

## NSIPS Exclusive Interviews

# Reactions to Moves by CMEA, Third World Toward New World Economic Order

**July 10 (NSIPS) —** *The following interviews were obtained this week from journalists and academic sources by our New York and Washington bureaus. They represent a significant cross-gridding of response to moves by both the Third World and the Council on Mutual Economic Assistance (CEMA) towards the new world economic order.*

### **Interview With Highly Placed State Department Officer Who Deals With Third World And International Trade**

Since Nairobi (the May meeting of UNCTAD in Nairobi, Kenya), the Third World has started putting pressure on the Soviets to come up with a concrete proposal on monetary arrangements. The Soviets have been telling the Third World that they are willing to discuss monetary affairs and possible use of the ruble only on an inter-bloc basis at the level of central banks but are not willing to enter any arrangement that will put their currency on the "free market." As a matter of fact, the Soviets have told the Third World: "Get a bloc together and we'll come up with a monetary arrangement between the bloc and Comecon. I think the goings on in East Berlin (at this week's CMEA meeting) and the Polish press coverage (see excerpt from Trybuna Ludu) indicates that that's what the Soviets are now saying publicly.

At last week's UNDP (United Nations Development Program) meeting, the Soviets once again mentioned inter-bloc monetary and economic arrangements when pressured by the Third World to do something. At this point we (the State Department) intervened and told the Third World countries with trade imbalances on the positive side vis-a-vis the Soviet bloc to forget about inter-bloc arrangements because the U.S. was perfectly willing to come to those countries' rescue on a bilateral basis — and I might add, a very practical basis. We told them that we'll freely exchange their rubles for dollars which will then be used for contributions to UNDP, which as you know is virtually bankrupt, and for embassy expenses in the Comecon countries....

On the Mexican-Algerian People's Charter thing, I think it (the charter) is Algeria trying to reassert its leadership of the Third World. Also, I think, and much more so in fact, it might be an attempt to forge a Third World bloc to deal with the Soviets.

### **Interview July 9 With a Partner At Kuhn, Loeb and Co.**

The Soviets are telling the Third World to form a solid bloc so that they can pressure us to sit down with the Soviets and them and come up with something concrete on the monetary and debt level....I must admit I'm not very up on these things but I'll find out and would like to exchange notes next week.

### **Interview With State Department Deputy Director For East-West Trade**

It is true there seems to be plenty of activity on both the Third World and Comecon side on reaching some sort of understanding on an inter-bloc arrangement. I don't think the Soviets have yet come up with anything specific....

We did make the proposal at UNDP for exchange of excess Third World ruble balances held by countries like India to be exchanged for dollars, but it was not in response to anything specific by the Soviets...No, I'm certainly not aware of any disagreements between the White House and the State Department on this question of the new world economic order. Certainly, there is no disagreement within our own department on this question.

### **Interview With Financial Advisor, Office of East-West Policy, Bureau of East-West Trade U.S. Department of Commerce in Washington**

**Interviewer:** What is the U.S. policy in regard to current negotiations between the Council for Mutual Economic Assistance (CMEA) and the European Economic Community (EEC) on a bloc-to-bloc trade and technology agreement?

**Advisor:** There is no formal U.S. policy but generally we encourage diversity among countries of Eastern Europe, Secretary (of State Henry) Kissinger in particular wants to see bilateral agreements between individual Eastern European nations and the EEC. This not based on economic but political considerations. If the CMEA nations negotiated as a bloc, they would certainly have more clout and get more advantageous terms in credits, trade, prices, and markets with the West, true. But what we really don't approve of is the Soviet dominance which would result from this.

**Interviewer:** But what do the Eastern European governments think?

**Advisor:** Rumania has indicated it will resist bloc-to-bloc negotiations and has historically resisted Soviet dominance. They are in formal bilateral discussions with the EEC. The Hungarians, too, have been very hard hit economically, like Poland, because of Soviet dominance of their trade, and many other countries have raised questions. The EEC also questions the competence of the CMEA to negotiate such a treaty for its members.

**Interviewer:** But the CMEA has its own central banking and industrial organization organization. What is the basis for this?

