

Italy Takes Lead to Forge Bloc to Dump Dollar

Nov. 20 (NSIPS) — Italy has taken the forefront position in fostering a constructive European-Arab dialogue. At the Nov. 15 European Economic Community (EEC) Foreign Ministers meeting, Italian Foreign Minister Arnaldo Forlani — with the support of all the member countries but West Germany — proposed that the EEC support debt moratorium in the Third World in exchange for the oil-producing countries' reciprocally lowering their proposed oil price increase. The price increase — being used by the Rockefeller multinationals to provoke an oil war — could be used to break down the North-South talks in mid-December.

Now, with the Europeans' support, the leading governments in the Organization of Petroleum Exporting Countries (OPEC) have stated their total opposition to the Carter and Rockefeller "oil crisis" and made unmistakable offers to trade a stabilized, or even reduced oil price for a solution to the demands of the developing sector and the establishment of a new world economic order.

Venezuelan President Carlos Andres Perez, present in Italy from Nov. 16-19 emphasized in a Rome press conference the key role which Italy played in the Nov. 15 EEC meeting. Perez stated: "Italy interpreted the demands of the Third World." Perez continued, the responsibility lies with the Italians to play this same key role in the upcoming Nov. 29 EEC Heads of State meeting, where the final vote will be taken

The presence of Perez in Italy itself is a vivid indication of the oil-producing countries' rejection of the Carter policy. Perez stated upon arriving in Rome that he saw Italy as the "bridge" between the EEC and Venezuela. *Il Giorno*, the Milan daily owned by the state-owned oil complex, ENI, reported Nov. 18 that "at the center of the discussions was the foundation of new and different relations between the Third World and the advanced countries." Oil-for-technology is the basis for this new relationship between Italy and Venezuela. During the three days of meetings, Perez signed contracts for "bilateral relations" between Italy and the nationalized oil company of Venezuela, Petroven, at long-term preferential conditions.

Major commitments have been discussed for joint ventures between Venezuela and the Italian public sector. These joint ventures would be particularly undertaken with the pro-development faction-linked sectors of steel, ports, petrochemical, and automobiles. During the week Perez met at length with the leaders of the public sector — Sette, Petrilli, Capanna, Angelini, and Jacobini.

Yesterday, in fact, a Dow Jones newsletter reported that Perez is removing a major amount of funds from the New York — i.e., Rockefeller — banks and will deposit them in Italy, displaying a basic trust in Italy's potential for recovery. This recovery resting primarily on oil-for-technology deals.

The deployment of forces to precise action on these deals focuses in two centers of pro-development forces — to Britain and the Soviet Union. Preparatory to the Nov. 29 meeting and the mid-December North-South talks, Perez, speaking for the oil-producing countries and Forlani for the Europeans will be visiting both Britain and the Soviet Union independently. As the Venezuelan daily *Nacional* pointed out, Perez's trip to Moscow is more than a routine broadening of diplomatic relations. Perez is only the fourth Latin American leader to visit the Soviet Union.

Within Italy itself, the pro-development forces are clearing the government circles of any of the potential obstructions to the realization of the European-Arab cooperation. The energy issue being key, during Perez's trip to Italy, it is quite possible that the Italian Communist Party's (PCI) attempt to unseat the present Industry Minister, long-time Rockefeller agent Donat Cattin, is based on gaining control of his ministry. Donat Cattin's ministry controls energy matters and hence Donat Cattin is in a position to block this Italian-oil-producers' collaboration.

During the Italian Socialist Party (PSI) Central Committee meeting which ended on Nov. 17, the battle was waged to force the collapse immediately of the present Christian Democratic monocolore government which is headed by Andreotti. The proposal, which was fielded by Andreotti ally, PSI faction leader Giacomo Mancini, would strengthen Andreotti's position, by broadening his coalition base. Mancini's proposal for a DC-PSI coalition would have outside support coming from the PCI. With the PCI's calling for Donat Cattin's head, demanding his resignation, a government collapse at this time would mean the PSI would be set to move into the government, with PCI back up.

The Rockefeller-controlled press continues its black propaganda campaign against Andreotti. The campaign centers around Andreotti's discussions on the freezing of the cost-of-living clauses. Presently, Andreotti has shoved the whole matter into the trade unions' lap, telling the trade-union confederations to deal bilaterally with the employers' association, Confindustria. Emerging from their first meeting with the Comfindustria, the trade unions wrote to Andreotti that the trade unions would not even allow the cost-of-living clauses to be discussed, and if Carli, president of Confindustria, persisted with his hard line, there was "danger of a break."

