Exim Chief Moore Asks $300 Billion In Exports

U.S. Export-Import Bank Chairman John Moore, in what he stressed was *coordination with the private sector*, delivered a speech Mar. 29 to the Georgia Conference on Exports in which he called for American exports at a $300 billion level.

The conference was sponsored jointly by the Eximbank, the Georgia International Trade Association, and the Small Business Administration, and in his presentation Moore characterized his presence in Georgia as "part of a nationwide drive for export expansion" being conducted by the Carter Administration, our correspondent reports. Moore called attention to the fact that Assistant Commerce Secretary Frank Weill and two other officials were making simultaneous speeches elsewhere in the country with the same policy thrust. "We are tapping only part of our export potential, and the Carter Administration intends to fulfill that potential," Moore told the 300 attending businessmen.

Emphasizing the "political faction" concept of the Eximbank as a government participant in large banking consortia *with private commercial banks* to enable Exim resources to be amplified throughout the economy, Moore said. "Although we expect to see a significant increase in Exim authorization, we also hope to see an overall increase in U.S. exports far exceeding" those financed by Exim alone. Exim official Julius Holius, speaking after Moore, noted that with such public-private cooperation, Exim's current authorizations "will generate $200 to $300 billion in U.S. exports" annually, or more than double the present rate.

Miller, Blumenthal Push British Attack On Dollar Within Administration

Federal Reserve Chairman G.W. Miller, Treasury Secretary W.M. Blumenthal, and White House aide Henry Owen this week constituted themselves as a faction within the U.S. Administration to promote as "official U.S. policy" the British government's stated policy of "dethroning" the dollar and relegating the U.S. to a third-rate power.

Amidst public statements by Miller that the U.S. will conduct "no support operations for the dollar," Henry Owen, former Director of Foreign Policy Studies for the Brookings Institution and just-appointed personal representative of the President for the International Economic Summit, has adopted as the "U.S. negotiating position" for the July heads of state economic summit in Bonn the "five-point program" as announced as British government policy March 14 by Prime Minister James Callaghan. The deeper point, however, as admitted almost word for word by knowledgeable State Department sources, is not to implement Callaghan's numerological hodgepodge per se—but to create an open split between the U.S. and its European and Japanese allies at the summit which will undermine the dollar and the international credit of the United States.

Five Points for Confrontation

Henry Owen was introduced personally two weeks ago by Treasury Secretary W. Michael Blumenthal into the White House from his post at Brookings where he has consistently formulated strategic economic policies of the British System model second only to John Maynard Keynes. He is reportedly now in Bonn, meeting with West German government officials and demanding the Schmidt government reflate immediately, to counteract the production declines of the current West German strike wave, or "face a domestic economic crisis," according to the West German press of March 30.

An interview with Owen's chief White House aide March 29, provided by banking sources, made the Owen-Blumenthal schema for the summit explicit: the Callaghan government's five-point program as presented to the London Finance Houses Association March 14 and reviewed extensively in *Executive Intelligence Review* last week. "We hammered it out, there is a general consensus on this," said Owen's office of his British collaboration.

However, discussions throughout Washington departments working out the summit indicate that the program is doomed to fail and cause major international confrontation. West Germany and Japan, said a State Department source, "won't reflate anymore," (contrary to Callaghan/Owen point No. 1); will "certainly not" discuss going off the dollar as a reserve currency onto a five-currency basket and then the Special Drawing Rights (contrary to Callaghan/Owen point No. 2), and so forth. It is a "distinct danger," the source agreed, that a confrontation at the summit will make the failure of the U.S.-German March 13 monetary communiqué, which dropped the dollar from 2.08 marks to 2.00 flat in a day, look like a success.

No Support For The Dollar

This strategic threat to the United States represented

Is Japan the 'Export Faction's' Weak Flank?

