

Schmidt-Carter Showdown Predicted

West German Chancellor Schmidt, arriving in Washington on July 13 as official spokesman of the European Economic Community, is expected to engage in a full-scale showdown with President Carter over the U.S. Administration's belligerent and provocative policies toward the Soviet Union. According to all reports Europe has given detente number one priority as an international issue. Not only do the "West Europeans in general favor a more quiet approach" to the Soviets, as the *New York Times* chose to put it on July 7, but presently Schmidt and Italian Premier Andreotti are embarked on an unprecedented wave of bold East-West-Third World economic cooperation deals in opposition to Carter's drive for war.

A broad series of Soviet proposals are now under discussion for West European participation, centering around nuclear and fossil fuel energy development, as well as industrialization of the raw-materials rich Siberian region. Scant news trickling into U.S. political quarters about these proposed arrangements which also include European efforts to attract Arab petrodollar financing, has provoked hysteria and disbelief, especially in lower Manhattan financial circles. Earlier this week, a Wall Street spokesman frantically insisted in an interview that the West Germans didn't have the financial muscle, nor the arctic technology to pull these

arrangements off, at the same time that he conceded that West German industrialists were thirsting to get them underway.

On July 2, Schmidt openly threw his weight behind these efforts in a groundbreaking interview with the Hungarian newspaper *Nepszabadsag*. Asserting that for Europe, the course "is set for detente," the Chancellor called upon the Soviet Bloc's economic alliance, the CMEA, to create "a new common currency system with overall convertibility" to enable "an expansion in East-West trade." Although West German accounts of the interview do not clarify what Schmidt meant by "convertibility," Professor Robert Triffin, a leading international economist, insisted in an interview last week that Schmidt meant a transferable ruble, and not a ruble convertible with the U.S. dollar.

Additional evidence that Schmidt is indeed throwing his weight behind an anti-dollar T-Ruble came during two days of talks between the Chancellor and Hungarian party chief Janos Kadar in Bonn July 5-6. At a dinner for Kadar on July 5, Schmidt reiterated a standing West German offer to the Soviet Union to become a full participant in the North-South dialogue between industrialized and developing countries. Significantly, he added that the best forum for achieving this participation would be the European-wide conference on energy and environmental

Economist Triffin Sees 'Europa' As Basis For European Use Of Transfer Ruble

The following is an excerpt of an interview with Yale economist Robert Triffin by the EIR on July 5. Triffin participated in drafting the genocidal RIO report by the Club of Rome.

Q: West German Chancellor Schmidt has recently called for implementation of the Soviet transfer ruble as a basis for increased East-West trade. It is curious that Schmidt referred to "convertible" ruble, although the Soviets have been quite explicit that they are not proposing convertibility at all. In other words, the Soviet proposal is for use of the transfer ruble to be tied to real development projects and will not permit it to be used for speculation.

A: Actually, Mr. Schmidt is well aware of the difference between a transfer ruble and convertibility and could not possibly have had the latter in mind. Mr. Schmidt knows the Soviets would never accept it. There is a great deal of interest in transferability especially among the Hungarians and the Poles. The Germans do want a transfer ruble and Schmidt's statement is an indication of an opening very beneficial to everyone concerned.

Q: *Corriere della Sera* recently indicated that the Europeans are again discussing the "Europa". Are you aware of this?

A: Yes, they see the "Europa" as the way to set up arrangements with the Soviets, to trade on a more balanced and rational basis. There was a meeting in Rome June 17-18 where (Italian Treasury Minister) Stamatii, (French President) Giscard and Magnifico of the Bank of Italy endorsed the idea. It would have a gold backing; the Italians in particular are insisting that their gold reserves be used. Indications now are that as part of the deal, Eurodollar deposits would be outlawed in favor of "Europa" deposits. The "Europa" is seen, especially by the Germans, as the way to get a joint European currency which would remove Europe's dependence on the dollar.

Q: Who in Europe is working out the details of the "Europa?"

A: I support the transfer ruble (sic), Lord Cromer certainly does, Baron Lambert my good friend is in favor of it. Tindemans, Magnifico, yes. I suppose Hambros and Jeremy Morse at Lloyds do too.

problems, proposed by Soviet President Brezhnev.

In his *Nepszabadsag* interview, Schmidt also praised Kadar as "one of the most gifted politicians in Europe (who) is looking into the future." The Soviets reciprocated Schmidt's overtures in an interview by Polish Party chairman Edward Gierek in West Germany's Social Democratic Party weekly, *Vorwaerts*. Here, Gierek emphasized the standing offer of the CMEA for the convening of "bloc-to-bloc" negotiations on economic cooperation with the EEC.

