

U.S. Debate Grows

The debate in U.S. financial policy circles over the Miller-Richardson program is growing daily. Chase Manhattan and Citicorp (see interviews in "Economics") at this writing support the entire deregulation scenario on the ground of the fast buck, but one suspects they narrowly focus on the interstate banking plan out of fear to look over their shoulders at the IMF and what it could do to the U.S. under the "crisis management" piloted in New York City's notorious Municipal Assistance Corporation. Barclay's Bank International (USA) Chairman Louis Morel, testifying for the Barclay's run Institute of Foreign Bankers of which he is also chairman, told the McIntyre Committee hearings June 21 that most major U.S. commercial banks would rather see full U.S. deregulation than the "old-fashioned" imposition of regulations on foreign banks.

At the Federal Reserve itself debate is furious. While Miller, Henry Wallich (see his *New York Times* interview in "Economics"), and Philip Jackson are pushing deregulation hard, they have to contend with Nixon-era U.S. patriots like Governor Phillip Coldwell, the ex-chief of the Dallas Fed, who recently attacked the New York "Free Zone" plan as "Eurodollar market-style" bad monetary policy. That Miller is still giving lip-service to the Fed's traditional responsibility to ask regulation is a testimony to the strength of such regional voices at the Fed.

At the June 21 Senate hearings on the International Banking Act (IBA) of 1978 the British came under attack from Senator Stevenson and the Bankers Association for Foreign Trade (BAFT), representing a national consti-

tuency of U.S. banks and industrialists who are well briefed on Britain's plans.

Stevenson and BAFT have introduced a Senate amendment to the Act which would (1) ban (as the Nixon Fed Act did) interstate domestic activities of foreign banks; (2) allow foreign banks to bring in Eurodollars only if they are to be used to *finance U.S. exports*; and (3) allow some interstate liberalization for U.S. banks, again, *only* if they are expanding to finance exports.

"We have no problems with the foreign banks like the Germans coming in for productive purposes," said a Stevenson staffer, "but that's not what the British banks want. They are trying to ameliorate their own foreign debt problems by moving into the U.S." They want to bring the Eurodollar market here and "we don't want this to happen."

Someone "high in the Administration," according to the *New York Times* accounts of the hearings, is in back of this, "and it sure isn't the Treasury — it must be the White House," commented Washington sources yesterday. "The protection of American deposits and the safety and soundness of the nation's banking system is a cornerstone of our economy," said the Administration official cited in the *Times*, and the question is, "to what extent should foreign banks be able, through their American extensions, to use the discount window of the Federal Reserve, taking out low-cost loans that might possibly be used to rescue a troubled parent bank (i.e., British headquarters — ed.) that has encountered difficulties in the Eurodollar market?"

— Kathy Burdman

W. Europeans, Japanese, And Saudis Ready 'Financial Grand Design'

With less than a month to go before the mid-July economic summit of advanced capitalist industrial countries in Bonn, the governments of several of the key participating nations have adopted a political strategy for using the huge surplus of dollar reserves they collectively hold to launch a global industrial development policy. The leaders of this closely coordinated deployment are the governments of West Germany, France, Italy and Japan, working hand-in-glove with a partner which will not be present at the summit but which, by latest reports, the West Germans will "represent" — Saudi Arabia.

The other key interlocutor in what the European press has called the "Grand Design" is the Soviet Union and its Comecon economic bloc in Eastern Europe. The Soviets at an earlier Bonn summit — the one held between Chancellor Schmidt and USSR President Brezhnev in May — helped to open the door for the "Grand Design"

process by approving a massive 25-year package of cooperation and trade accords with the Federal Republic of Germany.

Over the third week in June, the "Grand Design" forces in West Europe and Japan and their Arab friends have been criss-crossing Europe to work out the appropriate monetary and credit mechanisms for the implementation of their high-technology solution to the depression for presentation at the July 16-17 summit. Those preparations come in diametric opposition to the simultaneously developing schemes for using the same huge dollar surplus — an estimated \$150 billion worldwide — to maintain the City of London's and its allies' political hold over the world economy. The British-centered faction now intends to deliberately collapse the Eurodollar market as the means for grabbing control of the United States economy and, with it, control over U.S. policymaking (see *Miller, IMF* above in "International

Report,") as a desperate measure to prevent the U.S. government from giving its crucial support to the global development package.

