rich countries and creditors through the World Bank, the International Monetary Fund and other international finanical 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'etre 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 inveitable.

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.

Jenkin's move to Brussels had been mooted by political commentators in Britain since Callaghan took office, the explanation being that Callaghan wanted to get him as far away as possible from British politics. His departure from the Home Office removes a major destabilizing factor from Britain's internal situation. Under his policy of releasing detained terrorists, there has been a marked increase in incidents by the British Intelligence-controlled Irish Republican Army, both in Ireland and in Britain itself, and a corresponding rise in anxiety among the public. Jenkin's handling of racial relations in recent weeks has led to heightened tensions in that sphere as well.

Jenkin's replacement at the Home Office is Merlyn Rees, a close friend of Callaghan who has consistently resisted pressure for a hard-line security policy in Northern Ireland as Minister for that province. In the other major shift, Roy Mason, a notorious NATO hard-liner, was reluctantly kicked downstairs to the Northern Ireland spot from Defense, where he was replaced by Fred Mulley, the conspicuously more restrained former Education Minister.

The cabinet shuffle coincides with parallel economic and banking shake-ups that could markedly improve Britain's ability to weather the coming Eurodollar market storms.

The Bank of England has launched a major crackdown on the "dollar premium" Cayman Islands operation, through which British companies evade currency taxes by exporting funds through Cayman Islands banks. Several stockbrokers have been ordered to suspend operations as a result of their dealings, and one suspended Bank of England official warned, "I am only a pawn on the chessboard." According to the London Times, the Bank of England is cooperating with Scotland Yard in investigating 230 cases of suspected fraud, and "has warned those banks and other authorized depositories who make a market in premium currency to be on their guard against breaches of the regulations."

At the same time, to the chagrin of British bankers, the Labour Party Executive has set out extensive proposals to nationalize major chunks of British banking and insurance, in clear preparation for the coming Eurodollar market shake-out. Under the proposals, explicitly modeled on the nationalized credit system of France, the Bank of England could conceivably become an instrument of credit for industrial development in a new economic system.

Finally, at the same time as he remodeled his cabinet, Callaghan announced the dumping of a number of party hacks from their posts in the top leadership of Britain's nationalized industries, and replaced them with experienced industrial leaders.

* Canada — Canadian Prime Minister Pierre Eliott Trudeau followed Britain this week with his own shake-up. The most significant move brought External Affairs Minister Alan MacEachen home from the Paris North-South talks to head the Privy Council. MacEachen had been a key ally of Henry Kissinger in attempting to wreck the Paris negotiations.

The shake-up coincided with the arrival of Callaghan in Canada, where he discussed East-West relations, Third World policy, and domestic economic policy with Trudeau. Callaghan also held meetings with politicians and businessmen in Canada's western provinces.

Which Way Will They Go?

The question is now whether Britain and Canada will capitalize on their new maneuvering room and make a clean break with the dollar, and if so, what new orientation they will adopt. Cautious observers point out that Kissinger-ally MacEachen still has plenty of ability to snarl Canada's economic policies from his post as Privy Councelor, while his replacement in Paris, Donald Jamieson, is an untested factor. Callaghan's deck-clearing operation might serve to eliminate opposition to a Mussolini-style corporatist policy, if that is the direction the Labour Prime Minister decides to move. The London Times warned in an editorial last week that the Labour Party banking proposals could "involve an irreversible shift of power, not indeed toward the working class who would if anything suffer, but toward the system of bureaucracy as the way of running our country and towards the corporate state."

But the predominant indications are that the two nations are preparing to break with the dollar. A close advisor to Callaghan told NSIPS this week that "there is no way the Third World can pay its debts." A solution such as the U.S. Labor Party's International Development Bank might be Britain's only answer, he said. A high Canadian Foreign Ministry official expressed similar sentiments. "We have a very relaxed attitude towards debt moratoria," he said. "We're not taking any orders from Kissinger."