The trade-unions, according to *La Repubblica* Nov. 18, are in agreement with Confindustria on two points — the increase of productivity and opposition to zero growth.

Callaghan Imposes Partial Freeze On Sterling Balances

Nov. 20 (NSIPS) — British Prime Minister James Callaghan took the first tentative step this week towards freezing over \$10 billion in "sterling balances" held by foreigners. If this freeze were fully carried out, it would be tantamount to a declaration of debt moratorium for Britain.

On Nov. 18, Callaghan ordered strict prohibition of all domestic bank-lending of sterling to foreigners, except for the financing of British exports. The effect of Callaghan's measure is to prevent further expansion of the foreign sterling balances, which represent foreign claims on Britain's economy. This is a transitional measure toward phasing out the pound sterling's role as an international reserve currency altogether. The de-internationalization of sterling will remove the last buffer for the bankrupt Eurodollar market.

Callaghan has also struck a blow at the City of London banks with the freeze, by making it impossible for them to continue financing their speculative offshore operations in sterling. The chief of a New York City bank foreign exchange department characterized the move as a "slap on the wrist for the City."

Callaghan is "telling the City that they had better stay in line or they will get worse restrictions and... reminding them that he is still running the government," the source said.

Following the announcement of Callaghan's new measures, the pound immediately jumped from \$1.66 on Nov. 17 to \$1.69 on Nov. 19, reflecting the fact that the restrictions on foreign lending will make speculation against the pound much more difficult.

Contrary to some financial press accounts, the restrictions should not impede the financing of third-country trade in sterling; for example trade between Nigeria and Zambia. According to commodity dealers, existing sterling balances held abroad are more than adequate for this purpose. The measure is directed only against speculative transactions in which foreigners borrow sterling from British domestic banks and then convert these funds into other currencies, such as the U.S. dollar. One side effect of Callaghan's restrictions is that countries with large dollar debts will no longer be able to get sterling loans with which to meet their dollar debt service obligations!

At the same time that he announced the exchange controls, Callaghan also ordered a clamp-down on domestic credit expansion. British commercial banks will be subject to heavy penalties if they allow the growth of their interest-bearing deposits to exceed three per cent for the next six months. This measure, nicknamed "the corset" in Britain, would be dangerously deflationary, if it were not performed in tandem with the cutback in foreign lending. British authorities estimate that, as previous sterling loans are repaid, over 5 billion pounds in foreign exchange will flow back into Britain. This will free funds for British industry and exports, offsetting the deflationary effects of "the corset." In effect, City of London Eurosterling operations will be triaged in order to preserve domestic production. Callaghan has made such a regeneration of British industry his number one priority.

Signaling his "good intents" toward industry, Callaghan's government also moved on Nov. 18 to lower the Bank of England's Minimum Lending Rate by one-quarter per cent from the previous draconian level of 15 per cent.

Mass demonstrations of Labour Party rank-and-file in London have meanwhile reinforced Callaghan in his fight against International Monetary Fund-U.S. austerity demands. Callaghan this week flatly rejected a proposal that unemployment and social security benefits be taxed.

France Backs Egypt In Drive For Geneva Talks On Mideast

Nov. 16 (NSIPS) — During a four-day visit to Cairo this weekend, French Prime Minister Barre extended his nation's support to Egyptian President Anwar Sadat's diplomatic drive to reconvene the Geneva conference to secure peace in the Middle East and establish a Palestinian state. Sadat has been in the forefront of recent Arab efforts to settle the longstanding Arab-Israeli conflict at the Geneva negotiating table and for the first time, Israeli moderate Prime Minister Yitzhak Rabin has favorably recognized the effort.

Hand in hand with the peace effort, French press sources were backing up Barre with fierce attacks on the provocative "hard-line" posturing of the U.S. toward OPEC and its deliberations on a new oil price increase, the surest way to guarantee a very large increase, said the newspapers. France and other European nations have prepared to break altogether with the U.S. dollar by entering into independent oil-for-technology talks with Arab oil producers, ensuring their oil supplies regardless of the machinations of the Rockefeller family's Seven Sisters.

Both Barre and Sadat, however, expressed grave concern that the "election" of Jimmy Carter may dangerously set back the

urgently needed peace talks. The French daily *Le Figaro* reported that both Egypt and France are fearful that Carter Administration will be provocatively pro-Israeli and insensitive to the Arabs. *Le Figaro* asserted, thus intends to shift its foreign policy toward France and the Soviet Union.