What is impelling the U.S.'s OECD partners and Arabs to their economic policies is not merely the realization that the world is on the brink of a depression. Their most urgent concern arises from the connection between economic breakdown and the dangers of imminent thermonuclear war — particularly threatened in the Middle East. For this reason, they are deploying every means at their disposal in the remaining 20-odd days before the summit to create the conditions in which U.S. President Jimmy Carter will abruptly shift U.S. foreign policy and align it against the International Monetary Fund-World Bank policies of economic genocide which otherwise directly contradict the human rights goals to which the President is morally committed.

Financing The Grand Design

Already on tap as the central topic of the Bonn Summit is a plan to mobilize the world dollar surplus to put hard cash behind East-West and North-South industrial development. The West German, Japanese, French and Saudi governments are planning to concentrate in Frankfurt and Luxembourg the dollar resources of their governments and private banks, and offer these reserves (with full government guarantees) as export finance to multinational corporations for high-technology projects in the socialist bloc, Africa, and the rest of the Third World.

On June 21, the authoritative West German financial daily *Handelsblatt* reported that the Japanese banks in West Germany plan to move their over \$30 billion in private Eurodollar deposits out of London and into Frankfurt and Luxembourg, explicitly to take advantage of German government and industrial channels, to finance exports to the East bloc and Middle East for both German and Japanese firms. The same day, the *Japanese Economic Journal*, Japan's "*Wall Street Journal*," reported that the Mitsubishi Research Institute, headed by former Chairman of Mitsubishi Bank S. Nakajima, has proposed a 20-year "Grand Design program" under which the U.S., Japan, and West Germany would each contribute \$5 billion, and the OPEC nations \$20 billion, or a total of \$35 billion *per year* for "agricultural and industrial projects in the developing nations."

As the proposal to move Japanese, German, Saudi, and French dollar deposits *out of London and Singapore* implies, this is a direct attack on British counter plans for a Eurodollar market in the U.S. Alain Vernay, writing in the June 2 *Le Figaro*, noted that West German Chancellor Schmidt and French President Giscard intend at the summit to build a stable, government-coordinated system "to ensure monetary stability in Europe." around these development plans — in contrast to the current City of London-dominated system in which "England draws a good part of its earnings from disorderly currency fluctuation."

The British were not long in responding. Prime Minister James Callaghan of Britain issued a sudden announcement on June 21 that he would make an

emergency trip to the United States to "rescue the Bonn summit." As the country orchestrating the international faction working toward a collapse of the dollar and the industrial dismantling of Europe and the U.S., the panicky British reaction was predictable.

As correctly stated by Alain Vernay of the French *Le Figaro*, however, Callaghan's "dreams of reestablishing a special relationship with the United States" are not receiving encouragement stateside, nor are there "any obstacles which could resist a full accord between West Germany and France." Vernay points out, too that a Franco-German axis is now very much a reality.

West Europeans Set Strategy

After meetings held in Bonn over the past weekend with Italian Prime Minister Giulio Andreotti, West German Chancellor Helmut Schmidt stated his economic program in the clearest terms to date. Schmidt announced his intention to "restructure West German industry thoroughly from a standpoint of ensuring rapid technological progress through intensive scientific research." Premier Andreotti then added that this policy would be the basis for "a coordinated activity to contribute to a better politico-economic development, first at the European level and then at the European-Japanese-American level."

From the French side, President Giscard d'Estaing made an unscheduled trip to Bonn to be on hand for joint meetings with Schmidt and Saudi Prince Fahd, who arrived two days previously. Fahd's visit, which will last a full week, is a follow-up deployment to Saudi King Khaled's trip to Paris late last month. After meetings with Giscard, Khaled offered Saudi petrodollar financing for French and other European industrial projects.

Fahd arrived in Bonn with a huge delegation, and early reports from a West German news source indicate that Chancellor Schmidt is extremely pleased with the progress of the talks. It is further reported that West Germany will de facto represent Saudi "interests" at the upcoming Bonn meet.

Industrial Projects Planned

The French and West German allies plan to present Britain with a *fait accompli* at the OECD summit in July; the kernel of what Italian Premier Andreotti reported would be a development package meant to draw in the Japanese and the United States. Meanwhile, according to high-level Japanese sources, the Japanese will be going to the summit with one proposal: the undertaking of a world crash program for fusion energy development.

