liquidation of Treasuries by the foreign central banks over the last three weeks, and that the bulk of the reflow into the dollar appears to have run its course. If true, this means there will be no cushioning of the sizeable future credit demand.

The main debate over where U.S. interest rates are now headed revolves around when when the high interest rate-oil price-induced recession will kill demand for credit—immediately or after a lag of some months. The second scenario, which is the more likely, entails an imminent run up in short-term rates, as corporations scramble to get funds to finance a voluntary and involuntary increase in inventories. Manufacturers Hanover economist Irving Kellner said last week that although the economy may have already entered a recession, he expects demand for commercial and industrial loans to continue to increase for a least the next several months because of the erosion of corporate profits and liquidity and their increasing dependence on external funds. On top of that, the sharp escalation of energy prices this year, beside being a major added cost of doing business, has prompted corporations to begin to stockpile goods such as plastics, chemicals and other products that have a high energy content as a hedge against further energy price increase. This, of course, increases the demand for short-term borrowed funds.

The administration, whose economic, energy, and foreign policy are responsible for the impending economic catastrophe, is holding in reserve various tools for "dealing with" the problem of inflation. Council on Wage and Price Stability chief Barry Bosworth became the first administration official last week to broach the subject of mandatory wage and price controls. And at hearings of the Senate Banking Committee on May 24 on a bill to repeal the Credit Control Act of 1969, Treasury Secretary Blumenthal argued for preserving the president's standby authority to selectively ration credit in the economy. "This is not because we see a need to exercise such authority now or in the forseeable future," Blumethal maintained. "But the economic situation can change rapidly. It is only prudent, therefore, that the president retain the authority to respond promptly, and if need be selectively, to disruptive changes in the composition of credit demand." Federal Reserve Governor Nancy Teeters backed him up with a speech on the impracticality and free-market undesirability of controls—which ended by advocating them in case of "emergency."

—Lydia Schulman

OPEC-Third World split

In a series of editorials and news commentaries on the fifth conference of the United Nations Conference on Trade and Development (UNCTAD), the British and American press have advertised the following strategy: pit the oil-producing countries and the rest of the Third World against each other and institutionalize the Third World's "dashed hopes" and "changed assumptions" about industrialization prospects. On the eve of the U.N.'s Third Development Decade, the intention is to make the developing sector safe for "appropriate technologies" and, "collective self-reliance" genocide.

Detailed evaluation of the proceedings of the Manila conference that ended June 2, one day behind schedule after seemingly endless deadlocks, awaits further information and cross-checking of on-the-scene reports. As we have reported, the "North" positions were set by the International Monetary Fund and Organization for Economic Cooperation and Development to prevent any discussion of a new world economic order and aggravate Third World divisions by manipulting the oil-price issue.

This was and is designed to sabotage the negotiations for an international conference of energy producers and consumers, a proposal fielded by Mexican President Lopez Portillo with the support of French President Giscard and other Western and East bloc leaders. The agenda would include overhauling the world system of energy production, distribution, and consumption as the practical kernal of a program for global high-technology investment.

The Portillo proposal will be formally presented at the fall United Nations General Assembly session launching the Third Development Decade, and Cuban President Fidel Castro has also requested that Portillo, whose country is not a member of the non-aligned group, present the proposal to the non-aligned summit that will meet to prepare for the U.N. General Assembly in Havana this fall.

A World Bank mercenary

The most elaborate statement of the current Anglo-American tack was featured in the New York *Journal of Commerce* editorial of June 5, pompously titled "The Third World Shifts." "Mahub Ul Haq has changed his mind," begins the Journal, introducing the Cambridge-Yale product whose promotion as "the most articulate and persuasive spokesman of the Third World" is based on the facility and conviction with which he now relays the formulas of Milton Friedman's Mont Pelerin Society.

Central to World Bank planner Haq's new pose is his assertion that, contrary to what he once believed,

touted in UNCTAD's wake

OPEC will not take the lead in bringing the Third World into the modern age—instead it will pillage the underdeveloped sector. "The Manila meeting," he said, "was the beginning of a rift between OPEC and the Third World." More credit will not help the latter industrialize and prosper; Haq advocates autarky and austerity—"development, like charity, begins at home" with "saving, investment and productivity."

Instead of "debt forgiveness," Haq says, the talk was now of "monetary reform." "No longer, it was said [at UNCTAD], should the United States be permitted to export inflation by foisting added dollars upon the world...a signal that the Third World is being told that to get aid and credit, it must support Special Drawing Right subsitution for the dollar.

The *New York Times* wrote that "fissures in Third-World solidarity were more apparent than ever" as "poor nations began to speak out on the problems they are having with petroleum ... United States officials strongly denied influencing the energy debate to try to divide the Third World, but they privately applauded the divergence among the developing nations."

The June 2 London *Economist* chose to play up another divisive event—the UNCTAD resolution scolding the Soviet bloc for stinginess on aid—while smirking, with an eye toward "self-help" and further radical-fundamentalist upheavals on the Iran model, that "the meagre results expected from UNCTAD this week may strengthen the 'radicals' in the Third World group who say that dialogue with the West to rejig the world capitalist system is a waste of time."

The London *Financial Times* of June 4, for its part, indulges in a royal tantrum over American actions against seven transatlantic shipping groups for price-fixing, chastising its faithful today for breaking rank at a time when "Western"—and largely British—control of shipping is under attack by UNCTAD. Since UNCAD is hardly fearsome, we must surmise that the *Times* is responding to the fact that France has become very active in alliance with both the developing sector countries, the Arabs and with the Soviet Union on the pivotal shipping issue.

—*Susan Cohen*

TRADE

Comecon takes major initiatives

The Soviet-Eastern European sector is presently the principal source of new global trade and industrial development deals, pending results from French and Mexican initiatives for joint producer-consumer energy investment. In the past week, the following major Comecon-linked trade deals were announced:

- An $8 billion trade agreement between the USSR and Turkey, including $4 billion in Soviet development credits to Turkey for projects including the construction of nuclear reactors. The Soviets are concerned that its IMF-beleaguered neighbor does not go the route of Iran into Dark Ages chaos;
- A commitment by the Soviets to build a $2.75 billion steel plant in India at Vishakapatnam. The plant, to be financed through Soviet credits, will reach an output of 3.5 million tons per year by completion. Procartelization circles typified by European Commission Industry Minister Count Davignon are known to be furious at the Soviets for thus expanding world steel production;
- Polish-government-signed final-purchase contracts worth $260 million for four container ships to be filled by two French shipyards, Chantiers Navals de la Ciotat and Chantiers de l'Atlantique. Each of the yards will build two of the 24,000-gross-registered-ton ships. The French government is providing overall a $70 million subsidy. According to newspaper reports, the shipyards will be filling the order at a loss even with the subsidy. This was deemed preferable, however, to massive layoffs and shutdowns at the yards.

—*Richard Schulman*