Europe, Arabs Move Away from Dollar

June 12 (IPS) — Capitalist circles in Western Europe and the Arab world are tied up in a vast, confused motion towards a monetary situation which would exclude the U.S. dollar. No single capitalist group or country is yet willing to take the necessary steps to outlive the dollar empire, that is, freeze dollar debt payments and strike the necessary bargains with the Soviet Union. But the daily life of the capitalist class is increasingly devoted to pinning down positions and alliances for the credit storms underway: time is against the Rockefeller financial interests, the main dollar-creditor.

A haphazard financing arrangement now unites Europe, Japan, South Africa, some of the Persian Gulf oil states, and several key members of the non-aligned bloc. Central to this, as New Solidarity has reported, is the importance of gold as a transitional means of maintaining international payments at the point where the dollar-based currency structure breaks down.

Future for Sterling Interests

Gold market sources confirmed today that South Africa has made arrangements with a large oil-producing nation to sell its weekly gold mines' output directly, holding the new metal off the international markets. As the South African finance ministry had threatened last week, this measure is designed to retaliate against the U.S. Treasury's decision to auction off 500,000 ounces of gold in order to artificially depress the market price. By this means, one source said, France, South Africa, and certain Arab countries "are staging a political war against the dollar."

Meanwhile, British financial interests based on the old commodity and sterling-finance arrangements of the British colonies continued to expand links with the Arabs and nations within the third world group pushing for rapid development. Following the successful completion of a combined British-Malaysian takeover of London Tin, one of the leading firms trading in that industrial metal, another mining company, Lonrho, announced at its annual meeting this week that Arab interests had bought up 25 per cent of its stock.

The short-term aim of such arrangements is to enable holders of sterling, which must cease existence as an international currency within weeks, to obtain equity — property titles to real value — in raw-material interests related to development and gold. A collapse of sterling is not necessarily baneful to sterling interests, provided they have title to sufficient equity to restart production and trade once new monetary arrangements are put into operation. In this case they would be in a position similar to that of German industrialists who survived periodic national bankruptcy and reconstruction of credit arrangements, as a means of wiping out the fictitious-capital barriers to recovery. To a certain extent, the type of long-term trade arrangement which British Trade Minister Peter Shore, a representative of the Labour Party's left wing, has concluded with the Soviet Union constitute a very real type of "equity," as a basis for future credits under a transfer-ruble payments sytem.

Crisis Mongering

The prospect of such a development has worried the Rockefeller financier faction sufficiently to spark a revival of Eric Sevareid's campaign to sink Britain. In its hourly news bulletins today, Sevareid's radio station, WCBS, warned of a collapsing pound sterling — while foreign exchange traders reported moderate losses for the currency in quiet trading. A short-term disruption of sterling would tend to can existing negotiations between British firms and potential partners in countries like Malaysia, the home of the Haw Par interests who combined with City of London financiers to corral part of the tin market. According to a British specialist at the Hudson Institute, a frequent contractor for CIA studies, Sevareid and Company are conducting a "psychological warfare campaign to discredit Britain exactly as bankers and the press have done to New York City."

In a mimic of the Schachtian Municipal Assistance Corporation affair in New York, the Labour Party's central policy staff put forward a proposal to nationalize the British clearing banks, the keystones of finance in the United Kingdom. This move, which would put daily financial transactions under the thumb of Rockefeller agent Denis Healey, Britain's Chancellor of the Exchequer, met immediate condemnation from anti-Rockefeller Labour leftist Tony Benn in the British Parliament this week. An attempt to force a New York City solution upon Britain at this stage would backfire: the effect would be to give the Labour left and their potential allies in other parties the leverage to break the political balance between Benn and Co. and the British Rockefeller supporters in the former's favor.

Elsewhere in Europe, the central banks of the European Economic Community are likely to ignore whatever decision emerges from the meeting this week of the International Monetary Fund (see article p. 2), and agree to trade gold freely among tremselves, the Italian financial press reports this week. Such an agreement, mooted since the dollar collapse began at the beginning of this year and delayed through pressure from Rockefeller allies in the German government, would provide Europe with an alternate payments mechanism in the context of a breakup of the dollar system, and function as a "foot-in-the-door" towards a European payments system based on the gold-backed transfer ruble of the Council for Mutual Economic Assistance.

Dollar Damned

In public, however, most European pressure for monetary changes to succeed the collapsing dollar structure has remained at the level of caterwauling about the chaos generated by the dollar collapse. At its annual meeting this week, the Basle, Switzerland-based Bank for International Settlement, the club of European central banks, called for a reto fixed exchange rates. Exchange rates have floated more-or-less since the United States declared the dollar bankrupt and removed its gold backing on Aug. 15, 1971, allowing the dollar's parity to swing freely against that of other currencies. This week, European bankers and politicians, from Bank for International Settlements president Renee Larre to French Finance Minister Jean-Pierre Fourcade, damned the United States for allowing its currency problems to sabotage world trade.

The exchange-rates question has nothing in particular to do with the current crisis; the swinging dollar rate has made life impossible for trading firms for months. What Europe now confronts is a wave of moratoria and defaults on dollar debt, with a resulting breakdown of international payments generally.

Throughout the channels of world finance, bankers are pathetically attempting to work around the dollar collapse without pushing the mass of paper out of the way. A recent deal for shipment of 650,000 tons of coal from Japan to North Vietnam, for example, was financed with German marks through Japanese banks. Meanwhile, the Japanese opened their domestic money markets for the first time since 1973 to foreign borrowers, allowing a Finnish concern to obtain about $30 million worth of Japanese yen. An Arab consortium, meanwhile, lent 80 million German marks (about $33 million) to a Finnish industrial credit bank, while another Arab consortium, along with the French Rothschild group, lent $60 million to the Soviet-led Bank for International Economic Cooperation.

These loans and trade-financings have clear political motives: the Japanese are seeking to maintain exports by cooperating with the North Vietnamese, whatever the reaction from Washington. Both the Japanese and the Arabs are bailing Finland out of a temporary money squeeze — after Finland's Social-Democrat and Communist government turned down the International Monetary Fund's terms for an international loan. The IMF, which offered Finland roughly the same terms that the New York banks offered Mayor Beame, lost yet another notch of international standing as a result of Japanese and Arab intervention.

These maneuvers indicate the extent to which competent financial circles generally are aware that the dollar system is permanently shot. Added together, they do not constitute even a momentary solution. The European, Arab, and Third World circles who are capable of negotiating the creation of a new monetary system with the East Bloc are as yet running away from the dollar empire the way five-year-old children run away from home.