U.S. Eximbank Drive Links Up With Arab-European Gold Center

Two major developments last week distill the increasingly public, forceful and coordinated character of efforts on both sides of the Atlantic to make hard-commodity trade the dominant flow of a new economic order—an arrangement distinguished monetarily by a new role for gold reserves and a new high-technology-export-bolstered strength for the dollar. The head of the U.S. government's Export-Import Bank, John Moore, announced in a Jan. 16 speech to the Arab-American Chamber of Commerce in New York that the bank is currently holding talks with Saudi Arabian and Kuwaiti officials to expand the Exim's role by financing joint-venture economic development. The undertakings will initially focus on the poorer Arab countries, and are to be explicitly geared to advanced energy production, e.g. upgrading Algeria's liquefied natural gas output.

Moore's announcement is only the most public sign of a broad effort by Eximbank's backers in the U.S. and abroad to draw petrodollars and other short-term speculative world liquidity into financing the kind of high-technology sales that will draw on the expertise of U.S. and European corporations, and rejuvenate the private sector beyond all post-World War II levels. The latest issue of the West German Christian Democratic weekly *Deutsche Zeitung* (see below) not only lays out this option—whose European end involved the buildup up a Luxembourg Euromarket to funnel Arab and other funds into long-term productive investment — but names the option's enemies in London and Washington and their modus operandi. For the first time a major West German traditionalist voice was identified London's "shooting war from the bunkers" conducted through bogus scandals against progrowth financial leaders. Promising "more revelations," the *Deutsche Zeitung* hints at the biggest banking scandal of all — the London-ordered July 1977 assassination of Luxembourg's initiator, Jürgen Ponto, Dresdner Bank chairman and key liaison with the East bloc, South African developmentalists, and American Whigs.

Ponto's work is being extended and intensified by a new diplomatic offensive on the part of certain Swiss and West German bankers and industrialists, who are putting the Eximbank expansion plan and the Luxembourg potential (including a new gold reserve system) on the table in Mideastern capitals this month, in concrete, direct fashion. This multiplies the U.S. prospects for following up the sabotaged early-1970s push by the Eximbank head William Casey, now a partner in the Republican law firm of Rogers and Wells, to draw petrodollars into productive investment. During the Ford Administration, Casey was replaced by Fabian GOPer and Lazard Frères investment banker Stephen du Brul, and the Eximbank's financial base was curtailed to its present insignificant $4.5 billion level.

A second landmark article in the West German press, appearing last week in the *Rheinische Merkur*, says in so many words that U.S. economic and political interests lie in a revival of the progrowth Adenauer-de Gaulle axis of the early 1960s, and a return to the Eisenhower Administration's policy of collaboration with it.

The 1977 proposal of the U.S. Labor Party to transform the Eximbank and Luxembourg into bipolar launching pads for high-technology lending and investment has made a broad and salient contribution to the morale and the programmatic outlook of the forces in question. The proposal calls for enabling the Eximbank to use its full financial powers to pull world liquidity out of short-term Eurodollar pingpong into productive, low-interest loans. The proposal has served as a blueprint for integrating the narrower development efforts in North America, Europe, Japan, and the rest of the world. It is the best developed exposition of how the high and rapid returns on capital-intensive investment can, once gold-pegged underpinnings are in place, ensure the dollar its rational status as a potent international instrument.

Gold Pressure, Japanese Moves

New developments on the gold front proper include a secret meeting of the "Group of Ten" industrialized nations last week which, according to the West German daily *Frankfurter Allgemeine Zeitung*'s economics supplement, *Blick durch die Wirtschaft*, rejected any further extension of the 1974 ban on gold purchases by central banks — and did so at the insistence of Switzerland and Japan in particular. Even before the agreement expires on Jan. 31, Japanese monetary authorities have been quietly stocking up on gold reserves. This is the situation that explains the current two-year highs in the market price of bullion, even though the relative stabilization of the dollar's exchange rates has lessened gold's role as a mere "panic" investment.

Moreover, the Japanese government is greatly increasing its coordination with Saudi Arabia, Kuwait, and the United Arab Emirates. Japanese Foreign Minister Sonoda arrived last week in these Mideastern capitals to set up a spring trip for Prime Minister Fukuda. Meanwhile, according to the Tokyo journal *Yomiuri*, the Bank

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of Japan's central authorities have shown unprecedented aggressiveness in trying to organize a new international conference on monetary reform; in working with West German officials to keep the heat on dollar-saboteur Werner M. Blumenthal and make sure the Treasury defends the dollar; and in undertaking dollar support operations of its own in the New York markets for the first time. At Bank for International Settlements meetings, the Japanese have also demanded that central banks formally coordinate their pressures on the Carter Administration to live up to its promises to avert a dollar crisis.

