

the banks to lend heavily. The Brazilian government is doing nothing to pressure the banks to lower the rates, with the result that the country accumulates funds at a very high cost. But the competition to go into Brazil's debt is such among the banks that the "widespread feeling" is that spreads for the next Brazil loan will be much slimmer. In terms of actual economic sanity, we have therefore the following: the more Brazil indebts itself at a high cost, the more banks lend, and as a result, the cost diminishes and the profitability of the banks falls. At the end of the process, if nothing stops it, such countries will be unable to pay their debts and the banks will be, as a whole, ruined over a mountain of paper!

Economic Insanity

This Third World scramble by the chief international banks, this internecine warfare in the banking community, does not take into account the actual situation of the world economy.

With respect to Brazil, two figures are enough to indicate what is really happening. Capital good imports are down 7.2 percent in the first half of this year from the same period last year in dollar value. Meanwhile, the government has to *import* 330,000 sacks of coffee for domestic use, because the proper region for coffee cultivation has seen its soils exhausted for lack of fertilizers and adequate care, with the result that now coffee is planted too far to the South and has suffered a major winter freeze.

Confronted with such examples of worldscale breakdown in economic processes, Arab money is still typically reacting in monetarist terms: instead of going into long term, capital-intensive investments susceptible to prepare the conditions for an economic recovery, it becomes more and more liquid and runs after higher and higher short-term return on investments, thus contributing to further aggravation of the crisis.

The Saudis keep putting over 90 percent of their funds into London and New York, well under a 36-month basis. According to a top Italian banker, they won't make direct loans to the Third World without international agencies' guarantees, and they are even very reticent to invest in Italy. Generally, they are still sticking to Treasury notes and bank deposits and fear to use their financial power according to a coherent political strategy.

The West European money coming to the U.S. suffers from a very similar problem. Sources close to the European-American bank revealed that their "strategy" is similar to that of the Arabs — "make money" through "good short-term paper," whatever its use. A West German banking source informed NSIPS that West German and other European banks had been offered an opportunity to buy Bert Lance's National Bank of Georgia, which would have given to Europe a decisive strategic position in the U.S. Sunbelt to be used to counter the New York banks, with the support of the London clearing houses and Swiss banks traditionally strong in the Atlanta region. But after the murder of Dresdner Bank Chairman Jürgen Ponto, West German bankers drew back from the political implications of the purchase and dropped the project. They "did not want to intervene in U.S. politics," as if the U.S. were not intervening every day in West German and European politics.

Given the blindness of all financial decision-makers, the present situation can only be maintained by pumping into the artificial flow of liquidity coming on the market due to the lack of actual investment opportunities. But the coming deflation threatens precisely to rapidly wipe out the excess liquidity that makes the lending spree possible, most probably sometime during the fourth quarter of this year. Such a breakdown deflation can in turn be avoided within the present dollar monetary system only through a sharp "reflation" (money-printing) which would transform the markets into gambling casinos heading for a collapse.

France Signs Deals With Iran, East Bloc

WORLD TRADE

A huge nuclear energy deal was finalized last week between Iran and France. Contrary to expectations, the final amount will be much more than originally planned: 15 billion francs (\$3 billion) instead of 10 billion francs. The contract not only involves infrastructure development and nuclear fuel production, but also the training of Iranian personnel in some of the French State Electricity Company (EDF) plants. The French corporations concerned are Creusot-Loire-Framatome (core of the reactors), Alsthom-Atlantique (turbo-alternators), Spie Batignolles (infrastructure and engineering), Cogema (a subsidiary of the state Atomic Energy Commission — CEA) will provide the uranium fuel.

Three billion francs (\$600 million) worth of contracts

were discussed at the Leipzig, East Germany trade fair between the French Foreign Trade Minister André Rossi and his East German counterpart. Three big contracts are under negotiation and should be finalized by the end of the year (the three billion franc credit line involved represents twice the amount of French exports to East Germany last year). The financial conditions offered by the French COFACE are reported to be better than usual, given the support extended to the deals by a consortium of banks led by the Belgian Baron Empain-Schneider.

The first deal involves the construction of a chemical plant in East Germany by Rhone-Poulenc; part of its output would be re-exported to France. The second contract under negotiation bears upon the export of 6,000 boxcars to East Germany. Last, the French automaker Citroen would build a plant producing special auto parts in East Germany. Later, the firm would assemble part of its production there.

