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Murawiec: What about the central banker's recent, insistent warnings of chain-reaction of debt defaults and bank failures?

Triffin: No major country will allow one of its big banks to go bankrupt. When subsidiaries based in Europe will run into trouble, the head offices will bail them out. If the head offices are in trouble, the central banks will refinance them, to refinance the country that would otherwise go into default or be compelled to delay its payments. In the U.S., the Fed will refinance. So, there will be no debt collapse, but renewed, massive inflationary financing.

Now, to come back the situation of the currencies, there was a majority of opinion at the Geneva conference [at the Center for Monetary Research of the Graduate Institute of International Studies—L.M.] that intervenings on the foreign-exchange markets cannot succeed, they are not the key, what is key is the policies that go with them. But this brings immediately problems of national sovereignty, budgets etc. That's the crux. Consultation on the realignment of basic national policies. But there, perspectives are still unclear.

Murawiec: What could ensure that this happen?

Triffin: Things will have to break apart for governments to be convinced. It's a fundamental problem. It's that of the United States in particular. Look at this absurd situation: when U.S. inflation goes up, the dollar goes up, because the markets expect a stricter Fed policy to result. This is absurd. In the short term, it creates some more leeway for a strengthening of the dollar—which makes it even more vulnerable.

Murawiec: In sum, the general attitude among central bankers and so forth, is that a depression with a total financial shakeout is inevitable?

Triffin: Yes, many have taken this attitude. It's their only hope to see things truly change. Any stabilization, they say, must first go through a stabilization crisis. . . .

Murawiec: This is the triumph of Friedrich von Hayek then?

Triffin: Yes, this is the prevailing trend, with a meek rearguard fight waged by the Keynesians.

Murawiec: Do you see any initiatives coming to try to influence this situation, in spite of this?

Triffin: Tindemans stressed it quite ferociously, Versailles did not change one iota to the policy intent of the Americans. For the others, Europe and Japan, there is no solution, to make themselves independent of the dollar, and start with that proposal of an interest equalization tax to make European interest rates less dependent on the U.S. rates, then add capital controls. . . .

INTERVIEW

German export chief sees markets shrink

"By the end of 1982,"says H. A. Sieman, manager of the Federal Association of Exporters, "West Germany will have an export surplus, but we will be the victim of an optical illusion, because this surplus will reflect neither our real industrial competitiveness, nor the real condition of world trade."

In discussion with *EIR*'s George Gregory in June from his Bonn office, Herr Sieman said he is extremely pessimistic. "Industrial countries must take action to put developing nations back into a position where they become once again potent purchasers of industrial goods, or we will have a simultaneous explosion of the economies of the Third World and industrial countries. The main reason for our pessimism is debt—in too many countries in the world market, export earnings are far lower than payments on principal and debt service."

For the last several years, the West German economy has survived on its exports, helped along for the most part by an artificially cheap deutschemark, itself caused by high U.S. interest rates. This year, while the German Bundesbank has "fine-tuned" progressively dropping interest rates here to maintain economic activity at least at the stagnation level, West German imports are dropping at an annual rate of 6.5 percent.

Once the dollar falls—and Herr Sieman has no doubt that it will—"then people will see that we have been selling on the back of a cheap D-mark." In reality, German exports are suffocating under debt, and German markets are increasingly turning into war zones.

In Latin America, "The most important countries for us *were* Brazil, Argentina, and Mexico. But with the Falklands conflict, the atmosphere of economic relations is so poisoned that major projects or investments are now hardly imaginable." And the stupidity of the British-enforced European Community embargo against Argentina is that "there is no case in which such sanctions have ever had the desired political effect. The only significant effect of such sanctions in this phase of world financial crisis is to further contract world trade."

