

Britain, Italy Take Lead for East-West Trade Expansion

Taking the lead for Europe, Italy and Britain have intensified efforts this week to ensure the basis for rapid industrial growth and technological development in both the advanced and developing sectors, hinging upon "triangular" arrangements on trade and financing between Europe, the Third World and the Comecon. Coordinated political and economic negotiations by Britain, Italy and — to a lesser but no less significant extent — France point to a tightening up of European relations with the socialist and underdeveloped sector as the conscious preparation for a successful European-Arab conference scheduled for Feb. 10.

Concomitantly, an increasing number of Europeans are refusing to go along with the war fantasies of President-Elect Carter, purposely created to undermine growing Euro-Arab-Soviet cooperation, and have instead issued repeated warnings in the press and elsewhere that Carter must opt for détente or risk losing America's European allies. These moves, broadly based on the adoption of a tough, unified European stand on a solution to the North-South (advanced industrial versus Third World economies) problem in conjunction with a concerted campaign for East-West trade — pre-empting any attempt at "coordination" by the Carter administration — set up the ideal political climate for the creation of an "East-West European Bank." This proposal for economic cooperation was set forth by Italian industrialist Sr. Ratti, and is known to have the endorsement of government and financial circles in Great Britain.

Extensive "underground" discussions of the "Ratti bank" — which would set up the financial framework for expanded trade and development with Arab funds and facilities for discounting Soviet bills of exchange — were pivotal to the visit of Italian Foreign Minister Forlani to the Soviet Union this week, according to the Italian financial daily *Il Sole 24 Ore*. Concretely, the Forlani visit resulted in \$7 billion in trade deals between the two countries, only \$700 million of which is being made available by Italy to finance the deals. The balance will be made up by "promissory notes and other specialized credit arrangements" to be worked out in detail and finalized by Foreign Trade Minister Ossola during his scheduled trip to the Soviet Union in February.

The Italian daily *La Repubblica* reports that Italian Foreign Ministry official Mario Mondello, who is a well-known supporter of the transferable ruble, has been put in charge of handling the delicate financial negotiations

now underway aimed at creating the basis for "a new kind of (economic and financial) collaboration" between East and West Europe. It has been emphasized in the Italian press that current diplomatic moves are geared toward "institutionalizing the triangular alliance" involving Italy, the Soviet Union and the Third World, which first moved into the open last month when Libya purchased ten per cent of Italy's FIAT Motor Company. This deal has come to represent the prototype for other Western European countries experimenting with similar three-way trading arrangements.

Forlani's visit to Moscow concluded with an emphatic endorsement from both sides for the complete normalization of relations between the European Economic Community (EEC) and the socialist sector, laying the foundation for a successful round of financial, trade and political negotiations between the two blocs.

In conjunction with the Italian initiatives to create a broad economic and strategic alliance with Moscow, the British government has made clear that it also intends to organize for united European cooperation with the East bloc and Third World on a top priority basis. Foreign Secretary Crosland, who will be chairman of the EEC Council of Ministers for the next six months, told EEC officials this week that the Common Market must take a unified position on the upcoming North-South talks, the Helsinki accords and on organizing for peace in the Mideast. In emphasizing the functioning of the EEC as a bloc in its political and economic relations with the Comecon and the developing countries, Crosland echoed Italy's sentiments. Italian Foreign Trade Minister Ossola pressured French Prime Minister Barre in Paris this week on the necessity for an autonomous European solution to the North-South dialogue where debt moratoria and transfer of technology are the primary issues to be resolved.

Ossola impressed upon Barre that Western Europe could not wait for the June Rambouillet economic summit with Carter to arrive at a solution. He proposed instead a stepped-up timetable, with a common EEC stand to be ironed out during the Jan. 18 EEC Foreign Ministers' meeting, in time for the Feb. 10 Euro-Arab conference.

