Political Economy: ***by Dave Goldman***

International Bargaining To Build the IDB Gets Underway

Oct. 25 (IPS) — Western Europe, Third World countries, the socialist bloc, and groups of Midwest and California capitalists have begun a preliminary round of informal bargaining for a new world monetary system, within the general parameters of the ICLC's International Development Bank proposal. This week, the initial phase of bargaining produced concrete results in the form of **regional** or **bilateral** trade and development deals which, collectively, embrace most of the world's economy.

In addition, key spokesmen for the advanced-sector principals in these deals publicly declared their intention to find a means to "pull the situation together from the top," in the words of a negotiator for the Chicago-based industrialists and financiers. In discussions with IPS, U.S and European financiers cited the possibility of using the Council for Mutual Economic Assistance (CMEA) international reserve currency, the transfer ruble, as a medium of international trade to replace the bankrupt dollar.

The Soviets will back Third World demands for general debt moratoria at a Geneva meeting of the United Nations Council on Trade and Development committee on trade and financing this week in Geneva, according to high UN sources. "The Group of 77 (Third World countries) is going to table very rough demands, without worrying about an agreement with the United States," whose negotiators act as debt-collectors for New York banks, an official said. With Soviet backing, he emphasized, the Third World countries will "stick together" on debt demands which were blurred at the close of the September Special Session on Development of the United Nations General Assembly.

By granting Egypt a moratorium on $6 billion in debt, according to Western press reports, the Soviets forced other creditors from the capitalist sector to follow, setting a key precedent for moratoria on terms favorable to Third World debt-victims. Leading U.S. bankers are now resigned to the inevitability of debt moratoria and are willing to make their arrangements with the Third World.

But further negotiations of this sort may be hampered by Soviet indecision on the transfer ruble's international use — unless the Soviet leadership clarifies its position quickly.

Asian Focus

The key focus for bilateral and regional arrangements this week, which attempt to circumvent the breakdown of the dollar monetary system without replacing it, has been a Japanese-Indian-Arab movement in the Asian sector, with strong European and Soviet backing. Despite the utter destitution of Asian countries in the view of their past financiers, the New York banks, this week's initiative will permit trade and limited development efforts to continue in the region as a whole.

Following an Indian-Japanese agreement last week for Japanese investment in Indian rice and steel production and joint investment in the Mideast, the region's governments took the following initiatives:

*Algeria's Foreign Minister visited Iran, Abu Dhabi, and Afghanistan for talks on expanded economic cooperation, and, specifically, the economic development of India.

*The governor of Iran's Mineral and Development Bank is in India to discuss investments in Indian resources, including iron ore for Iranian steel plants.

*India's Energy Minister is in the West German capital for talks with his West German counterpart.

*The president of one of Japan's largest trading companies, Mitsui, met this week with the Soviet foreign trade minister in Moscow.

*A strong Japanese delegation representing several ministries is in Saudi Arabia working out oil-for-technology exchanges modeled on an existing treaty between Japan and Iraq, which takes oil trade out of the hands of the Rockefeller-controlled multinational oil cartel.

These developments are part of an unprecedented wave of economic diplomacy in the region, shaking Asia out of the dollar empire. In addition, authoritative sources in international organizations confirm that Japan, the Soviet Union, the Organization of Petroleum Exporting Countries, and Asian countries intend to seize the moribund Asian Development Bank from the orbit of the Washington-based World Bank, and put it to use as a source of development credits.

Leading West German circles immediately hailed the Asian developments as a model for West German policy. Said a spokesman for the German Foreign Trade Association, "Finally there is a realistic assessment of the role of the Third World in international trade." Both the Economics Ministry, hitherto pro-development, and the Foreign Ministry, which previously cooperated with Kissinger's sabotage of development, are following Japanese developments closely. This week, a delegation of 22 Japanese businessmen toured the Economics Ministry, following pro-developmnt conservative Gerhard Stoltenberg's two-week visit to Japan.

Bilateral Deals

In related developments, Western Europe has braced itself against the current downward ratchet of production and trade through a series of bilateral deals with the oil-producing countries and the socialist bloc. Saudi Arabia and Britain have signed a "Memorandum of Understanding" which provides for a $1.04 billion Saudi trade credit to Britain, under the premise that European economic health is vital to the Third World in general. The memorandum calls for a New Economic Order internationally.