Respected French commentator Paul Fabra made a call in the Jan. 17 *Le Monde* for a gold-backed dollar—another sign that progrowth Europeans and Japanese are not simply telling the U.S. to take its lumps while the rest of the world piles shiny nuggets under their own mattresses, but instead are pushing for U.S. leadership to cut through London's continued broadcasts that a no-energy solution is the dollar's only hope. In the Jan. 17 *Financial Times* of London, columnist Samuel Brittain counters with an open letter to Saudi oil minister Zaki Yamani urging him to immediately switch oil revenues from dollars into the pet British antidollar fiction, the Special Drawing Right, and threatening that a gold-backed monetary arrangement with fixed currency exchange rates could unleash "trade restricitons." In an addendum advertising his concern with vital fluids, Brittain made another threat — if the Saudis continue to hold down OPEC's petroleum price, oil will run out, and the shortages will stimulate the oil price to "short upward jerks" followed by "long sags."

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The Trib *(New York), "Eximbank Action," by Sharon Gamsin, Jan. 17:*

In an effort to increase exports and improve the U.S. trade balance, the Export-Import Bank of the U.S. expects to increase its loan authorizations to overseas purchasers four-fold during the current fiscal year, John L. Moore, Eximbank's chairman, said yesterday.

And over 50 percent of the direct loans the bank makes in 1978 will be fore energe-related projects, such as construction of power plants or development of oil and gas resources, he added....

Moore told a meeting of the Arab-American Association for Commerce and Industry that President Carter has announced a sharp increase in Eximbank and Commodity Credit Corp. authorizations will be used to expand U.S. exports, while other measures will be taken to control petroleum imports, "all in an effort to improve the U.S. trade position during 1978."

In the first quarter of fiscal year 1978, the bank authorized $760 million in direct loans, about $60 million more than the amount authorized in all of fiscal 1977....

It would be a mistake for the U.S. to adopt over-protectionist policies limiting U.S. exports of technology and equipment because of a fear of exporting jobs, he continued....

He said the Eximbank is particularly interested in opening up new markets in the Middle East, and in supporting an expansion of U.S. exports to both new and existing markets.

He told the group that an Eximbank team is now holding discussions with officials of Saudi Arabia and Kuwait on the possibility of entering into joint financing arrangements to assist projects in the lesser developed Arab countries, such as the Sudan, Oman and the Yemen Arab Republic.

Eximbank's largest Arab market it Algeria....

"We are prepared to provide additional broad-based support for Algerian energy resource development projects, particularly gas liquefaction plants and various oil and gas production and processing facilities," Moore noted. "We are also prepared to support essential infrastructure projects, such as power and transportation facilities."...

Other energy projects Eximbank is preparing to assist in the Arab countries, said Moore, are: a power distribution system in Morocco; the development of an important offshore gas field off Tunisia; and an oil refinery and LPG plant in Oman.

Although the government agency can't finance the sale of breeder reactors or of nuclear fuel reprocessing facilities, Moore said the bank is prepared to aid the development of several nuclear power plants in Italy and Spain.

He told the Arab-American Association Eximbank has recently offered to provide financial assistance for Moroccan purchase of U.S. steel mill equipment, and railroad passenger cars. In Tunisia, the agency has offered to extend loans for grain storage facilities and equipment, engineering services and construction of an irrigation system.

Washington Post, *"Countering an Agency's Environmental Overreach," Rowland Evans and Robert Novak, Jan. 18:*

An angry counterattack against federal environmentalists is now being quietly planned by Cabinet-level departments, led by the State Department, with indications of support in the White House itself.

The counterattack seems certain to modify drastically and could kill altogether new regulations proposed by the Council on Environmental Quality (CEQ) that would make Uncle Sam the environmental policeman of the world — particularly policing nuclear reactors. "Outrageous," one State Department official told us. "These regulations would impose American environmental standards on all our foreign friends and they would end up hating us."