With sources saying that the Japanese yen may go as high as 200 to the dollar by the end of April, Japanese firms are understandably fearful that U.S. factions supporting trade and the dollar are presently unable to prevent U.S. Secretary Blumenthal from continuing his dollar-wrecking activities. (For the catastrophic effects of Blumenthal's "soft-dollar" policy on Japan, see this issue's *Economic Survey.*)

Indeed, last week Blumenthal's allies went on a new anti-Japan rampage. Federal Reserve Chairman William Miller not only refused to allow the U.S. to intervene to keep the yen stable, but denounced the Bank of Japan for doing so March 27. Two days later C. Fred Bergsten, Undersecretary of the Treasury, and formerly of the Brookings Institution, told a meeting of the Japan Society of New York that the U.S. would intervene to stabilize the deutschemark but not the yen.

Significantly, Bergsten also called for increasing U.S. exports — by having Japan import more, while demanding that Japan cease its export dependence. Two weeks ago Goldman Sachs partner Henry Fowler had called for increasing U.S. exports by increasing this country's share *relative* to Japan and West Germany.

Clearly, what Fowler, Bergsten, and the rest of the Blumenthal group are attempting is to derail their opponents' efforts to greatly expand exports and save the dollar by shunting it away from *international* economic development and into their own scenario for trade war. That the "export faction" is vulnerable to this ploy is evident from the ranting anti-Japan, pro-protectionist statement last week by former Treasury Secretary John Connally, himself a spokesman for a strong dollar backed by increased exports.

Recently, a top-level delegation of Japanese businessmen indicated to NSIPS that they could recognize and identify those individuals in the U.S. both for or against the dollar, and expanded trade. For example, they were told by officials in the Commerce Department that supporters of the dollar could be identified by the fact that they were trying to achieve significant expansion of the U.S. Eximbank. Recent Japanese newspaper articles have supported such expansion.

But, the Japanese businessmen reported, the Commerce Department officials also added that they did not think that it would be possible to push such expansion proposals through the Administration at this time.

by the day-to-day activities of Blumenthal and his protégé G.W. Miller shows up in the current course of the dollar. An unrelenting British attack against the dollar is in progress on the Tokyo foreign exchange markets. Every day, the dollar is marking a new record low against the yen, today dropping to 220.7.

"There will be no support operations" for the dollar, Miller told the press today, "until economic fundamentals," such as reductions in U.S. oil imports "have been implemented."

Simultaneously, Miller has also escalated a psychological warfare operation within the White House with a series of public statements insisting that, unless drastic action is taken, the U.S. economy will burst under the impact of massive inflation. In line with Callaghan's attempt to direct U.S. policy implementation out of London, Miller is threatening to unilaterally raise interest rates to cut back on the "threatening" increase of the money supply.

Dismiss "Inflation" Panic-mongers

Responsible officials of the U.S. Commerce Department brushed off Miller's panic warnings of the inflationary effects of money supply growth as "incompetent" in an interview March 28. However, Miller's threats to hike interest rates are merely one part of a package which he and Treasury Secretary W. Michael Blumenthal have presented to Carter in an attempt to use the phony inflation menace to force the President to implement a reduction in industrial output. Other features of the package, which is also being backed by Council of Economic Advisors chairman Charles Schultze, include: voluntary wage-price controls; a $6 billion oil import tariff; and promotion of the U.S. share in international exports at the expense of the West Germans and Japanese.

The inflation panic warnings received backup on March 26 from a *New York Times* feature on an imminent explosion in international commodity trading prices, allegedly similar to the famous commodities price takeoff of 1972. An official of the U.S. Agricultural Department discounted the likelihood of such a development in an interview March 28, on the basis of a detailed explanation of the collapse in Third World commodity demand, and U.S. agricultural goods distribution which contrasts strongly with the 1972 developments.

Henry Owen's Aide: We Hammered It Out With Callaghan

Q: What is the U.S. negotiating position for the Bonn economic summit?

A: We have a five point program. The coordination of growth strategy, currencies, North-South relations including long-term capital exports, energy conservation, and trade.

Q: Could you run down the substance? "Coordination of growth" I assume refers to the OECD's Coordinated

Reflation Action Program otherwise known as the "convoy" theory'?
A: Yes, we will discuss how the coordinated targets are being met by the various countries and use the negotiations to pressure Germany and Japan into meeting their commitments.

