broadcast two days ago pointed out that the motivation for such measures is to enforce debt payments. The broadcast also attacked certain Arab countries' policy of placing deposits of oil revenue in western banks, as these funds are then used to "strangle" the Third World.

The Group of 77 developing countries is scheduled to hold a meeting at the United Nations in New York next week, where strategy for the future will be discussed. Pakistan, which played a leading role in the Paris talks, is expected to urge that the General Assembly of the world body be given the responsibility to review the results of the Paris talks and supervise the implementation of the new world economic order.

State Dept. Bares Post North-South Plans

The following is an excerpt from an interview with an official in the Fuels and Energy Office of the U.S. Department of State.

Q: There have been repeated reports of sharp political fights between the United States and the EEC over what policies to take with the Group of 19 developing countries. Is there any truth to this?

A: Sure there are differences. The Europeans are in a very different position now than they were a few years ago. They are vulnerable on their foreign accounts and are feeling pressure from OPEC. Also there is this political shift in Germany and the particular economic crisis in England.

Q: So the Europeans were more anxious to reach an accomodation with the Developing countries?

A: They are very afraid of a failure of CIEC. Now there are two kinds of failure. One, we put a proposal on the table that is reasonable and the G19 refuses to accept it...but at least we proposed *something*. Two, we are not able to move on any areas for one reason or another and no proposal comes out of the industrialized countries. In the latter situation it is still not a disaster, after all the North-South dialogue is a long term affair and will not be finally resolved for perhaps thirty years or so. It is in our interest to continue the dialogue but it must be channelled into mutually beneficial channels. Even if there is a failure in the second sense, it will not be *fatal*. We will, though, probably be back where we started at Nairobi.

Q: What do you mean by channelling the dialogue?

A: The Third World has wanted to discuss indexation and debt relief generally. We have made our position clear on these questions; that is, we'll discuss them case by case, but not generally. We must redirect the talks into channels where progress can be made, such as trade liberalization and development assistance.

Q: What sort of development assistance? Are you talking about Kissinger's International Resources Bank proposal?

A: The IRB does have some utility in the energy field, but somehow in the other areas the Third World has been particularly resistant.

Q: What are you thinking of for energy development assistance?

A: Principally of course there is the IRB-type arrangement that could facilitate investment at an encouraging rate of return that would help the developing countries become energy self sufficient via domestic alternate resources. India for example has a lot of coal. Of course the real problem is not just the shortage of capital but the shortage of confidence of creditors in the political reliability of LDCs in their contractual obligations. The history of the last year has been that once an LDC finds the resources that can be exploited — or rather — developed, they reneg on the contract and the creditor loses.

Q: What countries are you looking at?

A: Well we mentioned Indian coal. We are also interested in Brazil, Malaysia and Pakistan for oil. Chad has a lot of oil, too, we recently learned. We'd like to encourage investment there. This might also put pressure on OPEC....

Q: But how are you planning to ensure the investments?

A: Well the question is how to get private capital into these Third World countries. There's the IRB and we might work out Ex-Im-OPEC type government guarantees. Additionally we have been talking about World Bank and UN assistance. These two approaches would be politically more acceptable to the Third World and actually would be better for the creditors as well. The World Bank has a lot of political leverage there now and could guarantee.... There is also the possibility of World Bank equitable investment as a supplement. The UN might be encouraged to step in through their revolving fund program which could be partially expanded. Here the UN might partially guarantee and partially issue credits with a moderate interest. If the exploration is successful the recipient pays a premium.

Q: Frankly it all sounds a bit utopian; with a collapsing international economy it is not at all clear that they will be able to sell sufficient resources of any type to keep paying the debt off with any arrangement of loans.

A: That's probably true. I say debt is a theological question. You have to be a metaphysician to solve that one. As to the collapse in world trade there is the danger of competitive devaluations and more talk of the advanced sector reflating quickly.

Q: Well, just don't forget what Kant said about debt....

Fiat Deal Leads Way to New World Order

Dec. 9 (NSIPS) — The Dec. 2 announcement of a deal between Libya and Italy's FIAT involving Libyan purchase of nearly 10 per cent of FIAT stock has been revealed to be one aspect of a much larger package involving efforts by particularly Britain and Italy together with the Soviet Union and the leading Organization of Petroleum Exporting Countries (OPEC), to create the basis for a new monetary system.

All the major Italian press announced Dec. 10 that FIAT president Giovanni Agnelli had flown to Moscow on the day before to join Libyan head of state Colonel Qaddafi who was already in the Soviet Union. What followed was the announcement of a "gigantic" trilateral deal of unrevealed precise magnitude involving Libyan financing, FIAT technology and equipment, and the Soviet home market.

While these negotiations were underway, a meeting was taking place in Italy between visiting Soviet Foreign Trade Minister Komarov and Giuseppe Ratti, "Foreign Minister" of the Montedison conglomerate headed by Eugenio Cefis who is recognized as the leading architect of Italy's anti-Wall Street policies. During that meeting, which included other top spokesmen from Montedison and FIAT, Ratti spoke in favor of the creation of a new banking institution based on multilateral financing for the purpose of discounting Soviet commerical paper on the international market.

