EXCLUSIVE

Hint Transferable Ruble Deal Set

Italy has adopted a "new mechanism" for the discounting of Soviet bills of exchange that will guarantee an enormous boost in Italo-Soviet trade without worsening Italian foreign indebtedness. This announcement was made by Italian Foreign Minister Arnaldo Forlani Jan. 21 during a presentation to the Parliament's Foreign Affairs Committee on the nature of the negotiations he had conducted during a trip to the Soviet Union a week earlier.

As reported by the foreign minister, the arrangement worked out with the USSR for the "new mechanism" to finance a possible $7 billion in increased trade between the two countries consists of the following: Soviet bills of exchange (essentially Soviet I.O.U.s) will be given to Italy in payment of Italian goods and services. Italy in turn will use these I.O.U.s in payment for purchases of raw materials and other goods from third countries.

As defined, this arrangement is the transferable ruble, originally adopted by the Comecon central bank in October and most recently elaborated in the prestigious Moscow publication *International Affairs* this January as the most rational means to ensure the required growth levels of international trade on a sound, non-inflationary basis.

A first direct hint on the nature of Italo-Soviet financial negotiations earlier this month during the Forlani trip was provided by Italian Prime Minister Giulio Andreotti himself in the course of statements issued to the international press corps. During the course of a press conference in Bonn, West Germany Jan. 18, Andreotti for the first time "leaked" the fact that Forlani's negotiations in Moscow had included the "Ratti plan" for the creation of an East-West European Bank. The purpose of the bank, as defined by its originator, would be to institutionalize at an international level precisely the type of financial arrangement which Italy is now reporting to be initiating on its own.

Ratti, who is the foreign affairs director for the giant Montedison petrochemical complex, addressed a gathering at the Milan Italo-Soviet chemical fair on the same day that Forlani spoke in Parliament and in precisely identical terms.

The Italian publication *Il Popolo*, newspaper of the Christian Democratic Party which currently controls the national government, chose the following day to both explain the political motivation behind these Italian developments and at the same time urgently demand that they be institutionalized and broadened to include Italy's European partners. *Il Popolo* wrote that Europe must immediately and "of necessity" adopt a common currency as "the fundamental precondition for bringing order into the international monetary system after the declaration of (dollar) inconvertibility on August 15, 1971 (when the dollar was taken off the gold standard.)" This would be the only means to secure against "inflationary policies by individual governments," continued the newspaper, and put the continent firmly on the road of sound economic growth.

Popolo was echoed on the same day by the President of the West German Chamber of Commerce and Industry, Otto Wolf von Amerongen. In an interview to the daily *Sueddeutsche Zeitung*, von Amerongen not only lambasted all inflationary policies, but went further to reject "common pick and shovel" job programs as being the equivalent of Nazi slave labor-built autobahns. This unmistakeable reference to James Carter's economic program was elaborated with an explicit attack on that program for attempting to "create a new inflation mentality" not only in the U.S., but in Europe as well.

Coordinated Timing

The timing of Foreign Minister Forlani's announcements and the analogous press campaign throughout the countinent are not in the least accidental — as indeed has been the case for the majority of West European developments over the recent period. Two days after Forlani's speech West German Chancellor Helmut Schmidt left for his scheduled trip to London to meet with British Prime Minister James Callaghan. As reported by the London *Daily Telegraph* and the *Financial Times*, the immediate purpose of the visit was Schmidt's desire to "strengthen Callaghan's hand" during his early February trip to the U.S. to meet with Carter in his capacity as official representative for the European Community.

Schmidt and Callaghan will discuss the fundamental shift in West European policy indicated by Italian developments. It was, after all, in Bonn that Italian Premier Andreotti chose to disclose the negotiations around the "Ratti Plan," while Chancellor Schmidt told the press that he and Andreotti had reached "convergence" on all major aspects of strategic economic and foreign policy. It was during the past weekend that Britain chose to give public support to the efforts of its Gaullist allies in France through the *London Times*. Schmidt will be travelling to Paris immediately after departing from London.

When Vice President Mondale begins his scheduled tour of Western Europe next week to try and sell the Europeans on Carter's policies of economic hyperinflation and nuclear confrontation with the Soviet Union — as developed by the Trilateral Commission "shadow government" — he will not only find Europe to be less than cooperative, he will find Europe decidedly committed to collapsing the hyperinflationary balloon known as the dollar monetary system.