For his part, British Prime Minister Callaghan has performed a major coup which will at once sweep away the remaining opponents to his organizing for the Italian-proposed East-West European Bank. He has taken direct

personal control over all government ministries involved in trade, industry and economic planning, as well as the Treasury and the Bank of England's sterling policy. In order to spur economic recovery and insure that his strategy for industrial regeneration and export expansion is carried out satisfactorily, Callaghan will now directly oversee policy decisions relating to Britain's program for economic growth, "to clear away dead wood and allow industry to blossom" in the words of one official. Implicit in Callaghan's move, which apparently caught London by surprise, is a diminishing of Chancellor of the Exchequer Denis Healey's role. The press reports unanimously that Healey and those who supported him in urging an austerity policy during the International Monetary Fund negotiations with Britain are "living on borrowed time."

Callaghan's assumption of command directly precedes his visit to the U.S., where — as the "architect of recovery" in Great Britain — he will deliver an ultimatum to Carter on the need to expand world trade. Clearly preparing the way for its own expansion of trade with the socialist and Arab sectors, the British government announced this week that their ceiling on guaranteed trade credits is being extended from 18.3 billion pounds to 40 billion pounds, contingent on Parliamentary approval. This is an astounding increase given that the 8.4 billion pounds in credit extended in 1975-76 totalled 36 per cent of total U.K. export funds. For the first time, the government has also given the Trade office the right to back foreign currency loans — a probable move toward transferable ruble-financed trade.

Despite political turmoil in France and a policy by French President Giscard d'Estaing which remains subservient to Wall Street, the industrial and financial forces in the country are clearly laying the basis for a European development perspective. Following friendly talks between French Prime Minister Barre and his British counterpart Callaghan, during which the need for technological cooperation was stressed, the French government announced a 34 per cent increase in subsidies to the public sector (nationalized industries). This immediately sets the tone for a period of economic expansion and raises the obvious questions of financing. Partly due to the consolidation of France's relationship to the developing sector through the consolidation of several exemplary trade deals, Arab petrodollars are flowing into France for reinvestment use. The stock market is buoyant, with oil issues and chemical industry's stocks up 20 per cent. The French franc has

been gaining significantly, also indicating strong foreign inflows, but France has yet to actively promote the Euro-ruble axis.

French Gaullists and their allies in the French Communist Party (PCF), however, have echoed in particularly strong terms the diplomatic efforts of Italy and Britain to defuse the Carter war threat which is deliberately designed to sabotage growing Soviet-European rapprochement. Max Leon, former Moscow correspondent of the Communist daily L'Humanité, has officially rallied to the efforts of anti-NATO Gaullists, such as Admiral Antoine Sanguinetti, who claim that the implementation of the Schlesinger "limited nuclear war" doctrine would incinerate Western Europe. In a two-part series in L'Humanité, Leon lambasted U.S. thinktankers who exchange strategies and "coldly envisage an atomic massacre on our old continent under the cover of 'European defense'." While Italian Foreign Minister Forlani gave indications that he will respond to Soviet public endorsement of the Warsaw Pact's proposal for the mutual dissolution of the two military blocs, British Defense Minister Fred Mulley dealt a severe setback to the Tory warhawk faction. Countering a Conservative vote of censure against the Labour Government's policy of defense cuts, and an attempt to drag out the "Soviet war danger" line, Mulley asserted publicly that the Warsaw Pact military capability, by itself, did not constitute a threat to the security of the West. Mulley reaffirmed his government's position not to embark on massive rearmament, emphasizing that although military chiefs could always find a reason to justify increased defense expenditure, this time, they must abide by "political decisions made by Ministers and Parliament."

The motivating drive for these deliberate European moves is a firm, historically-based commitment to technological development as the only means to civilization's survival. This was made explicit by EEC Energy Commissioner Brunner who demanded the passage of a resolution at the European Parliament condemning the EEC Council of Ministers for sabotaging European fusion power development. "Europe's patience has a limit," said Brunner motivating the resolution. "It does not intend to sit by and witness the liquidation of European fusion research." The final resolution affirmed that only immediate implementation of the program of thermonuclear fusion, including a decision on the site for the joint European Torus (JET) project could help secure the community's long-term energy needs.

West German Economic Program Not Compatible with Carter Hyperinflation

There is firm consensus in West German government and industrial circles that economic growth and real increases in productivity—not hyperinflation—are the only sensible goals for 1977. Although Carter's Jan. 6

announcement of his economic program for the United States has been received "politely" in official Federal Republic statements, there is no question that Bonn is coordinating its 1977 economic program efforts with