Finance and Energy

The confrontation between Western Europe and Washington is peaking around two related economic problems. Expanding East-West trade and related triangular deals with developing countries immediately poses the urgent problem of creating new international financial institutions not under U.S. dollar control. Secondly, as a key component to its growing commitment to long-term industrialization, Europe is formulating plans for new energy resources. In their totality, the energy plans being implemented by both East and West constitute an integrated program for Europe from the Atlantic to the Urals, and entail definite efforts to bust up Washington's international uranium and nuclear fuels cartel.

On July 5, Schmidt and French President Giscard signed a treaty creating a joint nuclear energy corporation for manufacturing and exporting fast breeder reactors. Italy, Belgium and Holland will participate in the agreement as junior partners. *Le Matin de Paris* reports that the Soviet Union "looks favorably upon" the contract. During the recent summit meeting between Giscard and Soviet leader Brezhnev, detailed discussions were held between energy specialists from both countries on technical collaboration on fast breeder development. French media reported the talks as striving for the creation of "an atomic Europe."

On July 8, a team of Soviet nuclear experts arrived in Bonn for discussions with nuclear energy related corporations. Moreover, intense disputes are presently occurring within the EEC energy commission to persuade Britain to give its backing to an EEC thermonuclear fusion program.

The total of Soviet energy cooperation offers to Western Europe was detailed on July 6 by West Germany's industrial daily *Handelsblatt*. At the Belgrade European Security and Cooperation consultations, according to this journal, the Soviets have been pressuring the EEC countries to approve the convocation of a "bloc-to-bloc" conference which would deliberate on plans for Western European participation in the internal Soviet bloc 1981-90 energy expansion program, which encompasses the Soviets' commitment to rapid development of internal fossil fuel resources. As *Handelsblatt* indicated, the effect of the program would be to order European energy supplies and facilities, down to regional and sub-regional levels of consumption, under

one growth plan.

The energy projects underline the necessity for a quick resolution of Europe's financial ills. An informed New York investment bank source has reported rumors that Kuwaiti financial interests are seeking to funnel between \$1 and 2 billion into Siberian agriculture and industry, in deals with West German participation.

Political analysts in New York and Washington last week admitted they had received reports the West Germans may soon give the Soviet Union a "grace period" or "even a debt moratorium" on its outstanding debt to West German banks.

These rumors were substantiated by an unusual article which appeared July 2 in the West German daily *Frankfurter Rundschau*. Across a full page, the *Rundschau* sang praises to the Siberian development project, highlighting an interview with Walter Hesselbach, executive of the trade union owned Bank fuer Gemeinwirtschaft. Hesselbach asserted, "The fears of banks that the Soviets would ruin our capital markets are completely unjustified...the interest of the Soviets is to get technological know-how." An economic depression in the west, he added, is not in the Soviets' interests because it injures detente.

An additional feature of the deliberations on creating new financial institutions is discussion within the EEC of reorganizing domestic finances and dollar-denominated debt structures. This discussion is being conducted publicly in Italy, where the leading financial daily *Il Fiorino* called for a moratorium last week on debts of small-sized industries. Reporting on a conference of small industrialists in Rome, *Il Fiorino* challenged the Italian Communist Party platform for "debt consolidation," and demanded: "We must speak clearly. Debt consolidation does not mean anything. We must say whether or not we want to pay our debts. After that, we will know where we stand."

Importantly, Italy's Andreotti has firmly rejected the possibility open to European financial quarters of breaking with the dollar only to implement a European-controlled, "independent" austerity regimen on the continent. Andreotti's firm rejection of this approach was voiced in an interview in Italy's *Il Giornale* with Cassa di Risparmio chief Dell 'Amore, an unofficial spokesman for the Premier. Dell 'Amore denounced the suggestion, put forward by London Rothschild-based interests and supported by Italian Central Bank director Magnifico, that Europe break from the dollar by creating a new currency, the "Europa." Dell 'Amore answered that creation of a new currency *pese* is "neither necessary nor sufficient." What is needed instead is a European central bankers' bank which would pool European gold and hard currency reserves. In contrast to the "Europa" austerity scheme, this bank — through treaties linking it to a Comecon currency as proposed by Schmidt — could finance trade expansion and internal economic development.

— Renée Sigerson