Schmidt and Giscard are working closely together in a crucial scheme to clean out British destabilization capabilities throughout the Mediterranean based on replacing destabilization with economic development programs. Last week Cypriot Prime Minister Kyprianou held meetings with Giscard in Paris, after which he laid out the following proposal: to counterpose what he termed "British crimes" in Cyprus, Kyprianou called for the creation of a political oversight committee chaired by France and to include Greece, Turkey and Cyprus. The committee would control the disarming of the London-funded armed fascist networks which have

made Cyprus a base for terrorist destabilization of the entire region bordering on the Mediterranean.

Working hand in hand with Giscard, the West Germans, according to the *Frankfurter Allgemeine Zeitung*, have proposed to Turkish and Greek Premiers Ecevit and Karamanlis, respectively, that they cooperate in settling their differences in exchange for sizable economic development assistance. The *Financial Times* announced on June 20 that Greece had organized a conference to include top bankers and diplomats from every country in the Arab world for their consideration in funding 70 proposed development projects — a move which signals again the close coordination between Europe and leading Arabs in the Grand Design.

This was announced while West German Foreign Ministry state secretary Hermes was away on an extended visit to Greece. Ecevit meantime is in Moscow discussing economic cooperation in what the *Handelsblatt* calls “a boost for the already considerable” size of Soviet-Turkish cooperation.

Reflation Nixed

In a taste of things to come, the French and West Germans at the Brussels Finance Ministers meeting last week killed any hope of British Chancellor of the Exchequer Denis Healey to force adoption of even a mild reflation program. Instead, the Brussels meeting agreed to double the funding for the European Investment Bank, money which *Le Figaro* hints has typically been used to finance European nuclear programs and such projects as the improvement of the port of Marseilles.

European Press Reports Momentum Toward Grand Design

During his press conference on June 14, French President Giscard d'Estaing described the purpose of his upcoming trip to Spain in response to a journalist from the Madrid newspaper Ya.

This trip will give us the opportunity to examine in depth the ties between democratic Spain and France and to see how, in the face of the great tasks which we are speaking about here, we can tighten our cooperation and envision common actions, for example towards the Third World or Latin America.

The importance of joint European-Arab Mediterranean development efforts
tical problems in the region was made clear on June 13 by the President of the Cyprus Republic, Spyros Kyprianou, at a press conference in Paris. Kyprianou's remarks were reported in the French daily Le Monde of June 15.

Kyprianou expressed “his desire to see the creation of a Committee, led by France, to assist the United Nations

In Italy, the general secretary of the Communist Party (PCI), Enrico Berlinguer, delivered a speech in the city of Trieste right on the Yugoslav border giving his approval for a program to turn the city and the surrounding region into a showcase for scientific research. Making public for the first time the existence of a project already approved by the Italian Parliament, Berlinguer said that the PCI had agreed to the Trieste Research Area Bill. (For Berlinguer's remarks, see below.)

Across the Mediterranean, in Algeria, the first phase of the Trans-Sahel highway opened this week. When fully completed, the new highway will join the developed sea-bordering region of the country with the poverty-stricken inland territory, providing some of the prerequisite infrastructure for full national development. The highway will also provide Mali and Niger with a convenient access to the Mediterranean and from there to the ports of Europe and European trade (see below).

In addition, the Saudis have chosen the moment of Fahd's trip to Bonn to give the final go-ahead for the construction of an important 750-mile long oil pipeline which will cut across the entire Arab peninsula to link Persian Gulf oil wells with the Red Sea. At the pipeline's proposed terminal, Yanbu on the Red Sea, the Saudis plan to construct a massive refining and petrochemical complex. Not only will the pipeline provide 1.6 million barrels of crude per day for export primarily to Europe, but the new Yanbu complex will create significant infrastructural links with the Sudan on the other side of the Red Sea. The basic construction work will be done by Italy's national oil conglomerate ENI.

General Secretary in the search for a solution to the problems of the island....” Kyprianou indicated that this committee could be the body in charge of controlling the police force, made up of Greek or Turkish Cypriots, in proportion to the importance of their population, which he has proposed to set up. . . . The Cypriot leader, who met French President Giscard d'Estaing declared that the ‘relations between France and Cyprus are excellent.’

What follows is an Executive Intelligence Review synopsis of European press reports on the June 17 meeting between West German Chancellor Helmut Schmidt and Italian Prime Minister Giulio Andreotti:

According to a variety of press sources, Schmidt and Andreotti held extensive discussions on the 25-year economic treaty signed in May between West Germany and the Soviet Union. In addition, Schmidt proposed the formation of an area of monetary stability, including the dollar, — a “transoceanic snake.” It was furthermore agreed that West German industrialists will hold a September meeting devoted to the organization of