In proposing this Ratti was referring to a proposal which is already on the table of the European Economic Community's (EEC) Monetary Committee under joint British and Italian sponsorship. This involves the creation of an EEC-wide Export-Import Bank that would generate low-interest credit in the financing of exclusively development projects involving two or more EEC member nations. As reported by the Milan daily *Corriere della Sera*, the bank would be particularly geared to financing industrial projects in Eastern Europe but would also include projects based in Third World countries.

Italian Foreign Minister Arnaldo Forlani will be traveling to Moscow early next month in order to discuss this proposal further with the Soviet Union.

Press Reports On Three-Way Deals

La Repubblica Dec. 10 — Reports that the Libyan-FIAT deal announced earlier this month involving Libyan purchase of nearly 10 per cent of FIAT shares is being followed up with a "giant" trilateral arrangement involving FIAT, Libya, and the USSR. Gianni Agnelli, FIAT president, flew to Moscow this week to meet with the Soviet leadership and Libya's Qaddafi who was already present in Moscow. According to *Repubblica*, the trilateral arrangement under negotiation will utilize Libyan financing, FIAT technology and equipment, with the Soviets providing the market. *Repubblica* attacks the negotiations as "political fiction," and advocates "political control" to stop the negotiations from going through. These new developments, says *Repubblica*, "put into an increasingly frightening light the recent FIAT-Libya agreement." *Repubblica* backs up its denunciation by citing statements from Ugo La Malfa, founder of the now defunct Action Party under OSS auspices and recognized Atlanticist spokesman. La Malfa's statement, made subsequent to the announcement of the FIAT-Libya agreement, is a warning that the proliferation of similar arrangements would cause Italy to "sink into the Mediterranean."

Unita, Dec. 10 — Confirms that "The Soviets had a part in the FIAT-Libya agreement." *Unita* affirms that the Soviet involvement in these types of negotiations plays a "positive role" together with Libya in securing "peace in the Middle East."

Financial Times, Dec. 8 — Reports that: "At a Rome press conference on Dec. 8, Mr. Abdalla Saudi, chairman of the Libyan Arab Foreign Bank said that the deal in which Libya will become the second largest shareholder in FIAT, Italy's largest private company, could represent the start of greater cooperation between the industrialized countries and oil producers. Saudi said that direct investment and cooperation of this sort could help to reduce the rise in manufactured goods imported by the oil-producing countries which lies behind the pressure to raise oil prices.

"Asked why the Libyan bank had chosen Italy and FIAT in particular for its first major foreign investment, Saudi replied, 'Italy is a country which we know, with which we have things in common and in which we have confidence. It has difficulties but who doesn't?' Saudi added that through the FIAT deal, Libya became a partner in a company with worldwide contacts, contracts, and joint ventures.

"Libyan diplomatic sources indicated that from a wider political point of view, Libya sees the FIAT deal as a means of obtaining closer links between Libya and Europe and of encouraging European countries to take a greater interest in their relations with the Arab world," reports the *Times*.

"Asked whether a representative of the Lazard Freres banking firm would remain on the Board of FIAT and one of its main financial advisors, Saudi said, 'If Lazard Freres is not popular, FIAT should break its relationship with Lazard.' "

Washington Post, Dec. 8 — In an interview Italian Prime Minister Giulio Andreotti "endorsed the idea of a new economic summit metting in which heads of state could put together a 'global policy' to help solve international financial problems." The summit, Andreotti proposed, should be scheduled 'some time early in 1977." Andreotti "noted that the Puerto Rican (Rambouillet II) summit called for slow economic growth, a policy that some international economists have suggested should be replaced by a policy of stimulus...Simultaneously, this (new summit) should put a brake on inflation without limiting the possibility of using human resources. I don't think this is impossible...It is essential that countries must be put in a position where they can truly recover, not merely that their (external) payments be brought into balance."

Corriere della Sera, Dec. 7 — "The EEC Monetary Committee, which will be meeting in Brussels tomorrow, has as its order of the day a problem which is very close to the heart of Italian exporters and other (Italian) monetary authorities: the creation of a new European bank to facilitate exports to third countries...This means the creation of a new European bank that would function like the U.S. Export-Import Bank or that of Japan. The project provides that, in cases of export contracts stipulated by at least two EEC countries, there could be access to, for example, refinancing at low interest rates...(and) the possibility of offering the importer a prolongment of the repayment date...The British, who are next scheduled to get the rotating presidency of the EEC, are interested in the project. This favors a favorable acceptance of the project. Other than Great Britain, the project enjoys enthusiastic support from the Italian Treasury and the Central Bank. The new European Bank could solve an important problem referred to by Bank of Italy governor Paolo Baffi during his last annual report, that of salvaging credit to the East European countries."

