



## Italy Organizes European Oil Consortium Champions Third World Fight In Europe

Sept. 18 (NSIPS) — Giulo Andreotti's Italian government this week successfully organized a new consortium of Western European oil companies to replace the Rockefeller family's "Seven Sisters" cartel in managing oil supplies to the European continent. The formation of the new consortium, composed of the West German, French, Belgian, and Italian state oil companies, coincides with the North-South talks on Third World debt moratoria now underway in Paris, and represents only the most recent Italian initiative to prepare Europe for unimpeded negotiations with Third World countries for a New World Economic Order.

Leading up to the Sept. 15 formation of the cartel, the Italian government had been significantly broadening its initiatives for East-West and North-South trade expansion, including the announcement of a 5-year \$150 billion trade deal between Italy and the German Democratic Republic. The Iranian gas company and an Italian group led by Saipem, a member of state holding company Ente Nazionale Idrocarburi (ENI), have concluded agreements for the building of a gas treatment plant and a gas-collecting and distribution network in northern Iran totalling \$880 million. Also this week, Italstra del-Torno, a member of the Italian IRI state holding company, has contracted for the construction of a \$350 million hydro-electric plant in Turkey with the Turkish state company.

One high international monetary official characterized the European "oil supply situation and independence of the major oil companies" as the "key to the entire monetary situation." Andreotti's initiative in creating the new oil consortium, said the official, "is clearly an attempt to dislodge the dollar."

Major Italian press who praised the new oil cartel were simultaneously insisting that moratoria on dollar-denominated debt for the Third World countries was inevitable and desirable. The Sept. 16 financial daily, *Il Fiorino*, called for the industrial nations to grant the Third World demand for general debt moratoria, and characterized Italy's debt situation as "like the Third World." The Sept. 16 *Corriere della Sera* said there was simply no alternative (See below).

### Mediterranean Peace Zone

The European oil consortium directly prepares the entire European Economic Community for participation in a Mediterranean peace-and-cooperation treaty modelled on the Helsinki accords and including the African nations of Egypt, Irak, Jordan and Syria. The content of any such accord would be "oil-for-development" deals between European and Middle Eastern nations.

The Italians are complementing their European industrial organizing with parallel diplomatic efforts. Italian Foreign Minister Arnaldo Forlani, who last week led the unanimous adoption of a pro-gold stance by the EEC foreign ministers meeting, went to Paris this week for personal consultations with the French President and Foreign Minister. Forlani told President Giscard that their two nations must have "broader

consciousness of the common destiny" of France, Italy and other European nations. He specifically proposed that the French cooperate in the creation of a Mediterranean "peace zone," a central concept put forward by the Colombo, Sri Lanka conference of Non-Aligned Nations.

While Forlani was in Paris, Dom Mintoff, the Premier of the Mediterranean Island of Malta, announced that his country in keeping with a "peace zone" policy did not consider the presence of NATO troops a permanent arrangement. Mintoff's statement could not have been made without the tacit support of the Andreotti government.

### *Il Fiorino* Article says: Italian Debt Moratorium Needed Now

*In an article Sept. 16, the leading Italian financial paper Il Fiorino proposed a debt moratorium as an alternative to the Carli proposal for Italian industry. Excerpts of the article, by Giano Accame, follow.*

The Carli proposal, initially launched as a proposal for the consolidation of the debts of industry giving overall control to the banks (and) relaunched now by Carli, president of the Confindustria (Italian industrial federation) assumes more concrete and immediate significance and is provoking some upsetting reactions. . . .

. . . Carli's address could seem like a warning that unless the current rates of indebtedness of the companies could be eased through loans ... the whole thing will end up in a crisis as the one seen in the 1930s which brought us to the salvaging policy of the Nazi regime — the IMI, IRI, etc.

Indeed ... Carli's proposal assumes the tone of a collective confession of the insolvency on the part of Confindustria. . . .

It is not only a request for time and for facilitation ... but an appeal to the political classes and to the government to constrain the banks to transform themselves into creditors to the bankrupted companies. . . . But the transferral of the disease of the industries to the bank risks bringing the disease to epidemic level rather than curing it. . . . What more realistic solution can be indicated? . . .

A provisional solution is one which would not upset things through an irreparable structural modification of the relations between the banks and industries. It is the extension of a moratorium to the small and medium companies which has already de facto been agreed to for the public companies and some large companies. Moratoria appear extremely urgent ... as in the pharmaceutical sector. . . . This is a situation which would have to be solved over the long term, but in order to alleviate the burden now (of this essential sector) a moratorium is needed. . . .

## Yugoslavs Take Lead In Non-Aligned Movement

*What follows are excerpts from a Sept. 14 article in the Italian daily La Repubblica on the increasing Yugoslav role in leading the non-aligned nations.*

... Since the conference of the Non-Aligned in Colombo, Belgrade diplomacy has been elaborating ... a wide plan of initiatives and activities in this sector.

