

in Washington, over the weekend. But the arguments were not merely indefensible; they were dangerous. Those who recalled the row between Germany and the U.S. that preceded the stock market crash of October 1987, must have shuddered, especially since an exceptionally strong stock market preceded that meeting, too. . . . U.S. arguments are not merely unpersuasive; they are cheeky. The U.S. has received resource transfers from the rest of the world worth some \$670 billion in 1990 prices over the past nine years, and enjoyed current account deficits totaling around \$1 trillion. . . . It is no less outrageous for the U.S. to complain about high global real rates of interest.”

The editorial concluded with a pointed message to President Bush, informing him that “the principal aim of the rest of the G-7 is not to secure the reelection of the President, however many specious arguments may be put up for the purpose.”

‘The guilt will lie with Bonn’

This last comment touches on the political dimension of Bush’s campaign to force Germany to lower its interest rates, as well as the administration’s sudden decision to lower American interest rates after the G-7 meeting. The fact is, neither in 1987 nor in 1991 has Germany been in a position to submit to American pressure. Furthermore, in neither instance would the policy demanded of Germany have any serious impact on the economic and financial condition of the United States. Rather, Bush administration confrontationism against Germany on the interest rates issue should be seen as an attempt to blame Germany when the U.S. financial system goes through further upheavals.

As Deutsche Bank chief economist Norbert Walter stated during an April 30 radio interview, the reality behind the interest-rate war is the fact that the U.S. is in a “deep recession” and Bush is very worried about the 1992 presidential election. The same point had been made by the Milan daily *Corriere della Sera*, in its lead editorial April 28. The paper said there was no sane reason for Bush to launch a public fight with Germany on interest rates, knowing that such public targeting would never gain concessions from the Germans. Bush’s real aim, claimed *Corriere*, was “to have an effect on public opinion in the U.S. If the U.S. economy falters in getting out of the recession, the guilt will be with Bonn, Tokyo, and their central banks.”

This squabble is one key feature of a widening American-European trade-financial and political-strategic confrontation. With the Gulf war, it dramatically escalated, and has now become the uppermost issue in discussions among European elites. Bundesbank Governor Karl-Otto Poehl described his position at the G-7 meeting as like that of “Daniel in the lion’s den.” The reality, no matter what is stated in public, is that no other problem is more on the minds of influentials in Europe than this worsening relation with the United States.

Slovak leader shift reinforces IMF foes

by Paolo Raimondi

The change in the Slovakian government on April 23 may represent a major positive historical chance for all of Czechoslovakia. Jan Carnogursky, the leader of the Slovakian Christian Democratic Movement and the symbol of the anti-communist resistance during his imprisonment before the November 1989 revolution, was voted prime minister by the majority of the Bratislava Parliament.

Carnogursky, a Slovakian patriot, may play a critical role for the whole country, because of his strong opposition to the austerity policy of the International Monetary Fund (IMF) and his Christian pro-social, pro-industrial approach, aimed to integrate Czechoslovakia into a strong continental European alliance. His coalition government, which will be largely dominated by the Christian Democracy, has replaced Vladimir Meciar, the leader of the Public Against Violence party. According to reliable reports, Meciar, a former communist who was educated in the Soviet Union, was using the growing economic crisis and labor unrest to begin a cagey and quiet counter-coup, to get Slovakia back into a new type of alliance with the Soviet Union. Meciar recently reportedly began discussion with Soviet generals to prepare the ground for such a shift. The danger of this move compelled the Christian Democrats to act preemptively and sack Meciar.

The communist plan—and the ‘Chicago boys’

Besides the general economic difficulties in moving out of the communist system, Slovakia’s economy has the serious problem of being exclusively oriented toward the Soviet market, which has almost totally collapsed in the past months. With a population of 5.5 million, Slovakia has a military-industrial complex with 111 firms and 70-80,000 employees, which produced all kinds of weapons for the Soviet Union and the Warsaw Pact, beginning with the T-72 main battle tank. The furniture industry, to give another example, employs 30,000 people, who produce mainly for the Soviet market.

The growing unemployment is producing fear and unrest which is then fueled in an explosive way by the incompetent and irresponsible austerity policy and price increases of Czechoslovakia’s federal finance minister, Vaclav Klaus,



Czechoslovak President Vaclav Havel: *We want to become full-fledged members of the European Community.*

one of Milton Friedman's "Chicago boys" and the main spokesman for IMF policy in the country. The "reformed" communists, like Meciar, and the real communists have maintained a strong influence in the working class and were awaiting for this moment of economic instability to act. Strikes are planned for the coming weeks against the disastrous effects of Klaus's "reforms." For example, in the little town of Martin, in Slovakia, where 10,000 people work at the Zts military factory, one-fourth are members of the Party of the Left Democracy (formerly the Communist Party). There are already 3,000 unemployed, and the newly elected mayor is the communist former director of the firm.

Meciar's plan was to exploit the crisis to say: Our economy is totally oriented toward the Eastern market; to pretend to change this will lead to a disastrous economic collapse, so we should have a special economic and political agreement with the Soviet Union. This is the communists' plan to take back what they lost with the 1989 revolution. One might ask what role the IMF is playing in this game, since its program

for collapsing the economies of Eastern Europe is playing directly into the hands of the communists.

Havel steps in

In a radio speech on April 28, President Vaclav Havel addressed Meciar's ouster, discreetly taking the side of Carnogursky. Havel emphasized that the decision was "legal and legitimate," "a victory of parliamentary democracy which represents a decisive moment in Slovakian history." Havel said that Meciar had "made mistakes," and he criticized his attempt to mobilize people in the streets to protest against his ouster. "In 1989 we went into the streets so that we would never have to go into the streets again," Havel said.

Carnogursky's move has created a political situation which Havel has used to resist the Soviet pressure to quickly conclude negotiations for a new bilateral treaty. Moscow wants to include a clause stating that neither side will enter into a security alliance that could be directed against the other side. President Havel rejected this on the basis that it represents a violation of Czechoslovakian sovereignty, "not because we may one day join NATO, but because we do want to become full-fledged members of the European Community, and political union could have a security dimension as well."

As April ended, a long-prepared split in the Citizens' Forum party has also been concluded as a result of the fight over the economic reforms and specifically as a result of a growing opposition to Klaus's monetarist policy. After Klaus formed his own Thatcherite party, on April 27 a new liberal party (Heir of the Tradition of the Citizens' Forum, or HO) was organized under the leadership of Foreign Minister Jiri Dienstbier. German Foreign Minister and Free Democratic Party leader Hans-Dietrich Genscher and NATO Secretary General Manfred Wörner were invited to address the party's founding conference.

The economic crisis is now going to enter a new explosive phase, and the criticisms against Klaus are becoming stronger every day. Output fell nearly 12% in the first quarter of the year, compared with the same period of 1990. The largest decline was in the construction industry, where output fell 35%. Inflation soared to 37% in the same period because of a sharp cut in subsidies and resulting higher prices, but in May, when subsidies are removed on electricity and heating, energy prices are expected to go up 80%. But the IMF team in Prague has told the Finance Ministry that it regards economic indicators other than output and inflation favorably.

More and more people are waking up from the illusion of Klaus's free market economy, and are looking for a serious industrial cooperation program with Western Europe. While the IMF is now coming under attack daily in the national mass media, the idea of infrastructure development in the "Productive Triangle" of Europe, proposed by Lyndon LaRouche and circulated all over Europe by the Schiller Institutes, is becoming the top item on the agenda.