er inflation, more like 7 percent, including armaments. It has been U.S. Treasury and State Department policy to sabotage high-technology exports to these regions. With a sane administration in Washington, this sector would be targeted for multibillion-dollar expansion of U.S. sales.

• Second, there are the tens of billions of exports to the Soviet bloc that didn't take place. Commerce Department figures show a piddling $800 million improvement in U.S. exports to "Communist areas in Europe and Asia," with exports increasing from $2.8 to $3.6 billion in the indicated period. The increase is almost entirely accounted for by U.S. exports to the People's Republic of China. Trade with the Soviet Union during the indicated period went from $1.7 to $1.8 billion, a 6 percent decline after correction for inflation.

• Third, the administration immediately lost $1.6 billion in exports to Iran through covert State Department support for the toppling of the Shah. U.S. exports to Iran had been $2.3 billion in the first half of 1978, but thanks to Cyrus Vance's protégé Warren Christopher, January-July 1979 U.S. exports to Iran plunged to $693 million and may plunge further. Other billions (and ultimately tens of billions) have been lost to the U.S. through oil import price increases, that used the Iran destabilization as pretext. (The loss to U.S. exports from the State Department supported destabilization of Iran is even greater if one adds to this the $20 billiion nuclear reactor order the Shah had tried to interest the U.S. in accepting, which Cyrus Vance blocked in line with his policy of preventing the "Third World" from getting nuclear power.)

It is on the basis of these cumulative policies that the administration is now seeking congressional support for its trade-bureaucracy reorganization proposal, which would give vastly enhanced powers to the newly nominated Special Trade Negotiator Reuben Askew, Carter's pro-environmentalist "New South" protégé from Florida.

—Richard Schulman

INTERNATIONAL CREDIT

Dead ducks and new initiatives

In preparation for Foreign Minister Hans-Dietrich Genscher's upcoming trip to Cuba, the West German ambassador has held "intimate" talks with Premier Fidel Castro, according to the Sept. 24 *Handelsblatt.*

The lead editorial in the business daily reviewed a recent speech in which Castro said, "We shouldn't let all Western nations be thrown into one pot, there are different elements among them. We need friends in industrialized Western Europe. ... In short, the two "North" and "South" leaders are pursuing alternatives to the International Monetary Fund's credit blackmail against underdeveloped nations. The IMF policy was openly challenged under Cuban leadership at this month's summit of the Nonaligned movement in Havana.

Meanwhile West German and French Eurocurrency lending to the Third World, which has accelerated over the past year and a half, continues to free most borrowers from the need to submit to further IMF conditionality. As columnist Alain Vernay commented in the Sept. 24 *Le Figaro*: "Third World countries are increasingly attacking the IMF. ... The IMF has broken down."

An executive at Commerzbank, one of West Germany's leading international lenders, agreed in a Sept. 25 interview from Frankfurt that "Third World nations are becoming too proud to go to the IMF because that entails surrendering their national sovereignty. ... We strongly oppose restrictions on the Euromarkets; we have to continue our Third World lending; without it people there will starve."

During an international banking symposium in West Berlin Sept. 24, the issue of Eurolending restrictions came up again. Citibank senior vice president and African specialist Irving Friedman insisted that "more lending facilities to help underdeveloped countries cover their balance of payment difficulties ... must go through the IMF," not private banks. Deutsche Bank chief Wilfried Guth upheld the IMF in principle but insisted that "strangulation of the international financial system and excessive difficulties for oil importing countries" cannot be tolerated. He further stated, "as far as I'm concerned, reserve requirements [to inhibit bank lending] are a dead duck; it doesn't pay to talk about them any more." "Fixing appropriate ratios to be applied to consolidated balance sheet figures," a second proposal for crimping loans, Guth termed "walking a tightrope."

At the symposium, Crédit Lyonnais president Pierre Brossolette, interestingly, called on the Group of Five leading industrialized nations to work out a set of principles on lending to the Third World. It is in fact clear that the ad hoc current system of Euroloans does not adequately meet either the Third World's need for long-term development funds or the advanced sector's need for high-technology export orders. As we elaborate elsewhere in this section, the question of Arab oil producers' orientation toward a new monetary system is integral to this problem. Commerzbank commented in the interview cited above that there are two ways the European Monetary System can strengthen its ties with the Arab world: 1) continuing to build up OPEC deposits with German and French banks, and 2) formal inclusion of Arab deposits in the EMS itself. At bottom, said the official, "what is needed is an international institution that can handle long-term credit to the Third World on a non-interest basis."

—Susan Johnson