

- 11-25 Italian Foreign Minister Arnaldo Forlani meets with Callaghan and others, proposes "global approach" to economic problems.
- 11-27 Delegation from Egypt including Under-Secretary for Economic Cooperation Gamal el Nazer in London for meeting of United Kingdom-Egypt trade commission; discussion of United Kingdom contract to provide rural electrification equipment for Egypt. Joint ventures in communications, food processing and packaging also under discussion.
- 12-3 Mexico's national oil corporation PEMEX looking to Britain for "specialized know-how" in offshore oil technology to develop Mexico's West Coast oil fields (Source: *Daily Telegraph*).
- 12-9 United Kingdom delegation to Iran to clarify Iran's demands that British accept oil instead of cash as payment for construction of an ordnance factory in Iran.
- 12-10 Soviet-Rolls Royce deal: (largest deal in history of Anglo-Soviet trade) A consortium led by Rolls Royce will provide engines for pumping gas along Siberian
- 12-17 United Kingdom and Poland sign \$33 million trade deal, the core of which is a joint shipbuilding company. A£5 million contract for a joint United Kingdom-Polish company to supply equipment for a chemical plant in Czechoslovakia is also signed, in the context of a new five-year economic cooperation agreement between the two countries. The deal is concluded following the visit to the United Kingdom, by Polish Prime Minister Jaroszewicz.
- 12-18 £600 million contract for British Aircraft Corp. to supply Saudi Arabia with "software" defense facilities (Source: *Daily Telegraph*).
- 12-21 Massey-Ferguson to form joint company with Egypt to manufacture tractor and diesel engines. Massey-Ferguson will own 40 per cent. Plant will produce 5000 tractor and 6000 engines per year, many for export to other Mideast countries.
- 12-21 Imperial Chemical Industries and Montedison to undertake joint development of a dyestuffs factory in Scotland.
- 12-21 British trade mission in Romania concludes that "it is one of the most promising countries in Eastern Europe" in terms of opportunities for industrial investment.
- 12-22 Moscow Narodny Bank holds "extraordinary general meeting" in London to triple bank's capital.
- 12-22 British Government's Export Credit Guarantee Dept. (ECGD) guarantees a £12 million loan to Turkey to finance contracts placed in the United Kingdom for construction of an ammonia plant in Turkey.
- 12-23 McDermott, a Scottish oil platform construction company, wins order for £8.5 million from the Brazilian state oil company, Petrobras.

## Italy, Britain Force Bonn to Soften Line on New Economic Order

The Italians and British have been trying, with considerable success, to get West Germany to give more active and public support to the new world economic order. The argument which they have been pushing in Bonn is that economic growth in the Middle East and North Africa may well be the answer to putting West Germany's mammoth but stagnating industries back on a sound footing.

Early this month, Cesare Romiti, chief negotiator on Italy's behalf in the historic FIAT-Libya deal, went to the Federal Republic to explain to top bankers the terms of the FIAT-Libya arrangement. According to Italy's *L'Espresso*, Romiti arrived with the announcement that Libya is also prepared to invest 15 billion deutschmarks in West German companies. Five billion of this sum would be channeled into the auto industry.

Soon after Romiti's surprise offer, the Volkswagen corporation announced on Dec. 22 its first dividends in several years, sending its stock shares soaring on the

Frankfurt exchange.

In response to such European efforts, with the British taking advantage of its numerous joint corporate ventures in West Germany as a source of influence, the new cabinet of Chancellor Schmidt has dramatically softened its public position on the "North-South dialogue." On Dec. 21, Maria Schlei, just appointed Federal Development Minister after a two-year tenure as Schmidt's personal secretary, delivered a press conference on the North-South talks. In an unusually conciliatory statement, Schlei stressed that West German development policy is "an integral part of our country's peace policy." She pinpointed the "debt dialogue" as the most important question in the European-Third World talks and emphasized that "precious little time is left for new initiatives."

The U.S. is continuously exerting pressure on Schmidt and the Bundesbank (central bank) to support the debt-collecting rights of the International Monetary Fund and

its New York banking partners. Despite this pressure, Italy and Britain have managed to provoke a reassessment on this question in West German circles. Recently, Bonn granted a debt moratorium to the African nation of Zaire. On Dec. 23, Federal Economics Minister Hans Friedrichs gave an interview to the West German newspaper *Handelsblatt* calling for Bonn "to support the developing countries on their way to obtaining debt relief which might be urgently required."

