy based on the ECU. As Schmidt's proposal was published, the British government abandoned

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some of its standing objections to participation in the European Monetary System.

Since the ECU is primarily designed as a credit instrument between East and West, Schmidt's proposal, and the British collaboration with the Russians against the dollar, constitute the emergence of a political axis for monetary and credit reform against the bloated dollar.

In agreeing to adhere to the previously agreed on myths at the Bonn summit, the United States was walking into a trap, which the Russians had helped to prepare. For the reported cooperation between Margaret Thatcher's British National Oil Corporation, and the Russians, exposes the perspective adopted by the summiteers as a total fraud. The hegemony of the dollar, and thus of the United States, is to be phased out.

The IMF's perspective

Summit ratification of the IMF, and the fake recovery, constituted conditional approval for the perspective for the next year, and beyond, laid out by the International Monetary Fund, immediately before the Bonn meeting convened. The relevant document is the IMF's *World Economic Outlook*, released at the end of April. The fraudulent perspective therein outlined is coherent with broader Soviet objectives.

The document's stated substance, is based on two principal assumptions, neither of which are grounded in any reality. Thatcher's cooperation with the Russians shows that those who put the outline together know that, too, whether she herself does or not.

In the outline for the mickies, the policy planners of the IMF estimate that the United States will not, in actuality, implement all the budget cuts that have been demanded by that body. They thus project that United States foreign indebtedness, and foreign borrowings to finance that increasing indebtedness, both for the budget, and for the trade account, will continue to increase sharply.

The IMF thus asserts that it will be impossible to keep the dollar at its present high levels vis-à-vis other currencies. The dollar exchange rate will have to decline to finance the magnitude of increase of the foreign debt of the United States. As we reported at the time, such a devaluation of the dollar, was implicitly among the conditions accepted when James Baker and Donald Regan kow-towed in April.

There are others who agree with the IMF that this should be the case. Among those others are included the Russian leadership, and the financial circles of the City of London, who express themselves through the *Economist* magazine.

During the summit meeting, Radio Moscow was playing up the theme of "contradictions" among the participants, "on economic issues." The Soviet state radio, like the IMF, attacked "heightened dollar exchange rates which undermine the stability of America's European partners, and have a negative effect, in especially the developing world." The *Economist* shares the concern, if not the rhetoric.

The second plank in the IMF's perspective for the upcoming period is that terms of trade for the so-called developing sector are "not expected to change significantly." Thus the declining dollar is supposed to be offset by increased trade flows into the United States from especially the LDCs.

The IMF anticipates "only a modest acceleration in the use of private bank credit to finance LDC deficits over the period to 1990." Net exports, from the LDCs to the developed sector, are therefore expected to continue to increase, thereby increasing the indebtedness of the United States in particular, while the ratio of external debt to export earnings for leading Third World nations falls.

In this view of the world, the bubbled United States credit system becomes a sink-hole down which all available global credit is poured, while other nations politically adjust. Other nations may object. But the target for acceptance is the United States, where the Donald Regan school of economics does view the rest of the world as the funders of the United States debt bubble.

Japan is therefore under pressure to open up its internal credit market, so that some of that nation's $3 trillion credit base, the largest in the world, may be contributed to the purpose. The Federal Republic of Germany, is under similar pressure, and has agreed to a partial change in its internal banking practices, to contribute likewise. Spain has agreed to change its foreign-investment laws. Israel is under pressure to do the same.

But those who put the plan together know that it won't work.

Elsewhere, the Fund reports on the collapse of LDC earnings from commodity exports. While exports from the Third World as a whole are reported to have increased from $311 billion in 1982, to $353 billion in 1984, with over half of the total coming from Asia, the Fund's index of wholesale prices paid to Third World primary commodity exporters dropped by over 12% in the period between May and December 1984. The collapse continued in the first quarter of 1985.

LDC exports overall have risen, while primary commodity prices have fallen, for the same reason. The OECD nations, led by the United States, are in a depression. There is collapsing demand for the primary commodities which fuel the so-called advanced sector's decaying industries, while imports of manufactured consumer goods into the advanced sector, primarily clothing, household appliances, and automobile parts, increase. The United States, in particular, only produces about half its annual consumption of such goods.

Now, if the dollar falls, to increase U.S. capacity to finance indebtedness, the volume of the import flow into the United States will be reduced. This reduction will have the internal effect of a rise in interest rates, and will destabilize U.S. internal indebtedness, including the massive outstanding consumer installment credit, and much more besides. Under the adopted scheme, the United States, in the name of free trade, forces its allies to destroy themselves, while simultaneously destroying itself. And the Russians pick up the pieces.