Q: What about points 2-5?
A: Currencies, I cannot comment—too sensitive. North-South, the usual, commodity support programs, human rights, etc. We also intend to ask the Japanese to do more to aid the LDCs. Energy will naturally be conservation, cooperation, alternative energy sources...

Q: Including nuclear?
A: No, definitely not. We are not proposing any discussions nor do we want any nuclear. Trade, we will review all the multilateral trade negotiations, discuss how the growth coordination strategy can help reduce trade imbalances.

Q: This sounds very much like British Prime Minister James Callaghan's speech to the London Finance Houses Association two weeks ago calling for a very similar five-point program. Did you discuss this with Callaghan and his summit negotiator Sir John Hunt in Washington this week?
A: Certainly, we hammered it out, there is a general consensus on this.

Q: Is this a joint U.S.-U.K, strategy to pressure Germany and Japan?
A: Oh, no, no we wouldn't want anyone to think that!

State Department Expert on Bonn Summit

Q: It seems to me that Henry Owen's five point program for the Bonn summit will be rejected by Germany and Japan. Isn't it true for example that they won't do anything under "coordinated reflation" at all?
A: Well, they will review their growth targets and may make some more promises...but they won't reflate any more, that's correct.

Q: What about "currencies?" Will the U.S. actually discuss Callaghan's proposal to move off the dollar onto a five-currency basket and then onto the SDR?
A: Oh, no, certainly not...

Q: Well, what, then? What will be done about the dollar?
A: Nothing in particular, just general discussion...

Q: And trade? Do you really think Owen can get Germany and Japan to agree to cut their exports to give the U.S. a greater market share? Isn't that what is meant by dealing with trade within the "coordinated reflation" strategy?
A: Yes, and you're right, we could never directly discuss a cut in their exports, that's politically impossible...

Q: The impression I get from all my discussions with Washington sources on the summit is that it will accomplish nothing but to show the world that the U.S. is in a deep split with its allies. Won't it have in sum an even worse effect on the dollar than the recent flop of the U.S.-German communiqué on the dollar?
A: Yes, that is a distinct danger. These negotiations are very difficult.

Carter Seeking Breakthrough On SALT

President Carter intends to send Secretary of State Cyrus Vance to Geneva to meet with Soviet Foreign Minister Gromyko in April, in a new attempt to secure a SALT II arms control agreement, according to a *Washington Star* dispatch of March 10 by reporter Henry Bradsher, summarizing the views of high officials among the President's party in Brazil. Vance will reportedly explore the possibility of a summit meeting between Carter and Soviet President Brezhnev to finalize an agreement.

The *Star* report, together with last week's decision by Carter to postpone a March 27 Brussels meeting where the U.S. was to have informed its NATO partners of a decision to begin production of the neutron bomb, signals that the President is considering a major effort to rebuild deteriorating U.S.-Soviet relations.

Washington sources believe these developments signal pressure on Carter from Vance, chief arms control negotiator Paul Warnke, and Secretary of Defense Harold Brown, from the bellicose line of the President's Wake Forest speech, delivered under the influence of National Security Advisor Zbigniew Brzezinski, and to make conclusion of a SALT agreement a top Administration priority.

It is known that the State Department in particular took extremely seriously a 3,400 word Soviet policy statement published in *Pravda* March 28, which delivered the message that SALT II was a "now or never" proposition as far as the Soviet leadership is concerned. The article, under the byline of Moscow's USA-Canada Institute director Georgii Arbatov, affirmed that a "crucial decision" must now be made on SALT to determine the course of U.S.-USSR relations "for years to come."

Arbatov wrote that now is "the time when one must finally decide: will there be an agreement or not"; if not, the failure would amount to "torpedoing the Soviet-American dialogue on vital questions of security, and a considerable deterioration of the overall atmosphere."

Adding that remaining technical problems in the SALT negotiations are strictly secondary to the basic political decision of the Carter Administration for or against détente with the USSR, he seconded the concern expressed by the Soviet news agency TASS after Carter's March 17 Wake Forest speech that the Administration was shifting definitively into a mode of "threats and building tension."