**Advisor:** Well, the Eastern European countries have not explicitly ceded this right to CMEA.

**Interviewer:** But which governments actually oppose this?

**Advisor:** Romania and others.

**Interviewer:** Which others? What about the Hungarian government?

**Advisor:** Yes it would make sense for them to want more independence.

**Interviewer:** But do you have any indications of this?

**Advisor:** No, nothing concrete.

**Interviewer:** And Poland, or "others"?

**Advisor:** No, I have no indications ...

(The Budapest Conference, held in the Hungarian capital June 16-19, was organized by key Commerce Department and CIA-related Sovietologists and funded by the State Department, Ford Foundation, and National Endowment for the Humanities. Pro-NATO Hungarian economists there discussed with the American representatives their opposition to Hungarian inclusion in the proposed CMEA-EEC trade pact and to general Hungarian integration into CMEA. Attending were the RAND Corporation's Thomas Wolfe, Frank Holtzman of the Harvard Russian Research Institute, and other operatives instrumental in the Prague Spring Czech destabilization in 1968 — ed.)

**Interviewer:** Would the Soviets accept convertibility of the CMEA unit of account, the transfer ruble, to Western currencies as proposed by Peter Wiles of the London School of Economics at last year's NATO seminar on Soviet Finance?

**Sovietologist:** Straight convertibility, under current conditions, where the T-ruble would fluctuate according to speculation on foreign exchange markets, is totally unacceptable to the Soviets. They would have to back up everything they did with hard currency, restructure the everything they did with hard currency, restructure the entire East bloc economy and their internal economies toward cantly. They're not about to do that. That's why Frank Holtzman presented a paper at the Dresden (DDR) International Economic Association Conference in late June saying convertibility is not feasible.

**Interviewer:** Western European industry is desperate for export markets, and very dissatisfied with the currency crisis in the dollar system. Might they not accept the CMEA proposal to the EEC for bloc-to-bloc trade arrangements if this included a new finance mechanism such as extension of the transfer-ruble on CMEA to EEC government basis? I mean, as opposed to straight private market speculation?

**Sovietologist:** Suppose the CMEA central bank, the International Bank for Economic Cooperation (IBEC) were to issue the EEC or the Bank for International Settlements transfer-ruble drafts in return for Western machinery, say, as the U.S. issued dollars after World War II.

**Sovietologist:** Certainly, all this discussion about East-West trade is one of excess Western European industrial capacity. And the industrialists, particularly in (West) Germany, want more stable trade finance.

**Interviewer:** Suppose the CMEA central bank, the International Bank for Economic Cooperation (IBEC) were to issue the EEC or the Bank for International Settlements transfer-ruble drafts in return for Western machinery, say, as the U.S. issued dollars after World War II.

**Sovietologist:** You mean just issue substantial long term trade credits to the CMEA? Well, yes, such arrangements are under discussion. Its quite possible they'll do as you suspect. They could use the Bank for International Settlements, or perhaps the EEC's European Investment Bank.

Of course if the Europeans want to issue credits to the Soviet Bloc it doesn't really matter whether they do it in transfer-rubles, Deutschemarks, or what the piece of IOU paper says. Western Europe is keen on expanding East-West trade and this does mean government-guaranteed export credits are important.

**Interviewer:** Isn't Hungarian Prime Minister Lazar's call for convertibility of the CMEA member country currencies to the transfer-ruble a push for readying the CMEA to offer the "T-ruble" to the West?

**Sovietologist:** Yes, Hungary has always been the hardest pusher in CMEA of convertibility to the T-ruble of member currencies and explicitly only as a precondition to the eventual convertibility of the T-ruble to the West. The Finance Ministry is all for this complete domination of the CMEA by the Soviets, which is what this bloc integration would mean. Of course there is opposition to this domestically...people I've spoken to at Karl Marx University (in Hungary), the Institute for Economics, and maybe at some government levels...

**Interviewer:** But the official position?

**Sovietologist:** The current government, unfortunately, is very much pro-integration with the Soviet bloc.

**Soviet Finance Expert,  
Bureau Of East West Trade  
U.S. Department Of Commerce,  
Washington**

**Interviewer:** What discussion in the East bloc is there of use of the CMEA transfer ruble for trade with Western Europe or the Third World?

**Expert:** The Soviets have been talking quite a bit about it, promoting the T-ruble as a form of international currency. But if you read between the lines, they really want the transfer-ruble accepted as the standard medium of exchange, like the dollar.

**Interviewer:** Would they accept making the transfer-ruble simply convertible under current conditions?

**Expert:** No, that's out of the question.

**Interviewer:** Then might the CMEA not be proposing, as a bloc, to extend the transfer-ruble to Western Europe in current negotiations with the EEC?

**Expert:** The Soviets would have to get the rest of Eastern Europe to agree to make their currencies convertible to the transfer-ruble and they don't want that kind of Soviet domination. Romania and many others object.

