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# EXECUTIVE INTELLIGENCE REVIEW

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## To Our Readers

The unprecedented success of the Executive Intelligence Review's claim to have established a decisive competitive advantage over every other existing publication — government or private — in the exceptionally sensitive information industry, requires a word of explanation from its admittedly controversial publishers.

This explanation therefore strives to answer the question often asked by corporate and government-service clients of the Executive Intelligence Review, namely: "Why do I, as a businessman, government official, etc., need to rely on the published product of an avowedly Marxist enterprise?" The fact that such a reliance has been proven to be established by the market performance of the Executive Intelligence Review to date, itself signifies that the question merits an answer for reasons more important than mere curiosity.

There are two interconnected reasons for which avowedly capitalist corporate managers have repeatedly appreciated the intelligence services supplied by the avowedly Marxist Executive Intelligence Review.

First, our superiority over our competitors, both in government and the private sector, in the information field, occurs in matters of method, particularly method of intelligence evaluations. The implications of our methodological commitments for the client-executive who wishes to purchase a reliable intelligence report, are twofold. One, in our ability to single out unique special features in world developments which, months later, become leading features that dominate subsequent political, economic, financial and technological trends. Our established track record includes such "success stories" as our consistent lead over every one of our competitors in the analysis, evaluation and publication of events leading to the OPEC-led onslaught against the energy and financial empire of the Rockefeller coalition; the emergence of the European-Arab axis; the Soviet and West European commitment to the development of fusion power and related technologies; the establishment of the Warsaw Pact's decisive marginal strategic advantage over NATO strategic forces; the concerted drive of West Europeans, Non-aligned nations and others to replace the Bretton Woods system with a gold-based world monetary arrangement; and so forth.

Equally decisive for the corporate executive who relies on our intelligence product is our commitment to differ with our competitors in the presentation and packaging of this product. Our editorial policy is founded on the proposition that the informed executive will be unable to form competent policy judgments unless he is presented with the *entirety* of the world picture into which his particular corporate jigsaw puzzle must be fitted. Hence our deliberate decision to present, each week, a synthesized total world picture within which our client will also be able to find every significant intelligence item pertaining to his special area of concern and responsibility. He thus has the option of weighing the import of such specialized intelligence items against the global frame.

The second reason for our superiority over our competitors is the fact that the Executive Intelligence Review relies on the services of uniquely qualified vendors. They are the Intelligence Department of the U.S. Labor Party, the Fusion Energy Foundation, the amassed expertise of the Labor Party's Legal Department. The Executive Intelligence Review also reflects the added advantages of insight gained through the USLP's political activities and relations with every social and political group of any consequence in this country and abroad. Such groups and entities are going to be playing an increasingly decisive role in the emerging new world economic order, and our established relations with them give us a decided advantage over every one of our competitors in this key business area.

Finally, the editors of NSIPS fully share the USLP's fundamental political proposition that the *capitalist* necessity of maximizing rates of capital formation can only be realized by means of a *socialist* theoretical solution to the problems of accumulation imposed on the economy by the monetarist faction. Hence our commitment to making available to the industrial executive, the engineering specialist and the concerned official the quality of political and business intelligence enjoyed by the U.S. Labor Party leadership itself.



Nancy Spannaus  
Editor-in-Chief

## IN THIS WEEKS EXECUTIVE INTELLIGENCE REVIEW

With David Rockefeller's Trilateral Commission in complete control of the Carter Cabinet (numbered lists of each Cabinet appointee are featured in this week's National Report,) the men behind Jimmy Carter have announced their intention to stabilize the American people on behalf of the policies of thermonuclear war and genocide.

\* \* \*

In exceptionally frank interviews in this week's *International Report*, Iiri Ra'nan, Ray Chue, and members of the Committee on the Present Danger's "outside team" of intelligence analysts back up their front-page New York Times attack on traditional U.S. defense strategy they assert that a total U.S. commitment to fight a losing war against the Soviets is the top Carter Administration priority!

\* \* \*

Reports in *Middle East*, *Africa*, and *Latin America* cover the major "hotspots" which the Carter team is seeking to use as triggers for a nuclear showdown....A policy portrait of the technocrat they've installed as Defense Secretary to carry out their orders is featured under *Military Strategy*.

\* \* \*

Rep. James Scheuer bares the bloody hatchet the Carter crew is raising against the Third World in an interview in the *International Report*. Scheuer explains how he, Sen. George McGovern, and other Carter Congressmen plan to legislate use of food reserves control, compulsory sterilization, and similar weapons to murder hundreds of millions and bend the developing sector to their will.

\* \* \*

The openness and haste of the monetarist faction is prompted by the rapid disintegration of dollar hegemony, as Europe, the OPEC countries, and the

socialist sector pursue increasingly coordinated strategies for bringing about a new international economic order.

\* \* \*

As OPEC consolidated its ties with the Europeans (see *Energy*) the Soviets swung their weight behind a new gold-backed international monetary system with a swift dollar dumping operation on the *Foreign Exchange* markets.

\* \* \*

Also in this week's *Economics* review, U.S. Labor Party Chairman Lyndon LaRouche explains why current monetarist attempts to debunk the USSR's newly announced transfer ruble remedy for economic collapse are incompetent from the standpoint of capitalist economic theory itself.

\* \* \*

This issue of *Executive Intelligence Review* contains what is to date the only competent analysis of post-Mao China to appear in the U.S. press, confirming that the country's new leadership is firmly on course toward a full party purge of Maoist advocates of labor-intensive "oolie economy," and the reindustrialization of China. Lengthy excerpts from the speeches of China's new leaders are appended (see *Asia*).

\* \* \*

Just as the Chinese are jettisoning their bankrupt policies...Sen. Edward Kennedy and other Carter backers are collaborating to deindustrialize the high-technology beltway of the northeastern USA. This week's *Energy* packet documents their plans to cut off all foreign oil shipments to northeast ports, in what promises to become one of the major scandals of 1977.

# EXECUTIVE INTELLIGENCE REVIEW

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# Carter Goes Public with Campaign for Showdown with Soviets

Dec. 30 — Just days after Jimmy Carter named former defense secretary and nuclear counterforce strategist James Schlesinger to a top White House advisory post, the Committee on the Present Danger (CPD) boldly took its preparations for a nuclear showdown with the Soviet Union before the public. The CPD, formed by Schlesinger and other Carter advisors, is the architect of Carter's foreign policy.

The object of the current CPD propaganda campaign and the accompanying provocations to the Soviets around the world is to create a climate of psychosis — the Schlesingerian "aura of power" — in which the U.S. population will passively accept World War III.

In a series of public pronouncements and private interviews this week, the CPD crowd announced their determination to provoke a global confrontation. The New York Times advertised in a front-page lead article Dec. 26 that a group of "outsiders" was recently brought into the Central Intelligence Agency to debate the agency's estimate of Soviet strategic capabilities and reach "grim conclusions." The "conclusions," authored by CPDers Paul Nitze, Thomas Wolfe, and William Van Cleeve, among others, echoed the CPD contention that the Soviets "intend" to provoke a crisis. Not surprisingly, the "outsiders" named are Carter's *insiders*, including warhawks who were ousted by President Ford in the 1975 "Halloween Massacre" as a threat to world peace. These

warhawks subsequently regrouped in the CPD to propagandize their war conspiracy.

One of the "outsiders," Thomas Wolfe of the Rand Corporation and a member of the inner circle of National Security Advisor-designate Zbigniew Brzezinski, told an interviewer this week: "We must stop stressing deterrence and prepare the population for war." The big bluff strategy to face down the Soviets was reiterated in a press briefing by former CIA official Ray Cline.

These Carter backers are not waiting for Carter to enter the White House Jan. 20. Since the provocative designation of Schlesinger as special presidential assistant, the Rockefeller financial cabal behind Schlesinger and Carter has coordinated assaults in major hotspots of the Middle East, Africa, and Latin America, targeted Cuba, and drawn a bead on Eastern Europe — the surest way to force the Soviets to launch a nuclear strike.

The most immediate provocation to the USSR is the Carterites' plan to extend NATO's orbit into Latin America, beginning with the inclusion of Brazil in large-scale NATO naval maneuvers which begin in the Caribbean Jan. 17. These maneuvers set the precedent for formation of a South Atlantic Treaty Organization as NATO's junior partner in the South Atlantic, an intolerable strategic threat to the Soviet Union, and its Cuban ally in the Caribbean.

## Hawks Issue 'Grim' Estimate Of Soviet Power

Dec. 28 — The following are excerpts from a lead front-page article in today's New York Times by David Binder entitled "New CIA Estimate Finds Soviets Seek Superiority in Arms," and subtitled "Intelligence Evaluation Grim, Somber Assessment Is Attributed to Outside Advisers Brought Into Study for First Time."

WASHINGTON, Dec. 25 — President-elect Carter will

receive an intelligence estimate of long-range Soviet strategic intentions next month that raises the question whether the Russians are shifting their objectives from rough parity with United States military forces to superiority.

In reporting this, high-ranking officials of the Central Intelligence Agency said their annual so-called national estimate of Soviet strategic objectives over the next 10

years, just completed, was more somber than any in more than a decade. A top-level military intelligence officer who has seen the estimate commented: "It was more than somber — it was very grim. It flatly states the judgment that the Soviet Union is seeking superiority over United States forces. The flat judgment that that is the aim of the Soviet Union is a majority view in the estimate. The questions begin on when they will achieve it."

Previous national estimates of Soviet aims — the supreme products of the intelligence community since 1950 — had concluded that the objective was rough parity with United States strategic capabilities....

There have always been officials in the intelligence community who took a grim view of Soviet strategic objectives, but until this year, according to insiders, they constituted a small minority....

The more somber view represented — "more somber" being the phraseology of the C.I.A. — developed in an unusual fashion, according, to a number of participants. They said it came about primarily through continuing dissents by a long-term maverick in the intelligence community, Maj. Gen. George J. Keegan Jr., whose voice was strengthened this year by like-minded outsiders. General Keegan, who is retiring Jan. 1 as Air Force chief of intelligence describes himself as "the eye of controversy" in the intelligence community and has been contesting the estimates of Soviet intentions for 22 years...

#### *Guidance of American Policy*

The long-range estimate provides guidance for the size and shape of the United States defense budget, the Government's policy approach to East-West relations, including strategic arms negotiations, civil-defense planning and, ultimately, the entire concept of strategic deterrence, based for two decades on nuclear-tipped intercontinental missiles and antimissile defenses. The estimate also influences the annual "secret posture statement" sent to Congress by the Secretary of Defense as a guidance for the protection of the United States....

They said it came about primarily through continuing dissents by a long-term maverick in the intelligence community, Maj. Gen. George J. Keegan Jr., who is retiring Jan. 1 as Air Force chief of intelligence, describes himself as the "the eye of controversy" in the intelligence community and has been contesting the estimates of Soviet intentions for 22 years...

General Keegan became convinced that the Soviet Union was preparing for offensive war against the United States. This prompted him to oppose a 1972 treaty curbing offensive nuclear weapons...

Last June Mr. Bush and William G. Hyland, Mr. Ford's deputy assistant for national security, selected a panel of seven outsiders to join, experimentally, in drafting the next long-range estimate. The conditions were that the outsiders be mutually agreeable to the advisory board and to Mr. Bush and that they hold more pessimistic views of Soviet plans than those entertained by the advocates of the rough parity thesis.

Those selected were Richard Pipes, Professor of Russian History at Harvard; Thomas W. Wolfe of the RAND Corporation; Lieut. Gen. Daniel O. Graham, ret., former head of the Defense Intelligence Agency; Paul D.

Wolfowitz of the Arms Control and Disarmament Agency; Paul H. Nitze, former Deputy Secretary of Defense; John Vogt, a retired Air Force general, and Prof. William Van Cleve of the University of Southern California, formerly a delegate to the strategic arms talks...

As related by participants in both the team headed by Professor Pipes and the team headed by Mr. Stoertz, controversy boiled up immediately, not only on interpretation of less easily defined strategic objectives but also with regard to missile accuracy.

#### *'We Left Them Speechless'*

"Sometimes we left them speechless," one of the outsiders remarked. "We had men of great prestige, some of them with memories going back 25 years or more, and they made devastating critiques of the agency estimates." A C.I.A. estimator described the work as "a rather unfair setup" in which the outsiders felt they had a somewhat broader mandate, and used it.

Another intelligence officer spoke of "absolutely bloody discussions" during which the outsiders accused the C.I.A. of dealing in faulty assumptions, faulty analysis, faulty use of intelligence and faulty exploitation of available intelligence. "It was an absolute disaster for the C.I.A.," this official added in an authorized interview. Acknowledging that there were more points of difference than in most years, he said: "There was disagreement beyond the facts."...

#### *Dispute on Strategic Objectives*

All those interviewed acknowledged that the greatest disputes arose over Soviet strategic aims.

The outsiders asserted that the ultimate intention was to develop forces capable of interfering with the free flow of ocean transport, denying raw materials to the West, disrupting fuel supplies, defeating the "projection of power from sea to land" by Western forces, defending nuclear capability from American nuclear submarines and developing strategic forces that would ultimately have a superior first-strike capability.

The insiders retorted that hard evidence did not permit such extrapolations, according to a C.I.A. participant. He said with regard to Soviet military preparations: "For us the question is not whether the Russians are coming, but whether it is feasible for them to get here and how soon. That comes back to the question of United States will and determination. If we don't have it, then there is superiority."

After a series of clashes the teams convened Dec. 2 and 3 before the President's advisory board and presented their estimates and critiques. In the judgment of outsiders, the C.I.A. estimate, which formed the basis for the national estimate, was strongly influenced by their group. General Keegan was said to believe the insiders shifted 180 degrees as a result of the exchange...

There is a prospect that the Carter Administration might look further into the somber side of the estimates because Zbigniew Brzezinski, the President-elect's designated national security advisor, recently received a briefing on Soviet military programs from General Keegan.

## War Policy That Leads To Permanent Destruction of U.S., Would Force Soviets to Back Down CPD'er Says

*Dec. 28 — The following is a full transcript of an interview today with Dr. Uri Ra'anah, professor of government at the Fletcher School of Diplomacy, Tufts University, Boston, and a member of the Committee on the Present Danger and the Trilateral Commission. Ra'anah is a friend of Zbigniew Brzezinski, diplomatic trouble-shooter whose specialty is Eastern Europe and the Balkans. He was a leading participant at the June 1976 Ralph Bunche Institute conference on international terrorism where the Entebbe and Croatian hijacking scenarios were first spelled out.*

Q: Now that President-elect Carter has announced his entire round of Cabinet appointments, what is your assessment of the new administration?

A: Well, the appointment of Zbiggy is encouraging, but overall it does not look good. Some of the things coming out of Brown, Carter, and that UN Ambassador Young are absolute hogwash. I could not believe my ears when I heard that Brown had categorically dismissed the Team B report as an exaggeration. (*The Team B report is the findings of the "outsiders" study group on Soviet strategic and military policy that collaborated with the official CIA team in preparing the annual agency report to the administration. Team B was made up exclusively of members of the Committee on the Present Danger and like-minded utopian warmongers including Paul Nitze, Gen. Daniel O. Graham, and Thomas Wolf -ed.*) And to top it off, Carter comes out and backs Brown by publically stating he still believes there is a strategic military balance between the U.S. and the Soviet Union. Then he quotes from Kissinger that the Soviets have never told a lie. I mean, really! What was the Cuban missile crisis all about? Then the UN ambassador comes out calling for a strong Vietnam — to guard against the China threat. This is straight, unadulterated MacNamara policy. Haven't these people learned a thing since then? Brown, Vance, Young — these people represent a very dangerous tendency in the new administration. And Carter himself is behaving like James I. I mean, really, quoting Kissinger of all people.

Q: Well what about Schlesinger and Brzezinski?

A: Of course I'm a close personal friend of Zbiggy and I am sure he will play a constructive role in the administration. Back in 1964-65 he was very tough minded, but he may have changed since he was last in government. Jim Schlesinger is, of course, also a good appointment. However, Jim is being placed into an impossible job. Before he can actually get moving and establish his presence in the administration, there will have to be some fundamental changes in Congress.

Q: From the pessimistic perspective you are presenting, I wonder whether you would have preferred another four years of Ford and Kissinger.

A: Absolutely not. Kissinger consistently undermined the willpower of the U.S. administration. Under a Ford-

Kissinger administration our chances were absolutely zero. Under Carter I would say we have a one-in-eight or one-in-ten chance of really changing things. But from Carter's recent behavior I'm afraid I don't see any hope over the next six months.

### *Soviet 'Blackmail'*

Q: Do you foresee a Soviet policy of testing the new administration and, if so, what initiatives do you believe they will take?

A: They absolutely will test. Soviet policy now is a policy of blackmail. They will squeeze for a rapid SALT II agreement that would be absolutely horrendous for the U.S. They will initiate expanded surrogate warfare operations to be run through the Soviet puppet states outside of the Warsaw Pact — and by this I mean Cuba, Vietnam, and North Korea.

I can foresee two or three scenarios for Yugoslavia if the succession crisis occurs. I honestly don't know at this point if I would prefer to see Tito still alive — despite his movement toward closer ties to Moscow — or the unfolding of some sort of confrontation initiated by the Soviets. I also expect an increasing emphasis on the Caribbean, particularly Panama, Guyana, and Jamaica. These areas are all targeted for Cuban operations.

Q: Have you read the Linowitz Commission Report? One section of that study suggests that negotiations may be initiated between the U.S. and Cubans. It puts forward the hypothetical case of a U.S. agreement to crack down on Cuban exile terrorists in return for Cuban promises to permanently stay out of Angola and refrain from new interventions.

A: I haven't read the report yet, but I can tell you that we could never sit down and negotiate with the Cubans. Any time an open society and closed society sit down to negotiate on anything, the closed society will win.

Besides, the Soviets are active everywhere around the globe and that's a fact. They are all over south central Africa, and I can tell you now that the Cairo meeting between Syria and Egypt was no peace discussion in preparation for Geneva. That was a Soviet-initiated planning session to gird for the next attack.

You talk about the Cubans staying out of Angola. Do you know that the Cubans were based out of Syria before they even went in to Angola? And do you think that has changed? The Soviets plan to run a picket fence operation in the Middle East. They'll trigger the Syrians and Egyptians into a provocation against Israel. They'll move their own direct military forces into the area, and then they'll dare us to fire the first shot of World War III.

Q: In this context, what significance do you place in the Soviets' transferable ruble initiatives, particularly as they will effect the posture of our NATO allies in Europe?

A: Don't overestimate the Soviets' economic initiatives. They believe in the unconditional primacy of maintaining the Soviet economy. The British are the only European nation to be in severe enough financial shape to be potentially swayed by this.

Q: In a recent interview from Europe, Senator Javits took quite a different view. He expressed a fear that all of Europe could establish some kind of bloc with the Soviets if the economic collapse is not countered by some kind of Marshall Plan initiatives by the U.S.

*The Problem is 'Political Will'*

A: Look, Javits is on entirely the wrong track on this question. The problem is not economic. The problem is one of political will, and until the United States demonstrates to its Western allies that the will to stand up to the Soviets' blackmail is the overriding theme of U.S. policy, then nothing will improve.

Q: Then what is your message to the Carter administration? What are the policy recommendations that you are conveying to your friend Brzezinski?

A: First, no summit meeting with Brezhnev under any circumstances. Second, initiate an immediate program of military buildup, and I mean both R and D and production. I know of some specific R and D programs but I'm not at liberty to discuss them now. Under no circumstances can we abandon the Cruise missile program, and I don't care what kind of offer the Soviets make to discard the Backfire program. Third, make it absolutely clear to the Soviets that the U.S. will tolerate no "adventurism" from the Bolsheviks. There is no need to be any more specific. Just use the term "adventurism."

The Soviets have an absolute military strategic superiority at this point, and the key to that superiority is their civil defense program. A full-scale thermonuclear war would claim only 5 to 6 per cent of the Soviet population — a loss that we of course would not be willing to accept but the Soviets would — given their history in World War II. We, of course, would be totally wiped out by such a war. I have known this for years.

I have reviewed the data used by Team B. They all know that the Soviets do not buy MAD (*Mutually Assured Destruction -ed*). They have a war-winning policy and a war-winning capability — and its about time that fact became known to the U.S. population.

Q: Dr. Ra'anana, you have posed a paradoxical situation from the standpoint of what you are saying. If, as you say, the Soviets are playing a blackmail operation, won't your proposal to stand up to the blackmail despite the fact that the U.S. does not have the military capacity to really back up that stand lead to a Soviet first strike?

A: No, absolutely not. You are forgetting a fundamental principal of politics: the role of will. Remember, the Soviets, as I said before, do not go in for adventurism. Bolsheviks are scientists. Even though the U.S. is at least three to four full years behind the Soviets in military strategic capabilities, the fact of a U.S. administration expressing the political will to resist the Soviet blackmail by launching a military buildup would prompt the Soviets to back down. They believe time is on their side and they will postpone their blackmail for another 20 years if they see the U.S. initiative.

*The fact that we would adopt a policy that would lead to the permanent destruction of the United States in order to go under fighting represents the kind of resoluteness to which the Soviets would back down.* Remember, there is a dialectic at work: foreign policy is the process of resolution through conflict. And, I might add, that a U.S. policy initiative of this kind would have a tremendous impact on our European allies and on the Chinese. Such a move might just put an end to Chinese-Soviet rapprochement.

*Clandestine Operations  
in Soviet Bloc*

Q: Would you favor a policy of clandestine operations directed against the Soviet bloc as an integrated feature of such a dramatic policy initiative?

A: Absolutely. Right now we are making no attempt whatsoever to exploit the weaknesses in the East bloc. The ferment there is not restricted to Poland. You wouldn't believe the unrest in the Soviet military service. And I don't just mean the base in the military. The officer corps, despite the fact that they enjoy a relatively high standard of living, are in real ferment.

Remember, 50 per cent of the Soviet population conceives of itself as a colonized people. There is a deep recognition that the Soviet leadership always lies. But the military and the population go along with the leadership now because they see the tremendous weakness in the West and assume that there is no real resistance. Take away that sense of weakness and all hell will break loose. We can do great things for the people of the bloc. We must create broad-based dissident committees; we must reactivate Air Liberty. This is crucial. Radio Free Europe and the Voice of America are so rotten that they have been absorbed as an accepted part of East bloc entertainment.

It has been accepted military doctrine since the time of Clausewitz that weakness won't win. Only will and power can shape politics. In a narrow area of the West, a tradition has grown — a tradition that says that man is enlightened and rational. This is a disgustingly laudable principle, but it doesn't work.

*Wolfe:*

**Educate Public For War**

*Dec. 30 — The following are excerpts from an interview with Thomas W. Wolfe of the Rand Corporation, a member of the "outside team" brought in to contest CIA intelligence estimates of the USSR's strategic capability and intentions.*

Q: Mr. Wolfe, David Binder's article in Sunday's *New York Times* emphasized your team's criticisms of the CIA's overall ability to evaluate Soviet military capabilities and strategic aims. Do you think that the public exposure of your criticisms will result in implementation of some of the various proposals to split the CIA into two separate branches, one for covert operations and the other for intelligence?

A: Well, I wouldn't say that these reforms will be put into effect as an *immediate* or direct result, but I do think press coverage of the problem will provoke some thinking about the procedures the CIA now uses to gather and evaluate intelligence.

Q: Could you elaborate a bit on what you see the chief problems in current intelligence-gathering methodology as being?

A: First, there is too much of a tendency to assume that



there is a parity of values between the Soviet Union and us. This is an absolutely incorrect assumption, and it tends to distort the way in which intelligence is evaluated. We (*the "outside team"*) found that a lot of people in the CIA had views even grimmer than ours on the Soviet-U.S. military balance, but the institutional process within the CIA had relegated these views to a few footnotes buried at the end of reports. So there definitely is a fundamental problem that has to be dealt with.

Q: When you say that it is wrong to assume parity of values between the U.S. and the Soviets, what exactly do you mean?

A: The Soviet Union approaches the whole relationship from an entirely different standpoint than in this country. We don't prepare the population for the actuality of war, but place all our emphasis on deterring war rather than fighting one. The Soviets, on the other hand, begins from the position that if, at some point, you have to make a decision to have a war, then you better have put yourself in the position to win it! The Soviets have a massive civil defense program, they spend far more of their overall budget on weapons, their literature is replete with the assertions that they must achieve superiority. This isn't rhetoric....

Q: Given all this, and given the views of the "outside team" that the Soviets are surpassing us militarily, what do you think needs to be done?

A: I'm not a policymaker myself, but from my own view there are several things that should be done. First, we have to get out, through people like you, the facts about the situation to the American public. Eighty per cent of the U.S. population doesn't want to think about these questions, but they're going to have to realize that their lives depend on making some important decisions. The most important thing we can develop is informed public opinion, or else the policymakers won't get far. Henry — Henry Bratcher from the *Washington Star* — is doing a good job along these lines. The second thing is to get a lot of the currently classified materials dealing with the strategic balance declassified, so that the American public has greater access to raw facts. And third, we have to persuade the Soviet Union that the U.S. is not going to allow itself to be maneuvered into a position of weakness. We have to stop making concessions to the Soviets. We've been letting the Russians wrest concessions from us right and left. I'll give you an example. Take the SALT talks. It's the Soviets who have been blocking the talks, not us, but you'd never know that. The average American doesn't know it's the Russians' fault!

Q: Do you think that Carter's decision to bring Schlesinger into the government will mean that the new Administration will be more realistic about the current global balance of power?

A: Well, I don't know how much input Schlesinger will be able to have on these questions from the position he'll have. I think that Carter's advice on national security matters will come primarily from Vance and Brzezinski. I just hope they know what to tell Carter to do.

Q: I was struck by the similarities between the views of the "outside team" and those of a new organization, the Committee on the Present Danger....

A: Oh, I'm not surprised by that at all. Several members of my group (*the "outside team" -ed.*) are also members

of the Committee, and although I myself am not, I know most of the individuals who belong to the Committee very well. They were formed to warn the American people about the Russian military buildup. Their thrust is generally the same as ours.

## Cline Spells Out Assassination Plots Against 3rd World Leaders

*Dec. 29 — After briefing a number of select journalists in his office today, Ray Cline, executive director of the Center for Strategic and International Studies and former CIA officer, granted a second interview. The following excerpts give the substance of that interview.*

Q: How do you view the CPD (Committee on the Present Danger) report published in the Dec. 26 *New York Times*?

A: I disagree with the Pipes (CPD) report, but only in part. There are three ways to look at this. First, that the Soviets are not trying to gain a strategic, warfighting edge over the U.S. This view is wrong. Second, that the Soviets are trying to gain such an advantage and they are planning to use it against the U.S. This also is wrong. It is true they are going for an arms buildup but only in order to have psychological and political clout vis-à-vis current U.S. trading and political allies and the nonaligned countries. They want to gain political and economic concessions in these countries by looking like they will attack the U.S.

Q: Isn't it dangerous for the so-called Pipes line even to be put out?

A: That depends on how the government reacts to it and how the press reacts to it.

Q: YOU don't see a nuclear war on the horizon?

A: Oh, no, no! We will have to play it cool and keep level-headed.

Q: Particularly in places like the Middle East?

A: Sure. In the Middle East the USSR is trying to use their arms buildup to gain the leverage they have been losing ever since the U.S. bought off the Arabs by paying high prices for oil. Egypt and Syria were the recipients of these price hikes and they came over to the U.S. side. The USSR supports the radical Arab states that are inclined to terrorism. They will, for instance, use Libya and Palestine Liberation Organization terrorists to destabilize the Middle East. Syria however, was weaned away from this course to a pro-U.S. position. The Soviets will try to knock out Sadat (*Egyptian president -ed*), Khalid (*Saudi Arabian king -ed*), and even perhaps King Hussein (*of Jordan -ed*), by working with Libya.

Q: Knock them out — what do you mean?

A: They will work with Libya and use their hit squads to assassinate these leaders. Sadat knows he may be a target for assassination. They's why he has a bodyguard.

Q: What should the U.S. do about this situation?

A: Since terrorism wins out eventually, we've got to continue with the conservative Arabs and defuse the PLO thing. Maybe you could use Geneva. At a Geneva conference there would be one Arab side and one Israeli

side. The PLO would be a minor part of the general Arab position. The PLO would be submerged. We also want to buy off the PLO....

Q: Buy them off?

A: Yes, give them a state, cushy jobs, limousines. Let them have the same benefits that the other Arabs got in the oil-price hikes. The more conservative Arabs like those on the West Bank would have the biggest voice in such a Palestinian state.

#### *Better Than Kissinger and Nixon*

Q: What do you think about Carter's attitude in refusing to meet with foreign leaders unless they come one by one to meet with him in Washington?

A: That's great, certainly better than Nixon's and Kissinger's style. Now they're going to have to come to us. That's the way it should be. We don't want to get into

situations like those Kissinger and Nixon got us into where we had to make concessions. This way is preferable.

