

New E-W Trade Deals: Europe Moves Toward IDB

Aug. 5 (IPS) — European capitalists moved with dispatch this week to take advantage of the opportunity for expanded trade and cooperation with the Soviet bloc provided by the successful conclusion of the Conference on European Security and Cooperation. Coming on the heels of an Iraqi call for a "new monetary system which would be rid of the domination of the American dollar," and of the virtual consolidation of Third World nations behind a program of debt moratoria and development, these European actions bring the establishment of an International Development Bank based on expanded trade and the gold-backed Soviet ruble only a step away from reality.

Leading the European rush for salvation from Dollar Empire bankruptcy was West German Chancellor Helmut Schmidt, who completely astonished his RAND controllers over the weekend by concluding comprehensive economic agreements with the Communist countries Poland and the German Democratic Republic (DDR). The unprecedented Polish deal included a 1.3 billion Deutschmark cash "reparations" payment from the West German government, as well as a 1 billion DM loan with twenty year maturity and a mere 2.5 per cent interest — conditions until now only granted to underdeveloped countries. Simultaneously West German Finance Minister Hans Friederichs just returned from former Rockefeller stronghold Iran to announce a whole package of deals solely directed toward building up infrastructural capacities for West German "triangular deals" with the Soviet Union and Iran.

The European capitalists have begun to act not a moment too soon. Over the past week the accumulated results of capitalism's worst crisis since the 16th century has resulted in an escalating rush of economic disasters which threaten the world with total chaos and devastation over the next few weeks:

* The U.S. Treasury, the institution

for which all areas of productive investment worldwide have been gutted over the past year, was forced to turn to the World Bank, in order to maintain its solvency. With U.S. banks strapped for every penny, and Europe already drained of its reserves, the Treasury now has \$40 billion dollars worth of notes to sell in the weeks ahead, with no hope of covering them.

* Brazil has been required to implement import controls which will reduce its volume of trade by 50 per cent over the next few weeks.

* Argentina's cash crisis resulted in the layoff of 200,000 workers last weekend, approximately 5 per cent of the workforce.

* The United States has been flooded by price rises which portend a hyperinflationary spiral which will rapidly result in total breakdown of production.

The European moves represent the silent, but forceful motion by West German industrialist layers represented by Christian Democratic economics spokesman Gerhard Stoltenberg. In other European countries, Stoltenberg's counterparts are much more vocal in their push for expanded East-West trade.

French Gaullist Michel Debre has vehemently called for a new monetary order which would contribute to world peace and which would be realized with "participation of the socialist and oil-producing countries." In Italy there is virtual unanimity among the Italian bourgeoisie around a perspective of vastly expanded East-West trade. Informed sources have verified that excerpts of the Labor Committees' IDB proposal are currently circulating broadly among the country's industrialists.

There is one policy issue, however, which the European bourgeoisie has yet to deal with: how are they to pay for an expansion of East-West trade, coupled with various "triangular" agreements with Third World countries, without either starting the world's most rapid inflation ever seen, or else immediately collapsing the dollar-based inter-

national monetary and trade system, or both? Even Schmidt's relatively modest agreement with Poland is financially tenuous in the present circumstances. The 1 billion DM loan is planned to be financed over West Germany's bond market by the Kreditanstalt für Wiederaufbau (Reconstruction Bank); the bond market, however, collapsed last week, and had to be massively bailed out by West Germany's central bank. Every other East-West or triangular agreement will sooner or later run into an insurmountable lack of liquidity, as long as they are even indirectly linked to the dollar.

The West German deals indicate that Schmidt is coming under the control of a de facto alliance between the Stoltenberg faction of the CDU and the party machine of Herbert Wehner, Vice-Chairman of Schmidt's Social Democratic Party.

Although the details of the DDR deal are not finalized, Der Spiegel reports that they include total West German agreement to a set of demands originally made by the DDR in January. The DDR called upon the West German government to pay the entire costs of a major construction project to improve rail, canal and road transit between West Germany and the divided city of Berlin. At the time Schmidt's government refused to take any position on the issue; now Schmidt is reportedly willing to agree, in exchange for a few "human" concessions such as loosening restrictions on DDR citizens' transit into the West.

The solution to the limitations inherent in the current East-West deals is clearly outlined in the proposal fielded in the Iraqi government's official English-language newspaper last week, the Baghdad Observer. The Iraqi proposal indicated that necessity of industrial expansion coming in the context of "a new monetary system which would be rid of the domination of the American dollar and have sufficient room for the socialist countries and

others which are still outside its membership." The only way that the Third World can be freed to purchase needed materials for rapid development and that the industrialized countries can break the fetters on their productive capacity is by "getting rid of the dollar" — i.e. through selective debt moratoria against the Rockefeller interests, and its replacement by the only appropriate gold-backed currency, the ruble.

Similarly the Iraqi proposal calls for the expansion of multilateral, as opposed to bilateral, trade deals. Three-way deals are the prerequisite for a

world economic order which will expand production and living standards as rapidly as possible. The key to successful arrangement, as outlined in the Labor Committees' IDB proposal now circulating through world government circles, is the utilization of Third World natural resources in return for supplies of food and capital equipment from the industrialized and socialist sector. Only trilateral deals provide the market and range of resources required for full productive employment and immediate elimination of starvation and disease.

The Iraqi offensive represents only

the most forceful of the steps being taken by the hardcore of Iraq, Algeria and Yugoslavia to put the issue of development and debt moratoria before the United Nations special session on development proposed by the "Group of 77" developing nations. The agenda currently includes international monetary reform, and the transfer of real resources for financing development, industrialization and international trade. It will be up to the various European, Japanese, and U.S. capitalist factions to coordinate themselves toward that same solution within the very near future, or to collapse.