**Interviewer:** But Hungarian Prime Minister Lazar called for this at East Berlin CMEA Conference yesterday.

**Expert:** There is a great deal of opposition inside these countries.

**Interviewer:** But isn't it true that finally all the governments except Romania will officially support the Soviets?

**Expert:** Well, yes, they would have to.

**Interviewer:** And suppose Romania disagreed, couldn't the rest just go ahead?

**Expert:** I suppose so, and Romania would be left out in the cold.

**Advisor On U.S. Corporate Trade  
With Eastern Europe,  
Bureau Of East-West Trade,  
U.S. Department of Commerce,  
Washington**

**Interviewer:** What is the current mood of U.S. business on East-West trade?

**Advisor:** They are tremendously in favor of it, and went around banging down the doors of Congress all last year to get reinstated (U.S. Government) Export-Import Bank funding for exports to the Soviets and other bloc countries which was withdrawn under the Trade Act of 1974. But the political climate is terrible now. Detente is not a popular word.

**Interviewer:** Do you mean the Reagan campaign, Kissinger's statements, etc.?

**Advisor:** Yes, it's not that business changed their minds. Congress just wouldn't respond and they despaired. Now they (business) finance trade through the private banks.

**Interviewer:** Isn't President Ford in favor of expanded East-West trade, considering his base in conservative industry, especially the Midwest?

**Advisor:** Yes, he's very much in favor. But what can he do in this climate? Maybe if there are no more Angolas and so on he can do something after the elections, but he is held back politically...Secretary (of Commerce Elliot) Richardson was supposed to be very pro-East-West trade when he came in but he's been kept very busy elsewhere...

## NSIPS Exclusive

# Siena Bankers' Meet Looks to 13th Century Wisdom to "Pay the Debt!!"

Siena, Italy, July 9 (NSIPS) — With Henry Kissinger's International Resources Bank swindle out the window, an international conference of Atlanticist bankers and their economists conducted here this week employed the wisdom of 13th century Italian money-lenders to dredge up David Rockefeller's old discredited "Special Drawing Rights" (SDRs) scheme as the only thing they could think of to prevent the collapse of the bankrupt Eurodollar market. As NSIPS reporters on the scene learned, Columbia University Economics Professor Robert Mundell, the organizer of the gathering, had the gall to promote the "Exchange Rates Management and a World Central Bank" conference by assuring prospective attendees that the International Caucus of Labor Committees' International Development Bank program and debt moratoria demand would finally be "dealt with."

Appropriately, the conference's keynote speaker was President D. Verzili of the Monte dei Paschi, a Siena merchant bank founded by the Medici family in the 14th century. The magical monetarist principles of that era dominated the conference proceedings throughout.

"Our theme relates to the creation of monetary within an international monetary system," began Verzili. "Great Britain and Italy are in bad balance of payments situations because of the lack of reserves, concentration of liquidity in the hands of the strong currency nations, the block of gold, speculative capital flows, and other things. As for Italy... the last lira crisis may have been complicated by the U.S. banks' lack of confidence in the Italian credit situation."

Verzili came to his point: "The U.S. remains with the dollar in a hegemonic position and is the lender of last resort.

However, anarchist tendencies have arisen within the European Economic Community, which should be overcome.

"European monetary integration is necessary... Dangers would arise for Europe from any U.S. financial or political neo-isolationism. What European monetary integration requires is joint management of national reserves. The dollar should be unfrozen and Special Drawing Rights should assume a greater role."

The following speech by conference-organizer Mundell should, according to one observer, be remembered as the "Tino di Angelis Memorial Lecture," in honor of the Great Salad oil Swindle of the early 1960s. Mundell, who remained visibly inebriated throughout the conference's first day, spelled out the SDR idiocy as essential to back up New York's Cayman Islands banking shells, which are as empty as di Angelis' famous tankers.

"Our conferences have been held to discuss themes relating to restoration of international monetary order," Mundell began. "We originally viewed the monetary collapse as a mistake, but we have now seen the need for the creation of new institutions; a new world currency will be required."

Mundell continued, "When the 1944 Bretton Woods arrangements broke down, it led to permissiveness. Central banks moved to competitive inflation, and this excessive money-creation led to an explosion of reserves and their concentration. Following this inflationary period from 1972 to 1974-75, the world has been thrown into the deepest depression since the 1930s, with unprecedented inflation rates."

Mundell then proposed, incredibly, to "correct this mistake" with a larger dose of the same monetarist inflation