

Italy, which has been bankrupt since March, has avoided default on its \$16 billion foreign debt through a ferocious squeeze on essential imports and under-the-table credits from Saudi Arabia and other Arab oil-producing countries. The flimsy arrangements which have momentarily stopped Italy from bringing down the Eurodollar market and its New York banking creditors will not last until September.

The European Community Commission, the core of Europe's Atlanticists, this week forced Italy to maintain import controls scheduled to be lifted Aug. 3 for another three months, which virtually guarantees the bankruptcy of the state sector of Italian industry. These controls, which require the deposit with Italy's central bank of half the value of all goods traded, have prevented Italy's industry from stocking up of vital raw materials. Current stocks will run out by the beginning of August, forcing a make-or-break confrontation between Italy's creditors and Italian industrialists.

Already, the Italian oil giant ENI is on the verge of bankruptcy through the combined effects of the import-deposit scheme and delayed payments from the equally-bankrupt state hydro-electric authority, ENEL. Despite repeated demands from ENI's management, the Italian treasury has refused to release funds to keep the country's main importing and refining operations functioning. ENI, founded to give Italy an alternative to dependency on the Rockefeller oil multinationals, is the vehicle for a

series of oil-for-technology exchanges which Italy's state industry struck with the Soviet Union, Iraq, Algeria and Libya. Giulio Andreotti, the country's newly-appointed Prime Minister, will view any threat to ENI as a menace to Italian national security.

Japan, meanwhile, has beaten off a speculative attack of the Japanese yen, which banking sources pinned directly on the New York banks. U.S. Treasury officials had insisted that Japan let the value of its currency rise and price its exports out of the world market. The world financial situation, the officials insisted, demands that other countries spend their available cash on debt payments rather than on imports from Japan! Japanese business leaders are factionalizing directly with Chicago and other Mid-western U.S. industrialists, bypassing William Simon's Treasury. Significantly, a high-level delegation from Japan's business association leaves next month for the Soviet Union to work out the contribution of Japanese industry to the Soviet Union's upcoming five-year plan.

Taken as a whole, the outbreak of crises for a half-dozen leading currencies exposes the flimsiness of the Atlanticists' paper empire. A simple declaration of debt moratorium could bring down the whole structure. And with the Soviet recent offer of the transfer ruble as the basis for a new world monetary system, the Soviet Union has handed anti-Atlanticist forces in the European Economic Community the political weapon they need to force the replacement of the bankrupt dollar empire.

European Livestock Herds Slaughtered As Continent-Wide Drought Continues

The most severe drought to hit since the 18th century has continued this week without relief. Fodder, corn and potato crops, which are primarily livestock feedstuffs are most seriously damaged. Due to water shortages, the potato crop, in normal years used for human consumption, this year consists of potatoes so small that they are fit only for animal feed.

The lack of feedstuffs has caused the slaughter of livestock at unprecedented rates. As the European herds are slaughtered, the governments of Common Market (EEC) countries have been unable to intervene sufficiently to support market meat prices, due to the already existing mountains of meat in the EEC-sponsored stockpiles and lack of further room for storage. The result has been a plummeting of meat prices over the last few weeks. In France, poultry and rabbit meat prices fell nearly 50 per cent in one week.

The danger of the herd slaughter is obvious. Beef and dairy herds, which are being destroyed virtually overnight, cannot be rebuilt in a short period of time. Due to stepped-up rates of butchery, France is already reporting shortages of milk. According to the Paris daily *Le Monde* of July 6, French dairy production is dropping at the rate of 4-5 per cent per week. (It should be noted that the EEC has been attempting to reduce dairy production for years to clear away massive stockpiles of butter and powdered milk. French cows eat more butter and milk than most Frenchmen.)

The drought extends into eastern Europe and though reports conflict, Poland, whose farmers normally produce nearly as many potatoes as all of Western Europe combined, seems to be particularly hard hit. Poland's potato crop is used as feed for pigs which are processed and shipped primarily to the U.S.A. and West Ger-

many, and represent a major source of Western currency. The slaughter of Polish pig stocks has been intense in recent weeks and there will be substantial losses of foreign exchange because of reduced herds if the reports which forecast continued drought are correct.

Though it is too early to tell how much grain Europe will have to import, it is clear that imports will be necessary. It would be rash to totally deplete European reserves in a year when most of the world is enjoying record harvests and if credit or disaster relief are provided, total depletion of the reserves can be expected. Food for human consumption will be needed, particularly to replace potatoes. The West German working class will be particularly hard hit since potatoes are a staple of the West German diet. Feed grains are crucial as well if the decimation of the livestock herds is to be halted.

Press coverage downplaying the severity of the drought situation has slowed the flow of aid. According to the *Baltimore Sun* of July 17 all but the farmers will remember the drought "as a succession of unpleasantly hot days."

The only "official" recognition of the severity of the situation has thus far come from the government of the West German state of Nordrhein-Westphalen, which declared a one-year debt moratorium on farmers' agricultural debt and interest. The French Government is 'now negotiating aid for farmers' organizations.

Estimates of total drought damage have run as high as \$50 billion. The *London Financial Times* estimated the loss for France alone at \$5 to \$6 billion in foreign trade balance-of-payments, aid to farmers, and lost hydro-electric power.