sane alternative, there are indications that the most entrenched Anglophiles — like Reuss — are at least toying with the idea. Reuss himself released a statement last December urging reserve requirements on liabilities of *foreign* branches of U.S. banks. Such a move would force U.S. banks to raise interest rates, effectively curtailing Eurodollar lending activities and thus collapsing the Eurodollar market!

There are other possibilities. Senator Proxmire, in contrast to Reuss, is taking a hard line on New York City, advocating no federal aid whatsoever. If the Congress were to deadlock in indecision on New York, by July New York would indeed default. Similarly, if Carter's plan or some other version were to give British agent-of-influence Blumenthal discretionary control of Federal pursestrings to New York, Blumenthal could singlehandedly precipitate a collapse under any pretext.

—Steve Parsons

European Banks Battle Britain For Luxembourg Base

The Duchy of Luxembourg has emerged as a leading international financial center as a result of efforts by European banks and industrial corporations to break the vicious cycle of alternating austerity and deficit-spending-fed inflation which has progressively eroded Europe's economy since the 1965-66 recession.

Luxembourg now hosts 91 subsidiaries of leading international banks. The fact that Belgian, French, and, most recently, Scandinavian banks have established operations in Luxembourg to bypass domestic legislation inhibiting lending to industrial enterprises or, in the case of West German banks, to escape penalties on foreign bank deposits—belies the widely circulated view that Luxembourg is "just another Cayman Islands," or a semi-legal "tax haven," free from government control.

Luxembourg emerged as a noteworthy financial center in 1967, when the Dresdner Bank, West Germany's second largest, opened the first West Germany subsidiary there. Previously, Luxembourg had been the seat of international operations for an exclusive handful of French and American banks, most notably Wells Fargo.

Dresdner's decision helped to pave the way for a major shift in West German banking, which previously had virtually no international operations to speak of. During the 1960s, London's financial press gloated over the timidity of West German bankers in the international field, attributing the country's "inward-looking" financial practices to a widespread fear that the debacle of two world wars, when the entirety of German foreign banking assets were seized and dismantled, might be repeated.

From its Luxembourg base, Dresdner entered into a number of agreements with France's Banque Nationale de Paris, including the 1972 formation of BIFEN, a bank devoted to financing international nuclear energy projects. BIFEN's shareholders also include the Banque de l'Union Européenne, an institution controlled by the Belgian-based Empain-Schneider group, which runs Luxembourg's huge steel firm, ARBED.

In addition to its BIFEN activities, Dresdner proposed in January 1975 that a nuclear energy bank be constituted by European governments. Dresdner renewed this proposal last fall, suggesting that the bank be capitalized at several billion deutschemarks and be based in Luxembourg.

Why Europe Needs Luxembourg

Under present international economic conditions, however, such proposals cannot be seriously implemented unless Luxembourg becomes a focal point for continental banking.

In West Germany, private banks are prevented from attracting foreign deposits for investment purposes because of high reserve requirements and emergency deposit margins that the central bank has slapped down to facilitate support operations for the U.S. dollar. Thus, if a West German bank wants to attract Arab petrodollar investments, for example, it must act through its Luxembourg subsidiary if the arrangement is to be profitable.

In Belgium, more than 50 percent of all bank lending is channeled into public debt financing, which is growing at more than twice the rate of private borrowing. Similarly, three new Scandinavian banks opened subsidiaries in Luxembourg in 1977 for the stated purpose of acquiring credits and trade financing for domestic customers. Corporatist legislation restricting bank lending, especially in Sweden, makes it virtually impossible for domestic banks to finance industry from their home base.

The U.S. and European Labor Parties have put forward a series of proposals to further Luxembourg's role as an international center for transactions in and depositing of gold, as a major first step toward the creation of a new gold-backed monetary system. The Labor Parties have also proposed to the U.S. government that a branch of the U.S. Export-Import bank be set up in Luxembourg to soak up excess dollar liquidity from the London-controlled Eurodollar market, and to use these funds to finance U.S. high-technology exports on the order of $200 billion per year. Concerted implementation of these programs would reshape present defensive "Maginot Line" opposition to continental economic collapse by using Luxembourg's financial assets to foot the bill of global industrial recovery.

"Multi-Currency" Hoax

Today, with over 20 banking subsidiaries, West German banks constitute the largest national sector grouping in Luxembourg. A huge market in deutschemark-denominated Eurobonds has grown out of this base of operations and, several times since the end of 1976, monthly sales of deutschebond issues have topped dollar-denominated issues.

