Motion Toward IDB is Sustaining World Trade

Sept. 20 (IPS) — From the standpoint of plain financial criteria, there is no longer a basis for international trade.

By April of 1975, according to International Monetary Fund statistics, the volume of international trade (dollar value of exports minus inflation of export prices) had fallen by a full quarter, of which the industrial countries lost 20 per cent, and the underdeveloped sector, including oil producers, substantially more. This collapse corresponded to the 20 per cent drop in industrial production worldwide up to May 1975.

According to IPS estimates, the financial pressures on both the advanced sector and industrialized world will momentarily force a 50 per cent collapse of Third World trade and a 25 per cent collapse of advanced sector trade **from current depression levels**: economic holocaust. This corresponds to the next step in the staircase-collapse of industrial production, which began formally this week with the closing of a Ford Motor Co. economy car plant at the outset of the new model year.

But it won't happen this way. Trade is being sustained by the means identified in May by the International Caucus of Labor Committees: "A political declaration concerning those aspects of international trade we jointly intend to support and honor creates de facto interim credit for those economic and financial activities whose current maintenance is indispensable."

Credit for world trade is no longer provided through Rockefeller banks, but through the political statements and understandings of the Soviets, Third World governments, West German, French, and Italian industrialists, and the pro-Commonwealth faction in Britain. This works out to an agreement between these forces to employ existing financial mechanisms — including the remnants of the dollar system — to finance trade during the interim period in which negotiations towards lasting financial arrangements are underway.

Breakthroughs

In the past week, the following breakthroughs took place along these lines:

The Italian government made $900 million in state credits available to finance East-West trade, which, in turn, became possible when the West German government agreed to a moratorium on about $500 million in debt payments due from Italy on a loan made last year. The West German government took this unprecedented action although, according to the loan agreement, it could have appropriated Italian gold reserves in lieu of payment.

Meanwhile, at an Italian industrial fair, Soviet and Italian representatives jointly outlined a program for integration of the Soviet and Italian economies, mutual exchanges of high-technology industrial equipment and raising agricultural output. In a related development, the Italian financial daily Il Fiorino praised the Soviet sector's stability in international trade pricing, in contrast to the wild fluctuations of commodities in trade in the dollar sector. Whether inflation — imported from the dollar zone into domestic European economies — could be exported into the Soviet sector has been the primary stumbling block in current negotiations over the use of the Soviets' transfer ruble in international trade.

Previously, the West Germans, the lead negotiator for Europe on the transferable ruble program, had insisted that the Comecon "modify" its pricing structure and, effectively, import inflation from the dollar zone. For Western Europe to agree to the Soviets' trading system, which has maintained price stability in most cases, as Il Fiorino already has, means breaking with the dollar, the generator of Europe's inflation.

While the Italians and West Germans have agreed to part with dollar reserves in order to finance current trade — an unthinkable policy by criteria financiers normally use — the Soviets are borrowing massively on the international dollar market, mainly from European banks, to finance further imports from the West. This year alone, the Soviet sector will borrow about $2 billion for trade financing, a scale of indebtedness that has bewildered Western observers, who protest that the Soviets are financially "conservative." As the Japan Economist magazine noted with mixed feelings, "The Soviets are borrowing rather than using their gold reserves because they feel that the dollar and International Monetary Fund are weakening...they plan to have a leading role in the new world monetary system and reduce the dollar to a second-rate currency." In recent financing, a loan from Comecon's International Investment Bank drew $400 million under the West German Deutsche Bank's management; it had initially tried to raise only $250 million.

West Germany's largest political party, the Christian-Democratic Union, discussed the use of the transfer ruble in East-West trade and joint development efforts with the socialist countries in the Third World at a meeting of its Economics Council this week. These discussions were reflected in recent talks on long-term economic cooperation between Comecon and West Germany between the Soviet leadership and CDU emissary Jan Eilers. These discussions, and emphatic statements on East-West trade by West German political leader Herbert Wehner and Hans Friderichs, the present Economics Minister, are the real basis for massive credit extensions to the Soviets by the West German banking system.

Contrary to U.S. press reports, which imply that Henry Kissinger's grain schemes occupy the main attention of the Comecon countries in the trade field, the Comecon countries explicitly prepared the past week's breakthroughs, with an organizing push that peaked in early September. East Germany's Leipzig Trade Fair earlier this month was the scene for discussions on East-West and "triangular" trade between the top East German leadership and industrialists from France, West Germany, and Italy. East German premier Honecker, in his speech, stressed the possibilities for the construction of road and rail links between the two Germanies, while West German chemical firms worked out arrangements which point to the integration of the German chemical industry.

Commenting on Comecon trade, an Italian newspaper noted the prospects for "joint cooperation in Third World countries...possibilities are outlined for Iraq, Algeria, Nigeria, and other countries, above all in the planning and construction of complete chemical plants and irrigation facilities."

Arabs Freeing themselves

Hungary and Czechoslovakia this

week signed an agreement for joint financing and construction of a pipeline to ship Mideast oil to the Comecon area, with Kuwait and Libya. This is tied to efforts during the past month by Kuwait, joined by Iraq and Libya, to free their oil exports from the grip of the Rockefeller-dominated oil cartel, the Arabian-American Oil Company (ARAMCO). This week, Kuwait incorporated the International Petroleum Company, with 25 per cent Kuwaiti capital. It combines Kuwaiti and other Mideast oil suppliers with Danish distributors, Italian refiners, and English, French, and Swiss oil firms, in an open effort to displace the Rockefeller grip on Mideast oil. Aramco, meanwhile, has insisted that Kuwait has no right to ship its oil, except where Aramco permits it to!

There are few illusions among the participants in these trade arrangements concerning the future of the dollar. "We will borrow for one more year — then everything will be different," the central bank governor of one Mideast country with large Eurodollar borrowings told IPS recently. There remain major political questions to be settled before the transfer ruble and gold can be used to extend international credit, i.e., whether Europe will permit the dregs of the Allied Occupation to remain in high offices. Indeed, the chaos spreading throughout the dollar sector could choke off existing trade-financing facilities at any point, and the Sept. 30 rollover date on the international dollar market will probably force the issue. But trade is not proceeding because of the dollar, but in spite of it. Trade depends exclusively on current political agreements between the future constituents of a functioning International Development Bank.