torium, followed by triangular trade agreements between the industrial West, the Comecon, and the Third World based on a gold-backed transfer ruble.

As if the link between commodity prices and debt had been lost on anyone, a study by the subcommittee on Inter-American Economic Relationships of the Wall Street-dominated Joint Economic Committee released a report on Feb. 23 entitled "The United States Response to the New International Economic Order" which made the point perfectly clear. Under a subheading, "The NIEO and a Debt Moratorium" the report states, "the sharp reversal in commodity prices, recession in the developed world, and the consequent trebling of current account deficits may have had a great deal to do with the growing pressure for a new international economic order. In addition to calling for more concessional aid...higher prices for commodity exports, the new international economic order program included a request for assistance in dealing with the mounting external debt of the developing world — including the possibility of a debt moratorium."

The study then warns the developing countries that "The United States is strongly opposed to a debt moratorium. It is the view of the United States that a moratorium on debt is a particularly arbitrary way of increasing development assistance and will make it more difficult for the defaulting countries to obtain additional private and even public funds in the future." This threat concludes with a gloating reference to "a general backing away from the call for debt moratorium. The Group of 24...of the IMF has recently dropped any demand for a debt moratorium."

However, increasing resistance in Congress and among the industrial and food export interests in the U.S. over the past several weeks has proved that the refusal to acquiesce to debt moratorium is not the "United States" position, but merely the position of a few banks in lower Manhattan.

Faced with their failure to put the commodities hoax over on the Europeans or the Third World, the New York banks are seeking new mechanisms to keep their debt payments coming in and themselves afloat. Chase Manhattan's Che is now taking the position that "the only way is to set up an international financing scheme not tied to commodities." This international financing is precisely the IMF operation which came under strong attack in Congress during this week. The JEC subcommittee report calls for a similarly absurd system of multilateral policing of raw materials production linked to the banks' demands for a collateralized looting scheme — the infamous Kissinger proposal for an International Resources Bank. "The United States has accepted a somewhat diminished role for the multinationals in the exploitation of natural resources," the JEC report notes, "Identifying the principal American interest with a secure, reasonably priced supply of raw materials, the United States has sought alternative means of channeling private funds into raw material development in the developing world."

Adding to the flurry of new proposals being floated by representatives of Wall Street, Robert Roosa of Brown Brothers Harriman admitted in a long Op-Ed in the *Journal of Commerce* March 21 that the UNCTAD Common Fund was unworkable, objectionable and ineffective, and suggested that a much better way to do the job is to provide commodity producing countries with loans collateralized by their commodities shipments held in stockpile. The National Commission on Supplies and Shortages (NCSS), chaired by Rand Corporation President Donald Rice, several weeks ago called on Congress to increase the U.S. stockpile of various raw materials, a move which would provide a temporary price support, although the NCSS admitted in their report that it was so late that, as far as they were concerned, the major purpose of stockpiles was to prepare the nation for wars on Third World nations which would temporarily cut off raw materials shipments.

Without New Credit System, Europeans Will Be At Each Other's Throats

BUSINESS OUTLOOK

Figures just released by the West German Economics Ministry show that West German industry, Europe's vital engine, is now badly crippled. Export orders — reflecting deliveries for the next six months — to the whole of German industry collapsed by 10 percent in January. The key investment goods sector plummeted 14.5 percent. Total foreign and domestic orders to West German industry fell 6 percent. This is the clearest sign that the 1975-76 European "recovery," artificially based on consumer credit without the backing of capital investment, is over.

Europe's deal-by-deal approach to foreign trade with new Arab and Soviet partners will have reached an impasse as well, if a new credit system based on industrial development is not created. Without it, these countries have no other choice but to slice each others' throats in an attempt to expand their share of a shrinking international market and slow the rate of collapse. In the process, the Europeans will propel their countries to economic disaster, pushing both the West and the socialist bloc over the brink of bankruptcy.

From Trade Contraction...

Initial international trade figures for February confirm the January collapse, labeled by official sources as an "accident" due to "seasonal factors." Imports took a sharp 14 percent dip in Great Britain, wiping out an equal advance in January. The January figures had been artificially inflated by speculative oil purchases and exceptional foodstuff orders in the wake of this summer's drought.

In France, February imports dropped 2.2 percent. Exports of both British and French goods, in particular technologically advanced products continue to stagnate.

