Italo-Soviet T-Ruble Deal Forged; W. Germans Join Turn Eastward

SPECIAL REPORT

Niccolo Gioia, the President of the Italian-Soviet Chamber of Commerce, and FIAT representative in Moscow, announced July 8 that the socialist sector's transfer ruble will definitely be included as a credit instrument in a $500-700 million trade package to be finalized soon. Confirming that the Italo-Soviet arrangement is understood by both sides as a means to replace the bankrupt dollar monetary system and get world trade going again, Gioia asserted that "projects are not lacking, some will be realized with the participation of third countries. Italy is now seriously considering the possibility of using the transfer ruble in three-way and multilateral" deals.

These trade deals, noted several Italian sources, are in the spirit of the private International Development Bank proposal of U.S. Labor Party Chairman Lyndon LaRouche. That bank, once in operation would issue credit on a gold-reserve, hard-commodity basis for multilateral trade and technology transfer deals. The transfer ruble, as is well known, is precisely the sort of hard-commodity-based currency that can ensure stable trade relations.

Thus, Italy's decision to go with t-ruble financing of trade marks the first concrete step toward actualizing a new world monetary system to replace the debt-sodden U.S. dollar and to free world trade from the death grip of the bankrupt New York banks. It also coincides with the initiation of a new "Rapallo" alliance between West Germany and the socialist bloc, in the spirit of the aborted German-Soviet Republic Rapallo Treaty of 1922

Maximum Effort for Development

The announcement of the Italo-Soviet arrangement was made at a Moscow meeting in the presence of Gioia's Soviet Chamber of commerce counterparts, the Italian Ambassador to the USSR and his commercial attaché, and TASS reporters. *Il Fiorino*, the Italian financial daily, which, together with Corriere della Sera, broke the story July 9, stressed that economic cooperation is key to detente: "The major conclusion coming from the Great Hall of the Moscow office of the Italo-Soviet Chamber of Commerce is that Italy is interested in cooperation with the Soviet Union and will make the maximum effort for its development. The Soviets feel the same way about Italy."

Knowledgable Soviet sources indicate that these deals are in the final stages of negotiation. It only remains to plug loopholes which could expose the transfer ruble to currency speculators, they said.

Italian industry insiders reveal that a ruble-denominated letter of credit will be utilized in at least one major deal for wide diameter pipe for natural gas between the Soviets and the Italian state-owned firm IRI. The French daily *Le Matin* corroborated the pending Italian transfer ruble contracts describing the go-ahead decision as a big plus for the Italian economy.

Schmidt's Rapallo Push

Backing up the t-ruble deal, which has been in negotiation for many months, is the recent political decision by West German Chancellor Helmut Schmidt to, for the first time, support a new East-West trading currency system. Schmidt last week signaled, through an interview in the Hungarian newspaper *Nepszabadsag,* that his government supports the Italian negotiations in Moscow and their expansion to include the rest of Europe. He called upon the socialist sector's economic alliance, the CMEA, to create a "new common currency system" with Europe.

Just days before Schmidt was to arrive in Washington to, on behalf of Western Europe, tell Carter that Europe is now firmly committed to a new world economic order based on industrial progress, the West German industrialists' daily *Handelsblatt* damned the Carter Administration's attempts to force a de facto revaluation of the deutschemark through runs on the dollar. "Currency traders are again talking of stormy developments (with the dollar)," *Handelsblatt* observed, "and are doing so with an undertone of thorough satisfaction; for finally, the ruble is rolling for them quite nicely, if the monetary infrastructure collapses altogether.

West Germany, and the rest of Western Europe should know by now that such tricks as currency counter warfare can't save a world economy tied to the dollar. Recently rebased figures show that West European industrial output and manufacturing orders declined from May to June, 2 percent for West Germany in both categories.

Accordingly, a growing number of government officials, industrialists, and bankers are publicly or privately endorsing the creation of a gold-pegged European monetary unit, backed by a European wide central bank linked to the gold-based transfer ruble in an East-West European economic zone.

"Despite the International Monetary Fund agreement to 'demonetize' gold," wrote Felix Goryunov, observer for the Soviet daily *Pravda* July 9, "a number of Western countries increasingly consider it the most reliable defense against financial zig-zags." Goryunov emphasized that the dollar has "neither gold nor commodity backing" and that the $300 billion Euromarket is in fact part of U.S. debt — U.S. notes held abroad. Thus, the *Pravda* article continued, "U.S. foreign liabilities are approximately 15 times larger than its gold reserves and twice the volume of American exports..."