'Soviets Must Help Settle Mideast Problem'

Nov. 19 — The following excerpts are taken from an interview with Egyptian journalist Mohammed Heykal which appeared in this week's French magazine *Le Point*.

Q: In your opinion, do you think OPEC will decide for an oil price rise in December?

Heykal:The majority of the Arab countries have undertaken industrialization and development programs. It was necessary. It is necessary that we give work to a young and numerous population. It is necessary that the Egyptian masses, for example, get out of their poverty. It is thus almost probable that OPEC will take this into account (in their decision)...

Q: In what areas can a compromise be reached where the interests of OPEC and the West are convergent?

Heykal: In many areas: the Mediterranean for example. We are all residing along the banks, we have installed ourselves around her as around a table and she escapes our control. That is not reasonable.

Q: It is not a table, it is a corridor where the Soviets and Americans are masters.

Heykal: We agree. And I do not think that the Americans alone can resolve all the problems of the Middle East. It is necessary that, in one way or another, the Soviets be associated with the settlement... And it is obviously necessary that the rapprochement between France and Egypt continue.

Q: It is said that your relationship with President Sadat is not very good. Why?

Heykal: Many inexact things are said. In the course of one life, a man changes his function several times. It is not so serious. But I admit that President Sadat, for whom I have great admiration, has been, in my opinion, a little too trusting of Mr. Kissinger...

The Barre-Sadat Meeting

Nov. 18 — The following comments are excerpted from *Le Figaro* correspondent Alain Dumait's report on last weekend's meeting in Cairo between French Prime Minister Raymond Barre and Egyptian President Anwar Sadat.

Cooperation between the two countries has reached a point such that frankness will now become the prevailing force. Paris and Cairo no longer have the least points of contention between them. Better yet, on many points their views are the same. More than ever Cairo counts on Paris in order to diversify its international relations. For several years, the Americans and Russians were the arbitrators of the Middle East situation, but with the election of Jimmy Carter and the departure of Kissinger, everything could change. And the Egyptians, who expect a lot from the nomination of the future American Secretary of State, are very much afraid of finding themselves face to face with a less open interlocutor or in any case, one who lends even more of an ear to the Jewish population across the Atlantic.

In these conditions, Cairo foresees a shift in its diplomatic activity.

Already, a little time ago, the Egyptian government renewed its interrupted dialogue with Moscow, at the time of a meeting

between the Egyptian minister of Foreign Affairs, M. Fahmi and his Soviet counterpart, M. Gromyko, in Sofia...

More than ever, Egypt hopes to reach a global peace settlement in the Middle East. She needs France in order to create a counterweight to the two superpowers.

Even on the price of oil, Egypt... and France share the same opinion. (A rise in the price of oil) would be one more hard blow against the economies of Third World countries. It certainly seems that Raymond Barre, like his Egyptian counterpart, regretted the recent heavy-handed action of the Americans: to so threaten the oil producers, is to push them to raise their prices so that they do not appear to be giving in to threats...

Le Figaro Attacks U.S. Provocations On Oil Issue

Nov. 14 — The following are excerpts from an article by economic journalist Yann L'Ecotais which appeared in Le Figaro under the title: "France stakes on negotiation with producing countries," following the U.S. call for "emergency meetings" between the U.S., Europe and Japan on the issue of the oil price increase.

According to informed sources the French government does not envisage today more than yesterday entering a possible "common front" against producing countries.

... What is the interest of the oil producing countries? To increase their incomes obviously, but providing it does not

completely "break" the economy of the industrialized countries... The camp of the moderate ones (within OPEC) led by Saudi Arabia (those who want a maximum 5 to 10 per cent increase in oil prices) had been reinforcing itself. It had been reinforcing itself as discreet conversations were carried out and contacts established in the last weeks between oil producers and consumers... The American intervention is like a cold shower. It does not permit the U.S. to say anything more than what they have already told their privileged interlocutors, the Saudis. And it threatens to place the moderate ones in a delicate position within OPEC to the extent that they could be accused of giving in under Washington's pressure. As for the practical means for applying such "pressure," one can wonder about them...

Obviously, European capitals are perplexed. What is Henry Kissinger looking for? What is on Jimmy Carter's mind? And where can such "emergency consultations" lead to? To the constitution of a "front" behind the United States? Isn't dialogue better than confrontation? This is the heart of the matter and France is perfectly aware of this. She has refused to enter the International Energy Agency for fear that it would one day become a "war machine" against producers. She has taken the initiative of the North-South dialogue whose outcome obviously depends on a good "oil climate." For the time being, Paris will not announce its position, according to the Elysée palace.

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