La Repubblica, Dec. 10 — Reports that during meetings in Italy between visiting Soviet Foreign Trade Minister Kamarov and Giuseppe Ratti, "Foreign Minister" for the Italian Montedison petrochemical conglomerate, Sig. Ratti repeated the proposal for the creation of a bank capable of providing "multilateral financing" in order to "discount Soviet commercial paper on the international market." Foreign Minister Arnaldo Forlani will be travelling to Moscow in January to discuss this further with the Soviet leadership.

Unita, Dec. 9 — "It is necessary to establish a new monetary and economic order, a new order capable of overcoming the role of the dollar and be independent of American internal policy...A new Marshall Plan is not necessary, but rather a new international economic, political, and monetary system based on a more equitable balance."

Financial Times, Dec. 9 — Reports that a British delegation,including newly-appointed chief of overseas sales at the United Kingdom Ministry of Defense will fly to Teheran on Dec. 12 in connection with Iran's demands that Britain switch the basis of certain key export sales from cash and credit to the oil barter method of payment. High on the agenda will be the future of ordnance complex in Iran — the largest single contract being undertaken by United Kingdom contractors in the Middle East — on which work has been suspended pending an agreement. Mr. Ellis will also discuss other crude oil purchases against the supply of arms, including tanks, supply ships, and armoured vehicles.

Iran's Planning Minister, Mr. Abdol Majid-Majidi said in London, according to the *Financial Times*, that nations willing to conclude barter agreements with Iran for the purchase of oil against payment of military or civilian projects stood the best chance of obtaining a continuing flow of orders from Iran. This would follow from the "close and friendly relations" established. Writes the *Financial Times*: "There is a conviction here (in Teheran) that absorbing some of Iran's heavy import requirements can best be financed and bilateral trade with Western industrialized countries most effectively promoted by such purchase arrangements."

Financial Times, Dec. 5 — Reports that Dickson Mabon, British Minister of State for Energy, told a conference on off-shore oil exploration in Birmingham, England Dec. 8 that latest government estimates put Britain's North Sea gas and oil reserves at £300 billion ($465 billion) and that the "huge value of our oil and gas riches cover today's overseas debts many, many times over." According to the *Financial Times*, which sponsored the conference, Mabon said: "North Sea oil and gas must be used to square this country's accounts with the world, but it is wrong to assume that the resources are mortgaged up to the hilt." Mabon further stressed that "those who have been taking a jaundiced view" of Britain's economic prospects recently should "take note of the strong economic position which our self-sufficiency in energy will give us in the 1980s."

Saudis Prepare for Takeover of ARAMCO

Dec. 10 (NSIPS) — Saudi Arabia expects to have nationalized the 40 per cent of its giant oil business held by the Rockefeller consortium ARAMCO by as early as the end of this year, according to official announcements by the Saudi Oil Ministry. Speaking from Kuwait last week, the Deputy Oil Minister Adel Aziz Turki reported that a finalized proposal for assuming total control of ARAMCO, presently owned by Exxon, Mobil, Standard Oil of California and Texaco Oil companies, is being considered by the Saudi Council for Petroleum.

The Saudis, according to the December Citibank international report, are driving a harder bargain than when negotiations began in 1974 and are now demanding control of not only the facilities in Saudi Arabia but also subsidiaries in the Hague and Houston. But the major obstacle to finalizing the nationalization centers on who will control the marketing rights on Saudi oil production, the largest in the world at about 8.5 million barrels a day. The Saudis this time around want more than just a transfer of property title on their oil wealth, they are claiming the political right to decide independently of the Rockefeller-owned companies to whom and on what terms oil will be sold.

An article soon to appear in Forbes magazine, written in close consultation with the oil companies, predicts that a fully nationalized ARAMCO will give the Saudi government independent marketing rights for only 20 per cent of their oil and leave the remaining 80 per cent in the hands of the four majors under a newly formed consortium, AMARCO. According to a former Mideast ambassador, the major reason why the oil companies will probably be able to maintain 80 per cent control has nothing to do with the Saudis' willingness to take over 100 per cent but rather stems from the fact that a high percentage of the foreign markets are under the thumb of the multinationals.

The Saudis and all the world oil producers' ability to break the oil companies stranglehold on the international oil business depends on European and Japanese cooperation in supplying badly needed markets through government-to-government level transactions. The momentum for expanded state-to-state oil deals has dramatically increased, particularly since the election of Jimmy Carter, whose hated policy for world economic austerity and warmongering military posture toward the Soviet Union has triggered Arab-European motion away from the U.S. Ray Vicker of *The Wall Street Journal* reported last month that based on the current pattern of oil sales, over one third of the Organization of Petroleum Exporting Countries' (OPEC) sales will be sold over the head of the oil companies. In the case of the European nations alone, if the decision were made to buck the network of Wall Street backed companies and gear up their own nationalized oil firms to full capacity, a full 75 per cent of Europe's oil needs could be provided for. Such arrangements would automatically give depressed European industry a major boost, and supply the Arab oil producing sector badly needed technology and infrastructure in exchange for the petroleum.

The Italian government has taken the lead in the