Q: Did you read the article in today's *Washington Post* that blew the State Department role in backing the Brazil coup against Goulard in 1964?

A: No, but I heard about it. Goddamit, there's some narrow political faction, really vary naive faction, that's trying to hurt our relations with Brazil. This big city press...the *Washington Post*. This is a leak. It's a leak. There's a whole attitude around this city! Jeez. You have to expose the evils of the Greek coup, the evils of South Africa, the evils of everything. These narrow-minded liberals. You have to work with all kinds of governments.

Q: Won't this hurt the upcoming joint U.S.-Brazilian landing maneuvers?

A: Yeah, it might hurt them badly.

## Soviets Caution Against 'American Global Strategy'

In a comment in effect on the consolidation of the Carter confrontation Cabinet, the Soviet military paper "Red Star" Dec. 26 point-blank warned the West against using NATO to carry out "an American global strategy." "In our nuclear age. . ." cautioned Red Star, "relying on the growth of military potential, no matter how it may be covered over with anti-Soviet camouflage, is as hopeless as it is dangerous."

Red Star's year-end wrap-up "Balance of the Outgoing Year" reviewed NATO's 1976 blitzkrieg type maneuvers which placed "unprecedented" amounts of troops at the borders of the socialist countries.

But the "hawks" in Washington are not only espousing a policy of a hopeless "short intense war in Europe," stated Red Star. Recently in Washington, alluding to the interests of the West European countries, there has been more and more talk of the 'necessity' to widen the sphere

of activities of the North Atlantic bloc." Enunciating stated Soviet policy that attempts by NATO to incorporate the Third World is a war issue, Red Star warned: "Several years ago the U.S. claimed that the 'oil-rich' Persian Gulf was the 'eastern flank of NATO.' Now they would like to transpose this flank even further east. General Haig (NATO Commander-in-Chief—ed.) for example has already spoken of 'an Atlantic community extending from Japan to the Near East to the North American continent and Western Europe.'"

Plans to create an "American-NATO global militarist system" declared Red Star, is "one of the most serious obstacles" to a stable peace. At the same time, "influential and powerful circles in capitalist countries" have rejected recent Warsaw Pact initiatives such as a treaty to ban first use of nuclear weapons. Such a situation, concluded the military daily, demands "high vigilance and combat-readiness" of Soviet troops.

## NATO and Brazil Participate in Caribbean Maneuvers

Beginning in mid-January, elements of the Brazilian Navy and Marines will participate in a five week exercise in the Caribbean along with four NATO countries, code named CARIBOPS. These maneuvers, described as "routine" in a release from the commander of the United States Second Fleet stationed in Norfolk, Va., will begin Jan. 17, and will involve 47 separate naval and coordinated marine commands from Canada, the United States, the Netherlands, the United Kingdom, and Brazil.

This year, however, CARIBOPS will take place within a climate of political tension fostered by the State Department's drive to extend NATO with the creation of

a South Atlantic Treaty Organization involving Brazil. SATO has been denounced by the Soviet bloc press. Specific training for the Brazilians will be in amphibious landings and anti-submarine warfare, while overall, the exercise will concentrate on training in anti-air and submarine tactics as protection of "opposed transit"—a polite term for military blockades. Much of the maneuver will be run near the Cuban coast coordinated from U.S. Naval bases in Puerto Rico and Guantanamo Bay, Cuba.

Contacted by NSIPS, a spokesman at the U.S. State Department Public Affairs Desk was unable to find any reference to CARIBOPS in his quarterly bulletin which

lists every maneuver scheduled to take place over the next year. The official stated that he should be aware of the maneuver if it is going on, explaining that the State Department and Department of Defense consult and jointly work out details of maneuvers because "we don't want to land troops on some beach where some president is being inaugurated." When briefed on the political tensions building in the area, the official expressed

concern over the potential for CARIBOPS to be used as a provocation against Cuba. Several Pentagon officials were equally baffled by their inability to locate any listing of announcement of CARIBOPS in their records. CARIBOPS was first announced in the Brazilian newspaper, *Jornal do Brazil*, printed several days before the Second Fleet release was issued.

## World Press on the Issue of War

*Within the last week, the press in the Federal German Republic has been filled with a debate on the question of war centered on the financing of a NATO proposed AWACS air control system and on the leaked report in the New York Times Dec. 26 that the U.S. intelligence agencies had been won over to "outsiders" views that the Soviet Union is seeking immediate military superiority.*

*Die Welt Dec. 20*—"Brandt Statements on MBFR Weaken The West," by Wolfgang von Raven. "Does Bonn want the West to alter its previous position on the Mutual and Balanced Force Reduction (MBFR) talks? Brandt's statements (i.e., his call for a token small conventional force reduction on both sides—ed.) indicate this. . . Is there a contradiction between Brandt and Schmidt on the one hand, and Genscher and Leber on the other? . . . These questions must be answered quickly, because otherwise the Allies will get the impression that the FRG, which awaits Brezhnev's visit, wants to avoid necessary agreements in the alliance, and that they plan to go it alone. . . A dangerous matter, which would have the effect of weakening the unity of the West. . . Symbolic reduction. . . could give the Warsaw Pact a form of co-determination within the NATO formation. . . Bonn must avoid this, since they would not want to opt for the neutralization of Central Europe, nor does it want to harden the East's position toward the West."

*Der Spiegel Dec. 20*—"Expensive Ten Minutes." "The Americans want to protect the West from a surprise attack from the East by using their airborne early warning system AWACS. But the question of how the project, running into the millions, will be financed is still disputed. . . How high the final bill will be is, moreover, a completely unanswered question. . . Under these conditions, Bonn's generals and the top military men think it will be impossible for the NATO partners' financial experts to agree on a formula in January as planned. The decision will be made, if at all, only in April during the (European) defense ministers' meeting. . . What's more, Defense Minister Leber will only agree if "as many NATO countries as possible" participate in its production and operation. A two- or four-nation program is out of the question for financial and political reasons."

*Frankfurter Allgemeine Zeitung Dec. 21*—"Numbers Are Not Supreme—Soviet Military Superiority and Western

Strategy," by Adalbert Weinstein. "Western Germany is prepared neither for its own destruction, nor for the damage which the enemy could incur. We have no anti-air raid organization, no bunkers, no energy reserves. This is not a reproach. The core of our strategic conception is deterrence. There is certainly talk about the next step, the transition to a military confrontation. But we cannot accept this in our minds. . . The core of our weakness is the strategic conception. Formulated simply, the West is prepared for a total non-war. . . We don't dare think beyond the boundary where the unthinkable begins. The Communists take the unthinkable into account, and are ready for a total war. United States thinking. . . offers us an alternative: the limited war. . . A limited war in Europe today would be the same as collective suicide."

*Frankfurter Allgemeine Zeitung Dec. 23*—"Leber Demands Fair Sharing of Cost of NATO Early Warning System," an interview of the West German Defense Minister with Adalbert Weinstein. "'AWACS must not turn into a matter which only the Americans and the Germans handle amongst themselves. . . First, our sources of funds are not unlimited. And second, every financial contribution is immanently a political contribution as well. The dollar is not merely a means of payment; it is also a demonstration of solidarity.' . . 'I would rather be publicly rebuked by my partners than to enter into a commitment which has not been gone over centimeter by centimeter for its workability.'"

*Bayernkurier Dec. 23*—"Targetted Detente Policy," by Eric Morton, reviewing a recent study by Brian Crozier of the London Institute for Strategic Studies, entitled "Security and the Myth of Peace." "Cutting off the seaways and therefore raw materials, however, is not the only Soviet threat to Western economies and security. Along with infiltration, subversion and terrorism supported by the East, there is psychological warfare, as well as political and diplomatic pressure supported by military superiority, in pursuit of the immediate goal of transforming the European nations according to the Finland model. . . If the new President of the United States does not want to lead his country into a strategic isolation and political defeat, then he must decide to drop the policy of placation and take up the forward policy." Carter must call a special NATO

conference where "all aspects of the Eastern threat are analyzed, forward policy is coordinated, and joint defense measures against terrorism and subversion are agreed upon.

*Frankfurter Allgemeine Zeitung* Dec. 28—In reporting the competing Central Intelligence Agency evaluations of Soviet strategy, Jan Reifenberg writes that "Just as in 1960, when the fight over the 'missile gap' introduced a basic change in U.S. strategy, so these days Carter's judgment of the background of Soviet rearmament can decisively shift the essence of U.S. defense policy. The burned children of 1960—who following Kennedy's takeover found out that the 'missile gap' was a fantasy—will be in power again in January." A "powerful group of hawks," including Schlesinger, Nitze, and Jackson, are trying to influence Carter. Since people like Nitze doubt whether it is possible to reach a new SALT agreement, the question is coming up whether the U.S. President alone should make the final decision on the launching of nuclear weapons.

### London Times Questions Times' Motives

In a Dec. 29 article, London Times Washington correspondent Fred Emery questioned the motivation behind a report "leaked" in the New York Times on Sunday, Dec. 26 that the U.S. intelligence had been won over by "outsiders" to the view that the Soviet Union is seeking immediate military superiority. "The fact that the top secret so-called 'national estimate' of Soviet objectives has reached the New York Times in such a timely fashion," writes Emery, "has raised suggestions here today that the defence hardliners wanted deliberately to ensure as much exposure as possible before the new man took office." This switch in thinking is likely to "precipitate political controversy" and is obviously "the stuff of fierce debate," notes Emery. He sees the key item of contention as the report's conclusion that the Soviets are bent on disrupting fuel and raw materials supplies and on developing first strike capabilities. The newspaper quotes Carter's designated Secretary of Defense Harold Brown as saying in an interview with the Los Angeles Times that "the belief on either side that you can survive a strategic thermonuclear war as a going society—when you cannot—is the worst possible situation for the world to be in."

### London Times Scoffs At Carter's Summitry Attempt

Carter's announcement that he will meet with Brezhnev next year should be greeted with "mixed

feelings" writes the London Times in a lead editorial Dec. 29. Mutual distrust between the Soviet Union and the United States "is not going to be removed by handshakes and reassuring words" and even agreement on strategic weapons such as SALT should not be seen as the "end all" of relations between the superpowers, says the editorial. "Their military significance is strictly limited and they become politically significant only if they fit into other arrangements that lower the level of confrontation or lessen the danger of conflict." Carter of course "can make progress. . . but there is something a little dispiriting about his way of starting." A man-to-man summit is a "familiar routine" which can not really resolve any fundamental differences. Carter "would probably have been wiser to say cautiously that he would be happy to meet Mr. Brezhnev as soon as he was convinced that serious business required the personal attention of both men.

### Venezuela's *El Nacional*:

### Jimmy Carter: Portrait of a Robot

. . . This Mr. Carter has a marked vocation for order, discipline and method. . . .

However, being a formidable organizer may help win elections, but I am afraid it does very little for running the United States. We are in the presence of a great executive. . . . But he is not a statesman.

. . . His total lack of humanist education is frightening. He is a reader of briefs and memoranda. . . .

What would this technocrat do when confronted with international crises of the calibre of those of Berlin (1948), the Suez (1956), the Bay of Pigs (1961), or the Missile Crisis (1962)? I suspect that Jimmy Carter, given his psychological makeup, would get along better with the hawks than with the doves. The language of military officers must be more familiar to him than that of politicians.

He will surround himself with technicians, with specialists incapable of thinking in abstractions, with men who have quick answers for extremely complex problems. If this hypothesis is correct, I believe that Mr. Carter's finger will be closer to the trigger than that of Mr. Ford. . . .

Then, supposedly, there is the religious theme. Carter is a believer, but that doesn't change anything. Truman was perhaps the most religious of all American presidents and he did not hesitate to inaugurate nuclear war. Mr. Carter is no monk. . . . His Christianity will be no obstacle in adopting aggressive attitudes.

# AID Population Control Legislation

## Set for Congress

On Jan. 4, the opening day of the 95th Congress, Rep. James Scheuer (D-NY) will introduce a resolution to establish a House Select Committee on Population which explicitly endorses policies of de-population and de-industrialization for most of Asia, Africa, and Latin America.

In a Dec. 23 interview with Scheuer (see full transcript below), the New York City Congressman made it clear that he intends to mobilize Congress around legislating the use of food aid as a weapon. Scheuer's "Select Committee" and analogous activities in the Senate are geared to insuring the easy passage of an Agency for International Development (AID) proposal that Congress adopt a "population impact examination" (PIE) proposal which would limit development aid to countries which reduce their population growth rate. AID — the government's primary conduit for overseas development and food assistance — is asking Congress to adopt the triage policies of William Paddock whose "lifeboat ethic" calls for the elimination of 30 million Mexicans as a starter and whose programs have been adopted by top Carter-advisor George Ball. PIE policy is meant to bludgeon debt-strapped developing nations to either pay Wall Street or face starvation.

### *The Scheuer Committee*

Scheuer announced the formation of an 11-member Select Committee to "investigate the problems caused by a worldwide population explosion" in a press statement scheduled for release on Jan. 1. Here he repeated the long-discredited Malthusian warning that "Population growth threatens the world with famine, environmental degradation, unemployment, overcrowded cities, lawlessness, and the prospect of demographic wars in a world where nuclear weapons are proliferating." Earlier, Scheuer, after returning from a State Department-arranged trip to Africa, charged in an op-ed in the Dec. 23 *New York Times* that U.S. food and development programs for the Third World are compounding the problems of the Third World by "destroying nature's balance."

A "Dear Colleague" letter (reproduced below) is being circulated by Scheuer in the House with the intent of getting the support of at least half of all Congressmen. While Scheuer lists the names of 86 as co-sponsors, all but one of more than a dozen Congressmen or their top aides contacted this week disassociated themselves from co-sponsorship; many stated emphatically that they never endorsed it in the first place. About a half-dozen conservative Congressmen, including Representatives Conte, Kemp, Quie and Anderson, flatly denied ever co-

sponsoring the resolution. Others who expressed similar sentiments were Representatives Wright, Udall, Dellums, Badillo, Clausen and Nix. Rep. John Rhodes (R-Ariz), an alleged co-sponsor, said that the Select Committee was against everything he ever believed in. Leading Congressional Black Caucus members, also listed as co-sponsors, have privately disassociated themselves, with the sole exception of Detroit's Rep. John Conyers, a close ally of Carter, who proudly admitted his "enthusiastic" support.

One Carter insider, a spokesman for the Overseas Development Council, admitted that Scheuer had organized support in a purposely unprincipled and devious manner, buttering up colleagues with "sweet talk" and compiling his co-sponsorship list primarily through word of mouth at meetings and by buttonholing Congressmen in hallways. Moreover, Scheuer's "Dear Colleague" letter, dated Jan. 3, 1977, which will be circulated next week with the names of the 86 alleged co-sponsors attached, was written *after* the so-called endorsements were compiled, according to information received from his aide.

These dishonest practices are not simply the actions of Scheuer himself; they are being carried out in cooperation with the Carter transition team's office with full complicity of Carter's designated Cabinet. In a copy of a page from Rep. Scheuer's appointment book for Dec. 22 and 23 (reproduced below), obtained from independent sources, Scheuer lists scheduled meetings on Dec. 22 with Walter Mondale, followed by a private meeting with Carter transition team member Jule Sugarman who, after being head of New York City's Human Resources Administration, was picked to reorganize Atlanta's welfare system and headed up the Atlanta system during Carter's gubernatorial tenure. On the next day, Scheuer met with Joe Onek, head of the Carter Health Policy Task Force. As his calendar for Dec. 22 demonstrates, all of these individual meetings immediately followed an organizing session with various Rockefeller family-controlled population organizations, including Zero Population Growth and the United Nations Association, convened to map out the nuts and bolts of Scheuer's mobilization in Congress.

### *McGovern for Triage*

In the Senate, Scheuer's activities are being complemented by a group of Senate liberals, including Senators George McGovern (D-SD), Hubert Humphrey (D-Minn) and Dick Clark (D-Iowa), who are preparing amendments to PL-480, the AID-administered "Food for

Peace" program, which incorporate triage. When reached for comment, an aide to Sen. McGovern told a reporter that McGovern's office was currently debating whether or not McGovern would "come out openly for triage."

Simultaneously, Massachusetts Senator Edward Kennedy will introduce a bill which will grant "amnesty" to all so-called illegal Mexicans who can prove that they have been living in the U.S. for three or more years. All others will be rounded up and shipped back to Mexico, and aide to Senator Kennedy explained.

The movement against "illegal immigrants", heavily played up in the press this past week, is simply another side to population control. Already H.R. 981, an immigration bill introduced by Peter Rodino (D-NJ), has passed both Houses and was reluctantly signed by President Ford on Oct. 20, Zero Population Growth's National Reporter reports. The bill establishes revised quotas for the Western hemisphere, specifically reducing the number of available visas for Mexicans from 42,000 to 20,000 — a more than 50 per cent reduction. Another new

law, H. R. 14535, will not allow an illegal alien mother to benefit by her child's U.S. citizenship until the child is 20 years of age and able to petition to legally have its mother enter the United States.

In tandem, the Government Accounting Office (GAO) recommends "a comprehensive and coordinated" evaluation of U.S. immigration policy in a new report titled "Immigration — Need to Reassess U. S. Policy," according to the *National Reporter*. The Department of State concurred with the GAO's findings and elaborated on the need for such a reassessment by stating "it is now almost thirty years since the last systematic study of United States immigration policy and procedures was conducted." Tying immigration to population policy, the State Department spokesman commented that "international movement of people for both temporary and permanent purposes, both legally and illegally, has become a major international issues and, with the continuing rapid and largely uncontrolled growth in the world's population, will become an increasingly critical one."

## An Interview with James Scheuer

*Dec. 29 — The following is an interview held this week with Representative James Scheuer (D-N. Y.)*

**Q:** What made you decide to take your recent trip to Africa and to review the problem of population control?

**Scheuer:** With the exception of the Ivory Coast, the underdeveloped world has malnutrition, disease, a lack of jobs. A decade ago they were food exporters, not now. The population growth has doubled in 18-20 years. This dooms all other programs to failure. They can't double food production and facilities. It is a desperate and tragic treadmill they are on. They are ready to get a handle on this — that is family planning — and some governments are beginning to do it publicly. In Kenya, Kenyatta has a national policy for population planning. Next door in Tanzania they have no policy. But although they have no public policy they have 2,400 rural child-health clinics with contraception facilities and we send packages from the Agency for International Development that cost us \$300 each. They are training hundreds of health workers, though they have no statement of national policy.

**Q:** Why do they not have a stated national policy?

**Scheuer:** There are two reasons. First, the health profession is volatile in state politics in the developing world and if a chief executive embraced it and then changed, the next person would wipe out all he had done. The second reason is that although millions of women are desperate to stop producing kids, there are still tribal, religious and cultural reasons against this. So, rather than get the demagogues in a country angry, the leaders are quietly doing it. You couldn't have talked about this a year ago. In Dakar (Senegal — ed.), the President is a Catholic with 8-10 kids and in the last week in October when I was there, AID was setting up the design and

structure of what will be a national family planning program. The Minister of Health is running the program there.

**Q:** How are these cultural, tribal and religious taboos overcome?

**Scheuer:** Well the Ford Foundation has a research project; there are two Americans in Accra, Ghana. They are studying the impact on birth rates of the dying out of tribal practices that promoted family planning. In ancient times, the women would leave their husbands when they had a child till they finished breast feeding, or a member of the family would move in and keep the husband away from the wife. As the families moved from the country to the city, there was an increase in birth rates. The guy jumps on his wife the day after she gives birth. So the Ford Foundation is spending a quarter of a million dollars researching this.

**Q:** How was the opposition of the tribal chiefs broken?

**Scheuer:** The tribal chiefs who opposed this get bigger representation and bigger amounts of money. They are now coopted into family planning. They get orientation sessions. We tell them that the development programs will fail without family planning.

**Q:** What about the opposition of religious groups?

**Scheuer:** The chiefs' reservations have diminished. The church — well much of the family planning is done through the Catholic and Protestant missions. In Tanzania, in Dar Es Salaam, an American sister of the Tarrytown Order of Maryknoll showed me a batik factory, then said to me, "This is not my real work; I run family-planning clinics, I give out IUDs, condoms, pills. You don't think any of us around here believe that old stuff do you?"

**Q:** What about the opposition to family planning from people who say that even more people are actually needed if development is to take place, that people are necessary to actualize that development?

**Scheuer:** Africa is family planning ready. The industrialization process is capital and energy intensive and incredibly expensive. In a rational allocation of money, money would go for land reclamation and family planning. The argument that we don't have a people problem but a land problem is as phoney as a \$3 bill. You can't raise money for land reclamation from the developing world and do it to keep up with population increases. We would need roads and transport to get to the people and this would be enormously expensive. It isn't going to happen. There is no way on earth that the Sahel could keep 50 million people.

Time has run out on Africa. They must get with it or they will be forced to contemplate the programs of Egypt and India where there are draconian measures of forced sterilization.

**Q:** Do you think that the religious, tribal and cultural problems have been fully erased?

**Scheuer:** Well, a Jesuit priest is the head of family planning in Zaire. He heads the Department of Demography at the University of Zaire; his name is Father Bouti. He was trained at Princeton and he is the intellectual driving force behind their family planning program. The Moslems have been coopted, some of their leaders. They were given titular roles in the family planning operations and they were paid a little.

**Q:** Have you been active in this in the U.S.?

**Scheuer:** I was the author of the 1970 Population and Research Act that rationalized our family planning program here. I also added the amendment that made family planning part of the War on Poverty program (of the Johnson administration).

**Q:** Did the State Department help in your trip to Africa?

**Scheuer:** It was worked out with them — with Marshall Green who is the coordinator of the State Department Population Affairs Division and with Ray Ravenholt who heads their Office of Population. They arranged it and they set up the meetings with our AID people, ambassadors, etc. I was amenable to going.

**Q:** How will you act on your findings now in the new Congress?

**Scheuer:** I'm sponsoring a Select Committee on Population Affairs. The problem is not just Africa but Latin America and Asia as well. On Jan. 1, I will release a resolution to create a Select Committee on Population Explosion. It authorizes an investigation into the adverse effects of current growth rates; approaches that are effective in coopting excessive growth; and ways to encourage countries with excessive growth rates to not encourage this. I have co-sponsors: Jim Wright, Mel Price, Udall, John Rhodes, Michel, Anderson, Ashbrook, Conte, Conable, Fenwick, McCloskey, Fish, Quie, Buchanan, Kemp, Lent, Clarence Long, Moss, Waggonner, Pryor, Rangel, Dodd, Fraser, Burke, Rosenthal, Aspin, Burton, Bolling, Collins, Chisholm, Conyers, Jordan, Dellums, Metcalf. I haven't asked Bergland or Young yet.

**Q:** Do you agree with Sen. McGovern's plan to have food aid depend on family planning programs?

**Scheuer:** I don't think you should give aid on a coercion basis, but where it has the best chance of being effective and so doing things that would make it more effective. There should be extra consideration for money where things are done such as fair land practices. The Committee that we hope will be set up will have members of other committees that have jurisdictional oversight over various aspects, such as crime, international relations, government operations, foreign aid, health, banking, and education, that relate to problems caused by overpopulation.

**Q:** How does the Immigration Committee relate to that?

**Scheuer:** Well there are 6-8 million illegal Mexicans and several million illegal Caribbeans and the impact that these illegals have on the quality of life here is important. A comprehensive look is necessary. We are starved for money to man the borders. Green is urging the Administration to do an action program on family planning. Ravenholt thinks the answer is sprinkling condoms from a helicopter. He's wrong because they won't let you in the countries to do that unless it is part of a comprehensive health program. Then you have the question of inducing the Mexicans to have more cooperation with us on the illegal alien question and thus the Mexican government ought to institute family planning. It's affecting development programs of all kinds.

# Scheuer's Call for Genocide

## Congress of the United States

### House of Representatives

Washington, D.C. 20515

January 3, 1977

Dear Colleague:

Today, on the opening day of the 95th Congress, we have introduced a resolution, H. Res. to establish a Select Committee on Population.

The problem of world-wide population growth and the role the United States should play in assisting the developing nations in controlling their growth rates continues to be an issue of overriding importance. The world's population has already reached the 4 billion mark. About 70 percent of these people live in the developing world, and they account for over four-fifths of the world's yearly increase in population. Even in the unlikely event that all families in the less developed countries were to have an average of two children by the year 2000, their population would still increase two and a half times by the year 2050.

Clearly, unless population growth is checked in many Asian, African, and Latin American countries, the rest of our development assistance — food-agriculture, nutrition, health, education, urbanization and jobs — will have little impact in improving per capita income and the quality of life for most people in the developing world. Indeed, there are still some 3 million women in the United States who do not have access to family planning services and a full third of our countries, most rural, do not have such services.

Yet, the Congress has failed to devote adequate attention to the population issue despite the countless social, health, environmental and economic implications and consequences of population growth on individuals as well as entire societies, the United States as well as the rest of

the world.

In 1972, the Commission on Population Growth and the American Future recommended that a congressional committee on population growth be established. Five years later, this recommendation, as most of the Commission's recommendations, has not been carried out. The establishment of a Select Committee on Population in the House would represent a significant first step toward an urgently needed focus by the Congress on the world population problem.

This select Committee would focus its investigations on:

— the major adverse effects of current population growth rates throughout the world and their implications for the United States;

— the approaches which have shown to be effective in coping with excessive population growth, with emphasis on measures designed to reduce the frequency of conception rather than the termination of pregnancy; and

— the means to encourage developing countries with excessive population growth rates to adopt those methods which have proven to be acceptable and successful in reducing population growth rates in other developing countries.

We believe that the population issue deserves serious attention. If you are interested in co-sponsoring this resolution or if you have any questions, please call Congressman Jim Scheuer personally, or have a staff person call Cathy Parks in his office (x55471).

Yours,

James H. Scheuer  
Jim Wright  
Clarence D. Long  
Melvin Price  
Morris Udall  
John Moss  
Robert M. Giaimo  
Joe D. Waggoner, Jr.  
Charles Rangel  
Richardson Preyer  
Edward I. Koch  
Antonio Borja Won Pat  
Charles E. Bennett  
Joseph L. Fisher  
Barber Conable  
Benjamin Gilman  
Millicent Fenwick

Christopher Dodd  
Donald M. Fraser  
Frederick Richmond  
Yvonne B. Burke  
Benjamin Rosenthal  
Les Aspin  
Phil Burton  
Charles Wilson of Texas  
Cardiss Collins  
Martha Keys  
Berkley Bedell  
James Blanchard  
Helen S. Meyner  
Shirley Chisholm  
Paul McCloskey  
Hamilton Fish  
Albert Quie

Richard Nolan  
Elizabeth Holtzman  
Richard Ottinger  
Gladys Spellman  
William Lehman  
Philip Sharp  
Otis Pike  
Norman Mineta  
Richard Bolling  
John Conyers  
James Corman  
Mario Biaggi  
George Brown  
Joseph Addabbo  
John Buchanan  
Robert McEwen  
Jack Kemp

Barbara Jordan  
John Krebs  
Ronald Dellums  
Robert Krueger  
Mark Hannaford  
Herman Badillo  
Ralph Metcalfe  
Anthony Moffett  
Elliott Levitas  
Albert Gore, Jr.  
Leon Panetta  
Austin Murphy  
Dan Glickman  
Thomas Downey  
Norman Lent  
William Cohen  
Paul Findley

Stanley Lundine  
Bruce Vento  
David Bonior  
Doug Applegate  
Henry Nowak  
Theodore Weiss  
Tony Beilenson  
Dan Akaka  
Bob Wilson  
John J. Rhodes  
John Anderson  
John Ashbrook  
Robert Michel  
Silvio Conte  
Frank Horton  
Donald Mitchell  
W. Henson Moore  
Joel Pritchard



# A Page From Scheuer's Appointment Book

WEDNESDAY, DECEMBER 22

- :30 Dwight Rettie, NPS, re Bingham Gateway hearings, 2438 RHOB
- rim Work on Press Release for Population Committee & letter to co-sponsors
- :00 Population meeting, 2438 RHOB w/Melanie Werken, ZPG; Jan Liebman, Planned Parenthood; Judy Sanderowitz, Citizens Cmte. for Population Affairs; Rita Molyneaux, Natl. Parks & Conservation Assn.; Bill Hellert, UN Assn.; Peter Husey, Environmental Fund; Ellen Peck, Natl. Org. of Non-Parents; Robert Avedon & Bob Worrall, Population Reference Bureau; Ed Sabin, Freedom from Hunger, 254-3487 - 1625 878 51.11.19
- :30 Meeting w/Senator Mondale, 443 OSOB (subject to Daley funeral etc.)