*Handelsblatt*, the respected daily representing major industry in the Ruhr region, made this demand explicit in terms of Egypt. On Dec. 22, the paper noted that Egypt needs "debt relief to open the way for massive industrial expansion."

Considerable enthusiasm is growing in West Germany in favor of Italian authored plans to quickly and extensively industrialize Algeria and Egypt as a stepping stone to modernization of the Mideast and North African continents. A top official in the Social Democratic Party, financial expert Alex Moeller, just concluded an extended visit to Cairo this month on invitation from President Sadat. A traditional backer of using gold as an international trade financing medium, Moeller participated in talks for a thorough reorganization of Egyptian industry.

The Federal Republic's ailing electronics companies are now attempting to take advantage of Arab willingness to funnel liquidity into their firms. Robert Bosch AG reportedly wants to sell its Milan automotive components plant to Iran; and the Siemens Corp. has just signed a 100 million deutschemark deal with Libya to construct a domestic telecommunications network and to train Libyan personnel.

## West Germans Tense Over U.S. Pressure on NATO

The military hawks centered around President-elect Jimmy Carter's proposed cabinet — Harold Brown, James Schlesinger, and the Committee on the Present Danger whose self-avowed purpose is to prepare for nuclear war — have been exerting pressure on the West German government to ensure that the country remains the United States' most reliable partner in the Atlantic Alliance.

The most extreme public pressure so far has come from circles around right-wing opposition leader Franz Josef Strauss, whom Social Democrats are describing as the Committee on the Present Danger's main European representatives. These circles are expressing the fear that West Germany will prefer political neutrality to the prospect of being destroyed in a "front-line" nuclear confrontation.

More moderate voices around the *Frankfurter Allgemeine Zeitung* (FAZ) are on the other hand, confining their unrestrained support to Cyrus Vance, while wavering on the issue of Schlesinger et. al. On Dec. 24, for instance, the paper's Washington correspondent Jan Reiffenberg praised the prospective Defense Secretary's "analytical thinking, high intellectual and

moral qualities," while only four days later he turned around to warn that "The burned children of 1960... will be in power again in January." Editorials from both the FAZ and the *Suddeutsche Zeitung* are in favor of waiting for the outcome of the Mutual and Balanced Force Reduction (MBFR) talks in Vienna before taking decisive action.

In the past, a hefty dose of U.S. pressure has usually been sufficient to make West Germany toe the line, especially when it comes to military-strategic policy. For a variety of related reasons, however, Defense Minister Georg Leber has had to become more sensitive to his European environment, in spite of Leber's personal commitment to Schlesinger's policies. Last week, Leber had to publicly apologize to the U.S. that his country could not immediately approve the Boeing-made "AWACS" airborne warning system because of the tremendous financial and political burdens involved. Expressing the widespread fear that the country would become an isolated U.S. outpost in Europe, he said that "AWACS must not turn into a matter which only the Americans and the Germans handle amongst themselves." Leber has asked the U.S. for more time to decide on the project. In his very next breath, though, he warned that the British will develop their own warning system if the delay is too long.

## West German Trade Unions Mobilize Behind Nuclear Energy

Trade unions in the West German Trade Union Confederation (DGB) this week launched a campaign to defeat the "Citizens' Initiatives" environmentalist groups whose platform is the dismantlement of West German Industry beginning with nuclear fission plants.

Since zero-growth advocates rioted at the Brokdorf nuclear power site in November, the Miners and Energy Union (IGBE) has mobilized thousands of West German workers and their families in support of the Schmidt government's plans for nuclear energy, and their employers' expansion plans based on power equipment contracts. These mass demonstrations, under slogans like "Energy guarantees exports and jobs," have targeted the environmentalists who want to shut down six planned industrial parks, in addition to nuclear power. The December miners' monthly, *Unity* attacked the environmentalists for "wanting the same kind of anarchism that the political crazies want"—referring to the Brokdorf riots.

Instead of supporting the government's plans for nuclear energy, DGB chairman Heinz Oskar Vetter—a former Trilateral Commission member—is trying to mobilize workers over upcoming contract negotiations. In a Dec. 27 *Der Spiegel* magazine interview, Vetter said, "We've exhausted our ability to compromise," and threatened Chancellor Schmidt with "factory reactions" over wages, pensions and jobs. Public Service Union chairman Heinz Kluncker, whose union's strike in 1974 contributed to Chancellor Willy Brandt's resignation, supported Vetter. Next the Metalworkers' Union (IGM),

chaired by another ex-Trilateral Commission member Eugen Loderer, raised a wage increase to 9.5 percent as opposed to the offer of 4.5 percent.

