Europe Raped to Roll Over Debt

Oct. 1 (IPS) — If Western Europe agrees to endure a wholly avoidable new round of industrial shutdowns, the dollar empire will survive the international payments bottleneck at the end of the third quarter this year. A close examination of international money flows around the Sept. 30 deadline indicates that the leading dollar-based international banks may have bought their way out of catastrophe for the immediate present — by enforcing a new wave of industrial shutdowns and layoffs across the European continent.

According to Eurodollar market operators in New York City, the $220 billion pool of funds which makes up the shakiest part of the dollar monetary system is getting new cash injections "due to the collapse of bank lending in Western Europe," in the view of Lloyds' Bank International. Fresh industrial closures in France, Germany, and Italy, led by steel, and a new round of layoffs starting immediately after the summer recess, back up the financiers' boasting.

Last week, the Swiss daily, Neue Zuercher Zeitung, warned of U.S. plans to force "massive capital reflows from Europe to the U.S. . . . placing several European countries in serious payments difficulties.

European industry relies on a very high volume of short-term credits to finance shipments between the interlinked factories of different nations. A 10 per cent drop in the financing of intra-European trade, reflecting a coming drop in industrial output, would free roughly $5 billion in the Eurodollar pool; the industrial downturn reduces utilization of short-term bank credits temporarily. During the first half of 1975, bank credits to industrial concerns in Germany dropped by about $2 billion. (In the U.S., the drop in commercial and industrial loans during the same period was $11 billion, with an identical effect).

Europeans Hung By Their Own Rope

In this fashion, David Rockefeller is trying to hang Western Europe with a rope made from its own hide. The offensive of the Rockefeller faction internationally (see p. 1), like any other campaign, generates a huge demand for funds in the form of payoffs and handouts to governments, debt rollovers and bailouts. During the past week, new international lending has vastly exceeded the international banks' capability. But none of these loans could have been postponed without devastating political consequences (see accompanying box). The difference between capability and need is made up through a new looting expedition against Western European industry.

*West German unemployment, according to semi-official forecasts, will rise from 1 million, the level at which it stabilized this summer, to 1.5 million by winter.

*German steel's export profits were down to half of their previous year levels by August; output fell by 32 per cent from the August 1974 figure. West German steel depends on exports for 55 per cent of its output. The August output represents a sharp acceleration from the 21 per cent rate of decline (compared to 1974) through the first eight months of this year.

*French steel is now operating at 60 to 70 per cent capacity, and profits are the lowest in 40 years; the steel industry's debt will reach 120 per cent of sales by December. But the impact on employment has been moderate up until now; steel federation president Jacques Ferry has demanded a new wave of layoffs.

*The Commission of the European Economic Community projects a 23.6 per cent drop in steel output in Western Europe by the end of the year.

*The steel industry collapse reflects a new and massive downturn in auto, textiles, non-ferrous metals and other key European industrial sectors.

Atlanticist Complicity

Economic and financial policy formulated by Atlanticist finance ministries adds and element of conscious sabotage to the mechanical extraction of cash from the industrial collapse. France, Germany, and Japan are now subject to "reflation programs," each of which is designed to print sufficient money to meet the debt-financing requirements of their respective governments and limited sections of industry. Germany's central bank, under this program, has dropped the rate at which it lends to banks from 6.5 per cent to 3.5 per cent during the past three months. The French government is pumping about $6 billion of fluff into the economy, while the Japanese are reflating to the extent of $6 -7 billion.

These programs, designed as a counter to the required trade and development arrangements, have weakened the internal European credit structures and permitted speculative raids against European currencies. Last week, European central banks had to spend $750 million from their foreign exchange reserves to ward off speculative attacks on their currencies. As German Economics Minister Hans Friderichs warned, the recent drop in the value of European currencies against the dollar on foreign exchange markets placed a burden on Europe equal to the recent 10 per cent oil price increase. These funds, in turn, are siphoned directly into the Eurodollar pool — whence they are re-lent wherever the Rockefeller interests et al. direct them.

While payments due Sept. 30 will not clear for several days — at which point it will be known whether the dollar system has survived the rollover date — it appears likely that the Rockefeller interests will temporarily stand the seige. Eurodollar interest rates, which are a sensitive indicator of the availability of funds, have remained relatively stable, compared to their marked tightening earlier this month. The worst "flashpoints" in the international monetary system have been covered through a quasi-military requisitioning of credit.

But such peace is bought at greater cost in the immediate future. The leading Eurodollar banks have had to put themselves on the line to scrape together somewhat less than $10 billion for today's deadline: this is roughly the amount of new financing required by the U.S. Treasury alone, in the month of October alone. Indeed, the purpose of this operation is not to avoid collapse, but to postpone collapse in certain sectors until the Rockefeller faction has readied the conditions to conduct a collapse on its own terms.