Jules Sugerman will be calling re coming to see you after he attends funeral for friend in Washington. Sugerman will be calling in the late afternoon

THURSDAY, DECEMBER 23

- 9:30 Fred Buelken, 2438 RHOB
- 12:00 Bill Lawrence, 2438 (since Members' d.r. is closed, we can go to cafeteria. Barbara Crapa is in New York)
- 4:00 Joe Onek, Carter Health Policy Task Force, 2438R
- eve Dinner at your home with the Phil Kaisers

# Who's Who in the Carter Cabinet

## Zbigniew Brzezinski Special Assistant to the President for National Security Affairs

Brzezinski's principal association is with the Rockefeller interests. Since 1973, he has been the Director of David Rockefeller's Trilateral Commission, to which he recruited Jimmy Carter, Walter Mondale, most other members of the Carter Cabinet, and their ranking deputies and staff officers.

Brzezinski has also functioned in related but distinct capacities for the Rockefellers, as a strategist in the family's vast "private intelligence" apparatus, and as David Rockefeller's leading associate at the New York Council on Foreign Relations.

Brzezinski's principal field of interest is destabilization of the socialist countries, emphasized by numerous publications on this subject and his on-location involvement in 1968's "Prague Spring" crisis while ostensibly on assignment from the State Department. Following that action, Brzezinski was singled out by a major Soviet publication as "a double-dyed anti-Communist dedicated to subversion of the socialist countries."

For a decade, Brzezinski has been an advocate of the fascist reorganization of the federal government. Under his directorship, the Trilateral Commission sponsored a series of seminars around the world on the subject, "Beyond Democracy." Brzezinski's personal point of emphasis has been the necessity for a "technocratic dictatorship" to supersede constituency-based democracies in the advanced sector nations. He has called for a corresponding, "purely symbolic presidency, in which functionally necessary experts replace constituencies and political parties."

## James Rodney Schlesinger Special Assistant to the President on Energy Affairs

James Rodney Schlesinger, whose advisory post will include executive control over all matters relating to nuclear power, is currently the foremost public spokesman for the "utopian" faction of military strategists, believing that nuclear war, if it is grounded in intense psychological warfare, can be fought and won by NATO against the Warsaw Pact alliance led by the Soviet Union.

A former strategic policy specialist for the Rand Corporation, Schlesinger spent five months as Director of the Central Intelligence Agency during 1971, ordering

thousands of experienced agents "fired" — reassigned to state and local government, police intelligence units and related domestic operations.

Schlesinger is credited with developing the idea of "tactical nuclear warfare," an extension of NATO's "flexible response" doctrine founded on the incorrect conjecture that the Soviet Union might be induced to limit its military response to a NATO attack (or NATO-provoked "regional nuclear war") to something less than the "total war" to which the Soviets are unconditionally, publicly committed.

While Secretary of Defense under the Nixon and then Ford administrations, Schlesinger sought to have his "tactical war" doctrine adopted as official policy of the NATO alliance — secretly circulating the infamous defense strategy guidelines.

Following his dismissal by the President, Schlesinger joined with Eugene Rostow and others to form the now-public Committee on the Present Danger, to covertly support the Carter candidacy as more amicable to nuclear war prospects. Following the election, the Committee has gone public to concentrate on "psychological preparation" of the U.S. population for military confrontation abroad.

Schlesinger told a Princeton University audience this month that "international relations are not run by good will, but power... America must regain the aura of power it has lost since Vietnam... the ability to strike terror... The Soviets say that if there is war, it will automatically become general, but they don't mean it... In reality they won't attack us, even if there is a limited use of nuclear weapons."

## Cyrus Vance Secretary of State

Vance is a prominent member of the Rockefeller brothers' inner circle of political strategists, and has distinguished himself as a "trouble-shooter," both foreign and domestic. He is the current Director of the Rockefeller Foundation, a member of the Trilateral Commission, Vice-Chairman of the New York Council on Foreign Relations, and a member of the New York Times board.

While serving in the Defense Department under the Kennedy and Johnson administrations, Vance was a principal in the U.S. military invasions of Panama (1964) and the Dominican Republic (1965). In 1967, Vance presided over a secret February meeting of relevant intelligence personnel which activated the joint NATO-CIA "Operation Prometheus" to topple the Greek government; Vance functioned as case officer for the

subsequent fascist military coup. In October, 1967, Vance conducted "shuttle diplomacy" between Greece and Turkey to settle the pre-arranged Cyprus crisis with pre-arranged "concessions" from Greece to Turkey to strengthen NATO's hold on the latter ("NATO's southern flank").

In July, 1967, Vance served as President Johnson's representative on the scene during Detroit's race riots, and delayed responding to then-Governor George Romney's request for Federal troops until the "riot zone" had significantly spread. This permitted deployments in accord with "Operation Garden Plot," a Vance-authored plan for nationwide martial law during such civil disorders, portions of which were activated during the many riots that followed the April 1967 assassination of Martin Luther King.

Vance, who was quietly a leading force in the creation of the Law Enforcement Assistance Administration (LEAA) as a "domestic CIA," became President of the New York Bar Association in 1972. In that capacity, he sat on the Knapp Commission which conducted "Watergate" operations against the New York City police department, preparing it for LEAA-takeover.

### Harold Brown Secretary of Defense

Brown, a member of the Trilateral Commission, holds views on military defense questions essentially indistinguishable from those of J. Rodney Schlesinger. Brown personally favors a vast military build-up premised on an early war with the Warsaw Pact, but something less than "total war." He is an advocate of the "utopian" doctrine of "air power" and "wonder weapons." During his first press conference, he stressed that "defense cuts" promised by Jimmy Carter will be made in personnel, not military production, which will be increased.

Brown, who was a protege of Nelson Rockefeller's "personal scientist," Dr. Edward Teller at the Livermore Laboratories, was one of the "whiz kids" brought into the Defense Department by Robert McNamara. As Director of Defense Research and Engineering, Brown presided over the "wonder weapons" development of the F-111 and C-5A aircraft (the largest boondoggles in military history), the use of napalm in Vietnam, "electronic battlefields," and the many other "special forces" gadgetry with which the Green Berets were equipped.

Brown became Secretary of the Air Force under Johnson, and advocated Gen. Curtis LeMay's "bombing North Vietnam back into the Stone Age." This policy (and the many crashes of the F-111) earned him the nickname "Bomber."

### Werner Michael Blumenthal Secretary of the Treasury

Werner Michael Blumenthal, Chairman of Bendix Corporation and Jimmy Carter's designated Treasury Secretary epitomizes the "professional manager" who

infiltrates corporate bureaucracies for the Rockefeller family. Blumenthal's chief contribution has been to destroy U.S. industrial capacity while achieving productivity through speed-up rather than technological development.

Blumenthal's allegiance to the New York banks is attested to by his service in numerous Rockefeller-controlled policy bodies: the Trilateral Commission, the Rockefeller Foundation, the New York Council on Foreign Relations, the Atlantic Council and the Atlantic Institute. Blumenthal participated in the now defunct Initiatives Committee for National Economic Planning, whose self-described goal is to regiment American business into "fascism with a democratic face."

After fleeing the Nazis, German-born Blumenthal trained as an economist at Princeton University, completing a research project on "Co-determination in the German Steel Industry." From 1955-57 he was a labor arbitrator for the state of New Jersey and later served John Kennedy as a deputy special representative for trade negotiations at Geneva before going to Bendix. Bendix sponsors labor relations studies with the Institute for Social Research at the University of Michigan, a pioneer in industrial brainwashing.

### Patricia R. Harris Secretary of Housing and Urban Development

Harris is a member of the Board of David Rockefeller's Chase Manhattan Bank, and a member of the Board of IBM. She is a partner in the law firm Fried, Frank, Harris, Shriver, and Kampelman, which represents the Committee on the Present Danger.

In 1968, Harris was appointed to the Commission on the Causes and Prevention of Violence, known as the Walker Commission. The Commission labeled the "Weatherman" riots at the 1968 Democratic National Convention a "police riot," effectively weakening the political position of Chicago Mayor Richard Daley to the point that the Institute for Policy Studies, which organized the rioting, was subsequently able to take over Democratic Party policy making.

Harris' law firm includes among its clients the Americans for Democratic Action, and the J.M. Kaplan Foundation, which has been exposed as a conduit for CIA and other monies to sham "left" organizations ("countergangs").

### Joseph Califano Secretary of Health, Education and Welfare

Califano's appointment as Secretary of Health, Education and Welfare was recommended by Cyrus Vance. A member of the law firm, Williams, Connally and Califano, he was special assistant to Vance, then General Counsel at the Defense Department, and continued as Special Assistant to Vance after the latter became Deputy Secretary of Defense. He was directly involved (with Vance) in the U.S. invasion of the

Dominican Republic, and the beginning of the "strategic hamlet" policy in Vietnam. He is also a principal in the Indonesian massacre of 1965, set up by the "Berkeley Mafia" of CIA-connected academics, "Social Democrats," and technocrats in that country.

In 1967, Califano was promoted to Special Assistant to the President (Johnson) on Domestic Affairs, in which capacity he headed up the presidential commission which created the Law Enforcement Assistance Administration (LEAA). One of Califano's first active assignments was to head up the Appalachian Regional Commission (APC), which involved planning and pilot projects in "labor relocation," labor-intensive work projects, and the fostering of "Southern folk culture" (Volksgemeinschaft). Califano was directly involved in covert operations which saw the Justice Department secretly funding the Ku Klux Klan in the south — those KKK chapters which carried out the most attacks on civil rights workers.

Califano left the White House in 1969 to join the CIA's leading law firm, Arnold and Porter. His own law firm was more recently established as a "Special Operations" outfit. The firm or its partners have been directly involved in Foreign Intelligence Advisory Board activity, the CIA's European "deserters movement" during the Vietnam war, the Democratic National committee's foreign policy task force, and all legislation drafted by Senator Walter Mondale in the past three years, including the National Employment Relocation Act.

### R. Ray Marshall Secretary of Labor

R. Ray Marshall, professor of economics and director of the Center for the Study of Human Resources at the University of Texas, is an epigone of Columbia University's Eli Ginzberg, in whose view "Hitler did an excellent job" in the field of labor policy. Marshall is a member of Ginzberg's National Manpower Policy Task Force. Marshall, whose doctoral thesis was financed by the Rockefeller Foundation, has worked on over 100 special "recycling" projects for the Ford Foundation, and his nomination was greeted with approval from Lane Kirkland, the Trilateral Commission leader in the AFL-CIO.

In the 1960s, Marshall worked with Joseph Califano on the Appalachian Regional Commission (ARC) as a specialist in "conservation of human resources." He was directly involved in ARC programs designed to break the power of the United Mine Workers preparatory to the Yablonski killing which destroyed the UMW's Boyle leadership.

Marshall's Human Resources Center at the University of Texas is funded by the Ford Foundation. Its emphasis is labor-intensive work for relocated "human resources," typified by its "Operation Mainstream," which uses elderly rural unemployed in a variety of state "pick and shovel" public works projects. Marshall's

outlook is capsulized in a chapter he contributed to a book recently published by Ginzberg's Columbia group, *Transition From School to Work*. Marshall's thesis is that education is now "outmoded." The best education for people is work.

### Juanita Kreps Secretary of Commerce

Juanita Kreps is the current Vice-President of Duke University and head of the "Research Triangle" (Duke, and two other southern universities) which provided all the studies for the Rockefeller family's "New South" project. She is a member of the boards of Eastman Kodak, R.J. Reynolds, NCNB, Inc., and Western Electric. She is the Director of the New York Stock Exchange. She is a member of the board of J.C. Penney, an important Rockefeller corporation politically, whose executives were employed in numerous capacities in New York City and its Municipal Assistance Corporation (Big MAC) to "restructure" the city's debt and drastically reduce its social services. Kreps is also a member of Eli Ginzberg's National Manpower Policy Task Force, where she has specialized in "Affirmative Action" (union busting with blacks) programs and the Elderly (how to get them to work). Kreps has also been a leading public advocate of "corporate responsibility," a policy designed to subject industry to corporatist economic planning policies.

### Robert Bergland Secretary of Agriculture

A three-term Congressman from the state of Minnesota, Bergland is a protégé of Senator Hubert Humphrey. He has been a member of the Democratic Study Group, the think-tank of the "Fabian" Democrats and others associated with the Institute for Policy Studies.

Bergland's record as a Congressman and his current policy commitments center around two goals: price supports on wheat and other food stuffs high enough to essentially take U.S. farmers out of the world market; and "food control," centered around the policy of a centralized grain reserve as a "disincentive to production." Both are intended to make the United States a "residual" rather than "primary" supplier of grain to the world.

In a speech to the Michigan Farm Bureau this month, Bergland called for price support increases on wheat from the present \$2.25 to \$3.10, and on corn, from \$1.25 to \$2.10, which would effectively eliminate U.S. sales on the international market. Frequently portrayed as a "bridge" between farmers, consumers and government policy, Bergland has campaigned for a grain reserve "controlled by the farmers." Under anybody's control, the grain reserve combined with price supports will collapse production in the American farm belt, and ensure the starvation of millions of persons in Third World nations.

## Griffin Bell Attorney General

Bell, an Atlanta attorney and former judge in the U.S. Fifth Circuit Court of Appeals, is a member of the King and Spaulding law firm, at the center of what is now known as the "Atlanta Mafia," whose clients include Coca Cola Company. Coke's chairman, J. Paul Austin "discovered" Jimmy Carter and brought him onto the Trilateral Commission.

Bell headed the Atlanta Crime Commission under Governor Carter. The Bell Commission brought all law enforcement agencies and programs in the state under centralized LEAA control. Bell was also instrumental in the establishment of the Georgia Judicial Council, which standardized judge "training and sentencing," organized a "crime intelligence unit," reorganized the juvenile court system, and introduced new police training programs along LEAA guidelines.

Bell set a judicial precedent while on the bench, putting a Georgia school district into receivership pending desegregation, with as violent consequences as were more recently provoked in Boston by a similar "desegregation" procedures. Not inconsistently, Bell's "racist" decision upholding the refusal of Georgia's lower house to seat elected representative Julian Bond made a *cause célèbre* of Bond, previously an unknown field worker for the Washington-based Institute for Policy Studies.

Bell is currently a member of the Supreme Court's Federal Judicial Center, where he helped draft a proposal for a National Court of Appeals, with members to be appointed by the President, and who will have "final say" on many of the cases that presently would go to the Supreme Court — effectively cutting off public access to the highest court in the land.

## Brock Adams Secretary of Transportation

Brock Adams, Congressman from Washington's southern district, is dedicated to government control of rail and other means of transport in the U.S., and their re-organization in line with corporatist "national economic planning" and in particular, special job-creation projects. In a recent interview, NBC news commentator John Chancellor asked Brock Adams how the nation's transport system could be made to serve the people of the inner city. Adams answered that he would "use existing rail lines to get them to jobs outside the cities."

Adams congressional career was marked by his primary sponsorship of the legislation creating "Conrail," the government agency now overseeing bankrupt U.S. railroads. During the 1974 fight to get Conrail passed, Adams repeatedly declared that he wasn't interested in improving the rails, but only in preventing large bank failures in the Northeast as a result of such disasters as the Penn-Central bankruptcy. Conrail's \$2 billion in appropriations "does not mean corporate giveaways, subsidies, or grants," he said. The government

would not spend the money unless a railroad were about "to default on a loan."

Adams was also the author of 1973 legislation which created the Congressional Budget Office. The legislation was drafted for him by the Rockefeller family's Brookings Institution, whose Alice Rivlin currently heads the office with a large staff drawn almost entirely from the Brookings Institution.

## Cecil D. Andrus Secretary of the Interior

Andrus has been Governor of Idaho since 1971, and is currently Chairman of the National Governors Conference. His administration has been distinguished by an exclusive emphasis on the "Quality of Life" in opposition to economic progress, which he believes is contrary to nature.

"We must not allow irreplaceable natural resources to be destroyed for temporary economic gains," Andrus told reporters recently. He wishes to keep America's resources "in the ground." Andrus allows one exception to this rule: shale-oil or similar "Project Independence" schemes for labor-intensive work. "It's not an accident that Idaho has the lowest number of welfare cheats," says Andrus. He pared the rolls by pushing the unemployed into public works programs.

Andrus' administration in Idaho has cut the number of state agencies from 270 to 20, with those remaining fully decentralized. His Executive Reorganization Act employed the same Trilateral Commission model-recommendations used by Jimmy Carter's simultaneous reorganization of Georgia government. He is expected to "collapse" the federal government's environmental agencies into a single department with augmented powers to police economic resources.

## Charles Schultze Chairman of the President's Council of Economic Advisors

Schultze, a former staff economist with Eisenhower's Council of Economic Advisors and Director of the Budget under the Johnson Administration, is currently a Senior Fellow at the Rockefeller family's Brookings Institution. He has been the leading Brookings policy-maker for the domestic economy, and is distinguished as an "efficiency expert" and "public spending advocate."

Schultze was a principal architect of the "Humphrey-Hawkins" Bill, which calls for public works employment and publicly subsidized private employment programs in the context of corporatist national economic planning. Schultze was a principal advisor to James Earl Carter during the presidential campaign, and largely designed many of Carter's forced-work schemes including his youth employment programs.

Schultze has been a firm believer in "wage and price controls" for nearly two decades, and blames inflation on "excess demand" by key industrial corporate sectors, whom he has said must be squeezed with price controls while public spending makes up the resultant loss in jobs.

He has similarly advocated "cuts" in the defense budget, but his fiscal design is in keeping with Harold Brown's promise of military production increases, based on a single highly centralized procurement program for the armed services.

Andrew Young  
U.S. Ambassador to the United Nations

Andrew Young, a Georgia Congressman, boasts that he is the only black man ever to be admitted "to the war room at Rockefeller Center." Young headed up Jimmy Carter's "Get Out the Vote" campaign, which bore direct responsibility for the hundreds of fraudulent votes in New York and the thousands in Ohio which gave Carter

his presidential victory.

Young was elected a Congressman in 1972, with the active support of Senators Kennedy, Humphrey, and McCarthy, and former Attorney General Ramsey Clark. Before that time he had spent 15 years as a "civil rights" worker, most of them on the payroll of the CIA's Field Foundation. He played a prominent role in the creation of the Student Non-Violent Coordinating Committee (SNCC) by the Rockefellers' Institute for Policy Studies.

Young became nationally prominent during the CIA's involvement in the Angolan revolution last year; during the debate in Congress over Secretary of State Henry Kissinger's channeling of arms and other aid to the CIA's "liberation fronts" in Angola, Young, a member of the Congressional Black Caucus, denounced the Soviet Union as "more racist than South Africa."

## European Press Reaction to Carter Cabinet

### Italy

*L'Unita*, Dec. 17: Talks of the possible naming of James Schlesinger to the Carter Cabinet and says that Schlesinger, already "ousted" by Ford, would represent an armaments option, and would hold back dialogue with the Soviets. Schlesinger is supported by Eugene Rostow and Committee on the Present Danger, "an anti-Communist and anti-Soviet organization."

*Il Messaggero*: U.S. correspondent Lucio Manisco writes that Zbigniew Brzezinski is "one of the main enemies of the Soviet Union and a Cold War crusader." Manisco describes Brzezinski as intransigent on détente, and appreciative of Eurocommunism because it destabilizes the Eastern European states. On Georgia Rep. Andrew Young, Carter's appointee to the UN: Young is "anti-Martin Luther King and will not at all be a guarantee for blacks."

*Corriere Della Sera*, Dec. 27: Ugo Stille writes favorably of all the Carter appointments, but reports that there are "left liberal layers" who attack Carter and his Cabinet, noting especially Anthony Lewis of the *New York Times*, who calls Cyrus Vance a "man of yesterday," noting his previous government service in the Kennedy and Johnson administrations.

*Il Giorno*: *Il Giorno* depicts Carter's Cabinet as controlled by the Trilateral Commission, formed by billionaires whose "most successful product" is Jimmy Carter. Achille Lega, the author, says an unnamed source characterized Carter as a "robot, created by the Trilateral Commission."

*Il Messaggero*: The CIA, Pentagon and "independent experts," says correspondent Lucio Manisco, want to

impose on Carter a policy of "rearmament." Manisco cites the *New York Times* articles of the previous day on a CIA study saying the Soviets seek military superiority, stating the "experts" were Paul Nitze, Gen. Keegan and others.

*L'Unita*, Dec. 29: "The nominations to the Carter Cabinet do not reflect the struggle within the industrial-political complex. The calm climate of some weeks ago is not comparable with now," (referring to the opposition developing in the Democratic Party to the Carter appointments). Correspondent Polito also says that Defense Secretary designat Cyrus Vance is "advocating a return to the world of Johnson, McNamara and Rusk."

### France

*Le Figaro*, Dec. 28: In an editorial entitled "Carter comes on the scene" journalist Alain Vernay writes: "The designation of Professor Brzezinski, to occupy the post of Kissinger in the White House, and of Michael Blumenthal at the treasury, augurs an economic conception in the direction of international affairs inspired by the Trilateral Commission of which Carter is a member..."

*Le Monde*, Dec. 25: Journalist Henri Pierre comments that James Schlesinger, whose hard stand on the USSR has lead the Soviets to call him the number one enemy of détente, impressed Carter, "but the vigorous opposition of liberal Democrats fearing that this return to the defense department might compromise détente, prevented Schlesinger from getting back his old past... Because energy problems, in his (Schlesinger's - ed.) opinion are essentially defense problems, Schlesinger accepted the new post proposed by the President-elect.

*Le Monde*, Dec. 25: journalist Dominique Dhombres analyzes the nomination of Ted Sorensen as head of the CIA. Dhombres points to Sorensen's participation in the Kennedy Administration in the executive decision leading to the Cuban missile crisis and the Bay of Pigs invasion, and muses "Will Fidel Castro — the target of multiple attempted assassinations — be able to sleep quietly after Carter's nomination in the White House?"

*L'Aurore*, Dec. 29: "New boss of the Pentagon, Brown returns to 'the balance of terror'... The notion of 'flexible response' in case of a nuclear conflict, an option adopted by the U.S. for three years, will once again give way to the theory of massive retaliation which made the law during the Cold War... The differences between the two men (Schlesinger and Brown), who are finding each other around their new boss Jimmy Carter, seem more occasional than fundamental, especially in Brown's mind...."

## Britain

*London Times*, Dec. 17: Carter's National Security advisor, Zbigniew Brzezinski, "comes ready-made to the position like some Democratic Dr. Kissinger. He too fits the 'Dr. Strangelove' image of the professional strategist of the nuclear age, guttural accent and all." The article also explains that Brzezinski "invented the term 'trilateralism'" which was immediately picked up by David Rockefeller for his Trilateral Commission. Although "the results are not yet in," the Trilateral Commission membership list "begin to look like the pre-school for the Carter administration... whether by accident or prescience..."

*London Times*, Dec. 23: Dr. Harold Brown, nominee for Secretary of Defense, "is yet another of (Carter's) choices for Cabinet posts who is both an academic technocrat and a member of the Trilateral Commission." Brown "was heavily engaged in several bold new ventures which turned into debacles," while one of McNamara's "whiz kids" at the Pentagon in the early 1960s. Brown's nickname, "Bomber" takes on further significance given his support for "all the futile and devastating gradations of Vietnam bombing policy."

*London Times*, Dec. 4: greeted the appointment of Cyrus Vance as Secretary of State as an indication that the "Vietnam hawks" or at least the "less conspicuous of them" were being rehabilitated in the Carter administration. The newspaper also called Vance's decision to call in paratroopers to quell the Detroit riots in 1967 (as a personal trouble-shooter for then President Johnson —ed.) a "desperately dangerous move politically."

## West Germany

*Die Welt*, Dec. 15: "Carter has Three Trumps Against Moscow," by Kurt Leissler. "Carter is taking over the government at an extremely opportune moment. The United States is far superior to the Soviet Union. Its technology has broken through into a new dimension..."

This 'new dimension' has given Carter a good starting basis. It is hoped that he will not prematurely give way under the strong pressure from leftists and liberals in the Democrats' camp or get under the influence of Moscow's beckonings... Moscow has not fully recognized the situation..."

*Frankfurter Allgemeine Zeitung*, Dec. 18: "Brzezinski Does not Want to Play Kissinger's Role," by Jan Reifenberg. "The Polish-born Brzezinski makes no secret of his skepticism about Nixon's and Ford's policy of détente toward the Soviet Union. The new President must pursue a hard course, since détente only has meaning if it is based on strict mutuality." Brzezinski praises SALT, but says that the upper limit on strategic weapons agreed upon by Ford and Brezhnev at Vladivostok is "too high." Harold Brown is being criticized by Schlesinger and others from the Committee on Present Danger as a "dove," too willing to go for disarmament. "Thus, it is characteristic that Kissinger's top advisors are confirming in their discussions recently that a purely military manner of thinking about the Soviet Union is not sufficient. There are much greater dangers with the arms race than merely a certain numerical advantage held by Moscow. By naming Cyrus Vance as the new Secretary of State and Brzezinski as Chief of the National Security Council, however, Carter has set up a thoroughly security-conscious, cautious policy."

*Die Welt*, Dec. 23: "Brown: A Hawk in Dove's Feathers?" by Kurt Leissler. Brown's line is ambiguous; sometimes he seems like a hawk, sometimes like a dove. He is a specialist in small nuclear weapons and research on the devastating side-effects of nuclear bombings. "He has gone through the political establishment under the auspices of Kissinger and McNamara," and supports the MIRV idea. In the summer of 1968 he sided with McNamara against those military leaders protesting against MacNamara's decision to maintain the SAC Bomber Patrol.

*Frankfurter Allgemeine Zeitung*, Dec. 24: "Carter Names Schlesinger his Energy Advisor," by Jan Reifenberg. "... Schlesinger was being pushed by powerful groups to get renamed to his former post of Secretary of Defense. Carter, however, gave in to other pressures, particularly from the AFL-CIO... The stubborn professor, known for his capabilities for analytical thinking, his high intellectual and moral qualities, already recognized the future problems of energy policy when he was head of the Atomic Energy Commission. Carter will provide Schlesinger with the powers which will make him into an energy czar. He is leaving no doubt that he will emphatically push through a process of re-education, which is necessary to permanently acquaint the world's energy users that energy supplies are limited..."

*Frankfurter Allgemeine Zeitung*, Dec. 27: "Carter's Criterion: Desire for Productivity," by Jan Reifenberg. "From January, 1977 on, those occupying the key positions for foreign, security, defense and economic policy will be men who are all familiar with the period of the Cold War, the bitter experience of Vietnam and the uneasy period of the 1960s... American observers fear

that Vance, Brown, Sorensen and Brzezinski are inclined to correct the mistakes they made during the Johnson-Kennedy period, when they proceeded too cautiously."

*Frankfurter Rundschau*, Dec. 27: "Carter's Split Choice," by Dirk Cornelsen. Unfavorable coverage of Carter's appointments of Bell and Brown. "Carter's choice of the socially progressive scientist Ray Marshall was fortunate, however... He is an expert in the area of job creation for women and minorities... The successful manager Blumenthal is considered to be a socially conscious, liberal man, ... and appointing the economic expert Charles Schultze as his chief economic policy advisor was clever...Vance was McNamara's deputy during the worst years of the Vietnam war, but later he won the reputation of a clever mediator in difficult domestic and foreign policy situations. Vance is a pragmatist, and not a thinker... Brezezinski will bargain harder with the USSR."

*Süddeutsche Zeitung*, Dec. 28: "Instead of a group of new and 'fresh' faces from the anti-establishment, Carter has gathered around himself a number of establishment figures who have worked in previous administrations already, and who are partially compromised... Brezhnev has granted Carter a breathing space, but he will teach

Carter the same thing Krushchev taught Kennedy: 'Only two nations are powerful: the Soviet Union and the USA.' Such a lesson should be expected sooner if Carter looks upon his breathing space not as an offer, but rather carries out his election promises to be tough with the Soviet Union. The test of whether Carter will really carry out his promise to be tougher than Kissinger with the Soviet Union, will be whether or not he includes non-ballistic weapons in the negotiations and demands real concessions. The Carter-Brezhnev meeting is necessary. Before then the breathing space may already have ended — for example, with an unexpected accident in the Mideast."

*Frankfurter Allgemeine Zeitung*, Dec. 28: Commenting on the Committee on the Present Danger's input into the CIA annual assessment of Soviet strategy, the *Allgemeine Zeitung* warns that Carter's cabinet is "a return to the fantasies of the 1960s missile gap." The *Allgemeine* goes on to report that Carter is being pressured by such hardliners as Admiral Hyman Rickover and CPD leader Paul Nitze who oppose a SALT treaty with the USSR, and cautions: "If in the coming October SALT is not settled, the last chance will be lost to maintain the strategic balance."

## 'Legal' Drug Pusher Rumored for Top Carter Administration Post

Dr. Peter Bourne, a close personal friend of Jimmy Carter and a public advocate of the legalization of heroin, is expected to be named to a top post in the Carter Administration. According to informed sources in Washington, D.C., Bourne, a psychiatrist, will likely be appointed to head up HEW's Drug Abuse, Alcoholism and Mental Health unit where he will work arm-in-arm with HEW Secretary-designee Joseph Califano.

