



## East Europeans And Dutch Issue Call For New Gold -Backed Monetary System

June 15 (NSIPS) — A top East European monetary official and the Dutch chairman of the Bank for International Settlements announced their agreement last week on a gold-backed world monetary system.

Speaking at a central bankers' symposium last week in Vienna, Hungarian central bank vice-president Janos Fekete and Bank for International Settlements president Jelle Zijlstra declared that gold would be crucial for the creation of a new monetary system. The two officials added that they were discussing ways to bring the socialist countries and Western Europe together in new monetary arrangements.

Hungarian banker Fekete, now in Switzerland for talks with pro-gold Swiss financiers, re-stated views put forward in the Soviet Union's Economic Gazette this month. Calling for a "worldwide" monetary system including the socialist countries, Fekete warned against the simple gold standard of the nineteenth century, in favor of arrangements like the socialist countries' internal monetary system, based on the transferable ruble. Fekete confidently predicted that all that stood in the way of a new monetary system were negotiations on the specific valuation of participating national currencies in terms of gold.

For his part, the Bank of International Settlements chief endorsed the need for a new monetary system to expand trade and solve the economic problems of the Third World.

Asked to comment, the chief economist of one of New York's big commercial banks attacked the Swiss, Dutch, and Comecon countries for their "attraction" to gold, and complained bitterly, "The Hungarians are only speaking for the Soviets."

### European Break-Away

These public statements mark a stage of negotiations far more advanced than similar talks during September and October of 1975, when Swiss and West Germans consulted with Soviet officials on the possibility of a new joint monetary system. A high Comecon official is now on record, for the first time, on the socialist countries' willingness to help bring about new world economic arrangements in short order.

Almost a significant is the response from the Western side. Speaking as president of the Bank for International Settlements, the central bank of European central banks, Zijlstra's convergence on Soviet views carries tremendous weight. The entire European financial establishment, and certain influential Atlanticist financiers in New York City, have agreed on the Bank for International Settlements as an emergency replacement-institution for the bankrupt International Monetary Fund. At the same time, Britain and the Scandinavian countries have quietly sabotaged Wall Street's efforts to use the International Monetary Fund to bail out the debts of Third World countries in the process of default.

There are definitive signals from the European side. London's Financial Times' widely-respected columnist C.

Gordon Tether yesterday attacked the Eurocurrency markets as an instrument of "economic warfare" against countries who must borrow there. A Bundesbank (the West German central bank) official insisted in a telephone conversation yesterday that debt is mainly an American problem. Handelsblatt, the leading West German financial daily, in a long article on gold yesterday identified that it is a political quasi-war among the Swiss, Soviets, South Africans and the French on the one side and the U.S. alone on the other.

Even the British banks heavily involved in the Eurodollar markets do not rule out the possibility of a debt moratorium for bankrupt Britain. Said the chief of Frankfurt operations of one of Britain's five leading banks: "A debt moratorium is just a matter of time."

Nonetheless, several of the leading European financier groups who would have to be brought into negotiations over a new monetary system are clinging to a dangerous waiting strategy. "We simply won't do anything for the next three months," declared a board member of one of West Germany's Big Three commercial banks. Well-placed West German financial sources report that the German central bank and its leading spokesman, Otmar Emminger, are sticking to a pro-Wall Street austerity policy. Meanwhile, these sources say, Economics Minister Hans Friderichs is making tentative moves in the direction of the Swiss and Soviet perspective.

### Chicago

In the United States, Chicago industrialists are warning President Ford and his advisors not to try to muscle the Europeans into submission. The Chicago Tribune, owned by International Harvester's Brooks McCormack, argued in an analysis June 14 that the Europeans have already bought gold to bear on the world payments crisis. The analysis, by University of Chicago Professor Robert Z. Aliber, reports that Western Europe is already using its huge gold reserves for emergency payments within the overall dollar structure. "The question is whether we will try to impose our will on the Europeans," Aliber said in a separate interview. New York financial sources glumly corroborate the Chicago Tribune report that the June 27 summit meeting of six Western heads of state in Puerto Rico will work out arrangements for orderly transfers of gold between central banks.

The immediate tactical outlook of leading European financial strata coincides with the views of the Chicago Tribune. Bank for International Settlements president Zijlstra warns in the just-released BIS Annual Report that the crisis of Britain, Italy, and other weak European sectors could throw the entire world economy into crisis. In the report, the BIS warns that the so-called recovery has not improved the miserable state of real production, putting great stress on the collapse of capital investment. BIS chief Zijlstra's warning over Britain and Italy is a direct attack on

the political perspective avowed by Kissinger and Wall Street, i.e., that the weak European sectors can be junked as long as the Atlanticists stay in control of West Germany and Japan.

But the use of gold as a supplementary reserve for penurious central banks — as the Soviet Economic Gazette warned — is a patchwork solution. In effect, the Soviets argue, merely using world gold reserves (worth up to \$150 billion at market prices) will simply add to present extreme levels of inflation by backing up illiquid dollar debts.