This places President Carter in a peculiar dilemma. While crusading against nuclear proliferation and environmental pollution, he is bound as President by the practicalities of international life. As such, he seems forced to disappoint his environmental constituency

The proposed regulations were drawn secretly by CEQ planners with apparent help from the Natural Resources Defense Council (NRDC), an environmentalist private action group. They would, in effect, require standard environmental-impact statements (to be called "assessments" in the foreign field) for all exported material or technology sold abroad with some help — export licenses or loan guarantees — from the U.S. government.

The real target may be nuclear reactors, a prospect that has infuriated the Nuclear Regulatory Commission (NRC). At a closed-door meeting called by CEQ Jan. 6, NRC Assistant General Counsel Carlton Stoiber said there is "no legal justification" for imposing U.S. environmental standards abroad. That brought objections from CEQ Chairman Charles Warren and member Gus Speth, who showed reluctance even to discuss legal justification. But Stoiber insisted that neither the 1969 National Environmental Protection Act nor its legislative history in congressional debate could justify the new regulations.

At least as upset as NRC and the State Department was Export-Import Bank President John Moore...

Speth, who took the leading role for CEQ in the acrimonious debate, gave uninformative and "fudged" answers, according to one participant. Eizenstat left the meeting before it ended, but those in a position to know say he was unimpressed with CEQ's rationale and has strong reservations about CEQ's ambition to be top cop for global environment.

Speth was legal counsel for the environmentalist NRDC before Carter appointed him to the CEQ. Last year the NRDC brought suit against the Export-Import Bank to require it to meet CEQ's domestic standards in all its foreign lending operations.

That suit, while not directly related to CEQ's proposed new regulations, helps to explain why Moore and the Export-Import Bank are so disturbed. The bank has provided more than $20 billion in loans and guarantees for U.S. exports since mid-1974, much of it for nuclear and conventional power facilities and offshore oil drilling. NRDC claims these have direct impact on the environment.

If the Export-Import Bank either the NRDC suit (now in U.S. District Court here) or is forced to comply with the proposed CEQ regulations, billions of dollars' worth of exports of U.S. products in the future could go down the drain. Foreign buyers would be forced to wait out endless environmental investigtions, filing of impact statements and predictable harassment of court actions brought by well-meaning environmentalist groups....

But the CEQ has almost certainly overreached itself. Representing an activist constituency that takes a highly negative view of extending U.S. military and political power around the globe, it now wants to blanket the world with U.S. environmental power. And that is an unwanted extension of Potomac power that Jimmy Carter, ardent environmentalist though he is, is having trouble accepting.

'The Banks' Mafia: London, N.Y. Fear Competition'

The Deutsche Zeitung, *a conservative weekly published in West Germany's Rheinland, came forward Jan. 20 with an insightful analysis of the behind-the-scenes struggle in the international banking community. Portions of the article, written by Burkhart Falchow, are reprinted here:*

Public Prosecutors in old Europe are taking vigorous action. The head of the Banco di Roma is arrested, Ludwig Poullain falls into twilight, large currency losses are mentioned. Who will shed light on these events?

Public prosecutors, police, and detectives who have been following the confusing whirl of high finance on the European continent are only looking at the tip of the iceberg. For leading bankers have confirmed, in their supercool language, that an embittered jungle war is raging underneath the surface, in which British and American addresses, and perhaps even the Mafia, are serving in order to stop the advance of European hard currency bankers on the international finance markets. The gnomes of Zurich put it this way: "We cannot exclude the possibility that at the moment there is conspiratorial action under way by foreign countries against leading European bankers."...

Nevertheless, not even the Commerzbank could fail to observe that the series of scandals that were uncovered in other banks are traced back to a "conspiratorial action by foreign countries against leading continental-European banks." Indeed, standing behind the undeclared but intercontinental bank war is the City of London's fear of the Lùxembourg financial market, controlled by the German Eurobanks, which is carrying off increasingly more of the British share of power.

The city's fear has joined in with that of Wall Street, which is afraid that Germans could support the oil countries in their strategy of breaking from the dollar and be helpful to them in the creation of a new currency for world trade. This currency would not be based on paper or on the whims of Michael Blumenthal, Billy Miller, or Jimmy Carter, but would have a relation to the increasing value of "black gold," oil. Because this new oil currency would possibly no longer be set up in New York and London, but in Luxembourg and Zurich, it is understandable that high-minded people, who are close to distinguished clubs and distinguished banks—but who can also show experience with intriguee in the highest political offices—are firing up the intrigues against continental-European banks with both barrels.