

ERNEST MANDEL

JOS. IMPENSSTR. 127

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Dear Dick Roberts,

I've read your article on "Late Capitalism" in "The International" with great interest, and hope to find time during the next weeks to write a short reply to some of the points you make (with many I obviously agree).

To-day I'm writing you in another context. I read in "Le Monde" that a US Senate Subcommittee (the Frank Church subcommittee) just published a report "International debt, banks and American foreign policy". As it takes a long time to order such official printings in Europe, and I gather it is easy to get them in New York, would you be so kind and buy it and mail it for me? I'll of course immediately reimburse the purchase price + mailing costs.

Thanks and best wishes,

Ernest

October 14

Dear Ernest,

There is no charge on the enclosed hearing. These transcripts are usually offered free for a few weeks after they take place until the initial printing runs out.

Senator Church speaks for the most liberal and outspoken "anti-OPEC" sectors of American capitalism. You would undoubtedly be interested in a presentation of the bankers' position on this question that appeared in two articles in the July 1977 issue of Foreign Affairs. (Am I correct in assuming that this publication would be easily available to you? It is the most prestigious U.S. magazine on foreign policy issued quarterly by the Council on Foreign Relations.)

The argument of the bankers is aimed, of course, at cooling off a panic about international debt. In the first article in Foreign Affairs, David O. Beim of the Export-Import Bank underlines that most of the foreign debt is owed by the more advanced of the semicolonial countries: "Nine countries ~~which~~

account for more than 80

percent of such debt, namely: Brazil, Mexico, South Korea, Taiwan, ~~the~~ Philippines, Argentina, Peru, Columbia and Isreal." Brazil and Mexico alone count for about half the debt. Since these are the more stable countries, argue the bankers, one need not fear increasing their debts. This argument admits, however, the tremendous unevenness between the semicolonial nations which we should always stress. Most of the semicolonial population lives in countries not deemed creditworthy; "Banks are generally reluctant -- and properly so -- to get involved in aid-dependent countries," says Beim. At the same time the cost of stability in these countries is obvious from the character of the regimes; and they are not that stable. It was precisely concern about inflation in Peru and the restructuring of Peruvian debts that triggered the flurry of concern about international debts last summer.

The second argument that the bankers bring up in defense of their loan policies is that they are extracting tougher prerequisites for the loans. Beim boasts about

the terms extracted from Zaïre last year: "First, Zaïre would bring current all overdue interest to the banks. Second, it would make the 10 percent fund available to cover interest due on bank debt, and also possibly bring ~~the~~ principal current in due course. Third, Zaïre would accept conditions proposed by the IMF for its second and third borrowing tranches from the IMF. Such conditions are usually considered very stringent...." Thus the bankers argue that their loan policies virtually guarantee the ever-greater indebtedness and subsequent ^{future} impoverishment of the respective countries. Sound banking indeed!

The second Foreign Affairs article by two officials of New York's powerful Citibank raises an extremely ^{interesting} ~~interesting~~ point. The sharp 1973 increases in oil prices, they argue, was a one-time affair and its effects either already have been or will ^{soon} be assumed by most countries. The ^{biggest} ~~biggest~~ reason for the sharp increase in semicolonial indebtedness was the depression: "The increase in the price of oil contributed only about 30 percent of the

deterioration /in the current account balances of the semicolonial countries/ between 1973 and 1974 but only 10 to 15 percent of the deterioration between 1973 and 1975. Thus, the recession in the industrial countries bears the brunt of the explanation. The recession explains over 55 percent of the deterioration from 1973 to 1974 and nearly 75 percent of the deterioration from 1973 to 1975." Their figures are based on a model and various extrapolations but the point is undoubtedly true and most important for us! As the world economic crisis of imperialism deepens the countries that began less able to cope with it will be hurt the most. The unevennesses will be exacerbated

On Senator Church's report notice the ~~statement~~ ^{remarks on page}

~~62 and following:~~

"The real significance of the Witteveen facility, if it comes into being, will not be its size, but that it can ^g give the IMF more clout in putting pressure on deficit countries to undertake the often painful and politically difficult adjustment policies...." Church's

type are aware of the policies dem^aanded by the IMF and bankers

but, without actually coming out and saying so, most of them

believe that the only solution is to increase IMF loans. What

has to be counteracted in this report, especially, is the

anti-OPEC demagogery. According to the September 18

New York Times, "If there is a way out of this cycle it is

only implied in the report. But Senator Church, the subcommittee

chairman, has been far more outspoken about his vies on a

remedy. 'I can see only one way out of the present financial

and political dilemma,' Mr. Church said in a speech last week,

'and that is to break the [redacted]

OPEC cartel's hold on the price of oil"

No words here about ^{breaking} the energy [redacted]

trust's stranglehold on the #

world economy.