Italy, under the Andreotti government, saw imports rise by 35 percent and exports by 43 percent in 1976. These figures are based on high consumer demand and extension of government credit to public and private industry. The austerity measures imposed last autumn and aggravated by both the recent cuts in public spending, imposed by the International Monetary Fund, and the Treasury deficit will undoubtedly put a brake on "Italian growth."

The fourth quarter of 1976 was the turning point. No new productive capacity was built during the paper-based "recovery" of 1975-76, and inflation once again began to reach double digits in France, Great Britain and Italy last autumn. Inflation netted heavy balance of payments deficits due both to trade deficits — imports growing faster than exports — and liquidity flows out of the country.

Europe, unable to organize a new monetary and credit system oriented toward capital-intensive development projects, was compelled to apply traditional medicines to their trade situation: cut domestic demand and stimulate exports.

If all the European countries follow the same austerity measures at the same time, they will all soon *face together a contraction of their foreign trade*, which is exactly what is happening now. That problem is aggravated by the increase in commodity prices. The latest oil price increase alone adds no less than $3 billion to the European Economic Community's 1977 import bill.

Faced with this trade contraction the West European governments are following a spiral downward, cutting further their imports to balance out the collapse of their exports! And the EEC Commission has just proposed this crazy policy for European-wide implementation.

...To Industrial Collapse

For the battered European steel industry, which is at present working at about 60 percent capacity with a total debt equal to one year of sales, the EEC has created a special fund to finance "voluntary" production cuts, and is proposing minimum prices and import licenses against foreign competition. The EEC also has a plan to "solve the problem" of the oil refining sector which is working at 62 percent of its capacity: cut it by 16.5 percent and stop all new construction!

The EEC has sentenced the whole of European industry to destruction by its criminal policies.

At the end of 1976, the total capacity utilization was 10 to 20 percent below that of 1973; plant and equipment were not renewed except in consumer-related sectors. Official unemployment levels started to rise again by the end of 1976, and they are now up by 20 percent over 1975 levels. So-called temporary unemployment is also high, while some workers are being kept on as slave-laborers with cuts in wages.

The auto industry, key to the late "recovery," is now threatened by the new ratchet of austerity, as both its domestic and foreign markets shrink as a result of the economic policies being applied by the European countries.

Not Just Europe's Problem

The only way out for Europe is long-term oil-for-technology or commodities-for-technology agreements with the Arab sector and the Comecon countries, to be joined by U.S. industry within the framework of a new monetary system. The present deal-by-deal approach is hamstrung by the Europeans' credit problem.

In particular, under the dictates of Rockefeller's dollar system, the Soviet sector will not be able to meet its debt payments without restricting its own imports and cutting its rate of growth. The New York Times is already mooting that the Soviets will have to cut their imports and reduce their trade deficit to $3 billion in 1977 (as versus $6.4 and $5 billion in the last two years) in order to meet their payments. The effect would be a slowdown in their production by 30 to 50 percent of their expected growth.

The Council on Foreign Relations' Zygmunt Nagorsky gloated in Money Manager this week that this "is the end of Soviet trade expansion." Others are pointing out that while China has just sold 80 tons of gold on the Western markets, the Soviets are planning to sell 600 tons during 1977-78.

The alternative to debt moratorium and the International Development Bank is trade contraction and trade war. The Japanese, with one of the most advanced and trade-oriented economies in the world, are particularly vulnerable. The country's industrial activity fell by 0.2 percent in January. The government is relying entirely on exports to keep the economy afloat. But both imports and exports fell in February. Protectionist measures in Europe — against Japanese steel — and the U.S. — against both Japanese steel and TV sets — are threatening to bring the whole economy down.

In the U.S., exports only represent about 5 percent of the Gross National Product, but the national economy is wholly integrated with world trade. The liquidity ratios of U.S. firms are better than they were a year ago — only due to the fact that there is no capital spending, no inventory buildup, and no bank borrowing. At the same time, the ratio of household debt to dispensable personal income is increasing. The whole economy is still afloat on consumer credit, a fact corroborated by the huge trade deficits of the last months. In a word, the U.S. will follow Europe, and very soon. New orders for factory goods failed to recover in February from a 6 percent drop in January. The Wall Street community is now fearfully commenting on the results of a questionnaire sent by Citibank to more than a thousand firms. The firms were asked how long they think it will take to recover from the January cold wave. Their predictions are between one and three years. It is definitely more than a bad cold.