

The North-South initiatives

Two days later, Cuban Premier Fidel Castro received Suarez in Havana, affirming the "bridge" idea. Castro said that Spain is the Western European country best situated to broaden the scope of European relations with Latin America — and he didn't just mean that Spaniards speak Spanish.

The first agreement ever between Spain and Cuba on technical and scientific cooperation was signed, and it foresees the creation of a joint commission. But the broadest agreement to emerge at this meeting concerns a four-way crude oil trading deal involving the Soviet Union, Cuba, Venezuela and Spain, which has been in the works for months. The Soviet Union will supply Spain with 10,000 barrels a day of crude previously contracted from Venezuela, while the latter will supply Cuba with an equal amount — saving thousands of miles on oil transportation. Pemex, Mexico's state-owned oil company, had just signed an accord to supply the *Compania Espanola de Petroleas* with 1.2 million metric tons a year of crude.

Inscribing the oil accord with Suarez, Castro stated: "We are interested in seeing a European state such as Spain, which is growing industrially and technologically, become a friend of the Third World." Suarez goes straight from Cuba to Venezuela, where the two countries are expected to sign agreements on nuclear cooperation, naval construction, and Spanish construction of the Los Morros railroad, a project that will cost an estimated \$1 billion.

The Shah of Iran, in pitched battle against a destabilization effort (see *INTERNATIONAL*), was abruptly forced to cancel an important trip to East Germany. In the past twelve months, the Shah has been to every East European country with the exception of East Germany, discussing oil for technology swaps and war-avoidance policies — in total opposition to U.S. National Security Council plans for Iran.

The Shah had been scheduled to meet with Foreign Minister Oskar Fischer to discuss a giant barter deal, including East German technological involvement in the Iranian oil and petrochemicals industry. Increasing the Iranian oil supply to the East bloc, which has already occurred despite the cancellation of the last leg of the Shah's tour, enables the Soviet Union to free up its own substantial oil supply to sell outside of the bloc itself.

Implications for East-West peace

The world detente sought by Giscard and Schmidt is receiving firm support from French diplomacy in Southeast Asia. It will be extremely helpful to the U.S. if France — whose efforts to establish a workable post-colonial development bond with Indochina after World War II were disrupted by the British — could provide a pilot model of mutually advantageous trade and investment with Vietnam, a potential linchpin of both North-South and East-West relations.

Like the Cubans' expanded triangular relations, this can also provide tangible evidence to the USSR that an international development policy has become the tangible counter to the persisting war danger.

French Foreign Affairs Minister Louis de Guiringaud has just concluded a week-long tour of several Southeast Asian countries, with the objective of increasing French economic involvement in the area, and countering some of China's destabilizing influence. Guiringaud was accompanied by a delegation of French industrialists; his trip to Indonesia had been organized by the French business association, the CNPF.

As part of French interventions to stabilize the many hot-spots that threaten to explode into broader confrontations, President Giscard himself has been meeting with African leaders, including the presidents of Senegal and the Ivory Coast to attempt to reach a settlement of the Western Sahara problem. It was during a conference with the French-speaking African states in Paris this summer that Giscard first spelled out the necessary connection between the EMS, international political stabilization, and Third World development.

— D. Sloan

3. Soviet interest is running high

The eighth meeting of the West German-Soviet joint commission, chaired in Moscow last week by Soviet Premier Alexei Kosygin and West German Economics Minister Count Otto Lambsdorff, rapidly turned into a far broader exchange on how West Europe's European Monetary Fund and the Soviet Union's next Five Year Plan will act in tandem to their mutual advantage.

The fact that the exchange occurred even before the official ratification of the West German-Soviet 25-year economic cooperation treaty underlines the urgency with which both sides are moving to coordinate a "grand design" policy not only for East and West Europe, but for such "third country" areas as the Middle East.

Other participants in the talks included Soviet Foreign Trade Minister Nikolai Patolichev and Otto Wolff von Amerongen, the head of the German Association of Industry and Chambers of Commerce and a leading organizer of East-West trade cooperation. According to a West German correspondent stationed in Moscow, Kosygin extended his discussions to twice their scheduled length in order to ask detailed questions about the European Monetary Fund and its significance for the value of the dollar. Kosygin later stated how pleased he was that these consultations

occurred during the drafting stages of the new Soviet Five Year Plan, which runs from 1981 through 1985.