After graduating from Atlanta's Emory University in the early 1960s, and following psychiatric training at the Walter Reed Army Research Institute, Bourne deployed to Vietnam in 1966 to profile Green Berets under combat conditions. After returning to the U.S. in 1967, he founded the terrorist-oriented Vietnam Veterans Against the War and joined the board of the Institute for Southern Studies, the Southern outlet of the Institute for Policy Studies.

Bourne returned to Atlanta in the late 1960s where he quickly became involved in the mental health and "drug abuse" programs which were then proliferating under the guidance of chief conduit of OEO funds into that city, Economic Opportunity Atlanta (EOA). He and Carter became friends in 1969, and when Carter became governor in 1971, he appointed Bourne to head up the state's only mentadone program. In 1972, Bourne became second-in-command of the Special Action Office on Drug Abuse in the White House, where he had specific responsibility for overseeing all methadone programs in the country. Bourne is now working for the Drug Abuse Council, presently in the forefront of the campaign to make cocaine and heroin legal.

If Bourne does get a job with the Carter Administration, he will be the fifth top appointee named thus far with direct ties to the Coca-Cola Corp., which is headed by J.Paul Austin, a member of the Trilateral Commission and chairman of the board of the Rand Corporation. As a nervous reporter for the Washington Post pointed out last week, not only is Carter's Deputy Secretary of Defense, Charles Duncan, a former president of Coca Cola, but two other top appointees — Califano and Attorney-General designee Griffin Bell — have served with law firms who represented Coca Cola. Furthermore, Coke head Austin is a member of the board of directors of Cal. Tech, whose president is slated to become Carter's Defense Secretary.

Bourne's Coke connections have been primarily through the complex of Atlanta-based foundations which the company maintains. The Coke foundations' director, Mr. Boisfeuillet Jones, simultaneously headed up EOA during the 1960s. In that capacity, Jones worked closely with his friend, Bourne, in coordinating the Coke foundations' mental health and drug abuse programs with those run by EOA. Jones had known Bourne previously when he was dean of Emory University's Department of Health and Bourne a part-time instructor in Emory's School of Psychiatry. Jones informed a reporter recently that the Coke Foundations have funded Emory to the tune of more than \$80 million in the last ten years, and was instrumental in setting up its School of Psychiatry where got his initial training in brainwashing techniques.



# Collapse of Third World Debt Threatens Banks in Early 1977

## INTERNATIONAL LIQUIDITY

Dec. 29 (NSIPS) — Unless the Wall Street banks carry out their stated intention of placing Schachtian controls on the world economy by mid-1977, the \$300 billion mountain of Third World debt will destroy them. This is not the public estimation of the *Washington Post* and other leading Wall Street-associated journals, and the underlying motive for Wall Street's commitment to an early confrontation with the Soviet Union.

Developing countries racked up this enormous debt burden in two stages: first during the great commodities boom of 1971 to 1974, and second after the Rockefeller oil multinationals forced the quadrupling of oil prices during the end of 1973. Most of this debt is short-term loans, renewed (or "rolled over") continuously, from the unregulated chain-letter swindle known as the Euro-dollar market. Less than \$100 billion of the debt is long-term government to government loans, usually from the United States and other industrial countries to developing countries for aid purposes. The core of the \$300 billion is about \$75 billion in 5 to 7 year loans to the Third World from Eurodollar banks. Of that principle amount of \$75 billion, a tremendous \$17 billion in loan amortization comes due next year, in the estimate of the Swiss Bank Corporation.

Virtually none of this lending has affected the actual economic development of Third World countries. In consequence there is no basis for any of it to be repaid. During the pre-1974 years of commodity boom, when the prices of the raw materials which the developing sector exports doubled on the world market, Third World countries contracted a huge volume of debt through the following swindle. As the paper value of their exports rose, Third World countries' credit rating rose, and they increased their borrowings. They then re-deposited most of the loans in the Eurodollar pool they had drawn from, providing more funds to their bankers. This, in turn, led to more loans to commodity speculators, more jumps in commodity prices, and more loans to Third World countries. Through this mechanism, a miserably poor country like Zaire managed to borrow over \$8 billion from the international banks, while the price of its single export, copper, rose from 66 cents a pound to almost \$1.40 a pound at its early-1974 peak.

But when commodity prices collapsed (following the wave of industrial shutdowns over 1974), the rate of

lending to the Third World *increased*. With the collapse of their export earnings due to the end of the commodity price bubble, and the 400 per cent rise in oil prices, the Third World was now desperate to keep its head above water. By official estimates, the Third World was short of cash for even limited import needs by \$35 billion during 1975 and \$30 billion during 1976; the actual totals are about half-again that much.

To finance these massive deficits, the international banks issued short-term loans at a stupendous rate; these total over \$100 billion. About half these short-term loans represent a pure bookkeeping trick in which no money changes hands; as interest payments on the total outstanding debt came due, at the rate of about \$20 billion in 1975 and \$30 billion in 1976, the banks merely issued new short-term loans to cover the interest payments.

### *The Rubber Band Snaps*

But this rubber band has been stretched to the point of snapping. During 1977 at least \$17 billion of long-term credits are due for repayment. By the method banks use to "cook" their books and cover up total illiquidity of their loans to the Third World countries, payments schedules are all-important. Banks can declare profits and dividends against scheduled income. If the scheduled \$17 billion in cash income fails to come through next year, the entire bookkeeping swindle will come apart, and banks will be unable to meet their liabilities to depositors. On top of the \$17 billion, the Third World's deficit during 1977 is projected by international agencies at \$33 billion. This adds up to a net financing requirement of \$50 billion in new cash (excluding the gigantic burden of short-term debt and its interest). By Morgan Guaranty's estimates, this is double the ante for 1976. There is absolutely no way — as David Rockefeller insisted in a Paris speech early this month — that the banks will be able to find the \$50 billion. As for the world's erstwhile central bank, the International Monetary Fund, only \$7 billion in loans issued from the Fund this year. And the IMF has absolutely no cash left for further lending.

### *Worries About Mexico, Brazil*

Meanwhile, the two largest Third World debtors, Mexico and Brazil, are bankrupt by any reasonable accounting standard. Mexico currently pays more than half of its total export earnings out as debt service; Brazil pays 46 per cent of its export earnings. Wall Street sources are terrified that both countries will default

when major repayments come due for Mexico in the first quarter of 1977, and for Brazil in the second and third quarters of 1977.

In a report issued last week, the World Bank, the sister institution of the International Monetary Fund, argued that the Third World debt situation was not as bad as it might seem, because inflation reduces the relative value of dollar debts with respect to the commodities the Third

World exports. This is the proposed "solution" of World Bank president Robert McNamara, the old Kennedy and Johnson Defense Secretary, a close associate of the proposed Carter cabinet: world hyperinflation. The World Bank did not mention that inflation also raises the cost of Third World imports. But since they are committed to rapid reductions in the world population, they have no reason to consider how the Third World will manage to import food, let alone tractors.

## Remarks on Illusions Concerning Feasibility of T-Ruble Convertibility

*Exclusive to NSIPS*

*by Lyndon H. LaRouche, Jr.*

*New York City*

*Dec. 28, 1976*

Recent policy statements released by the Council for Mutual Economic Assistance's IBEC discredit prevailing presumptions among U.S. banking and related circles, presumptions to the effect that such a potent option did not exist in practice for the CMEA at this time. This upsetting of earlier estimations among U.S. circles might be regarded as consistent with a current tendency to govern the affairs of this nation by a policy of successive strategic miscalculations.

The principal features of the CMEA system which had been adduced to the consoling effect of proving that what has just happened could not occur are the evidences to the effect that the CMEA financial and related operations are permeated with irregularities. These ostensible (sometimes very real) irregularities are cited to show that such problems must be corrected before TR convertibility could become more than an administrative technicality.

This cited sort of critical appraisal of the CMEA has two principal defects, one laughable, the other appropriate for systematic treatment. The howling irony in the rather self-righteous criticisms of the CMEA I have encountered from relevant USA sources is demonstrated by considering how the internal affairs of the principal lower Manhattan financial institutions must appear to an analyst advantaged by the relative objectivity of a Moscow office. The point for systematic criticism is the pervasive fallacy of composition which permeates the U.S. sources to which I allude collectively here.

In general, the conduct of the affairs of CMEA institutions is overall governed primarily by the kind of economic warfare environment in which those institutions operate.

Overall, from its beginnings the Soviet Republic has been dominated in its external and internal relations by its status as a besieged-garrison state. From the outset, Soviet foreign trade and financial operations have been governed predominantly by the view of these operations as governed twofoldly by economic-warfare policies, the economic warfare which has been predominantly consis-

tent since Versailles on the external side and for which situation Soviet financial and trade activities are counter-measures on their side.

The relevant question evoked by the consequent irregularities in Soviet and CMEA practices is not whether these are irregularities arising from economic-warfare circumstances, bureaucratic ineptness, or otherwise, but the ability of the Soviet and CMEA system to maintain the elasticity-in-depth to sustain the disadvantages so incurred.

Second, in analyzing the Soviet and CMEA it is indispensable to emphasize that the very nature of the social-economic system assigns to short-term and intermediate-term developments and fluctuations a much, much lower order of relative importance that is appropriate for analysis of financial and trade operations in the OECD nations. Here, the elasticity-in-depth of the Soviet system becomes dominant. If the net effect after discounting short-term phenomena is to enhance the long-term elasticity or merely to "buy time" for internal development of greater such elasticity, the short-term problems are to be regarded as effectively smoothed-out.

Third, overlapping the two cited points, the essential economic data to be studied are a comparison of the real capital formation rates in the OECD and CMEA countries. Here, the magnitude of real capital formation is of relatively lesser importance than the net rate of new real capital formation (after replacement and maintenance). If the Soviet-CMEA rate is higher than the current rate of the OECD nations, the convertible ruble can operate at a decided advantage to the dollar at the TR-dollar interface.

Provided that the Soviets and CMEA restrict their indebtedness to the dollar and other OECD sources to short- and intermediate-term credits or to payment "in kind" from new production facilities created, provided that the net rate of real capital formation is relatively higher in the Soviet than in the OECD sector, the relative elasticity-in-depth of the TR ruble (under recently proposed terms) as a reserve currency for nested, multi-lateral trade-and-credit agreements is enormous with respect to the dollar.

The type of financier mentality most appropriate to

lower Manhattan is more or less inherently incapable of understanding the implications of those combined points, because he can not accept an economic analysis of the current OECD situation in terms of the methods uniquely appropriate to study of the Soviet-CMEA sector. The Soviet economy as an economy is more or less comparable to the kind of U.S. economy implicit in the proposal for the Third National Bank. That is, the Soviet economy operates on principles directly analogous to a pure industrial capitalism. Monetary processes are of course superimposed as an essential complement to industrial processes, but those monetary institutions and their functions are subordinate to the primary industrial interest — whereas, in the USA, industrial development is subordinate to the primary interests represented by financial institutions.

This difference between the U.S. and Soviet economies, treating them as if both were capitalist economies, is that accumulated monetary instabilities in the Soviet economy can be settled politically by a stroke of the pen. Hence, the strength of TR-linked monetary systems depends not upon the current financial practices but

upon the possibility for establishing a workable, durable monetary system on the basis of the net rate of real capital formation of the Soviet and CMEA economies.

In general the Soviets and CMEA can absorb relatively indefinite amounts of credit, to the extent that the growth in the resulting net rate of real capital formation is greater than the rate of payments so incurred.

In practice, such growth is bounded by the advances in Soviet productive technology and the ability to expand the Soviet industrial labor force. Increased capital formation itself will accelerate Soviet productive technology. The principal internal source for increasing the industrial labor force is agriculture. In general, modern technology applied to Soviet agriculture determines the rate at which the industrial labor force can be expanded.

This could be augmented if the Soviets could realize the objectives of the emergent TR policy: stable agreements which would permit the CMEA sector to plan long-term division-of-labor rationalization of Soviet development with respect to European OECD and key developing nations.

## U.S. Dollar Hits 18-Month Low, New Monetary System on Horizon

### FOREIGN EXCHANGE

The U.S. dollar fell to an 18-month low against several European currencies this week. Although there are "market" factors operating against the dollar — most notably, the rapid decline in U.S. interest rates caused by depressed business loan demand and Federal Reserve efforts to shore up the liquidity of certain leading New York institutions — the overriding reason for the dollar's weakness is the political convergence of the Soviets and allied OPEC and European business interests around the building of an alternative gold-based monetary system.

On the morning of Dec. 21, a major Soviet international bank dumped some 500 million U.S. dollars on the Zurich foreign exchange market, slashing the dollar's value in Swiss francs by 1 per cent in 15 minutes. The same day, the top East German policy magazine IPW announced that the Soviets were undertaking "the responsibility to reconstruct the world economy." Startled Swiss bankers described the Soviet intervention as a "very well-performed coup." "We would not rule out a conspiracy," stated an executive of the New York Federal Reserve in response to widely circulating rumors that this was a deliberate Soviet signal to hasten the dollar system's demise.

Saudi Arabia, Algeria, Iraq, and Qatar will make mass withdrawal of their short-term deposits on the Eurodollar market during 1977, the Italian newspaper *Il Fiorino* reported on Dec. 23. London banking sources also predicted an "accelerating" Arab pull-out from short-term dollar assets into gold and European equities, according to the Associated Press.

The West German government has so far refused to buckle under to the demands of Jimmy Carter's "transition team" to bolster the dollar via West German reflation. The Bundesbank has moved to tighten domestic credit during December at the same time that the U.S. "Fed Funds" (overnight bank deposit) and bank prime rates have been dropping precipitously, driving interest rate-sensitive capital out of the dollar sector. Although the Bundesbank maintained minimal support operations for the dollar during the past week — amounting to some \$13 million — and New York commercial banks have been "putting out the word" that the Bundesbank will ease credit in January, it is by no means a foregone conclusion that the West Germans will toe the Carter line. Rather than risk further inflation, West Germany could simply "let the dollar go," thereby sacrificing some exports to the U.S., but preparing the way for an independent European monetary policy and expanded trade opportunities with the Comecon and OPEC countries.

### *Group of Ten — Debacle for Dollar*

The most telling sign of an impending European "break away" from the dollar was the pathetic failure of the U.S. government at the Group of 10 meeting in Paris a week and a half ago to raise more than half the \$6 billion required for the "General Agreement to Borrow" bail-out fund. West Germany and the other industrial nations which comprise the G-10 have balked at printing up any more currency for purposes of bailing out U.S. banks' international investments.

"The IMF is bankrupt," cried the U.S. financial press in visible agony, including such respected organs as the *Journal of Commerce* and *Wall Street Journal*. With Britain, Italy, Portugal, and Third World nations lining up for funds, the International Monetary Fund's could come up with only \$579.5 million in hard currency for the "General Agreement to Borrow." Switzerland, a non-IMF member, had to put up an additional \$347.7 million as a loan to the IMF!

What makes the G-10 flop so critical is the fact that U.S.-based private international banks are dangerously overextended, with an estimated \$450 billion in "problem" loans outstanding to European and Third World nations. According to Morgan Guaranty's "World Financial Markets" survey which received prominent coverage in last week's financial press, international loans rose by a record \$78 billion in 1976, one-and-a-half times the previous year.

Without international bail-out and guarantee mechanisms, the U.S. banks will simply sink under the weight of carrying out this immense refinancing operation. It is already an open secret in international financial circles that the drop in the "Fed Funds" rate is a deliberate effort by the U.S. Federal Reserve to shore up the liquidity of Chase Manhattan and other New York commercial banks. The plight of Chase et al. is now considered so dangerous, that the Federal Reserve is willing to risk another run on the dollar in order to keep them afloat.

#### *Role of European Debtors*

The development of independent European policy will depend largely on the success of heavily indebted Britain, Italy, and France to combat their own currency crises by challenging the very basis of the existing world monetary system. The Italian lira, for example, sunk from 865 to the dollar to 875 this week, when the Italian government began to phase out its foreign exchange tax. Although the Italians have placed further stringent controls over the exchange markets — even instructing U.S. multinational oil companies that they could convert lira into foreign currency only at central bank-dictated rates — these are, at best, temporary measures. More significant is the Italian government's proposal that European and Arab countries pool their reserves in a central institution in finance East-West trade, their stated willingness to guarantee trade financed in Soviet transfer rubles, and the "symbolic" revaluation of Italian gold reserves to the world market price.

France may shortly be in Italy's shoes — financially speaking. The country racked up a stunning \$4 billion trade deficit this year, and it is rumored France will soon have to request an IMF loan.

The dollar is even more bankrupt than the British pound, Gaullist financial columnist Paul Fabra charged on the front page of *Le Monde* Dec. 22. Britain's insistence that it not be held responsible for the pound sterling holders of foreigners — that is, Britain's paper IOUs to the rest of the world — "adds fuel to the arguments of the Third World countries that demand a moratorium on their debts. It sheds cruel light," Fabra added, "on the vulnerability of the dollar, which is no less

loaded with immense foreign commitments." After all, with three trillion dollars in international liquidity representing claims on the U.S. economy which cannot possibly be repaid, the U.S. is the world's biggest debtor.

## GDR: Western Capitalist Nations Have Interest in New Economic Order

*The German Democratic Republic's Institute for Politics and Economics (IPW) asserted in its December monthly bulletin that the founding of a new world economic order has become a priority issue for all nations, including both the capitalist world and the socialist countries. In motivating this assertion, the IPW-journal relates the role of the Soviet Union, since the Bolshevik Revolution, in promotion of worldwide economic growth. In 1920 Lenin stated, "We are assuming the task of putting forward a plan for the reconstruction of the entire world economy."*

*A major portion of the article is that all advanced capitalist countries have self-interest in promoting the transformation of the world economy, in collaboration with the Socialist sector, even if they are acting in favor of strictly capitalist goals. Reprinted below are excerpts from the journal.*

What has been manifested since 1973 in the demands of the developing countries is nothing more than the objective needs and tasks of our age, as defined by present conditions of the growing strength and influence of socialism on world politics and the world economy...The resultant, enormous growth of the productive forces (in the Soviet sector...ed) and the tempo of their development have effected, simultaneously an ever greater internationalization (of the world economy). Thus, no nation can remain outside of this framework — whether it be socialist or capitalist, industrially advanced, underdeveloped, or mainly in the initial stages of industrial development.

The orderly and growing exchange of activities between peoples is no longer just a necessary precondition for expanded reproduction within national sectors, but within the global system in its entirety....In the same fashion in which changes are expressed in the international relationship of (political) forces, the forms and mechanisms of these nations constitute objectively necessary elements of a world economy which bears a transitional character, within which capitalist, socialist and developing countries have effects upon one another within a complex network....A change in this structure lies therefore, first of all, in the interests of the exploited and looted developing nations, which no longer desire to sacrifice their own development to the welfare of their exploiters. However, it would also lie in the interests of the highly developed capitalist countries, even if from the standpoint of their accommodating themselves to the changed conditions of capital valuations, or for the purpose of securing an expanded reproduction of capital on an international scale.

# Italy Stocks Shows Expectations of Arabs

## INTERNATIONAL STOCKS

The Milan bourse has seen a lively rise of 15 per cent in the general index during December from its low for the year on Nov. 10. This comeback, from an all-time low on that date of 64.93, is attributable directly to the impact of the FIAT-Libya deal earlier this month, after which a number of corporations are expecting Arab capital inflows.

The FIAT deal not only injected capital into FIAT and life-giving foreign exchange into Italy's reserves, but more important in the long run for the health of Italian industry, set the stage for increased trilateral trade expansion between Italy, OPEC, and the Comecon. The widely reported Soviet angle of the FIAT-Libya arrangement, involving freeing of foreign exchange for FIAT's expansion inside the Soviet Union, is in no small part responsible for the life in the Milan bourse, since the announcement by the Moscow Narodny Bank last week that the Soviet Union is extending the Comecon's transferable ruble to Western nations to expand trade and industrial development, as an alternative to the current monetary system's inability to do so. Both Arab nations and far sighted European investors are viewing the Moscow Narodny announcement, as well as a Soviet-British-Italian proposal that Europe and some OPEC nations create an East-West trade bank based on their jointly-pooled foreign exchange reserves, as implying real development upcoming in Italian industry.

In particular, the stocks which did well of course were those which were widely reported to be the subject of Arab and other foreign investment investigations. Among them were Pirelli and Co., which rose 41.2 per cent on the month; Rinascenti, which rose 11.9 per cent; Olivetti, rising 10.7 per cent; ANIC, rising 18.7 per cent, and FIAT itself, which zoomed 22.7 per cent on the month.

Pirelli and Olivetti in particular have been the subject of much speculation regarding Arab investment. Both of them "have FIAT deals up their sleeves," *La Repubblica* commented Dec. 14.

Pirelli rose 5.6 per cent during the past week alone, and as much the week before, on the strength of tremendous overall turnover, while FIAT, which also saw a huge

turnover of shares, fell 1.2 per cent last week, mostly on profit-taking after its phenomenal rise earlier in the month.

The slight weakness in the market during the past week, many market sources and brokers commented, had little to do with the attractiveness of the shares, but was attributable to the reduction of the foreign exchange tax from 7 per cent to 3.5 per cent by the Bank of Italy at the beginning of the week, which caused a slight drop in the lira. The Bank of Italy, however, was able to stabilize the lira around 875 to the dollar, not a significant drop on the week, although New York traders were hoping for a plunge to 900 to the dollar. The Bank's announcement Dec. 30 at the end of the week that Italy will be upvaluing its gold reserves to the market price from the current valuation of 1.8 trillion lira at 635 lira per dollar and \$35 per ounce of gold, should buoy the lira considerably next month. The Bank announced in particular that it reserves the right to revalue Italy's gold on a quarterly basis, firm expectation that gold, *which is basic to the newly forming transferable ruble trade clearing system*, should do well, and the lira with it.

In this regard, the news that Swiss money is in particular responsible for the rise in Pirelli, FIAT, and other active stocks in Milan has potential far-reaching political significance. Swiss banks traditionally purchase stocks (and gold) for their Arab clients, but the Swiss capital inflow could easily represent as well certain European banks and corporations in the know picking up some Italian equity while it's cheap. "In the know" at this point in Europe could well mean those who are aware of the significance of the transferable ruble proposal and the East-West trade bank reserve pool for a boom in Italian exports and technological development, as well as those who simply Arab-watch.

As for this week, those issues doing particularly well in spite of the lira weakness were ANIC, up 14.6 per cent; Pirelli, up 5.6 per cent; and Montedison, up 2.6 per cent. ANIC and Montedison did well in spite of a slump in government and related shares due to the intensive Parliamentary debate on industrial reconversion (state participation and restructuring) which helped bring Italsider steel, for example, down 3.9 per cent on the week.

	Nov. 30	Dec. 3	Dec. 10	Dec. 17	Dec. 23	Dec. 31	Dec. 30	% Change	
								week	month
ANIC	396	430	422	385	410	470	(473)	*14.6	*18.7
FIAT	1735	2100	2093	2080	2150	2128	(2139)	-1.2	*22.7
Finsider	232.25	233.5	223	223	226	222	(224)	*1.8	-4.4
Italgas	720	720	715	698	715	706	(700)	*1.3	-2.0
Italsider	312	312	316	300	305	293	(300)	-3.9	-6.1
Montedison	320	320	339	312	330	339	(335)	*2.6	*5.8
Pirelli and Co.	NA	1615	1615	1845	2160	2281	(2280)	*5.6	*41.2
Pirelli Spa	1080	1240	1310	1469	1525	1510	(1500)	-1.0	*40.0
Rinascenti	52.5	53.5	55	56	64	58.8	(58.8)	-8.2	*11.9
Snia Viscosa	1125	1200	1199	1060	1171	1135	(1130)	-3.1	*0.1
Olivetti	920	960	1005	965	1121	NA	(1018)	-9.2	*10.7

\* is plus

# Trade Deficit Belies 'Pause for Recovery'

## BUSINESS OUTLOOK

The U.S. ran its largest trade deficit on record in November, \$1.66 billion, up from \$1.44 billion in October, the Commerce Department reported Dec. 28. The cumulative deficit for 1976 totals \$13 billion. The huge November deficit resulted from a 20 per cent one month drop in agricultural exports, caused by a recent collapse of world agricultural trade and prices, and the continued stagnation at June 1975 levels of machinery and transportation equipment exports. The reported trade deficit reinforced the dollar's weakness on the international currency markets, where it has been falling for the past week despite a spate of statistics on the domestic economy purporting to show that the U.S. economic "pause is over."

The pretext for the last three weeks' flood of New York-based reports on a recovery was a sharp upward revision of the October retail sales figures, followed by "encouraging" reports on November industrial production, income, and retail sales, and finally a rise in the leading economic indicators for October and November. The stock market has taken the opportunity to run the Dow Jones industrial average over 1000, lining the pockets of a few speculators.

The reported "upturn," however, is actually nothing but a very brief bubble based on the most flimsy props, which will quickly produce problems similar to but more exacerbated than those of the 1976 downturn.

Indicative of what is to come is the auto companies' projections of adding about 350,000 cars to dealer inventories in the first quarter, to a total of 1.8 million cars. This would be a "normal" 60-day supply only if the yearly selling rate reaches about 9.75 million domestic autos, a far cry from the 1976 average. Although auto companies presently plan to have 39,000 workers temporarily out of work due to small car inventory problems in January, such optimistic production schedules would seem to guarantee even more layoffs in the first quarter.

The brief pickup in sales — on which a first quarter 1977 resumption in inventory accumulation by industry is being predicted — after the recent declines in production as an attempt to stem inventory growth is the result of the following little swindles.

First, rapid money growth from the spring onward undoubtedly has been one of the most important boosts to the economy in recent months. Federal Reserve Chairman Arthur Burns' further easing of the credit

markets from late September on, reflected in a fairly sharp drop from the Federal funds rate and a lowering of the discount rate and reserve requirements, raises serious questions about the return of higher rates of inflation in 1977. Housing, in particular, has greatly benefitted by the lowering of interest rates through 1976 — with the savings and loan associations being inundated with funds, mortgage money has become much more readily available.

Second, the collapse of world agricultural prices has resulted in about a 12 per cent drop in prices received by farmers since the summer. As a result, grocery store prices of food have declined somewhat since August. This "windfall" for consumers clearly seems to have boosted especially "nondurable" retail sales, which have been financed through a large increase in personal and retail loans, and consequently production of consumer "nondurables" has picked up in recent months. Ultimately, farmers' resulting lost income from lower prices will tend to call into question a large part of the financial system based on agricultural credit, at which point the debt will have to be repudiated or refinanced with government guarantees, further weakening the dollar.

Third, there undoubtedly has been a substantial stepup in factory speedup in recent months. Auto sales have been greatly boosted by rebates, showroom sales gimmicks, etc., and the lower resulting markups have demanded maximum "productivity" in the factories. Ford Motor Co., for example, announced that it had broken its single-day North American auto and truck production record four times last week, with a workforce about 20 per cent lower than when the record was initially set.

Lastly, all the recent talk of tax rebates has undoubtedly convinced many people to buy a little more on credit during the Christmas season than they would have. Unfortunately, the oil multinationals' manipulations of the wildly escalating price of fuel oil means that any tax cut money that might be forthcoming will go up in smoke and the Christmas bills will have to be paid for by going without heat.

More generally, the recent international development particularly around the price of oil have definitely been the single most important factor giving the U.S. economy one last chance. The decision by the Saudis has had the effect of keeping afloat for a brief additional period of time the entire monetary mess, with the clear option, being slowly taken by the West Europeans, of replacing it with a rational trade-based system.

# General Accounting Office Report Sets Stage for Bank Agency Reorganization

## BANKING

The official investigating arm of the U.S. Congress, the General Accounting Office (GAO) has drafted a report which admits that "For the first time since the massive bank failures of the 1930s there has been public concern over a possible recurrence." Informed sources have known for some time that this is true, particularly during the recent period of increased discussions among Third World leaders on debt moratorium and the rapidly escalating "nested" trade agreements between the Europeans, OPEC nations, and Comecon, preparatory to the creation of a new intermediary monetary system alternative to the post-Bretton Woods dollar based arrangement.

The release of the report at this late date sets the stage for a reorganization of the federal bank regulatory agencies immediately after Carter's inauguration. Had the GAO admitted earlier that the \$800 billion outstanding debt was uncollectable, it would have touched off a self-fulfilling prophecy, immediately collapsing the lower Manhattan banks to which most of the debt is owed, without a sympathetic federal bailout mechanism in force.