... Belgrade obtained a first success last week when on the occasion of West Germany's Foreign Minister Genscher's visit to Yugoslavia, the Bonn government (which in Nairobi fully supported the U.S. position) promised to 'reexamine' its own orientation. The reason given was that Bonn is interested in 'maintaining a regular flow of raw materials' for its own industry.

Moreover, Belgrade looks at Italy with particular interest as a possible ally in the battle over the raw materials. ... Yugoslav diplomatic circles state that precisely our country should be interested to the Stabilization Fund (for raw materials) since Italy is entirely dependent abroad for its supply of raw materials.

## La Repubblica Leaks Documentation Of CIA Subversion of the PCI

*Sept. 17 (NSIPS) — In an article datelined Sept. 14, New York City, the Italian daily La Repubblica quoted at length from CIA reports on subverting the Italian Communist Party (PCI). In particular, the article noted the CIA intention to keep the Trieste area, near the Yugoslav border, one of 'constant tension.' The article, written by Corrado Augias, begins by noting the current CIA dilemma with the PCI, whose working class base has swung its support from the agent PCI leadership to the pro-development policies of the Andreotti government. Excerpts from the article, entitled "CIA Split on the Problem of Berlinguer (PCI agent head) in the Government," follow.*

... Our sources ... have declared that ... a split exists internally in the CIA both at Rome and in Washington over the problem of the PCI. ... It is treated in the first report made by the CIA on our country (Oct. 10, 1947), a few months after the founding of the CIA and in a report which Henry Tasca, then representative of the Treasury and later U.S. Ambassador to Rome, sent to the Secretary of State on Dec. 27, 1947 with the title 'Counter Measures to Policies and Tactics of the Italian Communist Party.'

There are two interesting points in the CIA report. The first describes the function which the Americans attributed to our army; the second is the problem of Trieste. 'The Italian army,' the report reads, 'is limited to keeping the peace with a force of 300,000 men. For economic reasons there are only presently 270,000 men, loyal to the government and generally anti-communist. ... The armed forces of Italy are incapable of conducting large military operations. ... They are indeed in a position only to maintain internal order but they could be asked to intervene at their borders in addition to controlling internal insurrections.'

On Trieste the CIA experts maintain that it is useful to focus the problem because: 'A constant tension in Trieste will not only

poison the relations between Italy and Yugoslavia but will tend to use the patriotism of the Italians against the PCI.'

Even more explicit is Henry Tasca. ... After having examined at length the communist danger, Tasca indicated a series of countermeasures to the Secretary of State, which ranged from the financing of the social democracies to outright infiltration of the leadership of the PCI... 'There is a need,' writes Tasca, 'to encourage democratic groups ready to fight the communists if necessary and that youth for the electoral campaign must be trained and ready to face a civil war. ... We must do everything so that communist takeover of the south (Italy) does not look like a popular insurrection; only if we can use internal forces to oppose them will their (popular) insurrectionary character be doubted. ...'

## Il Fiorino Editorial Backs Debt Moratorium

*Sept. 17 (NSIPS) — The lead editorial in today's Il Fiorino, the major Italian financial paper, suggests a debt moratorium for Italy's bankrupt small industrialists, for the same reasons that a moratorium will aid the Third World nations on their way to economic recovery. The editorial lumps the proposal of Rockefeller associate Guido Carli, former Bank of Italy director, with the proposals of the rich nations to uphold the principle of debt payment by negotiating on a case-by-case basis. Carli's proposal was to consolidate industrial debt, in effect giving the bank full control over Italian industry. Excerpts from the editorial appear below.*

The problem of uncollectable debt makes Italy like the Third World. The developing countries, which are indebted up to their necks, are no longer capable of paying back the capital they were loaned, and in many cases they cannot even pay the interest...

... The demand for a debt moratorium is gaining ground at the international conferences, basing its strength on a logic which is not different from that in which the Carli proposal was developed. When the insolvency is generalized and without any remedies, the negotiating position of the creditor — be it the World Bank or the national banking system — becomes the weaker position. ...

What is justly spent to save lives from the scourges of hunger, of epidemics, and ignorance, cannot be repaid in economic terms unless at the same time, major programs for productively employing those energies that are saved are not undertaken. The insolvent countries of the Third World are now demanding, always more insistently, a grand debt moratorium. ... Even today this demand is harshly combatted with solid conventional arguments but ... gains support at one international conference after another. The proposal to grant a debt moratorium to those who cannot repay, after all, does not repeat anything else ... than the invocation recited for almost 2000 years now by the Christian masses when they pray to God daily in the Our Father: 'Forgive us our debts as we forgive our debtors. ...' We need a sabbatical year applied to international financial relations.

The Utopian character of this prayer, aimed at the banks rather than God, nevertheless finds justification in reality, if there are no means to pay back (the debts) and if no other international institution is capable of canceling debts by issuing bankruptcy procedures for the Third World...

The only realistic alternative seems to be that between an explicit and generalized debt moratorium demanded by the poorer and insolvent countries, and an implicit and de facto debt moratorium, which is managed on a case-by-case basis by the

rich countries and creditors through the World Bank, the International Monetary Fund and other international financial institutions.