British merchant banking circles, led by the Rothschild-Lazard networks, are manipulating the emergence of non-dollar-denominated bond markets in Europe to subvert the Luxembourg-based banks. Consistent with the Brookings Institution's seven-year-old push for a "dollar-deutschemark" axis, London sees the several billion of dollars in deutschemark bond issues as a steppingstone to a "multi-currency" international financial bloc that could shore up both a constantly depreciating dollar and a defunct pound sterling.

From 1971-1975, Rothschild-Lazard networks made use of their control over Kredietbank, S.A. Luxembourg, a subsidiary of Belgium's leading Flemish bank, to introduce $1.3 billion in bonds denominated in European Units of Account (EUA), an artificial currency first introduced by the European Economic Community to finance labor-intensive "regional development" projects. Yale Economist Robert Triffin, an early proponent of London's "multi-currency" hoax, is a member of Kredietbank's board.

The EUA game was put into motion by unwitting Scandinavian corporations, which have been forced until now to use the Eurobond market for the bulk of their financing operations. Prior to the Kredietbank's EUA venture, Scandinavian issues were controlled by Hambros Bank of London, with the aid of the London-connected New York houses of Kuhn Loeb; Lazard Freres; and Drexel-Harriman.

Suddenly, following a major publicity campaign on the EUA, Kredietbank S.A. Luxembourg became the leading underwriter for Scandinavian issues—raising the obvious suspicion whether Lazard had not handed their credit-starved customers over to Kredietbank's general manager André Coussement, a former colonial administrator in the Belgian Congo. On the purchasing side, Kredietbank disposed of the issues through a private network of Flemish customers. Since it is illegal to advertise bond marketings in Belgium, private information networks run by messenger out of Luxembourg and Zurich, Switzerland have impenetrable control over Belgian international bond investments.

By 1975, Kredietbank had become Europe's leading bond underwriter, although at the close of that year it took a drubbing when it failed to market an issue for France's national electricity firm, EDF denominated in another London-inspired funny money, the International Monetary Fund's Special Drawing Rights.

London's Inside Job on European Banking

Kredietbank has also been used by London to organize an "insiders" network in West German banking circles. Walter Seipp, international operations director for Westdeutsche Landesbank, has sat on Kredietbank's board since 1963, when Westdeutsche shoveled large investments into the Luxembourg subsidiary, transforming it from a minor, local bank into an international commercial banking outlet for London. A major outcry erupted in West Germany last year when Westdeutsche offered to bailout and to merge with the bankrupt state bank of Hesse—this would have given Westdeutsche the largest bank assets in Western Europe.

London has made use of European terrorist networks under the control of British MI-5 to break up the networks in the Luxembourg project. The July 1977 murder of Dresdner Bank chairman Jürgen Ponto and the January 1978 kidnapping of ARBED chairman Baron Empain are cited by leading European circles as acts engineered by London to prevent Luxembourg from becoming the focus of a gold-backed monetary system.

Similarly, the mysterious December 1976 death of French Gaullist-connected industrialist Jean de Broglie has been used by the London *Financial Times* to "keep warm" a potential "corruption" investigation of 4,000 corporate holding companies set up in Luxembourg by international firms in the past few years. The "investigation" into de Broglie's murder has led to the accusation that an illicit holding company operating in his name in Luxembourg was used to launder European contributions to President Nixon's election campaign.

Ghost Of Nixon-Brezhnev Detente Haunts Exim Hearings

The Feb. 6 hearings of the Senate Banking Committee's Subcommittee on International Finance on the rechartering of the Export-Import Bank have occasioned the dusting off of a few skeletons. These hearings themselves will not only shape ensuing Congressional debate on the rechartering issue but will help to decide the future shape of U.S. export policy overall.

However, the arguments pro and con, at least in general outline, are not new. London merchant bankers have fought tooth and nail to prevent the Eximbank from assuming its due responsibilities as the primary agency for financing major U.S. technology exports since the early days of the Nixon Administration.

At that time, President Nixon and leading members of his Cabinet, including Secretary of State William Rogers and Commerce Secretary Maurice Stans, sought to use the Eximbank not only for financing exports but as a central mechanism in securing détente with the Soviet Union on the basis of expanded East-West trade. These men knew that the best way to shortcircuit a British Cold War revival was to ground "superpower" relations in the two countries' mutual interest in bringing their own economies up to the level of the most advanced technologies then available as a springboard to extending that technological development to the rest of the world.

Thus, it should come as absolutely no surprise that British-oriented press and other conduits of London are now concocting the shabbiest of pretenses to shut down the Eximbank once and for all during the upcoming congressional debates. The AFL-CIO has most recently fallen prey to the arguments of these Cold Warriors as indicated in first-hand reports that the AFL-CIO will do everything in its power to stop the Eximbank from