Europe Takes Steps to Cut Loose from Dollar

Measures undertaken by the central banks of the Federal Republic of Germany and Italy at year's end have brought Western Europe one step closer to a final, official break with the U.S. dollar as an international reserve currency. Pending the completion of a series of Italian diplomatic talks in the Third World, OPEC capitals, Western Europe and Moscow, by mid-February a new international monetary system based on the Soviet Union's transferable ruble and gold will be in use as a strong competitor to the moribund U.S. dollar.

On Jan. 2, the West German Bundesbank revealed that it had unilaterally devalued its accumulated, year-end dollar holdings by 11 per cent or 6 billion deutche marks. With this move, West German financial officials have broken with their traditional policy of supporting the dollar at parity, and instead, will now let the dollar collapse.

The Bundesbank decision follows by a matter of days the Dec. 29 announcement of the Italian Central Bank of a four-fold revaluation of Italy's substantial gold reserves, legislating thereby an increase in their total foreign reserve position by $10 billion. This decision, formulated by the Federal Cabinet under Prime Minister Andreotti, frees Italy overnight from its proverbial role as "the sick man of Europe."

The gold revaluation also brings Italy to the brink of an official debt moratorium; the Italians also noted they would push for a stable world gold price, the basis for a gold monetary system. Responsible officials from Banca Commerciale Italiana and Credito Italiano have stated that Italy will indeed make this debt moratorium official, once a new international monetary system has been put into place.

Rejection of Fed Appeals

The West German decision aggressively rejects the continuous appeals from the Federal Reserve in Washington that the Bundesbank ease interest lending rates and permit stimulation of the West German economy. The same day the Bundesbank issued its policy, a Federal Reserve official in New York lamented: "Nothing short of a public policy statement from the Bundesbank that they intend to support the dollar will reverse the dollar decline..."

Bundesbank directors Klasen and Emminger were directed to stop intervening on behalf of the dollar by Federal Chancellor Schmidt. The Schmidt government, nominally a Social Democratic-Free Democratic coalition, is maintained in power by cross-party, industry and trade union groupings which have rallied behind Europeanist efforts to create a genuine upswing in industrial output and employment levels in 1977.

Italian Special Funds

In tandem with the gold revaluation, the Italian cabinet is creating four special funds to promote trade, industrial growth, and currency stability. The largest fund, $6 billion, is being set aside to finance foreign trade with developing countries and the Comecon states. Another $400 million will be slated for investments in Italy's politically pivotal nationalized industries. A third will provide for compensations in potentially fluctuating gold prices.

A final fund, according to *Corriere della Sera*, will finance "future losses on foreign loans," a provision which feeds rumors that Italy will soon be granting moratoria to its foreign, mostly Third World debtors; negotiations are now underway with Yugoslavia.

Italian state-sector corporations have been European leaders in revolutionizing trade financing systems and concepts. In these efforts, the Libyan government, and the Soviet Union have been close collaborators in resituating Italy as a center for European and Mediterranean trade.

Presently under negotiation are a series of state-to-state agreements between the ENI state-controlled petroleum interests and Arab producers to guarantee Italy's petroleum needs around long-term trade and financing agreements which include the Soviet Union. The deals, once in effect, would reduce the leading multinational producers to the position previously held by small independents in Italy.

On Dec. 29, Foreign Trade Minister Rinaldo Ossola and ENI representatives began talks with Saudi Arabian government officials to promote Saudi purchase of Exxon and Mobil operations in Italy. According to the Dec. 31 *Journal of Commerce*, in return, the Saudis would guarantee 27 million tons of oil exports yearly to Italian ports.

Coupled with a recently signed accord between ENI and the Iranian National Oil Company (NIOCO), the Italians would have succeeded in assuring 90 per cent, or 84 million tons of their crude oil consumption. ENI and NIOC have agreed to form a joint holding company, with equally divided total ownership, to run the entirety of ENI's refining and distribution facilities in Italy and abroad. The Iranians will inject $100 million into the ENI interests, and supply 4-5 million tons in crude. Later this month, ENI president Sette is scheduled to go to Iran to work out a barter repayment for these investments and supplies in the form of industrial products.

Diplomatic Initiative

These types of trade agreements — which have come to dominate Italy's trade activity — and the related financial shifts do not yet constitute a workable monetary system. In December, the Soviet Union announced that the transferable ruble (used for intra-Comecon trade financing) would be available internationally to finance all import and export activity with Comecon and that participating nations would be allowed to accrue T-ruble balances. Based on a formal treaty arrangement, the T-ruble would exponentially expand the liquid assets of a gold-based monetary system, and far outstrip the dollar as a stable trading currency.

A major step in formalizing this new monetary system is expected to come from the Jan. 10 visit of Italian Foreign Minister Forlani to Moscow. Highly placed Italian industry circles are expecting Forlani to "institutionalize" the triangular alliance of Italy, the Soviet Union and Libya. Prime Minister Andreotti is taking a highly publicized visit to Libya next month, to emphasize the special relationship between the two countries made evident by the ground-breaking FIAT-Libya deal.

Simultaneously, Foreign Trade Minister Rinaldo Ossola is presently on a world tour which is taking him to Latin America, Nigeria, Saudi Arabia, the Indian subcontinent and finally, Moscow in February.

Reflecting the coordination of a European front prepared to break with the Carter Administration both politically and economically, British Prime Minister Callaghan is coming to Washington in mid-February to meet with Jimmy Carter, after pre-announcing that he is acting as a spokesman for the European Economic Community. Preparatory to Callaghan's arrival, Italian Prime Minister Andreotti will be in Bonn on Jan. 17, following which Chancellor Helmut Schmidt will confer with Callaghan in London.

How the U.S. Gov't Illegally Adopted a Triage Policy Against the Third World

Exclusive to NSIPS

The United States government has illegally adopted a policy of "triage" toward the Third World behind the backs of most members of Congress and the entirety of the U.S. population. According to a high official in the Agency for International Development's Office of Population, AID has "recently begun to implement" the triage policy of "Population Growth Impact" which ties all U.S. development aid to "population control" in recipient Third World countries. "This implementation is occurring *before* Congress reviews and votes on the AID-proposed Section 117 of the 1978 Foreign Assistance Act," the official explained, "because it is the only sensible thing AID can do to halt the population explosion."

AID's "Population Growth Impact" — commonly known as the "population impact examination" (PIE) policy — was designed by a Task Force created by the Under-Secretaries Committee of the National Security Council, and submitted to President Ford in a top secret report written primarily by AID officials and the special Assistant to Secretary of State Kissinger, Marshall Green. The PIE policy authorizes AID to:

* examine the impact of all U.S. development assistance "programs, projects and activities" on population growth; and
* design such "programs, projects and activities" to reduce population growth and maximize the benefits of planned family size.

"President Ford did not act on the National Security Council Task Force's recommendations," the AID official commented, "but we think the Carter Administration will react favorably. Therefore," the official continued, "the National Security Council directed AID to complement PIE in selected areas including Pakistan and the African Sahel before gaining Congressional and official Administration approval."

The AID official is also confident that Congress will pass the proposed legislation, saying that while Congressional approval is not a determining factor it will give the policy "that much more clout." "The AID-proposal has already been introduced by Senator John Sparkman (Chairman of the Senate Foreign Relations Committee) and will be formally considered in hearings by the Senate Foreign Relations Committee and the House International Relations Committee in late winter or spring of this year," he said.

New York City Congressman James Scheuer has introduced a resolution for a Select Committee on Population which will "help AID's cause," he said. "Scheuer has gone much further in his public proposals than anyone here would dare," he added, referring to