West Germany's trade with the Soviet Union has been making such progress that even old hands like Wolff von Amerongen have registered their surprise. Over the first half of this year, Soviet exports to West Germany increased by 19 per cent over the same period in 1977, while West German exports to the Soviet Union increased by 14 percent. The rise in the Soviet export component is largely due to the first yields from a series of "compensation deals" initiated two to four years ago by West German and other European firms.

This dynamic trade picture, however, is modest compared with the potential specified by the historic economic collaboration treaty signed in Bonn last May by West Germany's Chancellor Helmut Schmidt and Soviet President Brezhnev. The treaty states that "the goal of promoting economic, industrial, and technological cooperation between both states is an important and necessary element for strengthening bilateral relations on a stable and long-term basis." Schmidt declared in a greeting to Brezhnev May 6 that the aim of such economic collaboration was "to make détente irreversible" in the economic and military spheres as well.

Since the signing of this treaty, such leaders as Wolff von Amerongen have been engaged in intensive behind-the-scenes negotiations to establish international industrial consortia, under the chairmanship of Soviet agencies, in order to coordinate a mammoth development effort not only in the Soviet Union but also in third countries. Officials involved in these discussions have made it clear that West Germany could not possibly finance such projects alone, nor handle the multibillion dollar scale of potential orders with existing capacity, and was therefore coordinating with France and other countries for the required credit lines and contracting.

East Bloc indebtedness

The timing of the announcement of the European Monetary Fund plan at the July European Community summit meeting in Bremen indicates that one of the EMF's intended functions is the financing of such East-West industrial efforts. Even before the summit, Soviet Gosbank head Vladimir Alkhimov issued a call in *Foreign Trade* for increased collaboration between the Soviet Union and Western banks and central banks, as well as close consultation on international gold supplies and markets. The indebtedness of the Soviet Union to the West is also much harder to use as an argument against increased collaboration, now that the Central Intelligence Agency's report of an imminent Soviet oil shortage has been officially deemed a hoax cooked up by British and allied

intelligence networks. The Vice-President of the Hungarian National Bank, Janos Fekete, has recently made the important point at an international conference that over the period 1970-76, total indebtedness of socialist-sector CMEA countries was more than offset by the increases in CMEA imports of "self-amortizing" plant and machinery which increased productive capacity — the principle of EMS lending.

West German Foreign Minister Hans-Dietrich Genscher confirmed this outlook in his address last week to the International Parliamentary Union in Bonn. The Schmidt-Brezhnev treaty, he said, "puts in place our orientation toward a long-term planning of our relations with the Soviet Union." Genscher added: "The EEC considers it a priority aim to open its markets to exports from the developing countries, and to increase the transfer of technology and resources."

French President Giscard d'Estaing, whose country already has a similar treaty with the Soviet Union, is scheduled to visit Poland during this month.

Schmidt's and Giscard's plans should not be confused with the "Ostpolitik" operations of former Chancellor Willy Brandt and his assistants like Egon Bahr. Brandt's World Bank-sponsored "Commission" has had no success in luring the Soviets into supporting its genocidal "soft technology" approach to Third World aid. In a recent interview with *Der Spiegel* magazine, Egon Bahr devoted windy paragraphs to discussing how to "bridge the gap between East and West," without giving a single mention to the existence of the Schmidt-Brezhnev treaty.

In all respects, the Middle East is a focal point and a test for these alliances. As the West German-Soviet joint commission met in Moscow, Chancellor Schmidt was holding consultations with Syrian President Assad on the danger of war in the Mideast and on the need for serious regional economic development programs. Assad arrived along with Syrian Foreign Minister Khaddam, who had come to Bonn directly from his visit to Moscow. Otto Wolff von Amerongen returned from Moscow the next day to chair a 100-man delegation of West German industrialists in discussions with Assad and Khaddam.

Following that "very successful" meeting, Prince Saud al-Faisal of Saudi Arabia suddenly arrived in Bonn for consultations with both Schmidt and Assad. Saudi Arabia this summer had deputized Schmidt to represent its interests at the Bremen and Bonn summits — a fact rarely reported in the financial press, but one which has been essential to the launching of the EMS as an instrument for rescuing both peace and the dollar.

— John Sigerson