The conservative daily *Die Welt* noted Dec. 29: "There is the real danger that the DGB can topple the Schmidt government..." *Die Welt* wrote, "What is driving Loderer, Vetter and Kluncker to do these things?"

Miners' union chairman Adolf Schmidt quickly responded to Vetter's interview in an interview of his own in the Dec. 30 *Koelner Express*. Schmidt emphasized that "the wage struggle will naturally get harder in light of the decreasing rate of growth," but said that the only difference between Chancellor Schmidt's government and the trade unions was one of atmosphere.

## Giscard Acts for Energy Austerity

In the last week, French President Valery Giscard d'Estaing has acted as the leading agent of the International Energy Agency. Giscard pushed through his Council of Ministers a proposal to restrict French exports of nuclear fuel reprocessing plants to prospective Third World buyers. The rationale behind Giscard's sudden conversion to nuclear non-proliferation, Giscard claimed, was U.S. President-elect Jimmy Carter's recent statements on that subject. In the short term, such a policy reversal will mean that tentative agreements for nuclear plants with Pakistan, Iraq, and Iran will be eliminated.

Giscard came under heavy fire from the West German and the British press last week, for France's sabotage of the continent's first joint thermonuclear fusion reaction plant, the Joint European Torus project, by refusing to consent to a joint site for the plant. The West German daily *Frankfurter Rundschau* pointedly called Giscard "insane" for opposing the project. (see Energy report).

Following Giscard's proposal at last month's Common Market heads of state meeting to impose energy consumption ceilings throughout Europe, the French Government announced this week that as of Jan. 1, 1977, a tax will be imposed on all imports of oil from Saudi Arabia and the United Arab Emirates, the two OPEC countries which took the lead in defending a minimal price increase and increased production. While the reported reason for the tax is to prevent the major oil multinationals from making a killing on the cheaper OPEC oil, the tax will serve to keep oil prices up in Europe, while pitting the Saudis and the Emirates against their OPEC partners Iraq, Indonesia, and Algeria — France's major oil suppliers.

The political content of this policy to pit the pro-development countries of the Third World against each other likewise came to the fore this week in a French-backed destabilization move against the President of Mauritius Sir Seewoosagur Ramgoolam. A previously unheard-of political party, the MMM, emerged to seriously challenge Pres. Ramgoolam's electoral victory this week, drastically cutting into his majority. The MMM's platform rested primarily on inviting French defense forces into the Indian Ocean, as an effective "third way" counterweight to the "superpowers," the United States and the Soviet Union. President Ramgoolam, in his capacity as President of the Organization of African United, has been one of the key pro-development spokesmen from Africa. (see Africa report).

Within France, the Giscard government announced

this week that prices for domestic oil consumers would probably be cranked up yet another notch early next year, while simultaneously rigorously enforcing a system of energy-consumption ceilings to prevent "cheating." The system itself consists of a tax scale for offenders who overreach their energy ceiling. The nationalized electricity company, EDF, has been charged a huge 50 million franc fine for "cheating." EDF has one of the largest programs for fission research and has been the subject of repeated attack from assorted ecology and environmentalist groups.

## Gaullists Under Pressure

The French daily *Le Monde* this week reported that Giscard is sounding out the possibility of creating a French version of the U.S. National Security Council. The proposal is to turn the Gaullist-controlled interministerial military and defense planning agency, the SGDN, into a centralized policy-making authority, thereby wresting this process from Gaullist forces and placing it in the hands of a restricted team of technocrats.

The political attack on the Gaullists which will serve the dual purpose of eliminating their influence and creating a propitious terror environment surfaced this week with the political assassination of Jean de Broglie. Although a member of Giscard's own Independent Republican party, de Broglie was a close personal friend of leading Gaullist spokesman Michel Debré and one of the key figures in the elaboration of Gaullist policy toward the Third World. The right-wing "Charles Martel" group claimed responsibility for the assassination; the group is reported to have been part of the Secret Army Organization during the Algerian War. The OAS is close to Giscard's most loyal minister, Interior Minister Michel Poniatowski and the right-wing networks of Interpol.

## French Oil Agreements

French industrialists, in particular the nationalized oil interests, are not going along with the President's austerity plans. In a significant countermove to Giscard's proposed tax on Saudi oil imports, the nationalized oil concerns CFP and ELF announced today the conclusion of an agreement to raise their imports from Saudi Arabia by 30 per cent per annum, to a total of 12 million barrels, circumventing the Rockefeller-owned ARAMCO.