I think it is evident that the banks will rescue on a
piece-by-piece basis the debts in semicolonial countries that
go bad. The political repercussions of not bailing out these
countries ~~are~~ too dangerous for world imperialism. On the one

hand, however, they will and are extracting ever greater prices for the bailing out operations. We witnessed first hand in New York City just how far the bankers will go in demanding rationalizations of the city budget in order to shore up the debts, and this is going to take place in many other cities. The costs in semicolonial countries will be all the

~~greater~~
greater

On the other hand is the point you yourself stressed many times: The more credit that is outstanding, ~~the more~~ ^{wetter} from Citibank or the IMF, the greater the world inflation and the less possible it is to bring it under control.

With the price of gold rising sharply and stock market prices plummeting in New York, I think we're not the only ones with this view! U.S. bankers fear much greater deficit spending by Washington and an explosion of inflation and they are consequently demanding higher interest payments on their loans to the U.S. government. And these debts (Washington's) still play a considerably greater role in world finances than those of the semicolonial countries!

Comradely,

Dick Roberts

Japanese Political Bureau,

Dear Comrades,

As you undoubtedly know, the U.S. steel industry has launched a massive campaign to gain import quotas against Japanese steel exported to this country. This campaign has the almost universal support of American trade unions. In some places it has ~~taken on a~~ virulent anti-Japanese character. There is increasing evidence that the Carter administration may support the steel industry's demands, at least to a certain extent.

I am seeking your help in preparing an article that would help us to counteract this import-quota drive. An article from your country about the conditions of steel workers there, about the rationalization drive in industry and the threat to jobs, about what the unions are doing, and especially about how spiralling protectionism would cripple the Japanese economy would be extremely valuable. It would help to make our international opposition to imperialist protectionism concrete and would be of great interest to steel workers in this country.

comrades in the

I am seeking similar articles from ~~the~~ leading European steel-producing nations but one from Japan has the highest priority ^{in terms of the U.S. political situation itself} because Japanese steel is the main target of the ~~the~~ protectionist drive.

Such an article should be short and easy to read. This would mean that it should be absolutely no longer than a single page of The Militant (250 lines, 39 typed characters to a line).. ~~such an article~~

This space limitation would make rapid publication of the article possible and it would assure that many workers read the article.

Please let me know as soon as possible if you would be able to send ~~an~~ ^{us} such an article and if you have any further suggestions. ^{on this project}

Comradely,

Dick Roberts

New York, October 11

Dear Charles-André,

I am writing to propose that you help me in a project on the world steel crisis. I don't know if you realize the extent to which the U.S. steel industry has whipped up its chauvinistic campaign to gain import quotas^{here}. In steel towns across the country this is the number one topic of ~~of~~ billboard advertising campaigns and of course at the plants the news, "Beating the 'Japs'" is once again becoming a rallying cry of the industry and it has the almost universal support of the unions. (Steel Fight Back's Jim Balanoff in Chicago is one of the lone voices raised^{view} against ~~the import scare~~ ^(the import-quota drive.) ~~in opposition to this anti-labor~~

We believe it would be a ~~substantial~~^{big} help to the labor movement if we could present a series of articles, one from each of the main five or six steel ~~exporting~~^{producing} nations, to counteract ~~the~~^{the} import-quota drive. ~~Articles from~~^A ~~Japan,~~^{Japan,} Britain, France, Belgium and ~~West~~^W Germany, particularly, about the conditions of steel workers there, about the rationalization drive in these countries, about their unions and ~~now.~~^{what spiraling}

protectionism would mean to these workers help to would make concrete

our arguments ~~that otherwise seem pretty theoret~~

about the need for international labor solidarity.

in opposition to this monopoly-profit drive.

We would plan to run the articles in The Militant
As they come out
and, of course, they could be used elsewhere if needed. I
would be happy to write one on the United States as part of
the series.

I have in mind short, easy-to-read articles, absolutely
no longer than a single page of The Militant each (250 lines,
39 typed characters to a line). This would make rapid
publication of all the articles feasible and it would assure that
workers read them. I am emphasizing the space limitation on
the articles because of past experience where comrades, who
are always anxious to do a good job on a project, write articles
that are much too long and this leads to difficult problems.

I am writing a comparable ~~article~~ ^{letter} to Japan, ~~copy~~
~~enclosed~~. What do you think of ~~the~~ ^{the} project? Would you
be willing to see it through in Europe?

Bob D.V.