national Monetary Fund which would lend money to those countries whose overall export earnings have dropped. This "proposal" would also do little more than provide developing nations with the funds to meet debt payments. Further, Kissinger crudely attempted to undermine the unity of the non-aligned countries by placing the blame for the world economic crisis on the OPEC nations.

Initial indications are that Kissinger's bluff will be called. While it is as yet unclear as to whether the non-aligned nations will openly propose at this Special Session the breaking from the dollar and agree upon trade and development policies denominated in a new currency — possibly the Comecon ruble — high level officials have told IPS that the nonaligned group will not fall victim to Kissinger's blackmail threats and phony proposals. "All he said was that we can go to the private capital markets, but we must be credit-worthy," one official said.

Kissinger was aided in his attacks on the nonaligned group by the representative of the Federal Republic of Germany. Hans-Dietrich Genscher, Foreign Minister of West Germany, delivered a virtually identical speech to that of Kissinger, and added that he was against the use of gold in monetary transactions." The U.S. is also against the use of gold in monetary transactions, and the issue is presently at the heart of a major political crisis in Genscher's country.

THREE WAY DEVELOPMENT REAL SUBJECT OF MONETARY FUND MEETING

by David Goldman and Robert Berkowitz

WASHINGTON, D.C., Sept. 3 (IPS) — Maneuvers toward three-way development arrangements between Western Europe, the Third World, and the Soviet Bloc overshadowed the least significant annual meeting of the International Monetary Fund since the IMF's founding in 1944.

Earlier this week, France and Mexico jointly pushed through the one significant decision to emerge from the gathering, an agreement by the IMF's Interim Committee of Twenty Nations to ease gold transfers between central banks and to put some of the IMF's gold holdings back into public circulation. Widely viewed as a major step toward reviving gold's monetary role at the expense of the U.S. dollar and the IMF's "Special Drawing Rights," the Interim Committee's decision, which had unanimous European backing, pushed the embarassed U.S. delegation into a corner.

Gold, Comecon...

Mexico's Central Bank Governor, Ernesto Fernandez Hurtado, hailed the decision on gold as a victory for development. "The International Monetary Fund held gold for a specific function," Hurtado said in an exclusive interview. "This was for gold to serve jointly with the dollar as the center of the monetary system. Now this monetary system is in shambles. There is no longer any reason for the fund to hold gold." Mexico has joined France in demanding the return of IMF gold, valued at about $24 billion at the recent market price, to members of the fund who placed it there as part of their initial subscriptions.

Hurtado linked the gold accord to closer economic relations with Comecon, noting "many Third World countries would be glad to have the long-term use of credits from Comecon." The use of Comecon credits for the purchase of European capital goods, "depends on Germany and France," Hurtado added. "If they accept the transfer ruble, they are giving credit to the Soviets." The Mexican banker noted that current Soviet-West German negotiations on the transfer ruble were an "important step" in this direction.

...And the IDB

Among Third World delegates, most of whom were financial officials one step removed from political discussions between the Non-Aligned Nations, there was some confusion about the gold decision. Within the controlled environment of the IMF, the "Group of 24" Third World countries has asked for handouts of Special Drawing Rights, the IMF's funny money. "The capitalist countries give us their proposals and we merely react to them," one Third World member of the Interim Committee complained. "What we need is our own proposals for a new monetary system." Most of the Third World delegations here are studying the ICLC's International Development Bank proposal.

But Hurtado pointed out, "There is no real difference between the Third World countries here. SDR's are not useful for development, only for the liquidity reserves of central banks (i.e., debt refinancing—ed.). Gold is a means of transferring real resources to the developing countries." Both the Soviet press and the West German newspaper Deutsche Zeitung, which reflects the German side of the transfer ruble negotiations, have cited the importance of gold reserves for the creation of ruble financing arrangements, as the monetary asset common to east and west.

U.S. Holding Action

Unable to face down the working alliance of the Europeans and leading Third World countries, the U.S. delegation, headed by Treasury Secretary William Simon, fought a holding action to delay implementation of the gold accord until next January, when the Interim Committee meets again in Jamaica. Contrary to standing Treasury policy, Simon demanded a full package of monetary agreements before any single agreement could go into effect. The main unresolved issue is what language will be applied to the present state of monetary disorder, in which exchange rates fluctuate unpredictably against each other on the basis of day-to-day market conditions. In response to Simon's stalling tactics, a French News agency reported yesterday, European countries are moving toward a bloc on the issue of exchange rates, which have been cut loose from their fixed parities in the old Bretton Woods monetary system after the U.S. declared the dollar bankrupt four years ago.

At a Tuesday morning press conference, the nervous Treasury Secretary stonewalled before a barrage of reporters' questions on the gold issue. "We have a clear mandate from Congress to insist upon a comprehensive package," Simon said, although no such instructions from Congress exist. In response to questions about Third World demands, Simon said, "People always want more!"

Universal Crisis

Other representatives of industrialized countries were less smug. "There's a real crisis ahead," Canadian Finance Minister John Turner said in an interview. "I just returned from a meeting of Commonwealth Countries in Guyana. They screamed about their foreign exchange reserves running out, their commodity stabilization funds running out." British Chancellor of the Exchequer Denis Healey, another participant in the Commonwealth meeting, said in his speech to the annual meeting, "What emerged most strongly was the threat to recovery in the industrial countries if their trade with the developing world collapsed, and the parallel inability of the developing countries to avoid catastrophe unless the industrial world achieved recovery."

French Finance Minister Jean-Pierre Fourcade warned in his speech of "the impossibility of ensuring a sufficient supply of food to meet the needs" of Third World countries, and "insupportable foreign debt." He declared, "This crisis is serious because it is universal. Whatever a nation's political system, whether it is developed or developing, none has been spared."