A few more contracts were announced in Paris at the closing of the Giscard-Gierek meeting this week. A general agreement was signed between the two countries aimed at fostering the exports of the French medium- and small-size companies to Poland. France committed herself to exporting 600 million tons of grains in 1978-1979 (a 300 million franc credit line was opened to that effect). Next, a coal deal, agreed upon last July, was finalized. In

total, France will import 1.5 million tons of coal yearly over the 1978-1979 period and thus contribute to reduce Poland's trade deficit which already amounted to 200 million francs at the end of the first quarter 1977. Lastly, French imports of Polish copper (32,000 tons over the 1978-1981 period) could reach 100,000 tons if the current negotiations come through.

Carter Malthusianism Exposed In French Press

"The whole basis of Jimmy Carter's foreign policy appears to be the formulation of a worldwide policy of hunger," the conservative Paris daily *Le Figaro* charged early this week, as the Carter Omnibus Farm Bill moved toward the final stages of Congressional deliberation in the U.S.

Carter's bill calls for a 20 percent cutback in production of U.S. wheat and other feed grains and the setting up of an "international" wheat reserve, using the U.S.'s current grain surplus.

According to the Sept. 9 *Le Figaro*, the U.S. has been preparing such a "food weapon" against its foreign opponents since as early as 1974, when Secretary of State Henry Kissinger publicly threatened its use.

AGRICULTURE

A planner at a think-tank closely associated with the Brookings Institution reports that the international wheat position achieved under the Administration's grain-reduction and grain-reserve bill will be used to "encourage" food-short countries in the underdeveloped sector to relocate their peasantry into labor-intensive agriculture and jungle projects. Funding will be provided through U.S. government-held local currencies in the various targeted underdeveloped countries — funds now held there under "PL-480," a food "aid" bill that grew out of the Marshall Plan and its subsequent modifications by Senators Humphrey (D-Minn.) and McGovern (D-S.D.).

A State Department food aid spokesman outlined another club to induce underdeveloped country acquiescence in a recent interview. According to the spokesman, countries which adopt the desired Robert McNamara, World-Bank-type program can, in the ensemble, be granted "debt forgiveness" during the next year of up to \$600 millions in hard-dollar debt these countries owe to the U.S. Department of Agriculture. The spokesman admitted that the "debt forgiveness" feature of the program — reportedly written into law under the Foreign Assistance Act passed in August 1977 — is "complex" and "controversial" and that it "would take a while to get the program fully off the ground."

Agro-Labor

An indication of the nature of the State Department-desired program was afforded by the planner from the Brookings-linked think-tank. "Take Indonesia," the planner confided. "You have all these people on Java engaged in traditional modes of farming. They don't want to move. The problem is to get them to Sumatra, to clear the jungle and grow corn. You know, low-energy agriculture (minimum technology)... That's what the Carter agriculture bill is about... There's a belt of countries near the equator — comprising over a half billion starving people — where we can do this. You know, Pakistan, Bangladesh, the Sahel, Ethiopia, Indonesia, Haiti, and Northeast Brazil."

Asked who else was working on related aspects of this program in Washington, the think-tanker said, "Well, there's the NSC (National Security Council), people in the White House, and Agriculture Department, AID (the CIA-linked Agency for International Development), the Brookings Institution — Secretary of State Vance himself personally commissioned them to work on this thing — and there's Clark and Humphrey in Congress."

The *Le Figaro* article on Carter's "food weapon" targets Carter's psychiatrist Dr. Peter Bourne, who, the paper intimates, currently plays a central role in a "Human Needs Program" centered on the wheat weapon.

Not only the underdeveloped sector is threatened by the grain provisions of Carter's agriculture bill, the *Le Figaro* article notes. The article, headlined "The U.S. in Quest of Total Economic Domination — A World Policy of Hunger," notes that Japan is 95 percent dependent on grain imports, not to mention Western European dependence on U.S. soy products. But the *Le Figaro* author warns the Carter Administration's "Trilateral Alliance of the U.S., Europe, and Japan" will not survive a "Malthusian policy, be it agriculture or nuclear."

The U.S. working class and its highly productive agribusiness sector are also under attack by the Carter agriculture bill and related Administration measures. The *Wall Street Journal* describes the "land reform" program of the Carter-Mondale Administration's Secretary of the Interior, Cecil "Android" Andrus — which would break up federally irrigated landholdings in 17 Western states and parcel out small plots by lottery — as "capricious." In its lead editorial Sept. 8, it cites Farm Bureau President Allen Grant's accurate observation