payments settlements; and FECOM could hold the funds it acquired in this way from the U.S. in a form which was traditional and indeed prestigious in the 19th century, that is "interest-bearing and offering an exchange-rate guarantee in terms of their denomination in ECU."

For M. Fredric Boyer de la Giroday, director of monetary affairs for the European Community Commission, the transformation of the ECU into a parallel currency will occur through an "evolutionary method."...According to him, it is above all necessary for public authorities not to obstruct this process, and even to favor the acceptance of ECUs by economic agencies and especially by banks, analogously to Eurodollars.

M. Geoffrey Maynard, economic director for Europe and the Middle East for the Chase Manhattan Bank, indicated the reasons why the new Conservative government in Great Britian is very likely to join the EMS.

The Tories seem more favorable toward the EMS than Labour was, and, he added, they see the advantage fo sterling appreciation and of a restrictive monetary policy....

M. Harold Van Cleveland, international economist at Citibank [coauthor of Atlantic Council and Council on Foreign Relations proposals for austerity and "controlled disintegration"—ed.] stated that the U.S. will remain the arbiter of the international monetary situation. "Without a monetary stabilization in the U.S.," he said, "European nations will be unable to maintain stable exchange rates among themselves."

WORLD TRADE

Europeans bypass multis in quest of oil

Have the Anglo-Dutch and Anglo-American major oil companies killed their proverbial golden goose?

A number of Western European nations, in self-defense against Seven Sisters oil price manipulation, recently deployed their diplomatic staffs to the Mideast to conclude bilateral state-to-state oil deals, completely bypassing the oil multis and their speculator friends on the Rotterdam and Genoa spot markets.

Most unsettling to the majors is the June 16 deal signed between the Italian state oil agency ENI and Saudi Arabia's oil agency, Petromin. The terms of the June 16 deal are that ENI will get an additional 2.5 million tons of crude oil in 1979, and 5 million tons in 1980 and 1981 each. The oil will be priced at the current official OPEC price of $14.55 per barrel, creating a considerable saving for Italy. (The current speculator-controlled spot price is $40 per barrel in some cases.)

Italy's ENI has also arranged for 3 million tons of oil from Iraq, 1 million from Syria, and a just-announced 1 million tons from Libya. This means that Italy has now more than compensated for the 7 million tons of oil that it lost from Iranian cutbacks. ENI is currently negotiating with Iraq to build a new refinery there, which may entail more Iraqi oil shipments to Italy.

The enraged oil multis are now threatening to launch an oil boycott against Italy—the same threat that was brought against Italy in 1974 and 1976—and earlier, when ENI was led by the Christian Democratic nationalist, Enrico Mattei. Mattei was aggressively pursuing the same panoply of state-to-state oil deals ENI is pursuing today. His efforts were cut short in 1962 when he died in a suspicious plane crash.

Italy is by no means unique in bypassing with increasing success the Seven Sisters and spot market speculators. In February, shortly after the Shah's downfall, Greece's Karamanlis government obtained oil from Saudi Arabia on a bilateral basis. Kuwait is reported to be directly supplying Japan. West German Foreign Minister Hans-Dietrich Genscher is now seeking similar arrangements for his country from the Saudis. Genscher was also just in Libya—whether the deal there goes through will depend on whether the Libyan government agrees to expand net production—and Genscher will be visiting Iraq on his return from the Tokyo summit.

—*Richard Schulman*