Both the problems and the remedies ... rotate around the central nucleus of the debt moratorium, with this difference: a moratorium which is officially declared decisively moves the balance in favor of the poorer countries, while the tacit, case-by-case debt moratorium preserves the *raison d'être* of the creditors ... the rich countries and the financial institutions. You can put the issue for Italy more or less in the same terms. It is not coincidental that the most provocative proposal was launched by an expert on international financial problems like Guido Carli... The proposal for an unofficial debt moratorium, de facto extended from the large debtors who already enjoy it to the small to medium entrepreneurs, can be used instead in gaining some time in the hope that what Carli believes to be inevitable can still be avoided. . . . Is it possible? Do the margins (for this operation) exist? It is up to the credit system to evaluate it. But the healthy creditors in Italy, that is, the banks that today are hated because they are in the black, must understand that they no longer have a large negotiating force against our (within Italy) Third World-like indebted industry. . . . To push a large part of the Italian industry to bring their accounting books into court is not a solution for anyone: in massacring, above all, the small (industrialists) who are still tied to the old concepts of property, the banks transform into enemies precisely those layers who still believe in the principle that loans must be repaid ... while the big managers of the more powerful groups — and therefore those favored by the banks — not to speak of the administrators of State agencies, are already much beyond those old-time concepts.

**Corriere:**

### Third World Debt Moratoria 'Inevitable'

*The excerpts that follow are from an article in the Sept. 16 Corriere della Sera by Italo Talleri summarizing the Third World movement for debt moratoria and calling such a moratorium inevitable.*

The proposal of an international moratorium on foreign debt of the Third World countries is more and more a reality even if the problem is confronted with the utmost caution and circumspection within financial circles. . . . The problem is now the order of the day during the new session of the ongoing North-South conference. Yet in every one of these meetings (Nairobi

UNCTAD, Colombo, North-South) moratorium was evoked only as a measure which has to be resorted to in the short term because of the gravity of the financial situation in the developing countries. This attitude is due, in part to the fact that the Third World is far from being well-placed to present itself as a united front on this proposal. . . .

The proposal to create a bank of the underdeveloped countries seems more practical in a first approximation and would be more beneficial. . . . The bank would be managed only by the emerging countries, therefore eliminating the severe control which the rich countries exercise through multilateral organisms like the World Bank. . . .

The two proposals are essentially of a political rather than technical nature.

The moratorium seems like a solution from which the Third World could derive immediate benefit. The total indebtedness of the emerging countries was almost \$120 billion at the end of 1973 according to World Bank figures and reestimated to reach \$160 billion by the end of this year. . . . Assuming obvious further indebtedness, the hypothesis (of repayment) is totally unrealistic because the Third World is registering an ever-increasing deficit of the balance of payments. . . .

The prospects for financing these deficits are very pessimistic. Many of the indebted countries have already exhausted their borrowing capacity on the market. . . .

The recourse to moratorium seems therefore inevitable on paper if not for all countries, at least for some of the worst off. Confronted by this situation, the request for a general moratorium has the double goal of reinforcing the negotiating position of the weakest countries and of confronting the problem in its totality, adopting solutions that avoid periodic crises. . . . The attitude of the lending countries is indeed diametrically opposed. They refuse the global approach to debt moratorium but declare themselves favorable to examining the situation case-by-case. The lenders maintain that this arrangement was successful in the past, specifically in the 1970s when different developing countries were obliged to reschedule their foreign debts. . . . The indebted countries, however, view this "club" (the rescheduling club of the International Monetary Fund and World Bank) differently. They maintain that the accords concluded with the IMF and World Bank were in many cases even more burdensome. . . .

In the present situation where the congresses of the many industrialized countries are imposing austerity on their own populations, it is difficult to envision that they would be amenable to alleviating the burdens of their foreign debtors.

The threat of moratoria seems difficult to carry out. It could, however, represent an efficient pressure mechanism for the developing countries to review their intransigent attitude on the problems of financing development.

## Cabinet Shake-ups In Britain, Canada: Wall St. Locked Out?

Sept. 17 (NSIPS) — From all indications so far, major cabinet reshuffles which took place in Britain and Canada over the past week and a half have served to position these key western industrial nations for a clean break with Wall Street and the dollar monetary system, and for active participation in plans for a New World Economic Order — if and when they choose to do so. While neither country has yet followed Italy's example giving active support to Third World economic demands at the North-South talks, Wall Street cannot have been pleased at the results of the shake-ups. These are the major changes:

\* Britain — With no prior notice, Prime Minister James Callaghan last week announced a "root and branch" remodelling of the cabinet he inherited from former Prime Minister Harold Wilson. The big loser in the move, which rearranged personnel in the key security and intelligence-related posts of Defense, Northern Ireland, and Interior, was ousted Home Secretary Roy Jenkins, Britain's major Atlanticist controller (affiliated with the Trilateral Commission, the Bildeberg Group, etc.), who was sent to head the European Economic Community.