apparent strength is pure political fiction, based on the willingness of Western European governments and others to assist in financing the U.S. national debt — a charade which cannot continue indefinitely.

Yen Hits 34-Month High

The Japanese economy meanwhile, suffered this week from not a falling but a rising currency — as the yen hit a 34-month high of 277.4 yen to the dollar. Rumors are rampant in the market that Prime Minister Fukuda made a deal with the Carter Administration to allow the yen to appreciate — possibly to as high as 270 to the dollar — so as to reduce Japan's huge trade surplus with the U.S. According to the twisted logic of Carter economic advisors, such as C. Fred Bergsten, such a yen revaluation would strengthen the dollar in the long-run.

Common Fund Hoax Dies Quietly

SPECIAL REPORT

Wall Street's Common Fund proposal — to arrange commodity price supports as a mechanism for bailing out their $300 billion of Third World debts — has died. The refusal of the Europeans and Saudi Arabians to contribute to this fund to keep Rockefeller's banks alive led directly to its failure. Final word on its early demise came from the chief of commodities at Chase Manhattan Bank, Mohung Che, who flatly stated in an interview March 21, "I do not think a Common Fund for commodities will be set up, there is even very little chance of reaching a resolution on a commodities-by-commodities basis."

By March 23, the *Journal of Commerce* had published a strong editorial against the scheme, and the following day an aide to Senator Jacob Javits (R-NY) on the Joint Economic Committee indicated he concurred with the Chase assessment. The point was highlighted by failure of the UNCTAD Geneva meetings on copper between consumer and producer nations to even "establish a basis for negotiating an international copper agreement," according to the *Wall Street Journal* March 21.

While the Coordinating Bureau of the Non-Aligned Nations (established at the Colombo Conference of the Non-Aligned in August 1976) still has the Common Fund on its agenda for their April 6-11 meeting in New Delhi, the Yugoslav press reports that the North-South talks scheduled for May might be postponed because of doubts that the major industrial nations will resolve their differences at their early May summit in London. As stated by an analyst at the Wall Street investment banking house Salomon Brothers, "the possibility of any international agreement on commodities is extremely remote; there are so many competing interests they will never be able to agree."

What was clear from the beginning, however, was that the Common Fund proposal, floated by Wall Street's agents within UNCTAD , was never designed to aid the developing countries in their fight to improve their living standards. Not only were the increased revenues to be channelled into debt service, but the rising commodity prices would lead to an increase in world inflation, particularly in the finished goods the developing countries hope to import from the advanced sector. Additionally, the increased commodity costs would result in a secular decline in demand, further exacerbating the LDC earnings crisis.

The only solution for the Third World would have to be one similar to the U.S. Labor Party's *International Development Bank* proposal which calls for a debt mora-

T-Ruble Set To Go

According to a high official of a Comecon member government, every technical and financial arrangement requirement to make the Comecon's transfer ruble the basis for a new monetary system is already in place. Numerous countries outside the Comecon are immediately prepared to join a new monetary system based on the transfer ruble, the source said.

Only political wavering by the Soviet Union stands in the way. The Soviets are afraid that a direct move against the bankrupt dollar would be viewed as an intolerable "provocation" against the United States. Accordingly, last month the Soviets refused to give final approval to a $5-6 billion deal between the USSR and Italy, which would have brought the transfer ruble into major international circulation for the first time.

The Comecon source's judgement was corroborated from the Italian side this week. In a commentary published March 17 by the leading Italian newspaper, *Corriere della Sera*, Italian Communist writer Carlo Boffito explains that setting up three-way trade deals between the Soviets, Europeans, and Third World based on the transfer ruble represents no technical problem. "The operations would require a series of technical agreements and banking guarantees," Boffito says, "that do not present any special difficulty. The reason that there has been so much mystery around the broad utilization of the transfer ruble is obviously political."

The Italian commentator adds, "Given the international level of (dollar) interest rates and the problems in finding international financing, it would be to Italy's advantage to use the transfer ruble." This is also the publicly-stated view of many Italian industrialists, 200 of whom participated in the February delegation to Moscow that tried to negotiate a transfer ruble deal for Italy.

torium, followed by triangular trade agreements between the industrial West, the Comecon, and the Third World based on a gold-backed transfer ruble.