While the Chicago Tribune's standpoint is outright nonsense from an economic standpoint, it separates the Mid-western industrialists clearly from Wall Street's policy of total offensive against Western Europe and the Soviets. This capitalist group, which leans heavily towards President Ford against Nelson Rockefeller and Henry Kissinger, is concerned to keep channels open to Europe, while settling a major political crisis at home.

## Exclusive Interviews With Lazard Freres Partner; Ass't Treasury Secretary Parsky; Under Secretary of State Frank

*June 19 (NSIPS) — Interviews on the U.S. bargaining position at the upcoming "Rambouillet II" economic summit in Puerto Rico June 27 and at the North South talks now underway in Paris were granted to a New York-based journalist this week by Eugene Black, a senior partner at Lazard Freres, the Wall Street investment house and the son of a former head of the World Bank; Deputy Under Secretary of State Charles Frank, and Assistant Secretary of the Treasury Gerald Parsky. Summaries and excerpts from the interviews have been made available to NSIPS. All three indicated that a major effort is being made to have President Ford push for Secretary of State of State Henry Kissinger's pet "International Resources Bank" proposal, which was rejected at the Nairobi meeting of the United Nations Conference on Trade and Development last month, at the Puerto Rico meeting.*

**Black: "A Bank Is Like a Beautiful Woman..."**

*Following is a summary of an interview with Lazard Freres partner Eugene Black.*

Mr. Black was first asked to comment on efforts by Rep. Henry Reuss (D-Wisc), chairman of the House Banking and Currency Committee, to block loans to Chile and Argentina by a consortium of private banks, after International Monetary Fund guarantees for the loans were vetoed by Britain and Scandinavia.

Black explained that the action by Britain and Scandinavia was not really any blocking of credits to the two countries, but rather an effort to force IMF "second tranche" austerity conditions on them. He explained that Third World countries do not like to accept the IMF dictates required by second tranche borrowing, first because they are nationalistic and don't like being told what to do, and second, because second tranche borrowing impairs their ability to borrow from private banks. "Brazil refuses to borrow from the IMF for this reason," he said.

Black explained that, "you know, a bank is like a beautiful

woman, she comes when she wants, and she goes when she wants," adding, "you know, only the beautiful ones can get away with this. For the last two to three months the banks have been fed up with the way these Latin American countries have been acting. I don't blame them. . . It's outrageous."

Black went on to say that Chile has been getting the approval of the U.S. banks lately because of its willingness to carry out the necessary internal measures. The real problem in Latin America is Peru, which "is a mess," he added.

"Look, you're on the wrong story," he continued. "Let me give you a hot tip." Black proceeded to reveal that on Wednesday, June 16, a contingent of top Treasury and State Department officials, including Treasury Secretary William Simon, Deputy Secretary of State Charles Robinson, Deputy Under Secretary of State Charles Frank, and Assistant Secretary of the Treasury Gerald Parsky held a meeting with President Ford to discuss the importance of the U.S.'s commitments made at the Nairobi meeting of UNCTAD IV. According to Black, the delegation told the President that because the U.S. had promised to hold various conferences on individual commodities and on the proposed buffer fund, that promise must be made good. Because of the urgency of keeping this commitment, they told the President, the commodities question will have to be a major topic at Puerto Rico.

Black explained that "Ford is a pain in the ass (laughing)" who has no ideas of his own, but fortunately "tends to go along with Henry Kissinger."

Asked about whether the economic summit would discuss European problems, Black indicated that he thinks the European situation can be taken care of as a result of the "new cooperativeness" of the Organization of Petroleum Exporting Countries (OPEC), referring to the arrangement of the Italians to have the Saudi Arabians deposit cash in special accounts at New York banks which is then "loaned" to Italy to meet the Italian oil bill.

### **Frank: 'We've Had Major Victories Since Nairobi'**

*Following is the summary of an interview with Deputy Under Secretary of State Charles Frank, who was one of the participants in a meeting between President Ford and high-ranking Treasury and State Department officials June 16. In this interview, conducted the day after the meeting, Frank indicates that a major purpose of the meeting was to sell the President on Secretary Kissinger's International Resources Bank proposal.*

Frank ran through a straight State Department briefing on the post-Nairobi situation and U.S. strategy. "There were two major victories since Nairobi," he claimed, particularly concerning the IRB, which was not really defeated at UNCTAD because the vote was "premature." Frank said that the situation is "very promising," and Kissinger is still committed to the IRB.

Victory No. 1, he said, was the Organization of American States meeting where the Dominican Republic introduced a resolution on the IRB which passed, creating a committee to further study the proposal in a Latin American context. The OAS and the Inter-American Development Bank will jointly work on this he said, describing these moves as the "vanguard" of the operation.

Victory No. 2 is the Paris "North-South" talks, where, Frank claimed, a U.S. paper on the IRB has been warmly welcomed by Peru and Nigeria. Nigeria is considered par-