The extent of this commitment at all levels of European society is best indicated by the included demand of the Italian metalworkers union (FLM) — the most powerful in the country — as part of its contract demand that FIAT initiate "a partial reconversion from automobile to tractor production, in the context of "expanded international trade." Tractor reconversion as a determinant basis for European and Third World development, was an included crucial aspect of the Labor Party's International Development Bank proposal to which Europe has acknowledged its commitment.

Mondale and Carter should look to Angola if they wish to understand sensuously what they are facing from their former West European allies. The Angolan government of Neto — which

Italy has strongly supported from its inception — this past week announced that it was creating a new currency. "Our money is political money," announced President Neto, "and we are not willing to sacrifice it to worldwide imperialism." Only a sharply limited amount of the old currency, the escudo, will be allowed to be traded in for the new currency.

In response to the holders of escudos who fled the country with their arms filled with the now-worthless paper, the Angolan Finance Minister has aptly responded: "I suggest you put the (worthless escudos) in capitalist museums."

Schmidt, Callaghan Meet to Hammer Out Joint Development Strategy

West German Chancellor Helmut Schmidt and British Prime Minister James Callaghan met for talks on Sunday, Jan. 23 which were the latest in a series of meetings between Schmidt, Callaghan, and Italian Prime Minister Giulio Andreotti designed to work out a united Western European front for development and trade independent of the bankrupt U.S. dollar. In keeping with the Italian-West German coordination for industrial growth previously worked out between Schmidt and Andreotti, the talks established, "the broadest coordination of foreign and economic policy of both countries, with respect to the upcoming summits, according to the Jan. 24 daily *Sueddeutsche Zeitung*.

In a joint television interview after the talks, Callaghan and Schmidt ruthlessly initated this coordination by attacking the Committee on the Present Danger line of President Jimmy Carter's advisors which insists that the Soviet Union's military strength shows it has abandoned détente. Both spokesmen agreed, "We have nothing to fear from the Soviet Union's military strength....We are agreed that Moscow is following a policy of détente." Callaghan ridiculed "the people who get into a bit of a panic about this" while Schmidt supported him saying, "at the present time one must not listen too much to people who overstress the need for defense efforts." Schmidt further emphasized the Western European determination to reach agreement with the Soviet Union, regardless of Carter's White House if necessary, by stressing that although it was important that Carter and Soviet party chief Leonid Brezhnev "get along together and negotiate a SALT agreement,...we Europeans have to reach a compromise on the limitations of conventional weapons in Europe."

Schmidt was not as specific on the question of industrial development for Britain and West Germany. The *Sueddeutsche Zeitung reported that unnamed British* government sources complained that Schmidt "was afraid to make a decision" and discuss European moves away from the dollar, even though West Germany is an economic powerhouse.

French Prime Minister Calls For Euro-Currency Backed By Gold

U.S. Vice President Walter Mondale's arrival in Western Europe this week coincided with the launching of a concerted campaign in favor of a single European currency by those European forces most committed to global industrial growth. While the creation of a single unity of account has been a longstanding project in Western Europe, its great significance now derives from the fact that it is meant to be pledged on gold; it would thus involve a break with the U.S. dollar and the first phase of a new international monetary system.

While the Italian forces backing the Andreotti government have been advancing that proposal for some time, it was endorsed last week by French Prime Minister Raymond Barre — the first West European governmental leader to do so publicly. Mr. Barre, who is known to espouse Gaullist views on monetary matters, had recently asserted that gold represents a "living international monetary asset." He followed this statement by an interview he gave to the newspaper of the Italian industrialists' association *Il Sole 24 Ore* on Jan. 26, in which he declared: "(The European Economic Community) must characteristically resemble a national market clear of customs or fiscal obstacles, and further offer that irreplaceable element of support which is constituted by a common currency or at least currencies connected by stable exchange relations and managed in a concerted manner. But his monetary union is valid only if supported by a common economic policy."

On the same day, *Il Popolo*, the newspaper of the Italian Christian Democracy, laid out the following program for Europe: "A single European currency is perhaps the only condition whereby the recurrent international monetary crisis would cease, and it would establish stable commercial relations without the dangers of returning to more or less veiled protectionism....This will facilitate dialogue with Third World countries and a long-term accord with the oil-producing