In a final act of propitiation toward the United States, most of the European ministers, as well as the IMF's Managing Director Johannes Witteveen, called on the United States to reflate its economy and get a recovery underway, something the U.S. could not do if it wanted to. In effect, the European ministers, the worst die-hard Atlanticists in Europe, demanded that Simon and Ford spare them the agony of a final break with the dollar. But Simon, in his speech, rebuffed the suggestions, insisting that the U.S. would continue its current monetary policy, i.e. no finance except financing of old debts.

Italy's new Central Bank Governor Rinaldo Ossola presented a "consensus European viewpoint, predicting that "three broad monetary zones would slowly emerge from the debris of the Bretton Woods system...the dollar, European and yen areas," in a recent article. Interviewed at the conference, Ossola demurred at the notion that three monetary areas with no acceptable monetary assets other than gold would have to clear payments in the metal — "except in an emergency," the banker added quickly.

But some Italian private bankers were less coy. According to Gaetano Stammati, Chairman of the Banca Commerciale Italiana, "there are already many bilateral arrangements with the Comecon banks using the transfer ruble. This requires time and patience," Stammati said in an in-

West German delegates were determined to keep up Atlanticist appearances in Washington. Queried about the progress of negotiations with the Soviets on the ruble, West German Federal Bank Vice-President Otmar Emminger said, "I know nothing of this — but then again, there are many important things I don't know about." His aide, Federal Bank Director Helmut Schlesinger said, "That's a question you should ask the Eastern countries."

A Huge Bazaar

Otherwise, the conference functioned as a huge bazaar, held in the lobbies of Washington's Park-Sheraton Hotel. Third World delegates circulated among the droves of New York bankers who show up at such affairs, begging for the odd million of emergency loan credits.

In this degrading context, the Third World delegates were hush-hush on the subject of debt moratoria. "I cannot think of debt moratoria, not until I consult with other members of the non-aligned group," a high official of one country said. In background discussions, Third World members of the Interim Committee, the senior representatives of the developing sector in Washington, indicated they would postpone an open push for debt moratoria until they had clear political commitments on three-way trade with Comecon and Western Europe. Otherwise, they said, they did not want to run the risk of a credit and trade embargo led by a vengeful United States.

CIA MANEUVERS WEAKEN PORTUGUESE GOVERNMENT

Sept. 3 (IPS) — On orders from the U.S. gangland "Ambassador" to Portugal, "Frankie" Carlucci, the compromise agreement worked out last Friday between Communist Party-allied forces and their Carlucci-led opponents in Portugal is now being torn to shreds by the CIA forces. These moves, coupled by economic sabotage directed by the Second International and the CIA, have begun to weaken control of pro-working class forces in the government and the ruling Armed Forces Movement (MFA). If the reactionary forces continue on this course, an all-out clash with the Portuguese Communist Party and its allies — civil war — is inevitable.

Carlucci's pro-fascist top military are now moving feverishly to purge pro-leftists in the hope of packing this Friday's crucial meeting of the hitherto pro-working-class Armed Forces Assembly of 240 officers and non-commissioned officers. Reactionary officers are attempting to deny their men the privilege of electing delegates to the Assembly, instead appointing the delegates themselves. Yesterday's Army Assembly and today's Air Force Assembly saw developments in this direction. both services are headed up by generals lined up with Carlucci.

Yesterday the Air Force chief and President Costa Gomes met with "Ambassador" Carlucci. East German radio reports that the outcome of the meeting was hostile to the Communist Party-backed General Vasco Goncalves serving as commander-in-chief of the armed forces, despite the fact that this was the central point in the compromise worked out last Friday, when Goncalves ceded his post as the country's prime minister. Provocations in the past week have included the occupation of buildings of the pro-working class "Fifth Division" (the armed forces propaganda unit), by troops brought in from Angola for his own purposes by the discredited Maoist General, Otelo Carvalho; a short-lived rebellion by a clique of northern officers, who placed themselves under the command of the central regional commander in mutiny from General Goncalves; and unilateral assumption of command of the critical, heavily armed COPCON (internal security) units by President Costa Gomes — a move against the former head Goncalves.

Meanwhile, the yet-to-be formed government of the new prime minister, Admiral Pinheiro de Azevedo, is threatening to turn the clock back to the paralyzed "destabilization days" of the Fourth coalition government, when the country's two CIA-controlled social democratic parties shared the cabinet with the Portuguese Communist Party. The two CIA parties deliberately paralyzed the government from dealing decisively with the State Department-coordinated economic sabotage against Portugal.

Cunhal Interview

Portuguese Communist Party (PCP) leader Alvaro Cunhal summed the situation up in an interview with the Italian weekly Epoca. Cunhal stressed that the situation was "very difficult" and that in recent weeks, as a result of destabilizing operations led by the Portuguese Socialist Party (PSP), the organ of political power of both the MFA and the government had become weaker.

Carlucci has been directing provocations against the PCP-led working class, including a fraudulent union election over the weekend and the breakup yesterday of the PCP-initiated anti-fascist Common Front, in which five heavily CIA penetrated Maoist groups briefly participated, including NATO agent Ernest Mandel's ostensibly Trotskyist LCI. The five groups refused to work with the PCP on even a minimal anti-fascist basis, doubtless by prearrangement by Carlucci at this conjuncture.

The purpose of the endless merry-go-round of Carlucci-orchestrated destabilization has been to demoralize the Portuguese population, above all the volatile military, as the paralysis in political and military structures leaves the country helpless in the face of the more fundamental sabotage against the economy itself. This was the CIA's Chile formula, with which Carlucci is fully conversant, having himself been active there.

To bring about the desired demoralization, Carlucci's State Department has sent hundreds of agents scurrying over the surface of the earth — from