West German exports to OPEC last year grew by 53 percent to nearly 35 billion DM; to Iraq the growth of exports was over 100 percent, primarily in capital-goods categories. This year, Iraqi income is off 72 percent, and,

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since Iranian forces took Khorramshar the government export guarantees called Hermes insurance have been lifted. The Association of Wholesale and Foreign Trade, linked to Herr Sieman's association, estimates that 10 billion deutschemarks in contracts to Iraq are blocked as a result. Otherwise, Nigerian income is off 27 percent; West German firms are involved in major industrial projects there. April data show that bookings for capital goods are down by 11.4 percent from April 1981, and total industrial orders for export are down 9.4 percent.

"The Eastern European countries are obviously not the place where we are going to find an alternative to our business with Argentina," Herr Sieman said. The high volume of Eastern debt per se is only part of the problem. Eastern European countries have been maneuvered—or have maneuvered themselves—into "a very unfortunate maturity bunching of debt payments." Seventy percent of Soviet debt comes due in 1983.

As for the United States, Herr Sieman says German exporters do not want to think beyond the end of 1982. Plant-construction orders have collapsed, although "we are still selling a decent volume of machinery . . . for the moment, and our steel people are doing so well, they all have anti-dumping suits on their heads."

West Germany sells 13.1 percent of its total exports to France. Here exports are riding on French inflation and, again, the cheap deutschemark. "But the French are not going to be able to avoid a devaluation of the franc. How hard our exports get hit will depend on how large the devaluation is, but we will get hit."

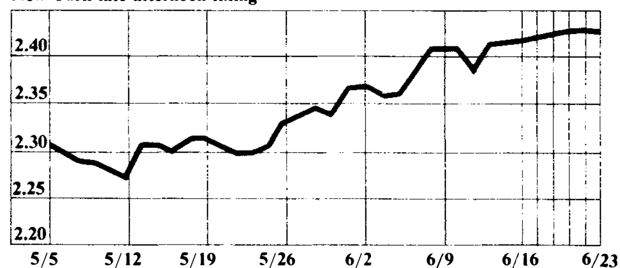
In the past, the government has used the Hermes export-credit insurance system to help exporters open new markets where the economic risk was high, but prospects good. "What we fear now is that Hermes risks will no longer be judged on economic criteria, but rather on criteria on a scale of religious, racial, and political priorities." Four or five years ago, only 30 percent of German exports to the Soviet Union—about 5 percent of total exports—were insured, "because their business was so solid. No one doubts that they are still economically solid, but the political risks have been raised," and so no one will go into Soviet exports without insurance coverage. "The Falkland crisis is an example of the same thing," he claimed, criticizing his own government's having bowed to British demands. "Argentina is a rich country, and there would be no reason to stop Hermes guarantees unless one thought there was an immediate danger of direct war with Argentina."

Herr Sieman says that there is no justification for the complacent belief of German banks that they will just continue to finance exports. "Switching from finance credits to supplier credits does not change much," he points out cautiously, "not in a threatened worldwide . . . recession."

Currency Rates

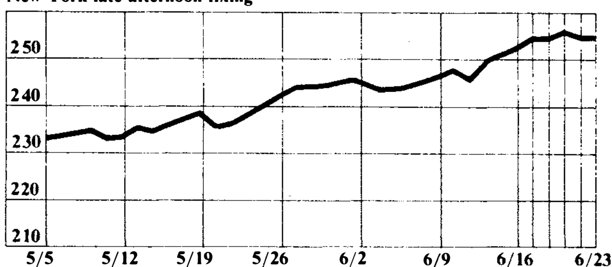
The dollar in deutschemarks

New York late afternoon fixing



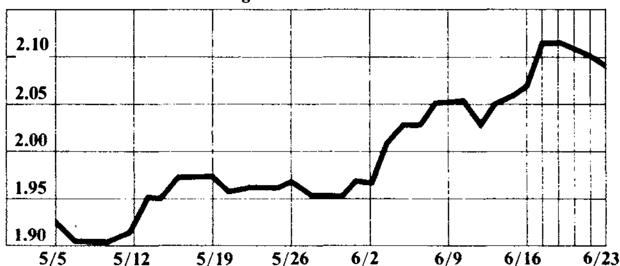
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing