FOREIGN EXCHANGE

At issue are dollar-fundamentals

The currency markets during the week of April 4-11 were characterized by further dollar strength—or to put it more accurately, by a weakening of the deutschemark to the 1.89-1.90 to the dollar level, and by a late profit-taking spurt in sterling sales.

U.S. business is being told by the *New York Times* and *Business Week* that the dollar is strong because high U.S. interest rates are attracting an inflow into dollar holdings, and because Europe and Japan are more vulnerable than America to external oil-supply cutoffs and price-gouging. Then these commentators turn around and advise serenity in the face of the U.S. Energy Department's imposition of the same supply cuts and price hikes domestically—this won't hurt the economy, they say, because of the strong dollar! The idea is that this strong dollar will combat inflation, at the same time that it happens to be weak enough on the J-curve to help the trade balance—so there is little to worry about so long as interest rates continue to be screwed tight.

Insofar as these bromides have any coherence, their intent is to prepare the audience for an autarkic U.S. economy in a world where currency markets as such will be superseded by controls, trade war, and raw materials-based blocs. A Lazard Freres spokesman April 11 privately dismissed all the financial press fluff: the dollar stabilization, he said, is "strictly temporary," the U.S.—except for a few regions like Texas—is "finished," and America will go back to interest equalization taxes, along with severe exchange controls.

BRITAIN

Tory manifesto: industrial fire sale

"For Sale—At a Loss" ... "Everything Must Go." These are the signs which shopkeeper's daughter Margaret Thatcher plans to hang around the neck of Britain's state-owned industry when, as seems probable, she becomes Britain's Prime Minister next month.

According to advance leaks of the Conservative Party's Election Manifesto, the Tories are planning to raise immediate cash by selling off the government's shares in British Airways, British Gas, British Shipbuilders and other public enterprises. The Tories also plan to denationalize the British National Oil Company, which by law holds a 51 percent stake in North Sea oil fields. And the Manifesto specifies a curb on the powers of the National Enterprise Board to use state funds to bail out high-technology firms in financial trouble.

The Tory strategy is geared toward reducing public expenditure wherever possible. Sir Keith Joseph, Thatcher's economic coach, is a member of British intelligence's Mont Pelerin Society, which espouses "free enterprise" as an alternative to growth-oriented dirigist policies. Joseph stated April 11: "When the IMF insisted on (UK budget) cuts of £4 billion, unemployment fell for a whole year. This is the ultimate proof...."

Since there is no way to save British industry without shutting down the gambling casino otherwise known as the City of London, the Tories have decided to concentrate on building up London as a major world financial center. The March 31 London *Financial Times* announcement that an incoming Conservative government would "abolish exchange controls" is part of this strategy. The removal of exchange controls, which place premium on the cost of dollars for use in overseas investment, would not only enable British banks to finance sweeping new purchases of U.S. banking and industrial assets; it would also mean that investments held abroad by British corporations could be shifted back into immediate liquidity for British banks.

Prominent West Germans have said more or less the same thing at the same time, signaling the danger that the new European Monetary System will be captured by London-centered strategists who, since its creation last summer, have worked to turn it into an antidollar, austerity-committed bloc if they could not halt it altogether. Robert Dhom, head of the Commerzbank, announced in an April 9 speech that he expects a new dollar collapse by year's end, since "the fundamentals have not changed"; Wilfried Guth, his counterpart at the Deutsche Bank, stated the next day that the way to keep the mark-franc parity stable, and thus ensure the EMS's success, is French Premier Raymond Barre's economic blend of income austerity and free-market clamps on the economy.

—Susan Johnson

London is to act as the clearing house for petrodollar recycling and for international speculative investment. The European Monetary System—which was designed to harness the Arab financial surpluses for high-technology development in the Third World—must be neutralized or turned into a vehicle of London, if this strategy is to be carried out.

Already the British have dropped the pretense of making the pound an unofficial member of the EMS currency band, as Chancellor of the Exchequer Denis Healey had promised earlier. In the second week of April, the pound smashed straight through its theoretical EMS ceiling, forcing the Irish "punt" to decouple from Sterling. Yet, the London *Economist* has advised Thatcher, should she become Prime Minister, to "make Britain a full member of the EMS instead of hovering awkwardly on the sidelines."

—Marla Minnicino

TRADE

U.S. electronics want CoCom beef-up

The U.S. electronics industry, manipulated from within and panicked by its lack of venture-capital resources, is proposing NATO control over OECD countries' export policies, under cover of reforming the Export Administration Act. The specific reform, proposed by Peter McCloskey, president of the Electronic Industries Association, would turn the Free World Coordinating Committee (CoCom) into a treaty organization, binding U.S. allies to greater restrictions on sales of agreed upon "strategic materials" to the East bloc and Third World, while—as a concession—loosening the grip of National Security Council and Defense Department oversight on such exports from the U.S. and giving nominal jurisdiction to Commerce.

At present CoCom has no binding provisions on its members, which include all NATO countries plus Japan and France, while the U.S. Department of Defense and NSA have regularly employed even stricter criteria to deny export licenses to firms selling to the East bloc.

Industry representatives say that such government intervention into OECD nations' export policies is necessary because the U.S. has lost its competitive edge on high technology vis-à-vis its own allies. The EIA's statement before the subcommittee of the Senate Banking Committee bluntly asserts that U.S. government intervention in licensing procedures, such as NSA's stopping of the sale of a Univac computer to the Soviet press agency TASS "can no longer significantly retard the military capabilities of countries which threaten the national security of the U.S. unless such export controls are imposed in cooperation with such friendly countries."

In the same hearings, the AFL-CIO's Rudolf Oswald echoed the habitual anti-technology transfer formula of Texas Instruments chairman J. Fred Bucy. Oswald maintained that "some exports weaken the U.S. industrial base. The law ... should protect the domestic economy from the excessive drain of scarce materials and ... reduce the serious inflationary impact of foreign demand. ..." A softer line for trade war against the Soviet Union and the Third World, under cover of expanding U.S. exports, came out of industry press shortly after National Security Advisor Brzezinski personally stopped the Univac-TASS sale. At the time it was loudly claimed that increasing exports to the East bloc would create dependence on U.S. technology which could later be withheld for a hypothetical Soviet infraction of "human rights."

The USSR has made it clear that it does not need to sit still for any of these strategies. While the U.S. government has just cleared the scaled-down Univac sale to TASS, the Soviets have chosen a French consortium, Thomson-CFS, to install a computer system that includes full switching and communications facilities. A spokesman for the Thomson-CSF consortium emphasized that should CoCom attempt to intervene, any U.S. components in the system "can be replaced." Thomson-CFS's Paul Worb explained that the Franco-Soviet computer agreement was expected to increase exchange of technical knowledge in developing both nations' information processing abilities. He added, "all of us wanted the contract to serve as a prelude to the signature of the agreement during (French President) Giscard's visit (to the Soviet Union on April 26.)

—Katherine Ransohoff