The GAO specifically blamed the danger of bank failure on the Federal Reserve Board, Federal Deposit Insurance Corporation, and the Department of the Treasury's Office of the Comptroller of the Currency for a lack of rigorous supervision over the banks' irresponsible policies and untenable position. According to the *Washington Post*, to whom the draft was leaked, "The GAO report is certain to strengthen an expected move in Congress next year to consolidate the supervisory functions of the three agencies..."

The "expected" move in Congress is being organized by Congressman Rosenthal (D-NY) who ordered the GAO study in the first place. The intent is to reorganize the agencies into a completely subservient structure through which subsequent bank bailouts and programs for labor-intensive programs can be established. The reorganization process will provide an opportunity to remove from the agencies pro-development factions which would prefer a controlled Wall Street bankruptcy to a hyperinflationary bailout scheme.

Essentially the Rosenthal proposal is identical to the so-called FINE bill sponsored by Rep. Reuss (D-Wis) to create a new central agency — which was killed in the House Banking Committee last year after it passed the Senate Banking Committee. Opposition within the Banking Committee has led Wall Street strategists to attempt to sneak the proposal into the more receptive Rosenthal subcommittee of the House Government Operations Committee. Under House rules new agency creation

proposals would go to Banking while "reorganization" proposals would go to Government Operations. Rosenthal proposes to "reorganize" the Federal Reserve into a monetary policy part and a supervision part. The Comptroller's office and the FDIC will then be merged into the supervision part.

This has been coordinated with a key provision in the Humphrey-Hawkins bill which requires the Federal Reserve to adopt policies that cohere with those of the President. The net effect of these plans will be to give Wall Street complete control through the President of the domestic monetary policies, circumventing Congress and effective obstruction from unhappy Midwest banking interests.

In order to drum up added support for the reorganization, Rosenthal will begin a series of hearings on the failure of the banking agencies to supervise the "Truth in Lending" laws. A Rosenthal staffer has stated that the issue was picked only because it has alleged consumer appeal and that they hope Ralph Nader will assist them in getting sufficient publicity so that Wall Street's program will get passed this time around, backed by loud demands for "reform" and "accountability."

The first sign of resistance to this plan surfaced at the Nov. 16 meeting of the FOMC, the groups within the Federal Reserve which sets monetary policy, where Midwest and export-oriented industrialist factions clashed with the New York factions over "whether the recession would continue," and on "the proper course of monetary policy." But a growing suspicion of what Rosenthal has planned is developing among top layers within the opposition. One president of a Midwest Federal Reserve district stated, "Reuss (Chairman of the House Banking Committee — ed.) and Rosenthal are out to get us. It's a personal vendetta."

In anticipation of the bank failures which are expected for early in 1977, Rosenthal staff members have already issued, in September, a study of the Franklin Bank collapse. One of the Congressman's aides frankly explained that it is really a "how to" manual for the future.

Parallel to these actions, Reuss has filed a law suit, with House Banking Committee Counsel Crews as attorney of record, alleging that the five Federal Reserve District Presidents who sit with the seven Federal Reserve Governors on the FOMC hold office illegally. Reuss bases his suit on the Federal Elections Commission decision by the Supreme Court during the fall which held that members of the FEC held office illegally since they had not been appointed with the "advice and consent" of the Senate. The five named defendant District Presidents are Paul Volker (NY), John Balles (San Francisco), Robert Black (Richmond),



Monroe Kimball (Atlanta), and Willis J. Winn (Cleveland). Mr. Crews has stated that the suit explores questions "relevant to the FINE bill. We want to determine the parameters of the Constitutional questions." Crews directly states he wants to remove the regional presidents (the anti-Rockefeller faction). The suit has been thrown out of court on grounds that the Congressman has no standing, i.e. he is not able to prove that he has suffered sufficient personal damages from the status

quo to show he has a personal controversy against the defendants. Reuss plans to appeal to the U.S. Court of Appeals.

Additionally, there are indications that the Washington-based Center for Law and Social Policy is mounting another Nader-type campaign to push through this consolidation, under the cover of "consumer protection."

## Steel Decline Continues

### STEEL

The steel situation in Europe is best summed up by Henri Simonet, steel commissioner of the European Economic Community (EEC), who put it this way: "Orders since last summer are persistently below the lowest levels of 1975; monthly deliveries are well below production rates giving rise to serious overstocking; industrial demand remains feeble; exports have continuously dropped since 1974; prices are not sufficient to cover production costs mainly because of the flood of low cost imports; and employment in the industry continues to fall, especially at mills producing long products."

Simonet's plan, which becomes effective Jan. 1, sets country-by-country production quotas for steel to be consumed within the EEC and combines this with strict import restrictions. Since there are no limitations placed on steel produced for export it can be expected that the mills will continue the cutthroat practice of selling steel overseas at below cost to maintain their already poor levels of production, ranging from 50-60 per cent of capacity. Although the program is on a voluntary basis for the first four months, Simonet has advised the steelmakers that if it fails to achieve the desired results the EEC will apply the full measures of the Treaty of Rome, which would institute production and price controls and call for mandatory compliance with treaty provisions.

U.S. steelmakers are upset about these arrangements. They will not only force EEC steelmakers to market more low cost steel here but will also cause other steel producers, such as the Japanese, to divert steel originally destined for Europe to the U.S. What is the U.S. steel community's response to this protectionism? None other than protectionism.

In the U.S. many of the same problems exist, albeit not on the same depressed level, due to a stronger home market and lower production costs. In recent months large shipments to the auto industry have helped keep the U.S. industry healthier than its European counterpart. These shipments have been accounting for about 40 per cent of all steel shipments recently, compared to about 21 per cent in past years. This trend is apparently over as the auto companies have announced that almost 39,000 auto workers will be laid off during January due to

the continued weakness of small car sales. It did not take long for this news to reach the steel industry.

U.S. Steel Corporation's Central Division in Chicago, which is currently operating at below 70 per cent capacity, has announced that additional layoffs will take place over the holiday period. 1,200 workers presently unemployed from the Gary, Indiana sheet and strip finishing mill will be joined by approximately 5,400 additional laid off workers from the Southworks, Joliet, and Waukegan facilities. About 2,300 workers will be using up their vacation time. This information has been made available by L. Keith Smith, vice-president of the 13 state Central Division who further stated that, "Southworks has been at a horribly low level this year" and that plate and structural products have suffered from a "very poor market" for the entire industry. Smith went on with the popular position among steel leaders today both here and in Europe that the cause of all, or most of their woes anyway, is the Japanese.

In fact, Japanese steel producers are having the same problems as everyone else with capacity utilization of around 50 per cent in an industry whose high technology demands high levels of utilization. Figures recently released by both the American Iron and Steel Institute (AISI) and the International Iron and Steel Institute (IISI) reveal that the U.S. makers should be complaining about something (although not the Japanese). AISI figures show that October shipments of all grades were only 6,996,000 net tons or 8.5 per cent below the September level of 7,646,000 net tons. While figures reveal that shipments in all categories were down, they show that 47.3 per cent of all shipments were of flat rolled goods, most of which go to the auto industry. The IISI figures indicate that total ingot production totalled only 8.6 million metric tons in November, down from the 10.1 million metric tons produced as recently as August.

The Japanese response to all these attacks against its steel industry and the wave of protectionist measures in place or threatening to be implemented against it, is simply to further reduce production, an act which is sure to put some of the heavily indebted industry into bankruptcy. The Japanese Ministry of International Trade and Industry (MITI) has announced a new official production guide of 26.4 million metric tons of crude steel for the Jan.-March 1977 period. This is a cutback of 2.28 million MT from the already low output of 28.68 million



MT estimated for the current quarter ending Dec. 31. MITI said Japan steel production in the current fiscal year ending next March 31 was thus certain to fail to achieve its original goal of 110 million MT, falling off to 108.78 million MT. Domestic steel consumption in the same Jan.-March period is expected to total 12.82 million MT down 6 per cent from 13.68 million MT in the current 3 month period. This is due to sluggish demand in the civil engineering, construction, auto, and shipbuilding industries. Deliveries of steel products in the same period MITI estimates will decline 4.6 per cent to 20.5 million MT.

The belief that the closing down of their borders to imports will help their domestic industries is sheer

foolishness on the part of steel makers. Even in times of strong domestic markets many countries are required to export to maintain adequate levels of utilization necessary in an industry with high fixed costs. In this present world situation where home demand in many countries is sluggish or even non-existent the ability to export is vital not only to the life of the steel industry but to the countries themselves that require the revenues to help with their balance of payments deficits.

Protectionists measures are therefore sure to backfire, as to closedown one's own borders to imports inevitably means the loss of necessary export markets due to reciprocal measures taken by other countries.

## Anatomy of the General Electric-Utah International Merger

### SPECIAL REPORT

*Exclusive to NSIPS*

A prominent commentator of political economy has suggested that if Dr. Frankenstein had been an investment banker in lower Manhattan (probably at Lazard Freres) rather than a European surgeon, he might have dedicated his skills to the creation of the GE Utah International merger which was formally completed a week ago with relatively little fanfare. The operation, with a \$2.17 billion tax exempt stock transfer from GE, stitched together the principal U.S. banking and private intelligence networks, whose interests the new Carter government was specifically designed to represent. The most recent successes of the two companies which have been carried out since last year's decision to complete the merger have included the "Chileanization of Peru" and the devaluations in Australia and Canada.

General Electric is a large international corporation. Its sales of products and services to customers in 1975 amounted to \$13,399 million, and it has subsidiary plant in nearly every nation in the world. Utah International is another multinational giant with mineral interests in coal, copper, uranium, iron, and copper as well as other minerals. It shares ownership of a sizable fleet with the Mitsubishi Co. of Japan. Gross revenues to Utah in 1975 were \$686.3 million with approximately 16 per cent from the U.S., 12 per cent from Canada, and 72 per cent from Australia, although of \$1 billion in assets, 40 per cent were located in the U.S., 10 per cent in Canada and 50 per cent in Australia.

#### *Merger of Sorts*

The "King" of the GE-Utah Konglomerate is clearly GE Director Mr. J. Paul Austin, who is also President and Chairman of the Board of the Coca-Cola Company. Austin is reputed to have been the "discoverer" of James Earl Carter in the peanut fields, and it was he who

introduced Carter to David Rockefeller and Zbigniew Brzezinski.

Last Sunday a terrified reporter for the *Washington Post* realized that Coca-Cola is represented in Atlanta by Griffin Bell's law firm; that the new Deputy Secretary of Defense is the former President of Coke; and that Coke's lawyer in Washington is the new Secretary of Health, Education and Welfare.

The merger, itself, was not much more than a formality. The Chairman of the Board of Utah, Edmund W. Littlefield, is also on the Board of Directors of GE. The retired Chairman of the Board of GE, Fred J. Borch, is now a Director of Utah, with Ernest C. Arbuckle. (It has been noted that Arjay Miller, Dean of Stanford, is a Director of Utah, and that in 1970 Edmund Littlefield was awarded the Ernest C. Arbuckle Award from the Stanford Business School).

But this is only the beginning. The Trilateral Commission, which was created by David Rockefeller in 1973, just before the oil price hoax, includes President-elect Carter, Vice-President-elect Mondale, and nominees for National Security Council Director Zbigniew Brzezinski, Secretary of Defense Brown, Secretary of State Vance, and United Nations Representative Andrew Young, Coke's and GE's J. Paul Austin, and Utah International Director Ernest C. Arbuckle.

The major banks are well represented on the GE-Utah Boards. Morgan Guarantee Directors J. Paul Austin, Charles D. Dickey, Jr., and Thomas S. Gates are Directors of GE, while Utah Director Fred J. Borch is a member of the Morgan International Council. Chase Manhattan Bank Directors Ralph Lazarus and William Hewlett are, respectively, directors of GE and Utah. The Chairman of the Board of Citibank, Walter W. Wriston, is a Director of GE. Wells Fargo Board Chairman Ernest C. Arbuckle and Director Arjay Miller are both Directors of Utah, while Wells Fargo Director Edmund W. Littlefield is a Director of GE. Chemical Bank Director

Henry L. Hillman is a Director of GE. The Chairman of the Board of the First Security Bank of Utah, Marriner S. Eccles, and his brother George S. Eccles, a director of the bank, are both Directors of Utah International. George is also Chairman of the Board of the First Security Bank of Idaho. It is illegal for a Director of one bank to sit on the Board of Directors of a competing bank.

The banks' private intelligence community is also adequately represented. The Rand Corporation, whose Chairman of the Board of Trustees is Mr. J. Paul Austin has Trustee Walter B. Wriston also on the Board of GE, and Trustee William Hewlett on the Board of Utah. Mr. J. Paul Austin is also a member of the Hudson Institute, while Wriston is a member of the Council of Foreign Relations and a member of the Board of the Fletcher School of Law and Diplomacy. GE Director Thomas S. Gates is a member of the Advisory Council of the School of Advanced International Studies of the Johns Hopkins University. Utah Director Arjay Miller is a Trustee of both the Brookings Institution (of which GE Director Herman L. Weiss is an associate) and the Urban Institute and is a member of the President's Commission on Productivity. GE's Lazarus is a Trustee of the Stanford Research Institute, while GE Director Gilbert H. Scribner, Jr. was President of the Civic Federation from 1955-1959.

Utah Director Marriner S. Eccles, who is a member of the National Commission on U.S.-China Relations with GE Director Ralph Lazarus, is a Director of Planned Parenthood, and a member of World Population Emergency Campaign. He is also a Trustee of the American Assembly and sponsor of the Atlantic Council. In his earlier years he had been a member of the Board of Governors of the Federal Reserve System from 1938-1951 and was Chairman from 1936 through 1948. In 1944 he had been a member of the U.S. delegation to the Bretton Woods Conference. His brother George, also a Director of Utah, is a Director and member of the Executive Committee of the Association of the Registered Bank Holding Companies and a member of the Comptroller of the Currency's National Advisory Commission on Banking Policies and Practices.

Among numerous additional corporate affiliations are the following. National Steel Co. Directors Gilbert W. Humphrey and Henry L. Hillman are Directors of GE. Humphrey is also Chairman of the Board of Directors of the Hanna Mining Co.

Inland Steel Director Frederick L. Hovde, who had been at the London Mission Office of Scientific R and D Board 1941-42, National Defense Research Commission 1942-43, Chairman of the Guided Missiles Commission R and D Board 1947-49, and Consultant for the National War College 1953-55, is a Director of GE, and President Emeritus of Purdue University.

The Hewlett Packard President, William Hewlett, is on the Board of Utah, while another of its Directors, Edmund W. Littlefield, who is also a Director of Chrysler, is on the Board of GE.

Dean McGee, Chairman of the Board of Kerr-McGee is a Director of GE. He is also Trustee and member of the Executive Committee of the National Cowboy Hall of Fame. The Scott Paper Co. has two directors serving as

Directors of GE: Charles D. Dickey, Jr., who is also Scott's President, and Ralph Lazarus, who is also Executive VP of Federated Department Stores.

Dickey, Jr. is a Director of the Insurance Corporation of North America, while his colleague on the Board of GE, Samuel R. Pierce, Jr. is a Director of the Prudential Insurance Co.

Coincident with the announcement that the GE-Utah merger was completed, Secretary General Arismendi of the Uruguayan Communist Party, in an interview with the Mexican magazine *Siempre*, identified international finance capital as the source of the drive for World War III and the militarization of Latin and South America. He pointed out that fascism in Latin America is a proliferating source of the arms race and international provocations aimed in the direction of the contemporary tendencies for peace and detente.

The case of the Chileanization of Peru (*see Carter's Drive to Chileanize Peru*, an NSIPS Brief to the UN Commission on Human Rights and the U.S. Congress, December 14, 1976) provides some insight into how the GE-Utah networks can be used.

Because of the global recession caused by Wall Street's demands that \$800 million of outstanding debt be paid and the resulting collapse of Peru's copper and iron exports, by the beginning of 1976 Peru was faced with a \$1.3 billion balance of payments deficit, \$300 million debt service payments immediately due, and \$3.7 billion total debt outstanding.

Much of the debt was owed to Chase, Citibank, Morgan Guaranty, and Wells Fargo. Peru's Foreign Minister de la Flor was calling for debt moratorium and the government was negotiating for \$250 million of Soviet fighter-bombers.

Anticipating the eventual need to destabilize Peru following the 1968 emergence of a pro-development government, Mr. J. Paul Austin's Rand Corporation commissioned David Ronfeldt in 1974 to draw up an analysis of various options. The result was a blueprint for replaying the 1879 "War of the Pacific" among Chile, Peru, and Bolivia over Peruvian-Chilean border disputes and the question of Bolivia's access to the Pacific. According to the plan, the U.S. was to supply large amounts of arms to all three nations. Also in 1974 Morgan Guaranty, Coca Cola, and the Lockheed Corporation took the precaution of funding a tour of Latin America for Governor Jimmy Carter.

In July 1975, Peru nationalized the iron properties of the Marcona Mining Co., owned 100 per cent by the Marcona Corp. of which Utah International owned 46 per cent and Cyprus Mines Corp. owned 46 per cent (each owned 50 per cent of the voting stock). (The Cyprus Board of Directors includes J. Leland Atwood, Sr. Consultant and former Chairman of the Board and Chief Executive Officer of Rockwell International; Frank L. King, former Chairman of the United California Bank and Director of the British Rio Tinto Zinc Ltd's wholly owned U.S. Borax Co.; Cyprus Chairman Henry T. Mudd, Director of United California Bank, Rockwell, Union Oil Co., and Trustee of the Council of the Americas; and Charles B. Thornton, Chairman of the

Board of Litton Industries, and Director of United California Bank, Union Oil and TWA).

Shortly thereafter the CIA put the initial stages of the "War of the Pacific" into action principally through the good services of Chilean dictator Pinochet and agent networks in Bolivia and Peru.

By June 30, 1976 after being offered a new loan agreement by the Morgan-led bank consortia, the Peruvian government submitted to the threats of economic strangulation and regional war, and accepted a 31 per cent devaluation, import controls, reduction in public expenditures, and a removal of consumer subsidies which resulted in the immediate increase by 25 per cent in the cost of food.

On July 16 came the "cold coup" in which three pro-development ministers were forced out.

Since June 30, at least 17 mini-devaluations have been applied and in July inflation was projected to increase by 50 per cent by the end of the year.

On Dec. 3, the new loan agreement was finalized after Mr. J. Paul Austin and his associates were convinced that the Peruvian right-wing and Interior Minister Cisneros could enforce the requisite austerity and would cooperate in dismantling the state sector. A few days later ten political prisoners were murdered by the Interior Ministry police following the November torture-murder of a Peruvian law student. Since this summer hundreds of unionists, journalists and leftists have been arrested and others expelled.

Utah has additional mining interests in South America, principally in Brazil where it has a 49 per cent interest in Samarco Mineracao SA, a Brazilian company with considerable iron ore. The remaining 51 per cent is held by SA Mineracao da Trinitade (Samitri), a major Brazilian iron ore producer. The Samarco mine at Germaho in Minas Gerais, is designed for initial annual shipments on 7 million tons of slurry form (approximately 7 per cent of Brazil's 1975 iron production) through a 20 inch diameter 250 mile pipeline to Point Ubu on the Atlantic. At Point Ubu a plant is under construction to convert 5 million tons per year into iron ore pellets. The Samarco project is expected to cost \$400 million. It is not yet known whether Morgan

Guaranty will participate in raising a loan for the project.

In Australia Utah owns 89.2 per cent of the Utah Development Co. Utah Development is the biggest coal producer in Australia and in the year ending October 1975 its total coal shipments (coking coal, sold mainly to Japan) were 13 million tons. The Japanese participate up to 15 per cent in several of Utah Development's coal operations. Utah Development also has a one third interest, with equal shares to Cyprus and the local Consolidated Goldfields of Australia, in the high grade Mt. Goldsworthy Mining Co. Ltd., which produced 8 million tons of iron in 1975, or nearly 10 per cent of all Australian iron.

In Canada Utah has extensive molybdenum mines. In 1974 Utah expanded into oil and gas both in Canada and the U.S. through acquisition of Ladd Petroleum Corp., Clarcan Petroleum Corp., and LVO Corp. Utah produced 2.1 million barrels of crude oil and 28.5 trillion cubic feet of gas in 1975. Utah owned the Island Copper mine in Vancouver which mined and milled 4.2 million tons of ore and shipped 116 million lbs., approximately one sixth of Canadian copper production, leaving significant gold by-product.

Within the U.S., Cyprus directly mines approximately 7.5 million tons of coal in New Mexico and Colorado. Its wholly owned Lucky McUranium produced approximately one fourth of the U.S. uranium production, 3.5 million tons. Through Cyprus Pima Mining Co. (25 per cent owned by Utah, 25 per cent by Union Oil, and 50 per cent by Cyprus Mines), Utah produced about 165 million lbs. of copper in 1975. Utah's iron production, mostly in Utah amounted to 6.3 million tons in 1975. Additional mining projects exist in New Zealand and Saudi Arabia, as well as scattered additional projects.

Yesterday it was announced that a long-time law prohibiting Coca-Cola from being sold in Portugal has been lifted by the CIA's Soares government over the objections of the Portuguese Communist Party. It is not yet clear whether Utah International and its friends will be invited to develop Portuguese resources.

# OPEC 'Strongmen' Make Headway in Break with Rockefeller Oil Multis

Dec. 30 — Iran and Saudi Arabia, the largest producers in the Organization of Petroleum Exporting Countries (OPEC), are in the process of rapidly establishing new markets for independent "state to state" oil sales, undercutting the markets traditionally dominated by the multinational oil companies. The stated intention of both the Saudi and the Shah of Iran to capture these markets signals a dramatic transformation of OPEC from simply a "commercial cartel" to the political leadership of Third World in the fight for a new international monetary system. In this fight, OPEC has begun to use its oil wealth to stimulate industrial expansion in the west, in turn feeding Third World development.

The Dec. 29 edition of the London-based Financial Times revealed that the Saudis announced oil production increases from the old ceiling level of 8.5 million barrels a day (mbd) to approximately 10 million mbd during the first quarter of 1977 will be achieved through direct government-to-government oil sales, probably using the state-owned oil authority Petromin as a marketing facility. The Times reports that the oil will be pumped from fields currently owned by the Aramco consortium of four multinationals, which can be possible only in view of an anticipated complete takeover of the consortium by the Saudis. The takeover, most likely to come in early 1977, will give the government free access to Aramco's huge reserves. Further evidence that the Saudis are gearing up for increased production came when the government this week announced the establishment of a new authority to take over mining and various development responsibilities from Petromin. This will free the oil authority to deal directly with expanded oil sales.

Aramco is being kept in the dark over Saudi plans to nationalize and to expand oil production. The New York financial daily the Wall Street Journal this week cites an Aramco official admitting the consortium's ignorance of markets for increased oil capacity and the Saudis' post-Jan. 1 oil pricing plans. An oil business expert commented this week that no one knows for sure when the final round of talks to set nationalization of Aramco will take place, adding that they will most likely happen "when the Saudis feel like it."

### *Set Up For A Fall*

There are indications that the Rockefeller-controlled Aramco may be forced to take heavy losses next year, at the same time it is divested of its near 50-year domination of Saudi Arabia's oil wealth. The Christian Science Monitor today reports that oil companies which stock-

piled millions of barrels of oil at spot market prices of up to \$12.20 a barrel may not only have a hard time selling it but will have to pay high storage fees next year, particularly if the OPEC nations move into European and Japanese markets with attractive oil-for-technology terms of sales.

These oil companies bought up vast stocks of oil speculating on a price increase in the order of the 10 per cent hike which was publicly endorsed by the majority of OPEC before the Saudis bid for a five per cent rise made it unworkable. Furthermore, both the Shah of Iran and Venezuelan Minister of Mines Hernandez Acosta have called for a special early 1977 session of OPEC to resolve all price differences among the cartel. This will likely level the price hike to a seven to eight per cent increase, and end once and for all any wishful scribbling in the Atlanticist press about an irreparable split in OPEC. Saudi Arabian Oil Minister Yamani, in an interview with the German weekly Der Spiegel, personally cautioned Aramco against speculating on Saudi oil. A spokesman at the Petroleum Industries Research Foundation had a week before predicted that the Saudis would launch a campaign against Aramco on this issue prior to nationalizing.

Coordinating with the Saudis, the Shah of Iran is expanding Iranian marketing facilities through the state-owned National Iranian Oil Company (NIOC). According to the prestigious London-based journal Petroleum Economist, NIOC will not resume talks to revise the terms of the contract of the British Petroleum-dominated consortium until the Saudis nationalize. Iran will then use the Saudi nationalization as a model. A spokesman for NIOC confirmed that Iran is already marketing nearly 25 per cent of its oil without the assistance of the consortium. The Shah this week called on Italy's state-owned ENI oil complex to merge with NIOC to further expand Iran's direct oil marketing. The Shah pledged to ENI that 50 per cent of the profits from such a joint concern would be reinvested in Italian industry. The Shah's attitude toward undercutting the majors and increasing badly needed state revenues through an enlarged government-run oil business was indicated by his recent interview with the Italian daily Il Giornale. The Shah praised the 1950s efforts of deceased Italian oil magnate Enrico Mattei to undercut oil "imperialism". As well, he called upon the Italian auto firm Fiat to replicate with Iran its just concluded deal with Libya.

Under heavy pressure from state-sector technocrats and industrialists the Shah, as well as Saudi Sheikh

Yamani, realizes that only by revitalizing the advanced sector economies can his country and the Third World as a whole be industrialized. In order to achieve this goal the stranglehold of the multinational oil companies over world oil trade must be broken, freeing the producers to expand oil production. In alliance with Europe, Japan and the Comecon the Saudis and the Iranians are now committed to this orientation. According to the Middle East Economic Survey, the Saudis may be exporting up to nearly 12 million barrels a day by the end of 1977, if the demand from the industrialized sector warrants such an increase. The Shah's call this week for OPEC to set its first production and pricing schedule is more than justified under these conditions.

### *CAP to Venezuela Congress:* OPEC Linked to Third World Fight For New World Economic Order

*Dec. 30 — What follows is an excerpted translation of the speech by Venezuelan President Carlos Andres Perez to the Dec. 24 closing session Congress of Venezuela:*

...The present situation in OPEC demonstrates to us that we are not wrong in thinking that this is a historic moment for Venezuela to leap forward in the basic transformation of the social and economic reality of our country. Petroleum will be the great instrument which will permit us to achieve this transformation, diversifying our economy and providing a solid basis for Venezuelan development, because no one, no matter how pessimistic he is, can think that this setback in the unanimity of the Qatar meeting could be — as the multinational news agencies and the industrialized countries have wanted to present it — a breaking up of OPEC. No OPEC...has international responsibilities, that none of us, the members which make up OPEC, can shirk. And (OPEC) is linked to the solidity of the Third World unity for achieving a new international economic order.

OPEC is not a selfish organization nor a monopolistic cartel that takes advantage of supply and demand relations in order to force higher prices for each barrel of oil. OPEC is an organization of developing countries, and we who make up OPEC are all aware that today's situation has been made possible through the unity of objectives, and that this unity of objective could not be reduced to strictly oil-related economic goals, but rather had to be fused within the unity of the objectives of the developing countries, of the countries of the Third World.

I have no doubt that this circumstantial fissure will soon be remedied, and at the same time I also think that it is a good warning for all Venezuelans in the sense that while the country depends on only one product, an exhaustible resource, a resource which is not the product of Venezuelan labor, there will always be a threat, a danger, or, whatsmore, an extraordinary difficulty to continue forward in our process of development.

Moreover, we must not forget, OPEC is giving the developed world a lesson which sooner or later must necessarily be accepted by the industrialized countries...

All of these circumstances must be analyzed together, remembering that up to 1974 OPEC was an organization

that had not situated itself within a full perspective of its relations within the developing world and in the fight for a new international economic order.

But it was almost a year ago, in March of 1975 — the sixth of March — when we, the heads of state and sovereigns of the member countries of OPEC, subscribed to the Declaration of Algeria, which put forth clear objectives showing clear paths for this organization, and which completely disassociated it from exclusively commercialist ends...

Nor should we forget in this discussion that...the North-South conference, which through the mere fact of its meeting, constitutes a great triumph for the developing nations, was a consequence of the attitude of OPEC as an instrument of negotiation of the Third World...

...The industrialized countries have maintained relentless pressure on the developing countries to give up oil as a bargaining factor. And they have persisted openly in their attempts to separate the North-South conference from the irrefutable fact that OPEC links its decisions to the necessity of creating new relations of equitable and equivalent exchange between the basic products which we export and the manufactured goods and technologies that we need for our development and for our well being."

### Outgoing Secretary General of OPEC Affirms Unity of Cartel

Speaking during his farewell press conference the outgoing Secretary General of OPEC M.O. Feyide affirmed that OPEC is "stronger than ever"... "the two oil prices does not mean that there are two organizations. There isn't any doubt in my mind that OPEC's unity and solidarity were not affected by the price split."

During the conference Feyide also stressed that despite the Saudi announcement to remove its production ceiling, the cartel had been assured that the Saudi government had pledged not to flood the market if its production were raised.