As if the link between commodity prices and debt had been lost on anyone, a study by the subcommittee on Inter-American Economic Relationships of the Wall Street-dominated Joint Economic Committee released a report on Feb. 23 entitled "The United States Response to the New International Economic Order" which made the point perfectly clear. Under a subheading, "The NIEO and a Debt Moratorium" the report states, "the sharp reversal in commodity prices, recession in the developed world, and the consequent trebling of current account deficits may have had a great deal to do with the growing pressure for a new international economic order. In addition to calling for more concessional aid...higher prices for commodity exports, the new international economic order program included a request for assistance in dealing with the mounting external debt of the developing world — including the possibility of a debt moratorium."

The study then warns the developing countries that "The United States is strongly opposed to a debt moratorium. It is the view of the United States that a moratorium on debt is a particularly arbitrary way of increasing development assistance and will make it more difficult for the defaulting countries to obtain additional private and even public funds in the future." This threat concludes with a gloating reference to "a general backing away from the call for debt moratorium. The Group of 24...of the IMF has recently dropped any demand for a debt moratorium."

However, increasing resistance in Congress and among the industrial and food export interests in the U.S. over the past several weeks has proved that the refusal to acquiesce to debt moratorium is not the "United States" position, but merely the position of a few banks in lower Manhattan.

Faced with their failure to put the commodities hoax over on the Europeans or the Third World, the New York banks are seeking new mechanisms to keep their debt payments coming in and themselves afloat. Chase Manhattan's Che is now taking the position that "the only way is to set up an international financing scheme not tied to commodities." This international financing is precisely the IMF operation which came under strong attack in Congress during this week. The JEC subcommittee report calls for a similarly absurd system of multilateral policing of raw materials production linked to the banks' demands for a collateralized looting scheme — the infamous Kissinger proposal for an International Resources Bank. "The United States has accepted a somewhat diminished role for the multinationals in the exploitation of natural resources," the JEC report notes, "Identifying the principal American interest with a secure, reasonably priced supply of raw materials, the United States has sought alternative means of channeling private funds into raw material development in the developing world."

Adding to the flurry of new proposals being floated by representatives of Wall Street, Robert Roosa of Brown Brothers Harriman admitted in a long Op-Ed in the *Journal of Commerce* March 21 that the UNCTAD Common Fund was unworkable, objectionable and ineffective, and suggested that a much better way to do the job is to provide commodity producing countries with loans collateralized by their commodities shipments held in stockpile. The National Commission on Supplies and Shortages (NCSS), chaired by Rand Corporation President Donald Rice, several weeks ago called on Congress to increase the U.S. stockpile of various raw materials, a move which would provide a temporary price support, although the NCSS admitted in their report that it was so late that, as far as they were concerned, the major purpose of stockpiles was to prepare the nation for wars on Third World nations which would temporarily cut off raw materials shipments.

Without New Credit System, Europeans Will Be At Each Other's Throats

BUSINESS OUTLOOK

Figures just released by the West German Economics Ministry show that West German industry, Europe's vital engine, is now badly crippled. Export orders — reflecting deliveries for the next six months — to the whole of German industry collapsed by 10 percent in January. The key investment goods sector plummeted 14.5 percent. Total foreign and domestic orders to West German industry fell 6 percent. This is the clearest sign that the 1975-76 European "recovery," artificially based on consumer credit without the backing of capital investment, is over.

Europe's deal-by-deal approach to foreign trade with new Arab and Soviet partners will have reached an impasse as well, if a new credit system based on industrial development is not created. Without it, these countries have no other choice but to slice each others' throats in an attempt to expand their share of a shrinking international market and slow the rate of collapse. In the process, the Europeans will propel their countries to economic disaster, pushing both the West and the socialist bloc over the brink of bankruptcy.

From Trade Contraction...

Initial international trade figures for February confirm the January collapse, labeled by official sources as an "accident" due to "seasonal factors." Imports took a sharp 14 percent dip in Great Britain, wiping out an equal