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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)

NEWS BULLETIN NO. 10

WORLD FINANCE FACES PANIC

WASHINGTON, D.C., JAN. 21 (IPS)—YESTERDAY'S SHUTDOWN OF THE ITALIAN FOREIGN EXCHANGE MARKETS THREATENS TO PROVOKE A GENERAL PANIC AND COLLAPSE OF WORLD FINANCIAL STRUCTURES WITHIN THE NEXT SEVERAL DAYS, THE U.S. LABOR PARTY WARNED TODAY.

A CONJUNCTURE OF DEVELOPMENTS IN THE WEAK POINTS OF THE DOLLAR'S FINANCIAL STRUCTURE COULD FORCE AN INTERNATIONAL BANKING CRISIS WITHIN DAYS:

* DESPITE INTERVENTION TOTALLING ALMOST \$1.5 BILLION DURING THE PAST TEN WEEKS, THE ITALIAN MONETARY AUTHORITIES ABANDONED EFFORTS TO PROTECT THE COLLAPSING ITALIAN LIRA YESTERDAY, SHUTTING DOWN FOREIGN EXCHANGE MARKETS. THE BANK OF ITALY IS CONSIDERING A FREEZE ON ITALY'S \$14 BILLION EXTERNAL DEBT.

* A CRISIS HAS SIMULTANEOUSLY BUILT UP IN FINANCING OF TANKERS, COMMODITY STOCKPILES, AND RELATED SECTORS OF INTERNATIONAL TRADE, SPARKED BY THE BANKRUPTCY OF THE COLOCOTRONIS SHIPPING INTEREST, WITH \$1 BILLION IN SHORT-TERM DEBT ALONE. \$40 BILLION OF SHORT-TERM INTERNATIONAL DEBT, PRINCIPALLY TO THE NEW YORK BANKS AND THEIR EURODOLLAR SUBSIDIARIES, HANGS ON THESE SECTORS. WITH THE FALL OF INTERNATIONALLY-TRADED METALS' PRICES BELOW THE COST OF PRODUCTION LAST WEEK, BOTH THE DEBT OF THIRD WORLD PRODUCER COUNTRIES AND CREDITS EXTENDED FOR SPECULATIVE STOCKPILING ARE IN IMMEDIATE JEOPARDY.

* A SECOND-WAVE DOWNTURN OF INTERNATIONAL TRADE IS ALREADY IN FULL SWING, AS THE WEAKER INDUSTRIAL COUNTRIES, WITH A PROJECTED COLLECTIVE BALANCE OF PAYMENTS DEFICIT OF \$16 BILLION FOR 1976, ARE COMPELLED TO MASSIVELY REDUCE IMPORTS FOR LACK OF FINANCING. THE NEW DOWNWARD RATCHET IN TRADE HAS EXACERBATED THE CRISES IN SHIPPING, COMMODITIES, AND, IN PARTICULAR, THE DEBT OF THIRD WORLD COUNTRIES.

* THE CONTINUOUS MASSIVE EFFORT TO REFINANCE THE DEBT OF THE THIRD WORLD, OF WHICH \$72 BILLION IS PAYABLE DURING 1976 BY BANK ESTIMATES, WILL BECOME IMPOSSIBLE WITHIN WEEKS UNDER CURRENT CIRCUMSTANCES. OF THIS DEBT, AT LEAST \$20 BILLION REPRESENTS DEFAULTED PAYMENTS ON PAST OBLIGATIONS NOW BEING ROLLED OVER CONTINUOUSLY ON THE SHORT-TERM SIDE OF THE INTERNATIONAL MARKETS.

* GOVERNMENTS IN EUROPE AND THE U.S. ADMINISTRATION ALIKE HAVE REACTED WITH PANIC AND CONFUSION TO THE ITALIAN DEVELOPMENTS.
(MORE)

FOLLOWING AN EMERGENCY GERMAN CABINET MEETING THIS AFTERNOON, GERMAN FINANCE MINISTER HANS APEL ANNOUNCED THAT GERMANY COULD PROVIDE NO FINANCIAL ASSISTANCE TO THE BELEAGUERED BANK OF ITALY. ACCORDING TO TOP GOVERNMENT OFFICIALS AND INTERNATIONAL BANKERS, THE ITALIAN BREAK TOOK THE WORLD COMMUNITY BY SURPRISE, DESPITE REPEATED WARNINGS FROM THE U.S. LABOR PARTY ON THE IMPENDING CRISIS.

THE COMBINED WEIGHT OF THESE DEVELOPMENTS COULD COLLAPSE THE LEADING U.S. FINANCIAL INSTITUTIONS, WHICH ARE ALREADY SADDLED WITH A MASSIVE BURDEN OF BAD ASSETS. WHILE CENTRALIZED ALLOCATION OF EXISTING CREDIT FACILITIES COULD HYPOTHETICALLY PUSH THE CRISIS BACK FOR SEVERAL WEEKS, THE LABOR PARTY WARNED, EVERY INDICATION IS THAT THE BANKING COMMUNITY AND CENTRAL BANKS HAVE NO CONTROL OVER THE PRESENT SITUATION.

U.S. LABOR PARTY PRESIDENTIAL CANDIDATE LYNDON H. LAROUCHE, JR., NOW IN WASHINGTON FOR MEETINGS WITH MEMBERS OF CONGRESS, REITERATED TODAY HIS REPEATED OFFER TO ASSIST THE RELEVANT AUTHORITIES IN PREVENTING AN ECONOMIC CATASTROPHE. AS THE AUTHOR OF THE INTERNATIONAL DEVELOPMENT BANK PROPOSAL, LAROUCHE HAS OFFERED TO CHAIR INTERNATIONAL MEETINGS BETWEEN REPRESENTATIVES OF THE UNITED STATES, WESTERN EUROPE, JAPAN, THE THIRD WORLD, AND THE SOCIALIST COUNTRIES TO NEGOTIATE THE ESTABLISHMENT OF NEW FINANCIAL INSTITUTIONS FOR TRADE AND DEVELOPMENT.