### Yamani Hits Profiteering

Saudi Oil Minister Sheikh Zaki Yamani in an interview with the West German weekly news magazine *Der Spiegel* stressed his country's concern with the threat of a worsening recession in Europe. In particular Yamani warned that the governments of France and Italy could be threatened if the economic crisis intensifies; it is for this reason, he said, that Saudi Arabia is pressing for "continued economic development," in the West. In the same interview Yamani hit the multinational oil consortium Aramco for potential profiteering as a result of the smaller Saudi increase in the price of oil, announced after this month's meeting of OPEC "Saudi Arabia has the means to ensure that no oil company would get one single penny out of our cheap oil and put it into its own pocket," said Yamani.

## Saudi-Iranian Relations Are Not Strained

According to the Journal of Commerce, Saudi Arabia's Oil Minister Sheikh Zaki Yamani has affirmed healthy relations with Iran: "we have very strong relations with this country (Iran) and we value its prosperity which for example is more important to us than that of Italy...but at the moment we are more concerned about Italy because unlike Iran, it is in a bad economic condition." Yamani added that the additional 5 per cent rise in the price of OPEC oil set for July will probably not occur.

## Arab Oil Producers Should Beware of Nicholas Sarkis

In conjunction with the recent meeting of oil-producing states in Qatar, a gaggle of Atlanticist French press sources have been pushing reduction of energy consumption, Project Independence-style energy slave labor boondoggles, and the necessity of higher oil prices to implement these Rockefeller shemes. To convince the gullible, these sources have offered extensive coverage to the views of one Nicholas Sarkis, a Syrian graduate of the University of Paris and allegedly an official energy advisor to the governments of Algeria, Libya, Iraq, and

Syria, and to OPEC itself. Sarkis is actually an enthusiastic advocate of the very "resource nationalism" invented by the Washington-based Brookings Institution and made notorious by the discredited International Resources Bank (IRB) looting scheme of outgoing U.S. Secretary of State Henry Kissinger.

In an interview with the French *Le Point* magazine Dec. 13, Sarkis called for the doubling of oil prices as soon as possible, to "compensate" for the rate of inflation of goods from the industrialized West. This is hardly a subtle call for implementation of Brookings' plans to index oil and raw material prices to inflation to insure the repayment of Third World debt. Sarkis justifies his policy with a reiteration of Rockefeller's zero-growth energy scare propaganda:

"All the predictions recently made by experts of the industrialized countries converge: the world risks coming face to face with a grave scarcity of energy, foremost because of the growth of demand, also because of the using up of world oil reserves. Finally, because of the delay made in searching for alternative sources of energy...No country, no industrial enterprise will consent to take the financial risk involved in developing substitute energy sources, while the price of the dominant source of energy — oil — stays at its current level. That is why it is necessary to double the price of a barrel of oil."

Similar Sarkis statements have been covered in the French newspapers, *L'Aurore*, *Le Figaro*, and *Le Nouvel Observateur*.

# Sabotage of European Fusion Program Backfires

Dec. 24 — The world press this week was filled with reports that the Joint European Torus, a prototype tokamak reactor project scheduled for operation in 1980, was dead, and that this would lead to the demise of Europe's overall fusion research effort. JET's death, the press reports said, would mean that European fusion researchers would have to emigrate to the United States to find continued employment.

Like Mark Twain's celebrated comment, "Reports of my recent death are grossly exaggerated," it turns out that JET is not only alive and well but that the program's would-be murderers sabotaged their own plot. Instead of throwing Europe's fusion effort into chaos and confusion as they intended, the Rockefeller-allied forces found that their episode of gross exaggeration sparked a fusion offensive. The press propaganda on JET gave Europe's pro-development and pro-scientific progress faction a unique opportunity to launch a full-scale campaign for high-technology using thermonuclear energy development as the cutting edge against the Rockefeller monetarists and their dollar empire.

Not accidentally, this was precisely the strategy discussed at the U.S. Labor Party Constitutional convention held in New York Dec. 18-20.

### *How JET's Death Was Born*

JET's epitaphs began to appear in the press after a press conference early last week by Guido Brunner, head

of the European Economic Community (EEC) Commission for Research, in which he stated that JET was on its "death bed," because of the failure of EEC members to agree on a location for the \$200 million project. All reports indicated that the Giscard government in France was responsible, since France would not permit a majority vote of the EEC members to decide the location.

By midweek Europe's pro-development forces began their counter-offensive. *The London Times* reported Dec. 22 that in what would have been a normally low-keyed parliamentary debate on the future of nuclear power in Britain, there was an explosion on the JET question. The *Times* reported that Tom King, the Opposition spokesman on energy, questioned the government on the status of JET, and Mr. Eadie, Under Secretary for Energy, replied that Brunner's statement at the EEC press conference was an exaggeration.

Prime Minister Callaghan added that "These proposals go through a number of phases and I do not regard that project as dead. I go further and say I believe Britain in the form of its facilities at Culham, the team that is assembled there and the industrial and scientific backup that could be found for it, undoubtedly provides a suitable venue for the development of what could be a valuable scientific innovation in nuclear fusion as distinct from fission." According to the *Times'* report, Callaghan's speech at the mundane parliamentary

session was followed by boisterous cheering from the entire gathering.

Next day the *Times* carried an editorial called "the Torus controversy" that pointed out that the whole future of European Civilization "depended on the development of this source of energy." The government and Britain must rise to its "historic responsibility" in developing fusion power, the *Times* said.

Others joined the cry that JET was not only alive but necessarily had to grow. In the Italian Parliament, Minister of Scientific Research Pedini pointed out the necessity of fusion power development in a discussion of JET.

Lord Sherfield located the political aspects of the JET in a speech made in the House of Lords and reported by the *London Times* yesterday: "Nuclear energy had become a whipping boy for those in revolt against the consequences of high technology in general and those who wished to or set limits to growth...The government should make Britain's commitment to nuclear power unequivocal...So that expertise built up could be retained, planning and development could proceed and Britain's lead in this field, which it was in grave danger of losing, could once more be regained."

In a subsequent *Financial Times* dispatch on the JET, that newspaper reported that bilateral agreements to advance fusion research would emerge even if the JET program was sabotaged. Reliable sources have indicated that the British and Italians are already cooperating behind-the-scenes to maximize the pace of European fusion development.

Europe as yet lacks the means to fund such fusion projects. But the more successful the Rockefeller crowd is in sabotaging the present fusion program, the more Europeans will be compelled to consider their only alternate source of funds — the USSR.

### *London Times:*

#### "Unlimited Power Without Danger"

*Following is the text of an editorial in the Dec. 23 London Times, titled "The Torus Controversy."*

France will be taking on a heavy burden of historical guilt if she sinks the European thermonuclear fusion project. The project offers a fair hope of harnessing nuclear fusion to the commercial generation of electricity within forty years or so, thereby giving Europe the capacity to generate practically unlimited power without danger. Fusion would use heavy hydrogen from seawater as its basic raw material and would produce no radioactive waste for disposal. It has the additional advantage that, unlike nuclear fission, which is used by the present generation of nuclear power stations, its application to the generation of electricity is of no help towards making nuclear bombs.

Because of the very high temperatures involved new technology is required, so nobody can be sure how many years will be needed to achieve commercial application

or even that fusion can be made to work, but the Soviet Union and the United States are working hard towards it (indeed the main line of research is based on a Soviet idea) so Europe has to decide now whether to stay in the running.

In principle it has already decided. The money, the men and the facilities are all available and a European team has been working for some time at Culham, near Oxford. Fears that the whole programme could collapse have arisen only for the absurd reason that France refuses to agree to a majority vote on where to locate the vast new machine required for the next stage, the Joint European Torus. (JET)

A majority vote would almost certainly bring the project to Culham, or possibly to Garching, near Munich, which would anyway participate. The French lobbied for Cadarache, and then suggested extending the CERN facilities at Geneva. Neither location would make any sense, and in any case CERN does not want the project. Moreover the French are so heavily committed to an enormous investment in current nuclear power stations that the sincerity of their interest in the JET can be questioned. In fact, about the only rational explanation of the French position is that it is a tactical one adopted in order to put pressure on Britain to cease blocking Community plans to raise about £300m to promote the development of nuclear energy. This in turn is related to the French refusal to agree to a minimum import price of \$7 a barrel for oil.

If this is in fact the background to the French position, which is very far from clear, the absurdity of the situation is only slightly diminished. The JET is far too important to be allowed to die because of squabbles over other issues. Of course it would still be possible to leave the whole risk and expense of nuclear fusion to the United States and the Soviet Union and then to buy any power stations which eventually emerge, but although this approach can be right in other areas of technology it would be wrong in a field as energy, on which the whole future of European civilization could depend. For Europe to be wholly dependent on outside suppliers for what could be the main source of electricity in the next century is simply too risky.

The enormous capital cost involved puts nuclear fusion out of reach of individual European countries. In theory eight could get together and go ahead without France but they could not do so under the auspices of the Community or with Community funds, so a new body would have to be set up, which would take more time than is available. But if a decision is not reached reasonably soon the existing expert teams at Culham and Garching could begin to drift off to America. Dr. Guido Brunner, the commissioner responsible for research, was deliberately dramatizing the situation when he said on Monday that the JET was on its death-bed but his warnings deserve to be heeded. If Europe drops out of this area of research reentry will be extremely difficult. The men now faced with the decisions will be dead before anyone consumes the first unit of commercial electricity from a fusion station, but they ought to be capable of rising to their historical responsibility.



## Europe's Press Defends JET

*Following is a selection of European press reaction to reports that the JET European fusion project is dead. London Times, Dec. 22, "JET project not on its death bed":*

*Mr. Alexander Eadie, Under-Secretary for Energy, said he did not think that the EEC's thermonuclear fusion project JET was on its death bed. He was speaking in a Consolidated Fund Bill debate on the future of nuclear power in the United Kingdom.*

*Mr. Tom King, Opposition spokesman on energy (Bridgwater, C), said that it would be tragic if European cooperation on the project had collapsed. Dr. Guido Brunner, Commissioner for research policy, had said that the JET fusion programme was on its death bed. If Europe's commitment to fund that research programme collapsed so utterly there would be a grievous problem...*

*Mr. Callaghan, the Prime Minister said: These proposals go through a number of phases and I do not regard that project as dead. I go further and say I believe Britain in the form of its facilities at Culham, the team that is assembled there and the industrial and scientific*

*back-up that could be found for it, undoubtedly provides suitable venue for the development of what could be a valuable scientific innovation in nuclear fusion as distinct from fission.*

*"...in any case, Europe is the loser. The researching and mastering of controlled nuclear fusion is one of humanity's great dreams. If it succeeded, the world would be freed from its concern over energy needs. Especially with regards to the risks involved in the present energy generating process of nuclear fission, the much more environmentally safe nuclear fusion process would offer a hopeful alternative, at least in the long run."*

*Die Welt, Dec. 22, "A Piece of the Future Played Out? : Nuclear fusion is a new method of energy extraction. Nuclear fusion is the fusing together of hydrogen nuclei into helium; in short, it is the taming of the hydrogen bomb or the replication of the same thermonuclear processes the sun uses for its energy. The only thing is, no country in the world has yet been successful with it, and Europe will not succeed if JET dies... Is Bonn now about to save JET from agony only for the sake of an unrelated concession? (this refers to a radiotelescope project — ed.) Perhaps the saving of JET is just as acceptable in the interests of future-oriented energy research.*

## Sabotage of Northeast Energy Supply Uncovered

Congressional sources informed NSIPS this week that the Federal Energy Agency is responsible for the energy shortage which is now affecting the Northeast region of the United States. At the same time, Sen. Edward Kennedy (D-Mass) and Rep. Gary Studds (Rep.-Mass) are preparing legislation which will effectively shut off the Northeast from foreign shipments of oil using as the reason the highly suspicious spate of oil spills in the last week to ten days.

The energy shortage in the USA — at a point when the shortage caused by expected OPEC price hikes or an OPEC oil embargo has not materialized — is the implementation phase of the plans for deindustrialization laid out at the November Conference of the Coalition of Northeast Governors. That conference's plans for the transformation of the Northeast into a low-energy, labor intensive region were praised by President-elect Jimmy Carter in a letter to New York Governor Carey as "particular attractive."

The origins of the current Northeast energy shortage and the events leading up to the Argo Merchant "disaster" in the North Atlantic last week date back to last April. The Amerada Hess Corporation, the largest supplier of Number 6 (residual) fuel oil in the region, was then preparing to lower its price, undercutting the predominantly Rockefeller-controlled oil multinationals who were themselves set to raise prices. Informed sources also report that two independent oil companies, Massachusetts-based Northeast Petroleum and Ingram, were preparing to double refinery production of residual oil.

The multinationals led by Exxon and Texaco demanded,

sources report, that the FEA stop the independents' attempt to bring oil prices down. The FEA responded: a low 5000 barrel per day limit was placed on all domestic residual oil refiners; for any delivery in excess of that amount a penalty of \$1.40 per barrel was slapped on.

The domestic refiners — with plants geared to operate at 200,000 barrels per day — could not absorb the penalties and were forced to cut production. Northeast was forced to unload a new refinery to a larger company.

The Caribbean-based multinationals promptly jacked up their prices 80 percent. One independent oil company official reported that the price increase since Oct. 1 is an astounding \$2 per barrel — or some \$1 million per day for the East Coast as a whole. The official expects the price to rise another \$1 per barrel by Feb. 1. The multinationals have thus effectively kept the flow of the much-needed oil to a trickle.

Before the November elections, industrial forces in the Northeast drafted a proposal for the construction of a superport and refinery capacity near Boston, placed it on the Massachusetts ballot and rallied the population behind it. The referendum passed by a 2-1 margin — but it was only advisory and did not bind the legislature. According to a source in the pro-growth Massachusetts Department of Commerce and Development, "an informal grouping of interested parties" was dispatched to Venezuela to negotiate with the state-owned Venezuelan oil company concerning the financing of the superport and the refinery as well as guaranteeing shipment of crude oil.

These moves were countered last week with the



contrived Argo Merchant oil spill. Both a dejected state Commerce Commissioner and an elated First Boston Corp. Vice-President James Howell, this week concurred on the outcome of the "disaster": the superport is dead. (see interviews below).

After running brief hearings into the Argo Merchant spill in Boston last week, Kennedy and Studds announced that they would pursue the following legislative remedy: pushing "flag preference" legislation that would force all energy cargoes to be carried by U.S. vessels; pushing indemnity insurance and costly "safety requirements" for all energy cargoes; placing *unlimited* liability on those responsible for spills. The net effect of such legislation is to make *impossible* the shipment of energy to the Northeast in particular.

The legal backbone to the Kennedy-Studds anti-energy drive and to similar efforts in other parts of the country is the Rockefeller-funded Center for Law and Social Policy. This group — which has several Democratic Party policymakers among its board of directors including James Onek, the head of Carter's Housing, Education and Welfare transition team, Arthur Goldberg, former Attorney General Ramsey Clark and T.P. Plimpton, a member of the law firm that handles David and Nelson Rockefeller's personal matters — has been doing work on "oil spill legislation" since 1972. They have provided Kennedy and Studds with draft legislation concerning the "law of the sea" to be pushed in Congress and through the State Department at various international forums.

## Kennedy Aides on Energy Saving

*The following is a Dec. 30 interview with a spokesman for Sen. Kennedy's office:*

**NSIPS:** What energy bills is Sen. Kennedy introducing into the Senate this session?

**Kennedy aide:** He will have a few bills. One will give taxpayers low interest loans if they insulate their homes. This will encourage saving energy.

**Second Kennedy aide:** In addition to the loan to homeowners, the Senator will encourage conservation by offering subsidized loans for businesses and industry that cut back on energy consumption. One plan for businesses is to convert from high cost fuel to low costs fuels. Another plan is recycling of energy. Heat given off in industrial processes can be pumped into nearby housing instead of being wasted. This is done in some parts of England. Still another plan is to reduce peak energy use by having companies operating at different times of the day.

**NSIPS:** What legislation will Sen. Kennedy introduce to cope with the oil spill off Nantucket, Mass.?

**First Kennedy aide:** He is working on a bill which he will introduce into Congress next week. It will set standards for ships coming to U.S. ports in terms of construction and safety standards. These ships will have to measure

up to the standards of American ships. They will have to also pay liabilities to areas affected by the spills which could include the cost of clean-up.

**Second Kennedy aide:** This bill will introduce stringent liability standards. It will set onshore traffic control, or navigational standards for foregoing ships. It will have unlimited liability penalties and cover not only ships, but pipelines that rupture on land.

**NSIPS:** Will this cover superports, and the like as well? What will happen if the pipelines or "superports" that are built don't meet up to standards set by the bill?

**Second Kennedy aide:** They won't be permitted to be built or operate.

**NSIPS:** In some respects, the Kennedy bill on oil spills, sounds like a proposal the National Maritime Union made this week to cut down on the number of ships operating under foreign flags?

**Second Kennedy aide:** Yes. In the long run, the Senator's proposal will reduce the incentives for foreign shipping and improve U.S. shipping's competitive advantage.

**NSIPS:** How is the Carter team responding to the Senator's bill?

**Kennedy aide:** They are generally receptive. We are handing them a draft of it this weekend.

**NSIPS:** Is Charles Stewart there (top Kennedy aide, who is one of the heads of Carter's Energy Transition team — ed.)?

**Kennedy aide:** No. He's writing the bill. He's secluded himself off somewhere to write it.

**NSIPS:** What else is Kennedy introducing to the Congress?

**Second Kennedy aide:** We have an oil divestiture bill that will force the oil companies to give up their other holdings in coal, nuclear energy, and so forth.

**NSIPS:** Do you think you have the forces to get this bill through? After all, it goes up against the oil companies who are very strong.

**Second Kennedy aide:** We're gaining forces. When we introduced the bill in the Senate last year, 39 Senators voted for it.

**NSIPS:** Is there something for conservation?

**Second Kennedy aide:** Well, there's the Energy Production and Consumption Act. That passed Aug. 14 of this year and Kennedy wrote the conservation section of the bill. The loans to encourage homeowner and industrial energy conservation are in that bill and they are already law. We're also proposing bringing on line alternate energy sources, such as solar energy development.

## "The Majors Make It Work For Them"

*The following interview was given to NSIPS by a Congressional source who is an expert on the oil industry:*

**Q:** Why has the price of residual industrial fuel oil skyrocketed in the Northeast over the past six months?

**A:** There are two primary reasons. The first is that the price of this fuel was decontrolled in June, in part to avert any shortage that might occur... This in itself did

not cause prices to rise... Far more important in my view, is that the system of "reverse entitlements" adopted by the Federal Energy Administration last spring — designed to lower the price of imported residual oil — has actually worked to raise prices and restrict supplies, to the benefit of the major oil companies at the expense of independents and consumers.

**Q:** An article in the Dec. 17 *Oil Daily* described how two domestic independent marketers, Northeast Petroleum and Ingram Corporation, were "squeezed out" by the Federal Energy Administration policy. How does this relate to the price increases?

**A:** The FEA ruling has essentially squeezed all domestic refiners out of the residual fuel market in the Northeast. The vast majority of Northeast residual is imported by the majors, especially Exxon, Texaco, and Shell. Amerada Hess, for example, was one of the largest suppliers of domestic residual fuel to the Northeast and was able to considerably undersell the majors through a combination of using less expensive domestic crude and a large refinery in the Virgin Islands. On top of this, Northeast Petroleum and Ingram Corporation were about to open in September the largest U.S. refinery of domestic residual fuel, capable of turning out 200,000 barrels per day. This would have considerably lowered the price. In the spring the three majors arm-twisted the FEA into granting importers entitlements to delivery of residual oil, and placing a ceiling of a paltry 5,000 barrels per day on the delivery of domestic resid, above which a penalty would be incurred. The rationale for this was that the entitlements would enable the price of imported oil (the majority of oil used is residual —ed.) to be cut considerably, more than offsetting the resulting higher price for domestic resid.

Amerada Hess was forced to cut back, and Northeast immediately sold the unopened refinery to Marathon, one of the majors. This enabled the majors to virtually monopolize the market, and with cold weather driving up demand in Europe by 15 percent, the extra tight supply has led to skyrocketing prices.

**Q:** How did Congress and the utilities react to the push on FEA by the majors?

**A:** The New England Congressional delegation and utilities have always been no friends of the majors. However, they all supported the FEA's actions, in the hopes of getting lower prices.

**Q:** But wasn't it clear that even without the cold weather, the FEA decision would give the majors virtually complete control of the Northeast market?

**A:** Look, almost every time any decision is made about oil, in the not-too-long run the majors always make it work for them.

### O'Neil Aide: New England Fish For Midwest

*The following is an interview with an aide to Mass. Lt. Governor Thomas O'Neill by a Boston-based reporter:  
O'Neill aide (on the proposed Kennedy-Studds legislation):*

We think flag preference is a good idea. Put these cargoes back on American bottoms. It's also a good idea

to get down to the business of restricting energy shipments. Our people can learn to conserve energy better. Let me tell you something. There's been a lot of talk lately about the importance of the State's (Mass.) fishing industry. Our fishing industry is damn important. It already employs 30,000 people every day as fishermen, with tens of thousands more in support industries. It's one of our most important industries. We could do a lot more aggressive marketing campaign, you know, "Put New England fish on the dinner tables of Midwest," How many people out in Ohio get to eat some good fresh New England fish. That's why we have to protect our environment.

**Q:** But how would these measures benefit capital intensive firms in the aerospace industry? How would energy conservation help a big company like Raytheon?

**Aide:** Well, they wouldn't. What I'm talking about is helping the small and medium-sized business, "consolidated widget" and the like. There is really nothing that we can do to help or protect people like Raytheon. They'll have to take their lumps.

### Oil Spills "Don't Make Any Sense"

*The following interview with Guy Maitland, head of the New York-based Liberian Shipping Council, was given to NSIPS by a New York-based reporter.*

*On the proliferation of disasters involving tankers registered under the Liberian flag:* Look, this has really been a bad couple of weeks. I don't quite know what is going on... It's not that unusual that ships of the Liberian flag would be involved in any tanker accidents since we have the most tankers. But we had maybe three disasters that I could think of over the last ten years. Now we have three disasters in one week. (There were five tanker incidents in the last ten days — all involving ships of Liberian registry —ed.). As far as the Sansancina (the ship that blew up in Los Angeles harbor Dec. 16 —ed.), it was a new ship in good shape. Ships like that just don't blow up. And I don't think — although I can't say for sure that — somebody on the crew, either on board or dock-side made a mistake. These people are experts and they know what happens when a mistake is made — boom! — so they don't make them. It just doesn't make any sense.

*On the proposed Kennedy-Studds legislation:* These people are crazy and they have been crazy for some time. If they go ahead with their proposals, there won't be any shipping of energy supplies by Liberian ships or by any ships. They are proposing regulations that have nothing really to do with safety. They would have to rebuild the whole fleet (merchant marine —ed.) from almost scratch. Even if they built ships at the pace they did in World War II, they still wouldn't have enough to carry the U.S. energy needs. If Kennedy and Studds have their way, then the only way New England is going to get any oil is if they build a direct pipeline to Saudi Arabia. You tell me how this benefits the American people.

*On the proposed superport for Boston:* It is a damn good idea, a much needed idea. The environmental groups don't know what they are talking about. A few

years ago, these jerks got together and stopped the construction of a port off the coast of Maine. They were afraid that it might dislocate a few fish and squirrels. If the port had been built, New England wouldn't be starving for energy today.

### Boston Investor: Boston Superport is Dead

*The following are excerpts from an interview with James Howell, Vice President, First Boston Corp. by a Boston-based reporter last week:*

*Commenting on the Argo Merchant oil spill:* I guess this means the end of the Boston superport. It's dead. No one will want to take the risks involved now...

*On energy development programs:* All energy development programs are long-term affairs. They will take years before you see any results... We have hard choices before us... We need a much greater emphasis on conservation and cutbacks...

### Uncertainty About New England Oil Supplies

*The following are excerpts from an interview with a spokesman for Henry Lee, energy advisor to Massachusetts Governor Dukakis. Lee was a key participant in the Saratoga Springs, Northeast Governors' Conference:*

*Aide (on the proposed Kennedy-Studds legislation):* Governor Dukakis supports the proposals of Rep. Studds for unlimited liability for the shippers of energy cargoes and we are in favor of anything that will force tight safety regulations on oil tankers. That's how we understand the new legislative proposals. Maybe this whole mess with the Argo Merchant could have been avoided. Studds and others had proposed similar legislation last year but they were told by the White House to lay off. The President wanted to handle this through various international conventions (i.e., the United Nations Law of the Sea Conference). So nothing was done. If Studds and Kennedy go for strict regulations, I'll tell you most of the present fleet won't pass and they won't be allowed near our waters.

*Q:* Then how will our oil supplies reach New England?

*Aide:* That's a good question. I'm not sure of the answer yet.

### Mass. Commerce Dept.: Cutting Energy Supply is Suicidal

*The following are excerpts from an interview with a*

*spokesman for the Massachusetts Dept. of Commerce and Development on the proposed Kennedy-Studds legislation:*

Those people are nuts. They're dangerous. A tanker like the Argo Merchant carries 180,000 barrels of oil. The state of Massachusetts uses 135,000 barrels a day for electrical power generation, another 155,000 for other uses. New England as a whole uses 1.5 million barrels a day. We support making tanker operations safe, but what these guys are talking about will cut energy shipments. They have little understanding of our present economic reality. Such moves would be suicidal.

*On the proposed Boston 'superport':* We had put together an informal group of interested parties to go down to Venezuela and talk with the Venezuelan state-owned oil company about financing the port and the refinery. Now, after this Argo-Merchant thing, I'm not sure what is going to happen. The port is coming under heavy fire...

### Incompetence of Coast Guard Responsible for Argo Spill

*On Dec. 23 NSIPS interviewed Mass. State Senator Bolger's aide, Leo Allen, an expert on Coast Guard rescue operations, on his views of the handling of the Argo Merchant oil spill disaster:*

*NSIPS:* Mr. Allen you are reported to have expressed an opinion that the Argo Merchant disaster could have been averted, could you elaborate.

*Allen:* Yes, we believe that there was nearly a week of hand wringing and indecision by the Coast Guard as if the disaster was a fait accompli from the beginning. When the Coast Guard did act it was too little and too late.

*NSIPS:* What in your view could have specifically been done by the Coast Guard to avert the breakup of the Argo Merchant?

*Allen:* Several things. First, ocean-going tugs could have been sent to the scene to relieve stress on the hull. Second, the captain of the Argo Merchant requested permission to dump a portion of his cargo and attempt to refloat his ship. This request was either not granted or the captain never got a response. The Coast Guard had the opportunity to divert merchant ships to lay upwind of the Argo Merchant breaking up the heavy seas and reducing stress on the hull when the weather got worse. This was not done. The ship sat there for nearly a week while no decision was made.

*NSIPS:* Then the Coast Guard had several rescue options open to them which were not used?

*Allen:* Absolutely, but additionally I don't think that the Environmental Pollution Agency was as effective as they could have been.

# Harold Brown: Portrait of a Utopian Technocrat

*"When a pessimist is asked how he evaluates an existing situation, he says that it is very bad but no doubt will become even worse; whereas an optimist, when asked the same question, says that the situation is so terrible that it could not get any worse. I think Dr. Brown's optimism is precisely of the kind to which I have just referred."*

—Statement of Dr. Sadvoski, Soviet representative to the Geneva Conference of Experts on nuclear testing, in response to the testimony of Dr. Harold Brown.

The selection of Trilateral Commission member Dr. Harold Brown as Secretary of Defense in the Carter cabinet is completely consistent with the military planning involved in putting the United States on a collision course for nuclear war with the Soviet Union. Brown's inexperience in strategic policy making, in combination with an avowedly "utopian" outlook on military matters in general, are already evident in his proposals for a reorganized Pentagon and defense budget which have been surfacing in the press this last week.

To begin with, the stage is already set for a military buildup, discarding the Carter campaign promise of cutting the defense budget by \$5 to \$7 billion. In an interview this week in the *Los Angeles Times*, of which Brown is a director, Brown let the truth be known about the Soviet civil defense system, saying that the size of this aspect alone of the Soviet buildup would probably mean leaving the fiscal 1978 defense budget at its present level or raising it. Carter press secretary Jody Powell backed up Dr. Brown in saying that he "cannot recall Mr. Carter ever promising to cut the defense budget" during the campaign. Brown stressed that any cuts which might be made in military expenditure would come in the area of personnel cost reductions — either the elimination and rationalization of forces, or pay reductions, which the *New York Times* floated this week, may involve the return to a draft army.

