

The U.S. goes to war. . . against its own allies

by Chris White

Once again, the Russians stand to benefit mightily from the almost incomprehensible levels of folly that dominate United States economic policy. On monetary policy, and on trade policy, the United States is now throwing down the gauntlet to its closest allies worldwide, and is in effect demanding, "To preserve your alliance, and relations with us, you must destroy yourselves."

This is the message which has gone out loud and clear from the negotiating team which was sent down to the ongoing round of General Agreement on Tariffs and Trade (GATT) negotiations in Punta del Este, Uruguay, to the representatives of the 74 nations gathered there for the talks. It is also the message that is being communicated loud and clear to especially West Germany and Japan, which now face a new round of blackmail pressure from U.S. monetary authorities.

Essentially, the United States is telling the world, "Capitulate to our demands, and collapse yourselves, otherwise we will collapse everything on top of you."

At the GATT talks, the U.S. delegation led by Clayton Yuetter and Daniel Amstutz, both representatives of the Swiss and British raw materials and food-trading cartels, put these demands in the form: Submit to our demands to open up your markets to our services, or we will dump U.S. food production at rock bottom prices into your markets.

For the Germans and the Japanese, Treasury Secretary James Baker threatens in parallel, that the United States will itself act to collapse the dollar, until such time as Germany and Japan capitulate to Federal Reserve Board Chairman Paul Volcker's demands to lower their internal interest rates. This

way, in what passes for reasoning among such types, American monetary authorities can continue to pump so-called funds into bankrupt U.S. banks, without running the risk of a pull-out of foreign funding from the shaky U.S. capital markets.

But events of the last weeks have proven that measures which could have been successful 10 years ago, or perhaps even 5 years ago, will now lead only to a massive backfiring, which will force the kind of financial reorganization that Baker, Volcker, and their friends have so far done everything they can to avoid. This reorganization will take the form of Executive Branch Chapter-XI-style reorganization of U.S. banking and financial institutions, along the lines proposed by Lyndon LaRouche. Or, under the kind of crisis conditions the present shapers of U.S. policy seem committed to accelerating, the United States and its alliance, and trade partners, will all go down in the biggest financial blow-out of history.

Where's the clout?

The reasons for this are quite elementary. The United States no longer has the political or economic clout to dictate terms to the rest of the world, in the way it has successfully done in the past. Previous such U.S. behavior, over the demonetization of gold in 1971, over the Rambouillet floating exchange rate and conditionalities policies of 1974-75, over the Volcker credit policy of 1978-81, and the so-called recovery of 1983, were based on the continuing realities of U.S. economic strength relative to the rest of the world.

That reality has evaporated pretty darn fast over the last months. And that's why the United States will not be able to

dictate terms anymore.

Why is the stock market collapsing in the United States? Why have the stock markets of the rest of the world followed the United States into collapse? The record plunges on Wall Street of recent days, have been followed by equally precipitous downslides in London, Paris, Frankfurt, and Tokyo. The answer is because the reality of the economic disaster that has been a-building in the United States has now begun to hit home. In London, Frankfurt, and Tokyo, it is being increasingly mooted that U.S. economic policy for the last years has been based on a fraud and lie. In such cities, there is increasing agreement with the analysis of Lyndon LaRouche, that there never was an economic recovery inside the United States, and that the collapse of the United States has gone beyond the point where pyramided debt obligations, over \$12 trillion, can be supported.

This was the reality that began to be asserted early in September when the stock market lost 140 points in a week. Now Volcker and company are themselves threatening to unleash the feared collapse, in one more desperate effort to keep the world in line with their failed policies.

Targeting the healthy

The principal target of the campaign is the healthiest sector of the world economy, namely, Japan. At the GATT talks in Uruguay, it was Japan's sane policies on imported goods that were singled out for special treatment by the representatives of the European Community and the United States. The campaign was so blatant that the Japanese delegation has threatened to leave the talks if the final declarations of the conference bear any resemblance to the drafts that have been proposed.

The campaign within the GATT conference has been backed up by a series of special operations from within the United States. On the eve of the talks, the U.S. Rice Millers' Association filed a petition with U.S. Special Trade Representative Clayton Yuetter demanding that the administration negotiate an end to what are called Japanese subsidies and protectionist measures applied to rice cultivation. The U.S. millers charged that Japanese internal rice prices are 10 times the world level, and that constitutes unfair competition. The global demand for the elimination of all food production subsidies was the centerpiece of the U.S. approach to the GATT talks.

Japan protects its rice production for the same reason that the United States used to protect its food production capabilities, in the old days, before insanity took over. Japan wants to feed its population, without being dependent on arbitrary foreign suppliers. Though the United States, for example, will negotiate long-term, low-price food supply agreements with Russia and China, no such agreement has ever been concluded with Japan.

Congressional passage of the Senate version of sanctions against South Africa, also supported by European foreign

ministers, reinforces this campaign. Largely dependent on imported food, completely dependent on imported primary raw materials for industrial production, the Japanese, along with the West Germans, as the two leading industrial economies of the West, are rapidly being pushed to a breaking point.

Baker's latest threat, to collapse the dollar until both Germany and Japan lower their internal interest rates, may well be that breaking point.

In the case of Japan, we have a country whose food supply is under attack, whose raw-materials acquisition policy is under attack, whose export policy is under attack, by another country, the United States, which is not only an ally, but the beneficiary of over \$60 billion a year of Japanese earnings invested in keeping the United States banking system afloat. That margin of new funds invested in the United States is larger than the OPEC "petro-dollar" surplus at its height. In escalating the current round of "Jap-bashing," the United States is therefore cutting its own throat.

But the case of Japan, extreme as that may be, merely typifies the approach that has been taken worldwide. Who benefits from this? Only the Russians.

Much was made of GATT's refusal to permit the Russians to join the body which sets what are called the ground rules for world trade, or as President Reagan puts it, in his less well-advised moments, ensures that the "playing field is level." But under the current U.S. policy, the Russians do not actually need to join, because the United States is doing its utmost to drive everybody else into Russian arms.

World trade has collapsed because the U.S. and world financial system is bankrupt. Until the bankrupt monetary system is reorganized, there can be no meaningful discussion of how world trade will be organized, reorganized, or anything, because collapsing world trade is simply part of the collateral looted to sustain the imperially bankrupt financial system.

From within the United States, emergency measures have been put forward repeatedly over the last years by world-renowned economist and presidential candidate LaRouche, for such a reorganization: gold backing for the dollar through the issuance of treasury reserve notes, a two-tier interest rate system, favoring investment in agriculture, infrastructure development, and capital goods export, combined with massive infusions into the research and procurement side of the defense budget.

Now, the United States is itself creating the conditions in which those proposals of LaRouche will rapidly come to the fore, as the only viable alternative to the worsening chaos of financial and economic crisis. Baker and Volcker, whatever they might think they are doing, as they act to bring down the dollar, are actually accelerating the moment when the United States is going to have to face up to the only kind of reorganization plan that will work. Or the United States, and its allies and trading partners, will not survive.