According to press reports, an identical Saudi-Italian deal is in the works, while the Italian and Soviet trade ministers are negotiating a $900 million Italian loan for East-West trade, which would be financed indirectly through Saudi funds. Banking sources report that a wide variety of OPEC-European loans, including West Germany and France, are now in the process of negotiation.

The Experts' Group of the Organization of Petroleum Exporting Countries is now discussing an $11 billion package for developing countries, an amount equal to the current expenditures of the Third World for imported oil. This fund, according to authoritative UN sources, will gel closely with a Chicago banker's proposal for a Mideast development agency — in sharp contrast to Henry Kissinger's proposals for a Mideast "consortium" including U.S.-based multinational corporations.

These proposals — like the Japan-Soviet oil deal financed through the Bank of Japan (see p. 8) — rely on spreading existing central bank dollar reserves among the world's key trading partners in order to give world trade and development a **temporary** boost. By dealing at the government-to-government or regional intra-governmental level, the nations involved avoid the quicksand of the Eurodollar bank-lending market, the most unstable section of the dollar empire.

Equally, these arrangements, which already provide a bulwark against the **next three months'** impending trade collapse, avoid the bankrupt International Monetary Fund, founded in 1944 as the "central bank" of the dollar monetary system. In the past, the IMF has acted as the world's monetary policemen, imposing austerity conditions upon national governments in return for loans. Atlanticist groups in Britain, led by Chancellor of the Exchequer Denis Healey, wanted to put their country into IMF receivership in order to obtain an external mandate against British trade unions; the Saudi deal, with no strings attached except increased British industrial exports to the Mideast, is a setback for these factions. Kuwait, with a strong left faction backed by the Iraqis, also aided the British through large unexpected purchases of pounds sterling on the foreign exchange markets.

The Soviets go one step further. The Soviet Economic Gazette proposes that Asian countries, stripped of reserves and denied international credit, use a regional clearing facility for the inconvertible local currencies to finance mutual trade. The Asian Clearing Union, the body in question, could assimilate trade credits from the outside.

But there are no illusions that international book-juggling can support current **depressed** levels of trade — now 25 per cent lower than a year earlier — past the end of 1975, much less make a dent in the 100 to 200 billion transfer rubles in annual demand for development. This requires the creation of a new monetary system and credit-issuing institutions.

Highly reliable sources report that the Soviets are still divided on the question of extending the transfer ruble, the CMEA monetary unit, to the West. Discussions are continuing at the Politburo level in Moscow, and a section of the Soviet leadership is worried that the international use of the CMEA currency would open the socialist bloc to speculation and looting by the West. A high-powered Soviet delegation to this week's meeting of a United Nations committee on trade financing in Geneva still lacks a clear mandate, these sources report.

The Soviets are still unwilling to act on the premise that they are the world's only financial power — in the sense that the circulation of claims against the future "profits" of three-way development between the industrial countries, the socialist bloc, and the Third World are the only possible basis for a new international credit system. The influential Money Manager magazine carries an article this week which admits, "No other country or group of countries (outside the Soviet sector) has the economic importance necessary to have its domestic gold currency become the international benchmark" for a new credit system. The transfer ruble is backed by gold.

The wave of interest in the transfer ruble stateside follows intense discussion of the question in West German and other European banking circles. Last week, former West German Social-Democratic finance minister Alex Moeller published a favorable article of the ruble-based Soviet international monetary system in the Social Democratic monthly Neue Gesellschaft, at promptings from West German industrialists. In Italy, the Banca Commerciale Italiano's director Gaetano Stammati told a financiers' conference this week, "I believe the regional approach—the dollar, European Economic Community, ruble, and Japanese currency bloc—may contain realistic solutions."

These capitalists are stating a **negotiating position** to the Soviets. They are, however, aware that the Soviets' conditions for international use of the transfer ruble will include the organization of trade through government financing institutions, such as Export-Import Banks, which will turn ruble trade credits into payments to exporters in local currencies. Properly, the Soviets object to a ruble subject to capitalist speculation, and interference in internal economic affairs.

Momentarily, the Soviets have declined to put pressure on their capitalist negotiating partners by stating their full set of conditions for the creation of a new world monetary system before world opinion. Apparently, they are waiting for pro-East-West trade capitalist factions to settle accounts with Rockefeller thugs such as U.S. Defense Secretary Schlesinger and West German Defense Minister Leber before offering expanded terms for economic cooperation. Ironically, a Soviet "peace offensive" against the depression in the capitalist sector would give pro-détente capitalists the weapon to destroy the Schlesingers — and give Western workers the muscle to drive the necessary policies home.