Dr. Brown's previous dealings with military affairs indicate the broader reasons for this push for war which a mere increase in the size of the defense budget cannot serve to indicate in itself. Ever since his initial affiliations with the Lawrence Livermore weapons laboratory in 1952, where he was a protege of Rockefeller family scientist Edward Teller, Brown has adhered to the "utopian" notion that warfare is made up of numbers and mechanics; that technicians and managers, not generals, are needed to run the military. Nominally this utopian doctrine has been opposed by a "traditionalist" one and has increasingly become centered on the one-

sided development of miracle weapons, or "wunderwaffen" as they were called in Germany during World War II. The utopian premise is based on the false conception of technological fetishism in warfare, leaving aside the traditional notions of planned strategy and tactics based on human mentation.

Brown studied the ins and outs of weapons systems, especially missiles and thermonuclear bombs, while at Lawrence Livermore. In 1958 he represented the U.S. as the technical expert at the Geneva Conference of Experts from which the above quote is taken. The reasons for the cynical comments by the Soviet representative are the absurd conditions which Brown in particular put on the seismic monitoring apparatus which would be needed to surveil underground tests, Brown saying that a system of 200 monitoring stations would have to be set up inside the Soviet Union in order to be effective. As Edward Teller's handpicked representative to the talks (Teller was barred from attending because of his rabid political views), Brown and his colleagues were given instructions to keep the talks "technical" and not to even entertain any Soviet proposals which aimed at a political solution to the nuclear testing problem. Publicity of the Brown testimony plus subsequent congressional hearings on the subject were aimed at whipping up hysteria over Eisenhower's self imposed unilateral testing ban to break the stalled talks.

### *The Kennedy Years*

Brown was brought into the Pentagon in 1961, as one of Robert McNamara's "whiz-kids," and given the job of Director of Defense Research and Engineering. Unlike the policies of the present DDR and E, Malcom Currie, (see NSIPS Dec. 20, 1976) the weapons development policy under Brown proceeded from a standpoint of gadgetry and novel mechanical solutions, the effect of which led to 1) some of the biggest military boondoggles of the century, and 2) the weapons development policies which were to become standard during the Vietnam war — the nuts and bolts of the genocide business. Under the Kennedy administration, and directly under Brown, military R and D work suffered its worst regression since before World War II. Aside from the NASA program, there was no advanced research taking place at all; the approach to weapons became a single orientation to specific weapons program rather than a Currie-oriented broader commitment to theoretical groundwork of which subsequent military applications are a mere predicate.

A good case example is the FB-111 fighter bomber, a project which Brown followed through during his subse-

quent tenure as Secretary of the Air Force. The FB-111 was originally conceived of as a miracle solution to the entire spectrum of fighting aircraft missions; it would be a fighter, bomber, carrier plane, etc. Engineering problems caused the addition of an extra jet engine to the original design, an addition which, combined with a faulty theoretical framework to begin with, subsequently caused the extra vibration which caused several of the first planes to crash. This engineering boondoggle, which was later rammed through the appropriate channels by none other than current Secretary of State designee Cyrus Vance over many opposing voices, had the distinction of being the only major piece of military hardware to have ample funds voted for it by the Congress, only to be later rejected by the Pentagon.

As Secretary of the Air Force in the Johnson Administration, Brown was a public advocate, along with his top general Curtis LeMay, of "bombing Hanoi back into the Stone Age." This position, however, was simply consistent with long standing Air Force policy on the question, a policy which Brown gleefully went along with. Brown had no authority whatsoever to make policy on the question of battle plans in Vietnam. He is mostly remembered during this period for his gruesome numbers briefings on battle casualties.

The central point to be made about Brown's abilities in a cabinet can be seen in this context, and has a particularly important meaning for his present role. Given the well planned sociology of the Carter cabinet, the advent of any crisis situation, particularly one that is engineered, will facilitate the central control of policy through people like Brzezinski and Schlesinger. To take

the cabinet as a whole and determine how it will function as a body predetermines the role which someone like Brown will play. He is highly touted as a manager, much like McNamara was, but brings no experience under fire nor any shred of policy making experience to the office.

For the past several years Brown, as president of the California Institute of Technology, has been involved in a Ford and Rockefeller Foundation funded arms control seminar, a project sponsored by the Rand Corporation and the California Institute of Technology. While this supposedly has given Brown the title of an "arms control advocate" and is mentioned as the reason he was picked for the Defense post over Schlesinger, nothing could be further from the truth. Without the context of an expanding economy and economic treaty agreements, arms control is merely an alternative way of urging your opponent to lay down his weapons. Strictly military agreements have been shown to be unworkable not through any human frailty or abstention, but because the continuing economic and political problems which determine military buildups go unsolved. Brown is an "arms control advocate" only in this context.

Harold Brown will not be running the Pentagon. The Brookings Institution and the Committee on the Present Danger have already drafted the ground rules for what the defense posture of the U.S. will be. With slight differences in the scope of the U.S. sphere of influence, both bodies agree that the U.S. must ready itself for a "short, intense war" against the Soviets in Europe. Brown's professed role will be to implement these plans in adequate technocratic fashion.

## Move to Halt Renewal of NSIPS UN Credentials

UNITED NATIONS, Dec. 29 — A move is afoot to deny NSIPS the routine renewal of its press credentials at the United Nations. The action is coming from an as yet unknown but apparently powerful delegation, most likely the United States.

"We correlate this pressure tactic with the detention and deportation of our correspondent in Peru," said Nancy Spannaus, editor-in-chief of New Solidarity International Press Service. "Several months ago the U.S. Defense Department threatened a publisher in New Jersey with a cutoff of government purchases if the publisher marketed scientific material in association with the U.S. Labor Party. We expect such behavior from U.S. government agencies under Rockefeller pressure, but not from the United Nations."

Several delegations expressed anger and dismay at the news, since NSIPS, which has held UN credentials for two and a half years, is known for its regular, honest coverage of UN developments in the fight for the new world economic order. One observer called the claim by officials that NSIPS is "lobbying" delegates "a flimsy pretext, an obvious excuse."

Spannaus continued, "Governments which support the

new world economic order need our coverage, and they know it. We reported the Seventh Special Session, where Kissinger lied about the supposed willingness of the U.S. to negotiate on economic issues. We were the only newspaper in the U.S. to print long excerpts from the August 1976 declarations of the Non-Aligned Nations Colombo Summit. We covered the increasing isolation of the U.S. in its stand against the new world economic order at the 1976 General Assembly session, and we were the only U.S. news service that did so.

"That is why some unnamed delegation which fears the new world economic order is trying to clear us out of the United Nations," Spannaus said.

The attempt to block NSIPS's credentials was conveyed by William Powell, an official in the UN's Office of Public Information. He would not name the delegations which had registered complaints against NSIPS to him, although his reaction indicated he was under pressure from a powerful delegation.

There is no precedent of restricting news agencies at the UN, according to several long-time correspondents. The Assistant Secretary General for Public Information, Genechi Akatani, is presently considering the case at the request of NSIPS.

## Callaghan Takes Political Control After IMF Loan Negotiations

In the wake of his successful loan negotiations with the International Monetary Fund, British Prime Minister James Callaghan appears to have squashed all resignation and "early election" rumors by consolidating the active support of the trade unions, the bulk of the Parliamentary Labour Party, and sections of the Conservative Party behind him.

Callaghan's determination to pursue medium to long-term economic goals — as opposed to the austerity measures being demanded by the International Monetary Fund and such unofficial sources as Milton Friedman — won him respect from trade-union and industrial circles in Britain who had threatened to oppose any attempts to sabotage the country's industrial recovery through massive government spending cuts.

Speaking for the Callaghan government, Chancellor of the Exchequer Denis Healey made the government's position extremely clear during the final debate on the IMF budget package in the House of Commons Dec. 21. Healey was clearly repudiating Friedman whose predictions that Britain's "soft" Welfare State would bring totalitarianism had sparked bitter comment throughout Britain the previous week. Healey said: "We have never taken the view that there is some predetermined level of public spending at which democracy collapses and gives way to totalitarian dictatorship....These cuts are necessary for one reason only — to give the economy the best chance of attaining a higher sustainable level of output and employment as fast as possible." He stressed that there was "not now and never had been any economic case for massive deflation on the scale that some critics had demanded."

The IMF loan, which will be given in tranches starting in January 1977 and extend over the next two years, was granted on the understanding that the British government would undertake to monitor the economy's performance, but Healey made clear that any further cuts in government spending would depend on the state of the world's economy and the extent to which British export performance had recovered. During Parliamentary debate on Dec. 17, Healey said flatly that IMF interference would not be welcome during this monitoring process, warning "we are not on this occasion inviting the Fund to monitor (the economy) by visiting every quarter."

The Fund itself is in no shape to argue. The \$3.9 billion for the British loan was raised through the OECD Group of Ten meeting on Dec. 22 only with a Swiss promise (Switzerland is not even a member of the IMF) to kick in \$347.7 million. The *Wall Street Journal*, as well as the *Daily Telegraph*, hinted that Arab support might be

needed if the IMF intended to undertake any further loans.

### *Conservatives Divided*

Callaghan has suffered only token opposition from the Conservative Party — largely due to the fact that Margaret Thatcher, leader of the Opposition is herself facing open mutiny from the ranks of the so-called Heath faction, made up of a large number of Tory backbenchers grouped around former Prime Minister Edward Heath.

The official body of this faction is the Tory Reform Group (TRG), whose chairman is Peter Walker, Heath's Minister of Trade and Industry during the 1970-74 Conservative government. Under Walker's authorship, the TRG issued a "discussion" paper Dec. 19 laying out an "alternate strategy" for the Tory party incorporating repudiation of draconian public spending cuts which Thatcher's Shadow Cabinet has been pushing, as well as stressing the need for close cooperation with the unions to revitalize British industrial performance. Most important, however, was the paper's attack on monetarism — the cornerstone of the official Tory economic policy. Only a week previously, former Heath Minister Reginald Maudling (who himself was dumped as Shadow Foreign Secretary in Thatcher's recent shake-up allegedly for his opposition to their monetarist views) warned in an op-ed in the mass-circulation *Sunday Express* that "above all" the Callaghan government's IMF loan package must be supported.

Hardly coincidentally, the Conservative leadership backed off from any open confrontation over the Dec. 15 IMF "mini-budget," abstaining on the vote and mouthing only token opposition to the measures during the Parliamentary debate.

Thatcher has been similarly thwarted in her attempt to challenge Callaghan over devolution (local government for Scotland and Wales), which is the government's major piece of legislation this session. Announcing her intention to make last week's vote on devolution a test of strength, Thatcher invoked a "three-line-whip," the most stringent voting control for party members in the House, only to have to announce days before the vote that every MP should vote according to "conscience" after Heath had organized a large part of the party to vote with the Labour government.

Although Callaghan has only a one vote majority in the House, which could be lost in an up-coming by-election, he has so far dismissed calls from the Conservative opposition to form a coalition government, claiming he "was not quite sure which Conservative Party (he) was supposed to form a coalition from."



## Britain Takes Italian Lead in Comecon-Arab Trade

In a series of major diplomatic initiatives, British Prime Minister James Callaghan has been creating the climate for a rapid expansion of trade and cooperation with the Comecon sector and Arab countries which complements the activities of Italian Prime Minister Andreotti.

Immediately following the completion of the International Monetary Fund loan negotiations, Callaghan personally has undertaken to improve relations between Britain and these sectors through top-level meetings. Most notable are Callaghan's own meetings with Polish Prime Minister Jaroszewicz and the Soviet Ambassador Lunkov and Callaghan's deployment of top British diplomat Lord Caradon to the Middle East to organize for immediate Geneva peace talks with the Soviet Union.

Public interest in the possibility of the use of the transferable ruble in international trade, as well as the conclusion of major East bloc and Arab trade deals in recent weeks, indicates that Callaghan's initiatives have wide support in British industrial circles struggling to maintain production and export levels.

Concluding his three-day visit to the United Kingdom, the first by a Polish Prime Minister since World War II, Jaroszewicz signed a five-year trade agreement with Callaghan which includes cooperation in ship-building, chemicals and construction. The core of the agreement is the undertaking by the Polish Steamship company to purchase 22 bulk carriers worth £136 million (\$280 million) from British yards, most of which are in a state of total collapse given the state of world shipbuilding. Further agreements include chemical deals between the Polish government and Royal Dutch Shell and ICI; Britain has undertaken to place orders totalling \$110 million with Polish companies during the next five years. Addressing a luncheon in London Jaroszewicz stressed that "there exists extensive possibilities for a further growth in Polish-British trade exchanges, economic cooperation including particularly cooperation in industry as well as scientific exchanges."

Within days of Jaroszewicz's departure, Callaghan called the Soviet Ambassador to London to 10 Downing Street for a special meeting to discuss expansion of Anglo-Soviet trade, in particular how best to utilize the £950 million credit extended to the Soviets by former Prime Minister Harold Wilson in 1974. As the London Times of Dec. 23 pointed out, "There is no political obstacle, so far as can be seen, and the Soviet delay is, therefore, assumed to be a bureaucratic problem. But with two years of the five-year credit already almost gone, Mr. Callaghan asked Mr. Lunkov to inform Moscow that it is essential now for haste to be made."

Callaghan's overtures to the Comecon countries have been taking place in the midst of growing interest over the transferable ruble and Soviet trade intentions. In one of the first reports in the Western press, David Lascelles of the Financial Times reported on the IBEC ruling on the acceptability of the use of the transferable-ruble in

East-West trade in a Dec. 17 article. Lascelles writes that the "significance of the scheme will probably depend on the extent to which Comecon countries decide to award contracts only to companies willing to accept transferable roubles," which will in turn create a second monetary system in competition with the dollar. "Western exporters," he warns, "may end up with a large revolving pool of transferable roubles which could lead to the emergence of a parallel roublemarket."

Such an outcome no doubt formed a large part of the discussions between Bank of England chairman Gordon Richardson and V.S. Alkhimov, chairman of the Gosbank (Soviet State Bank) and A.R. Makeev, deputy chairman of the Soviet Bank for Foreign Trade. The Soviet officials were in London Dec. 22 to announce the trebling of the capitalization of the Moscow Narodny Bank to \$64 million.

Complementing the British government's open drive to consolidate relations with the Comecon is the determination to defuse the crisis atmosphere in the Mideast. Lord Caradon, brother of Cabinet Minister Michael Foot, and long-time British diplomat for various countries in the area, has been undertaking a "personal" tour of Mideast capitals — including Israel and Arab countries to push for the Geneva talks as well as the creation of a Palestinian state.

The government's peace initiatives have been reinforced by several major trade deals with oil-producing countries in the last few weeks, the most recent being a contract between British tractor producer Massey Ferguson and the Egyptian government to expand Egypt's tractor and engine producing capability by two or three times current output, making Egypt a net exporter of these goods to neighboring countries. Massey-Ferguson is currently involved in similar deals with Poland, Iran and Libya.

## British Trade Deals Nov.-Dec.,

(Sources: *Financial Times*, unless otherwise noted)

- 11-9 Saudi Arabia and United Kingdom sign trade deal totaling \$4.4 billion over four years for Saudi capital development projects as well as defense contracts following a visit by Saudi Defense and Aviation Minister.
- 11-11 Sgr. Ratti, "foreign minister" of Italy's Montedison in United Kingdom to discuss joint ventures between the Italian chemical company and Imperial Chemical Industries.
- 11-12 United Kingdom's Massey-Ferguson tractor company to set up tractor factory in Libya with an assembly capacity of 3000 tractors per year.
- 11-25 Venezuelan President Carlos Andres Perez concludes four-day visit to United Kingdom pledging support for British government. Industrial cooperation for projects in steel, petro-chemical, agriculture, and social services agreed upon.

- 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 deutschemarks 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.

The oil companies' decision to resist Giscard's energy austerity was made explicit in the editorial of last month's CFP publication, *Les Nouvelles*. According to this article, the CFP "is instituting a method and already obtaining results, aware of participating in this fashion with the developing countries in the building of new international economic relations based on confidence and cooperation." CFP has proceeded to negotiate deals for prospecting and joint oil development of natural gas resources with the Algerian state-controlled Sonatrach,

deep-sea oil exploration in Angola, technical aid for a Mozambique refinery and negotiations with the Vietnamese government for oil exploration to aid in the economic reconstruction of that country. Following the visit to France two weeks ago by Soviet Communist Party Politburo member Boris Ponomarev, three billion francs worth of oil and chemical related agreements for the construction of plants in the Soviet Union were concluded. The work on these plants call for the combined efforts of French and Italian firms.

## Italians Prepared to Accept Transfer Ruble Proposal

Italian economic and financial spokesmen have greeted the Dec. 8 Soviet Narodny Bank announcement of the Comecon's extension of the transferable ruble to non-Comecon countries with overwhelming enthusiasm. These forces realize that the transferable ruble for the financing of bilateral and trilateral trade arrangements is a sound alternative monetary system. The transferable ruble represents an alternative monetary system based on production and on a gold-backed currency rather than the hyperinflated dollar and illiquid dollar.

The prospects for industrial economic growth have prompted top-level financiers to support the transferable ruble as a feasible alternative.

On Dec. 22 NSIPS interviewed one of the top policymakers at the Bank of Italy. In part, he stated: "I am not fully familiar with the details of the Narodny proposal, but in principle it seems to be a very good thing. It means using rubles for credit and people have been talking about this as a key way of facilitating credits for some time now. It would not mean opening up the Soviet economy to capitalism. Let us speak specifically of when Kamarov (a Soviet envoy) came to Italy. The question of the credit lines came up then and we did not have credits to extend. These credit lines are what we are trying to organize presently. That is, to mobilize Soviet credits as letters of credit but first we need guarantees.

"These guarantees must be provided by the Soviet Union itself or by a first-contracting country. In this context the proposal of a European bank for East-West (Europe Ex-Im bank) trade comes forth. There are many opponents to this proposal but Italy is most committed to its realization as is Great Britain. West German financiers as well are favorable but the Bundesbank and the Bonn government oppose it because they fear they would have to provide the reserve fund for such a bank to operate. But this is nonsense. We at the Bank of Italy are already engaged in gathering these reserves. Venezuela will be sending a large deposit to the Bank of Italy soon. We are moving in this direction with Arab countries...Libya, Iran and Saudi Arabia. If the Soviet Union decides to go for the transferable ruble and

the Comecon is disposed to do so, the Bank of Italy is standing ready...It would be an opening without precedent."

Andreotti's top economic advisor informed NSIPS Dec. 21 that the Italian government was preparing now to dump the dollar to go for the alternative monetary system. He condemned the hegemonic role of the dollar: "I am not in agreement with an international monetary system which is based only on the force of one currency — the way the dollar has hegemonized the international markets. I think now is the time to stop it."

The Bank of Italy official responsible for East-West relations stated: "Obviously Italy is very open on this front and even more than Italy there are West Germans who are even more favorable. Like Italy, West Germany has granted many credits to the Comecon...We and the West Germans are pressing now for this kind of deal (Narodny bank proposal - ed.) but the U.S. makes no moves in this direction."

*Il Fiorino* Dec. 23 carried a front-page article elaborating how the ruble can be used to facilitate credit. *Il Fiorino* journalist Giorgio Vitangeli headlined his lead article, "A move which can have consequences in the currency markets; Soviets try to play ruble card."

Reporting to Parliament Dec. 21 at the conclusion of his trip to Libya, Italian Foreign Trade Minister Reinaldo Ossola laid out the government's political-economical strategy: consolidation of Arab and Venezuelan reserves in the Italian central bank. Ossola further stated Italy's commitment to secure the steady increment of triangular trade agreements between Italy, the socialist sector, and the Arabs on a development policy basis. This policy, he said, is being extended to Latin America as well.

According to a high-ranking official of Italy's central bank, the bank's explicit policy is to pile up as much Arab reserves as possible in order to transform the Banca d'Italia into the immediately required institution for the rediscount of Soviet commercial paper.

Italian developments in this direction are part of British-Italian organizing for an "East-West European Bank" to act as a stepping stone towards a new world

monetary system based on the transferable ruble. The East-West bank, as proposed by Italy and Great Britain, is aimed at pooling Arab and West European reserves into a common fund which will be used to finance triangular deals, to handle trade financed by the transferable ruble, and to open up credit lines for the Comecon sector.

## Moves for Euro East-West Bank

The Italian financial paper *Il Fiorino* confirmed Dec. 21 previous reports that Libyan reserves will be deposited in the Banca d'Italia. *Il Fiorino* announced that during his up-coming trip to Saudi Arabia next January, Ossola will discuss Saudi withdrawal of reserves from international institutions to be transferred to Italy's Central Bank. Commenting on the operation, the West German *Frankfurter Rundschau* reported Dec. 21 that Iran will be depositing its reserves in Italy, while Venezuela has already started the process of pulling reserves out of New York banks and transferring them to Italy.

The key aspect of Italy's combined economic and political offensive is that all triangular trade arrangements, as exemplified by the FIAT-Libya-Soviet deal of last month, are aimed at bringing about a new world monetary system and defusing the Middle East war danger. Italian Foreign Minister Arnaldo Forlani, who has repeatedly in the past called for a negotiated peace agreement in the Middle East and recognition of the Palestinian Liberation Organization, announced, as reported by *Il Giorno* Dec. 23, that his upcoming visit to Moscow Jan. 10 is not a mere "protocol trip" and hinted that it should be seen, rather, in the context of Soviet requests for closer cooperation with Italy.

Italian Socialist Party Secretary General Bettino Craxi is now in Israel meeting with former Premier Rabin and representatives from the Mapam pro-peace faction. When at Tripoli, Ossola stated the "need to arrive at a better international order," and his report to the Italian Parliament asserted his intention of making his statement good for his January 1977 tour in the Middle East.

## Italian Steel Production Slated for Expansions

While worldwide steel production has collapsed, Italy's steel sector will drastically expand in the coming year. The key determining factor responsible for Italy's expansion are the major trade deals signed with the Soviet Union and the Third World.

Italian steel production, according to yesterday's *Journal of Commerce*, is expected to increase in 1977 to a total production output of 27.8 million metric tons, up from a total production in 1976 of 20 million tons. In 1977, 9.4 million tons are expected to be exported in various forms, while 22.7 million tons are to be consumed domestically (including an import of 4.3 million tons).

The Andreotti government is now planning renovation of Italian steel plants — particularly of the state-owned complexes to increase industrial production and capacities. To realize this increase, the Italian Parliament has just passed measures to renovate Italian industries, and are negotiating to obtain at least part of the necessary liquidity from such countries as Venezuela and Libya who have deposited some of their reserves in the Italian central bank.

The *Journal of Commerce* also stated that the new quotas set by the European Economic Community (EEC) Commission on the delivery of steel products to countries serviced by Italy should increase the demand in countries where the demand is now low, at the expense of countries where the demand is now great (such as France and West Germany), improving Italy's possibilities for export. As to the actual production, the FIAT-owned Teksid has increased its output of special steel by 90 per cent in 1976, to reach production of 1 million tons by 1978. The state-owned Italsider is reaching full capacity production at its Taranto complex, and in August 1976 poured a record 754,000 tons of steel. The entire Italian steel industry poured 5.9 per cent more steel in 1976 than in 1975, while hot rolled steel in Sept. 1976 was 13.1 per cent greater than in Sept. 1975. However, Italsider's mill at Bagnoli, near Naples, has had annual losses of \$125 million due to only 50 per cent utilization of obsolete machinery.

Obviously, Italsider must modernize and expand, and the Italian government is not now in a position to finance such expansion. However, the series of deals signed in the past few months with, especially, Middle East and Third World countries makes the prospects for expansion most encouraging. For example, Dalmine Montubi, Italsider's pipeline manufacturing subsidiary, has signed this past week a \$150 million contract with Nigeria to construct and install oil pipeline on the Warri Kaduna-Maigururi oil line, making their total foreign contracts in 1975 and 1976 worth \$700 million.

## Italian Deals, Dec. 22 - 30

- 12-22 CTIP contract of \$3.4 million with Iraq for stockpiling of oil (source: *Corriere della Sera*).
- 12-23 Italy-Turkey three-year deal as part of the Turkish five-year plan for the immediate construction of FIAT tractor plant, fertilizer plant, and a highway in Anatolia (source: *La Stampa*).
- 12-28 Sogene of Rome (construction company) to build a dam in Algeria. The dam will be an earthfilled dam 55 meters high. The projects includes a prefabricated village for 500 inhabitants. The deal is \$81 million (source: *Journal of Commerce*).
- 12-28 SNAM Progetti (ENI) agreement with Nigeria for 63 kilometer pipeline to transport 20,600,000 cubic meters of oil per year for \$150 million.

12-28 Fidenza Vetrarie (Montedison) state-linked petrochemical complex contract with Iraq for electric isolators for \$2 million *under discussion* (as reported in *Journal of Commerce*).

12-29 FIAT (through IVECO, vehicle consortium of Italy, West Germany, Holland, France) discussing with Libyan government for the construction of auto plant in Tajura, Libya. Production capacity would be 4000 vehicles-year. Libyans would be investing \$50 million.

12-29 Deals under discussion which Venezuelan president Carlos Andres Perez discussed with the Italian government during his mid-November trip to Rome. IRI (steel-machinery state sector) has already received orders from Venezuela totalling \$1-2 billion for Venezuela's navy and merchant marine.

ENI and Montedison are discussing the building of petrochemical and petroleum refining plants in Venezuela.

FIAT has begun discussions with Venezuela to build a FIAT plant which would completely provide Venezuela with all its diesel engine needs.



# Carter's Mideast Policy: All Out Push for War

Jimmy Carter's call earlier this week for Middle East leaders to come to Washington, one by one, to meet him *after* Israeli elections take place May 17 was a sharp rebuff to the various nations pushing for a Geneva peace conference by March 1977. The announced Carter approach is a resurrection of the much-discredited "step-by-step" diplomacy of U.S. Secretary of State Henry Kissinger. It is unquestionably provocative in particular to Egypt and the Soviet Union, the two foremost organizers for an early resumption of the Geneva conference.

Since most of the Arab world had been involved in the peace offensive led by the Saudis and Egypt as an antidote to the Carter election, the latest policy line from Washington could not have been delivered unless accompanied by an array of war and terror threats. The Carter advisors carried out their threats via Israel and Syria, whose governments have frequently operated in the past 18 months as a U.S.-controlled "joint command."

No sooner had Carter issued his one-by-one invitation, than a tough, intransigent line began to emerge from Israel — a line that contrasted sharply with the intention of Prime Minister Rabin's Dec. 20 resignation and call for early general elections. At a Dec. 28 conference of visiting American and Canadian professors in Jerusalem, Israeli Foreign Minister Yigal Allon, a reliable barometer of the prevailing political winds in Israel, denounced Egypt's call for the U.S. and Soviet Union to immediately reconvene Geneva. Allon adamantly opposed any substantial role for the Soviets at Geneva, declaring that "the USSR was in the Arab's pockets."

On the same day, "official Israeli circles" cited by Agence France Presse labeled the Dec. 21 joint Egypt-Syria communique calling for a Geneva conference under U.S.-Soviet auspices a sign of growing Arab "extremism." Finally, two of the top Rockefeller faction control agents in Israel, Shlomo Avineri and Yehoshofat Harkabi, special advisors to Allon and Rabin respectively, announced over the weekend that the Palestine Liberation Organization had shown no signs of "moderation" and that Israel would refuse to negotiate at all with representatives of that organization.

### *Increased Pressure on the Palestinians*

This latter view, in particular, encouraged Syrian dictator Hafez Assad to radically increase his pressure on the Palestinians in Lebanon. With the aid of 30,000 of his troops in Lebanon, Assad is trying to force the Palestinians to disarm throughout Lebanon, except the southern part of the country. There the Palestinians are being pressured to congregate for the "battle against Israel." At the same time, however, Syria is arranging to send

10,000 fascist Christian militiamen to the south to join with Israeli forces in a joint policing effort against incoming Palestinians. In the past week, tensions in southern Lebanon increased sharply.

The Syria-Israel operation against the Palestinians is especially designed to shake the Egyptian government, which has traditionally been a strong supporter of PLO autonomy. To help the Egyptian destabilization, top Rockefeller intelligence controllers in Washington and Bonn have circulated the rumor in the past 72 hours that Sadat and the conservative rulers of Saudi Arabia are targeted for assassination by Soviet-Libya-backed "Palestinian terrorists." The same sources are spreading the line put forward by the Carter advisory circle in the Committee on the Present Danger, that the Soviets will use the Mideast as a "test" of Carter to "see if the U.S. will fire the first shot of World War Three."

Under the psychological pressure of the threats emanating from the Carter administration, both Beirut and Cairo have been flooded with rumors this week that a Geneva conference will not be possible in 1977 and that the region will plunge into war. In two consecutive interviews with the *Washington Post*, Sadat reflecting the atmosphere of terror, has called for closer ties between the Palestinian movement and Jordan while attacking in hyperbolic terms his Libyan neighbor Colonel Muammar Qaddafi, who has been instrumental in bringing the Middle East oil-producers closer to a new world economic order. The *Post* added to Sadat's discomfort by exaggerating his tentative formulation of Palestinian-Jordan ties and by lying outright that Sadat was "complicating" the process leading toward Geneva.

### *The Peace Moves*

At the same time, the consistently pro-U.S. Sadat regime — with encouragement from leading socialist non-aligned, and European leaders — has begun to search for alternatives to the Rockefeller-controlled dollar empire. Egyptian Foreign Minister Ismail Fahmy, in an interview with the West German news agency, DPA, this week, called for Europe as a bloc to break with the U.S. by supporting a Palestinian state and recognizing the PLO as a valid negotiating entity. Fahmy also called upon the U.S. and the Soviets to spell out their views on Geneva in order to expedite a settlement. To drive home the Egyptian point of view, Fahmy met several times with U.S. Ambassador to Egypt Hermann Eilts.

Together, Fahmy and President Sadat have issued appeals for a Geneva conference to the governments of France, Great Britain, Somalia, Yugoslavia, Iran, and others. An important force pushing for Geneva, Yugo-

slavia's Marshal Tito, will be in Egypt Jan. 20-28 for consultations with Sadat.

In Europe, Britain and Italy have so far had the most encouraging response to Egypt's appeals. According to the Algerian government daily *El Moudjahid*, Britain officially endorsed Egypt's position on Geneva and, for the first time ever, came out in favor of the formation of a Palestinian state. Former shadow cabinet foreign minister, conservative Reginald Maudling was in Egypt last week for meetings with Fahmy, and top British Middle East operative Lord Caradon, the author of the UN Resolution 242 on the Mideast, has just returned to Britain from an extensive Mideast tour. Caradon is lobbying

within ruling British circles for an extensive British role at Geneva and support for the creation of a Palestinian state.

Italian Premier Giulio Andreotti has announced a trip to Syria at an unspecified date in the near future, while Italian Socialist Party leader Bettino Craxi is traveling to the other wing of the joint command to counsel Israel's leaders on the necessity for a Mideast settlement. Andreotti-linked editorialists, meanwhile, are warning of the imminence of an international crisis over the Mideast, and the Italian government has signaled its support for Egyptian peace efforts by granting a moratorium of \$80 million on the Egyptian debt owed to Italy.

## Rabin's Dissolution of Israeli Gov't: Opens Way for New, Pro-Peace Regime

*Exclusive to NSIPS*

The dramatic resignation of Israeli Prime Minister Yitzhak Rabin two weeks ago—an event that startled both Israeli and U.S. political circles—has opened the way for the consolidation of a new, pro-peace government in Israel that is willing to make territorial concessions and to negotiate an overall peace settlement with the Arab states.

Rabin's deliberate dissolution of the government was a virtual coup d'etat against Israel's pro-war factions. By resigning, Rabin has ensured that Israeli elections, formerly scheduled for late 1977, will be held May 17, a move that undercuts the power bids by hawkish forces inside and outside Rabin's Labour Party alignment. At the same time, Rabin, who will continue as caretaker prime minister until the elections, has afforded himself badly needed maneuvering room to establish a pro-peace government.

Rabin's move has thrown the Israeli rightwing into disarray. The neo-fascist movements being built by generals Yigal Yadin and Ariel Sharon have effectively collapsed, and Sharon, according to reliable reports, is about to rejoin the traditional opposition party, Likud. Leading warhawk Defense Minister Shimon Peres was "stunned into uncharacteristic silence," as the *Washington Post* put it, upon learning of Rabin's action.

While the rightwing forces flounder, a poll carried out by the liberal Israeli daily *Haaretz* revealed that as much as 47 percent of the Israeli population favors negotiations with the Palestine Liberation Organization under certain conditions. Armed with this popular mandate, Rabin must rapidly put forth a comprehensive peace program to ensure that Peres does not seize the Labour Party nomination for the premiership or coalesce with the forces in the Likud and around Yadin, Sharon, and several other rightwing splinter groups that adamantly oppose recognition of or conciliation with the PLO.

The consolidation of Jimmy Carter's pro-war cabinet, however, threatens to strengthen the hand of the rightwing forces in Israel led by Peres, former defense

minister Moshe Dayan, and Likud leader Menachem Begin.

Last week Yigal Allon, Israel's foreign minister and a supposed ally of Rabin, suddenly announced that Israel will not negotiate a Middle East peace under pressure, even at Geneva. Allon further insisted that talks be held face-to-face with the Arabs *without* the PLO, and he categorically opposed an important role for the Soviet Union at Geneva on the grounds that "the Russians are accelerating their hostile propaganda against Israel every day."

Similarly, in their first response to the meeting between Egyptian President Anwar Sadat and Syrian President Hafez Assad two weeks ago in Cairo, Israeli officials charged that the Arabs have adopted an extreme position. According to *Agence France Presse*, the Israeli officials said that the Arab demand to include the PLO at the Geneva talks makes the question of a Middle East peace "problematic."

*Rabin: Pressured for Peace*

Rabin's decision to collapse the Israeli government was a direct response to the mounting pressure exerted on him from within Israel and from leading Arab and socialist sector leaders to ensure the establishment of a comprehensive Middle East peace settlement. His resignation, pre-empted a move by the Likud, the extremist National Religious Party, and several related groups to bring down the government via a parliamentary no-confidence vote after Rabin fired three Religious Party cabinet members.

The pressure continues to build on Rabin to ensure that he does not abandon or compromise his decisive moves. Former foreign minister Abba Eban, a leading pro-peace moderate in the ruling Labour Party, announced last week that he will run against Rabin for the Labour Party nomination for prime minister at the party's national convention in February. Eban's challenge is an effort to pressure Rabin, who is almost certain to get the nomination, to stand firm in his fight against warhawk Peres, the third contender, in a fight the *Montreal Star*

has described as "total warfare." The *Star* reported that Rabin will soon undertake an aggressive peace campaign.

Eban's efforts to steer Rabin into campaigning on a solid pro-peace platform are coordinated with moves by Justice Minister Chaim Zadok, an Eban ally who engineered Rabin's resignation move. In addition, former prime minister Golda Meir has come out of retirement to campaign for Rabin.

Italian pro-development layers are also pushing Rabin. Bettino Craxi, General Secretary of the Italian Socialist Party, will arrive shortly in Israel to meet with Rabin, Allon and the pro-socialist Mapam wing of the Labour Party alignment to persuade these forces to seek a settlement with the Palestinians. The Craxi visit follows meetings between Mapam and the Italian Communist Party. Mapam has hinted strongly that it will pull out of the Labour Party coalition if Peres is awarded the Labour Party nomination in February, the *Jerusalem Post* reported.

The Soviet Communist Party daily, *Pravda* warned in a Dec. 22 commentary that while events in Israel demonstrate "growing splits" in the ruling parties, any changes will be only cosmetic transformations by "bankrupt intriguers" who have heightened regional tensions, unless concrete efforts are made to replace Israel's "militarized garrison state" with a regime committed to peace. The following day, the official daily of the German Democratic Republic, *Neues Deutschland*, welcomed the Rabin maneuver as a "tactical chess game" against "militarist generals" Yadin and Sharon that could "augur positive changes" if it were accompanied by a Rabin-led fight for a "just peace... and against austerity."

Any stalling by Rabin on mobilizing for an overall peace settlement will only reinforce the forces in the Arab sector—like Syria's Hafez Assad—who are bent on maintaining regional tensions and supporting Israel's

stubborn opposition to an independent PLO presence at Geneva.

#### *Rightwing Going for Showdown with Rabin*

The Peres-Dayan faction (Rafi) of the Labour Party, in coordination with Likud, is beginning to mobilize for a showdown with Rabin. Peres and Likud leader Begin have met frequently, according to the *Jerusalem Post* to conduct a "tour d'horizon" and discuss meetings that each has recently had with Carter national security adviser Zbigniew Brzezinski. Rumors abound of the possible formation of a Rafi-Likud coalition should Peres fail to win the Labour Party nomination. Dayan, meanwhile, publically threatened to pull Rafi out of the government if the Labour Party's electoral platform calls for substantial territorial concessions to neighboring Arab states. In a boost for Peres, Dayan warned the Labour Party to choose a prime minister not based on "power and the backing of party branches," that is, Rabin, but "within the realm of competence."

In a parallel attempt to dampen the momentum toward peace, the *New York Times* reported on Dec. 28 that Israel does not perceive any forward motion by the PLO in becoming more peaceful and moderate. The *Times* quoted Foreign Ministry director Shlomo Avineri: "Without a basic and fundamental change in the Palestinian movement, it cannot be expected that this moderation will be regarded in Israel as anything more than a tactical move."

Similarly, the agent head of the Histadrut trade union confederation is deliberately attempting to sabotage Rabin by calling early Histadrut elections in the hopes that this would destabilize the Labour Party. A counter-Eban movement is also springing up, with Chairman of the Knesset (Parliament) Finance Committee attacking Eban last week for "demeaning himself and the party."

Such attacks and threats will succeed only if Rabin fails to rally the Israeli population around a peace platform.

## Egypt Seeking Investments for Development, Bucking IMF

*Exclusive to NSIPS*

Over the past few weeks Egypt has manifested interest in increasing Euro-Arab trade relations and in seeking state and private investments from leading European industrial countries as an alternative policy to the austerity demands being pressed upon it by the International Monetary Fund. Simultaneously Egypt's leadership has delivered a direct and major setback to the IMF by refusing to comply with their demands, rather than risk the social upheaval which is certain to result if those demands are implemented.

Key features of the reforms being demanded by the IMF, abolition of food subsidies, making the Egyptian pound convertible, and cutbacks on foreign borrowing and internal deficit financing, are all presently being

ignored by the Egyptian government because Egypt's situation does not permit the government to implement them, and because the Egyptians are, in fact, not willing to impose such drastic measures on their population. Egypt's resistance is so stiff that the crucial talks scheduled for mid-January, 1977, between Egypt and its main creditors, the IMF, the International Bank for Reconstruction and Development, Western states and Chase Manhattan Bank, have been postponed for at least two months. Furthermore, President Sadat, according to the *Jerusalem Post*, has commissioned an economic review to take account of what Egypt owed and to whom.

Two weeks ago the IMF announced that it was dropping its demand that the pound be made convertible. Convertibility, said one investment banker, "would

benefit the investor but would have devastating effects on Egypt."

That Egypt has not cut back on foreign loans is evident by the fact that it has just received a \$250 million Eurodollar loan and the \$300 million from the Gulf Investment Authority this month to pay off \$360 million on overdue payments for December. So, although the reforms are not getting underway, and despite efforts by David Rockefeller to enforce a credit cut-off, the money to bail Egypt out is still rolling in, ironically, because the U.S. and Egypt's other creditors have not alternative. Indeed this month Italy granted a debt moratorium on \$80 million in Egyptian credit.

A recent speech by Premier Mamduh Salem on the economy was remarkable for its lack of any demands for zero growth and his brother Arabs to pull in their belts. Salem actually called for maintaining a basic standard of living so that "social peace prevails and national unity reigns." While paying lip-service to all the IMF streamlining demands, Salem actually spelled out the real economic situation and said that Egypt is committed to alleviate the plight of the population.

The West German economic daily *Handelsblatt* said last week that what Egypt needed was a debt moratorium, and that debt relief would open the way for large-scale investment in industrial projects. The Germans clearly voiced what the rest of Europe is thinking: that the industrial development of Egypt would

be the cornerstone for development of the entire Mideast. That Germany should have the nerve to openly discuss development in territory long the looting ground of the U.S. is another sign of the seriousness with which Egypt's potential is being viewed. While many trade and development deals are still under negotiations, the British have actually moved confidently ahead, and Britain's Massey-Ferguson has formed a joint company with the Egyptians to manufacture desperately needed tractors and trucks which will increase Egyptian tractor production five-fold. This will probably be followed by a car manufacturing plant by Fiat, it is rumored.

Egypt is also looking for maneuvering room by taking an active part in the Arab Economic Council which met recently in Cairo to discuss the formation of an Arab financial market.

But one thing should be clear to the Egyptians: the idea of searching for desperately needed foreign investment on a deal-by-deal basis can never solve the problem of debt and development. The solution lies in obtaining a package deal, with the assurance of Europe, the Soviets and the U.S. on a peace agreement for the Mideast combined with an open break with the dollar and support for a new international monetary system. Ominously hanging over the heads of the Egyptians are the IMF demands; as an Egyptian Embassy official said, "the demands have only been postponed. Who knows in what form they will be brought out again, and when."

## South Africa Pleased With Carter Policy On Investment, Apartheid

The South African business weekly, *Financial Mail*, approvingly noted this week that Jimmy Carter will not only live comfortably with the racist regime but will support it financially: "On balance, the potential benefits to South Africa seem to outweigh the threats. Carter has repeatedly pledged himself to avoid economic sanctions against South Africa to gain American foreign policy goals or to force Pretoria to alter its race policies."

The *Mail* reported that Carter's transition team will replace the Chairman of the Export-Import Bank, which underwrites some American foreign investments, "to begin the gradual relaxing of American credit restrictions on financing loans for South African business ventures." In order to "contribute to peace and offer a positive internal force..." for changing apartheid, the *Mail* continued, "Carter's trade and economic aides will work to encourage U.S. businessmen to make investments in South Africa."

According to other press reports, Carter's embrace of South Africa will carry over to U.S. policy at the United Nations. The December issue of *Southern Africa* magazine, reported that UN representative-designate Andrew Young shares Carter's "view that businesses were a progressive force in desegregating the U.S. south, and might be a progressive force in southern Africa." As the magazine noted, these views are directly contrary to the Democratic Party platform, which calls for discouragement of investment in white-ruled southern Africa. "How these two policy approaches will merge," commented *Southern Africa*, "remains unclear."

Other support to South Africa came from French state-owned Banque de l'Indochine et de Suez this week, which organized a consortium to grant a 12-year 800-million Rand (over \$1 billion) export credit to the South African electricity company for a nuclear power project.

### 137 Dead in Riots

More than 5,000 persons reportedly fled from the Cape Town ghetto of Nyanga in South Africa, carrying all their belongings this week. The refugees are mostly from the Xhosa ethnic group, and press reports say they will be returned to their so-called tribal homeland, the Transkei. South Africa granted independence to Transkei this fall, but as yet South Africa is the only country to recognize this independent status.

The refugees are fleeing from clashes in Cape Town between Xhosa workers and militant youths which left 24 dead. Throughout the country 137 have been killed so far, in bloody clashes among different ethnic groups clashes that may spur a greater exodus from the cities.

South African Prime Minister John Vorster is

scheduled to make a state visit to the Transkei, to promote the "Homelands Development" policy of constructing low-wage, labor-intensive factories in or near the Transkei and other tribal homelands. It has not yet been announced whether American investment is expected to be a major part in the Homelands Development.

## Fear Expansion of Rhodesian War in South Africa

Rhodesian jet fighters attacked refugee camps in the Mozambican province of Chitanga on Christmas Day, strafing the camps and bombing them with napalm, according to the Cuban news agency, *Prensa Latina*, Dec. 29. On the same day Mozambique radio denounced the ongoing attacks by Rhodesian special commandos against Mozambican civilians living near the border and accused the Western press of launching a campaign to convince the general public that there is a large Cuban presence in Mozambique, a claim Mozambique has repeatedly denied.

The fact that the Rhodesian raids into Mozambique have become almost daily occurrences has prompted fears of a larger war in the area among high governmental circles in the five front line states that border on Rhodesia. These black African governments have been active diplomatically to contain the U.S.-Rhodesia threat of war and to prevent internationalization of the situation. According to informed sources, the black governments fear that a war could break out any day and they are preparing for that eventuality, discussing the extent to which they will be forced to call on the Soviet Union and other allies for defense assistance.

One source added that the British are playing a key role in trying to stabilize this situation and prevent a major escalation, despite Rhodesian Prime Minister Smith's attempts to exacerbate and thus internationalize the conflict. The British chairman of the Geneva Conference on Rhodesia, Ivor Richard (who also serves as Britain's ambassador to the United Nations) arrived in Lusaka, Zambia, with "new proposals" for a settlement. The British government is reported to be considering something more than an "honorary contingent" of officials and military officers for the area, a reflection of their estimation of the gravity of the Rhodesian aggressions.

## Mauritius Govt. Hit With Unexpected Electoral Defeats

The ruling Independence Party of Prime Minister Sir Seewoosagur Ramgoolam in the island nation of Mauritius in the Indian Ocean suffered an unexpected defeat in the Dec. 20 general election by the pro-French Militant Mauritius Movement (MMM).

Seewoosagur, this year's chairman of the Organization of African Unity (OAU) plays an important intermediary role between the OAU and the Nonaligned Movement. He is now forced to form a coalition government, which will compromise his ability to rule.

The MMM, which prior to the election had never held any seats in the Assembly, won 34 out of a total of 70 seats. Seewoosagur then had to ask the conservative Social Democratic Party, which won 8 seats, to join his Independence Party-Muslim Action Committee coalition in order to form a government. Seewoosagur's move has created dissension within the Independence Party, and some Ministers have come out in favor of an alliance with the MMM.

The program of the MMM is styled on that of the French Socialist Party, led by Atlanticist agent François Mitterrand. The MMM has a Maoist-style "anti-superpower" posture and is against the presence of both U.S. and Soviet military forces in the Indian Ocean. MMM leader Berenger announced after the election that the pro-Wall Street government of Giscard d'Estaing would be called upon to play an important role in foreign affairs if he could form a government.

## UNITA, Angolan Countergang, Is Kicked Out of Zambia

The National Union for the Total Independence of Angola, a CIA-controlled group formally allied with South Africa, this week was barred from conducting further operations from Zambia, according to the *Washington Post* Dec. 28. The action followed a visit to

Zambia by Pascal Luvalu, Angolan Ambassador-at-Large and a Central Committee member of the ruling MPLA Party in Angola. Luvalu discussed the improvement of relations between the two countries with Zambian government leaders.

UNITA officials announced that they have entered negotiations with the National Front (FNLA) and the Front for the Liberation of Cabinda (FLEC), two other Angolan groups with ties to the South Africans and to the U.S. CIA, for a united front against the MPLA government of Angola. Earlier this year, UNITA brought in the South African Army in an unsuccessful bid to defeat the MPLA.

In another announcement, the UNITA military commander said that his organization will concentrate on "eliminating" the United Nations-recognized Namibian liberation movement, SWAPO, which the South African Army has been trying for several years to liquidate.

"The only chance SWAPO has (to liberate South-African-controlled Namibia — ed.) is to send in Cubans," said the UNITA commander, "and the Boers will eat them like roast partridges."

## Press Primes Djibouti as Carter's First African Test

The first test for the Carter Administration in Africa will be in the soon-to-be-independent French territory of Djibouti at the mouth of the Red Sea, reported the Swedish daily *Svenska Dagbladet* and the *New York Times* this week. Control over the territory reportedly will be contested between its neighbors, Ethiopia and Somalia. According to the *Times*, the Soviet Union is believed to have an interest in controlling the territory, allegedly through Somalia, in order to have the strategic capability to block the Red Sea. The Soviets and the Somalis have excellent relations, but, as the warmongering *Times* neglected to mention, in recent months the Soviets have been developing good relations with Ethiopia.

# Fukuda Sets Up Austerity Government in Japan

Former Japanese Deputy Prime Minister Takeo Fukuda was elected Dec. 24 to succeed Takeo Miki as Japan's Prime Minister, and moved quickly to form a Cabinet stacked with close political associates. The Fukuda election marks the culmination of an intense two year factional brawl within Japan's ruling Liberal Democratic Party between forces committed to an independent foreign and economic policy and those led by Fukuda, well-known as Japan's most fervent supporter of the U.S. dollar. In his drive for power Fukuda was instrumental in bringing down the governments of Prime Ministers Kakuei Tanaka and Takeo Miki, and has set up a government similar to that of U.S. President-elect Jimmy Carter which is willing to pursue policies in defense of the wobbling dollar-based International Monetary Fund.

In his first press conference as Prime Minister, Dec. 24, Fukuda stressed that an "economic diplomacy" to deal with the present international crisis will be a major goal of his government. In this regard he said he hoped leaders of the industrially advanced countries would hold a summit meeting "at the earliest possible time" to discuss "common strategies," and emphasized that cooperation between Japan, the United States and West Germany would be key. This is the policy first developed by the Washington-based Brookings Institution. "Economic instability can trigger various confusions," he warned. Fukuda also said that he hoped for a very early meeting with President-elect Carter.

Fukuda added that the future for Japan will necessitate severe reductions in national economic growth. "We face an era of limited resources similar to the 1930s," he concluded.

Fukuda's election was very much in doubt until the last minute, as open anti-Fukuda sentiment was expressed throughout the LDP. Former Prime Minister Miki, who resigned as LDP President following heavy losses by the party in recent Diet elections, was leading the mobilization to stop Fukuda. But Fukuda was elected Party President on Dec. 23 with the at-least passive support of all of the major LDP factions. The following day Fukuda was elected Prime Minister by the Diet, where the LDP holds a slim majority. Although there was wide speculation that Miki might lead his faction out of the LDP and vote against Fukuda, this did not occur; however, an unprecedented 10 blank ballots were cast in the election and were believed to be a clear protest by anti-Fukuda elements within the LDP. In choosing his Cabinet, Fukuda filled the top posts with his cronies and gave appointments of far lesser significance to representatives of other party factions. To head the

Finance Ministry, Fukuda named Hideo Bo, a close friend of the new Prime Minister and a member of the Fukuda faction in the LDP. The Foreign Ministry post went to Ichiro Hatoyama, reputed confidant of Fukuda who served as a top official in the long-time Fukuda controlled Finance Ministry, although the son of a former Prime Minister who was known for his deep hostility toward the Fukuda wing of the LDP. The new Minister of International Trade and Industry, the bureaucratic base of Japan's powerful industrialist "Zaikai," is Tatsuo Tanaka. The appointment of Tanaka, who is also a member of the Fukuda faction and is relatively unknown politically, was particularly surprising to the Japanese political world because it so clearly showed Fukuda's brazen drive to impose his policies on the whole of the country.

The rightwing tint of the new Cabinet was highlighted with the appointments of Shintaro Ishihara as Environmental Protection head and Michio Watanabe as Health and Welfare Minister. Both are members of the fanatical right-wing Diet grouping Serenkai, which, like Fukuda, once advocated rearmament of Japan — including nuclear weapons, revision of the Japanese Constitution, and a revival of pre-World War Two Japanese "spiritual ethics." Ishihara, who was a founding member of Serenkai and is credited with giving the group its name, is an open follower of Japanese fascist novelist Yukio Mishima.

It is significant that neither Takeo Miki nor LDP faction leader Nakasone personally hold positions in the new Cabinet (their factions are represented). It is usually the LDP "custom" that as a price for support from party factions, a new Prime Minister will name to posts in his Cabinet the leaders of the party's factions. It is widely believed that Miki and Nakasone, who formed an alliance against Fukuda during much of the new Premier's drive for power, deliberately stayed out of the Cabinet to give themselves greater ability to buck Fukuda's policies. Many informed political circles believe that the widespread unpopularity of Fukuda among both the electorate and his own LDP could force an early dissolution of his government, particularly following the scheduled July elections for the Upper House of the Diet where the LDP currently holds a bare one-seat majority.

Whatever difficulties Fukuda faces from his own party will be compounded by the opposition from the newly emerged New Liberal Club. Comprised of young LDP dissidents, the NLC voted against Fukuda for Prime Minister, carrying out an earlier pledge to oppose the LDP if Fukuda was named its leader. The NLC won 19



seats in the recent election — its first. These seats are crucial for the LDP to fully control the management of the Diet and its key committees.

Fukuda will also face opposition from the industrialist Zaikai when he attempts to implement his austerity programs. Although they have apparently accepted Fukuda's success, the Zaikai know that expanded trade, especially with the Soviet Union and the Third World, is necessary for the revival of Japan's export-based economy. The first setting for this potential fight to break out will be early next year, when Soviet Foreign Trade Minister Nikolai Patolichev will visit Japan to renew offers for Japanese participation in the industrial development of the Siberian region of the Soviet Union — an action which the Zaikai support. In the past Fukuda has been a key opponent of such cooperation, following directly the policy of U.S. Secretary of State Henry Kissinger.

Moreover, the Fukuda government may fall victim to the same process that brought him to power — the Lockheed scandal and the "expose" institution that

scandal established in the Japanese political world. There are rumors in the Japanese press and elsewhere of a far bigger scandal looming in Japan, of which Fukuda is one of the central targets. Known thus far as the "Japan-ROK (Republic of Korea) connection," the scandal involves the extensive ties of corruption and political influence-buying between the Park dictatorship in South Korea and right-wing politicians in Japan who make up the ROK lobby. The leading figures in this lobby are Fukuda and the Class A war criminal, former Prime Minister N. Kishi. The Soviet news agency TASS reported an article appearing in the Japanese Communist Party paper Akahata last week detailing election campaign funds passed to right-wing Japanese politicians through South Korean conduits.

It is ironic that the initiation of the Korean bribery scandal in the United States which is sparking the same expose in Japan, has as one of its major purposes the withdrawal of U.S. troops from Korea — to be replaced by a remilitarized Japan. Pro-rearmament Fukuda may not last long enough to implement the plan.

## China To Purge Maoist Faction, Begin Reindustrialization

Dec. 29 — On successive days between Dec. 24-26, the Chinese Communist Party leadership delivered two major speeches before a 5,000 person Conference on Agriculture, and released a previously secret speech of Mao Tse-tung originally given on April 25, 1956. Taken together, the three speeches lay out the policy of the anti-Maoist ruling group: to rapidly purge from the Communist Party all former supporters of the Maoist faction and to develop the economy by mechanizing and upgrading agriculture, shifting more investment into long neglected heavy industry. The Chinese leadership will use the words of the "early Mao" of the 1950s to justify reversing most of the policies pushed by Mao in the 1960s and 1970s.

Below are excerpts from the speeches of Party Chairman Hua Kuo-feng on Dec. 25 and Politburo member Chen Yung-kuei Dec. 24. The selections from Hua's speech focus on his presentation of the damage done to the economy by the "gang of four" leading Maoists whom he purged on Oct. 7, and the destruction of the party and his proposed measures to rebuild it. The excerpts from Chen's speech, blacked out in the West, amplify the damage done to the economy by the Maoists, issues guidelines for cadre education, and discusses how agriculture is to be rapidly developed, centering on the question of farm mechanization. Excerpts from Mao Tse-tung's speech are appended which reveal how the speech is likely to be used to swing the pendulum of China's economy back toward heavy industry and centralization, despite Mao's original intent to the contrary.

Western press coverage of the speeches has been uniformly insipid, calling Mao's speech "an attack on the Soviet Union" and characterizing it as a call for leniency for the Maoist faction, when in fact he calls for a thorough overhaul of the party apparatus to weed out all Maoists. Together, the three speeches will unquestionably be read as a call to return China to the path of development it was on in 1956-57, before Mao intervened in the "Great Leap Forward" and the "Cultural Revolution" to derail the economy and party functioning.

### 'On the Ten Major Relationships'

*Dec. 30 — The following are the key excerpts from the 1956 Mao Tse-tung speech which is currently serving as the keynote for the anti-Maoist factional struggle.*

The problem now facing us is that of continuing to adjust properly the ratio between investment in heavy industry on the one hand and in agriculture and light industry on the other in order to bring about a greater development of the latter. Does this mean that heavy industry is no longer primary? It still is, it still claims the emphasis in our investment. But the proportion for

agriculture and light industry must be somewhat increased.

What will be the results of this increase? First, the daily needs of the people will be better satisfied; second, the accumulation of capital will be speeded up so that we can develop heavy industry with greater and better results.

The relationship between the central authorities and the local authorities constitutes another contradiction. To resolve this contradiction, our attention should now be focussed on how to enlarge the powers of the local authorities to some extent, give them greater independence and let them do more, all on the premise that the unified leadership of the central authorities is to be strengthened.

## Speech by Comrade Hua Kuo-Feng

*Exclusive to NSIPS*

*Hua Kuo-Feng, Chairman of the Central Committee of the Communist Party of China, speaking at the Second National Conference on Learning from Tachai in Agriculture on December 25:*

Comrades,

Our Conference is drawing to a close.

...The Conference is one of mobilizing the 700 million peasants to expose and criticize the Wang-Chang-Chiang-Yao "gang of four" thoroughly, of promoting in depth the movement to learn from Tachai in agriculture and to build Tachai-type counties throughout the country...

At this Conference, we have conscientiously studied Chairman Mao's brilliant work "On the Ten Major Relationships." The whole Party, the whole army and the people of all nationalities throughout the country should study this brilliant work conscientiously and in a thoroughgoing way. In 1956, bearing in mind lessons drawn from the Soviet Union, Chairman Mao summed up in this work China's experience, expounded ten major relationships in socialist revolution and socialist construction and set forth the basic ideas about the general line of building socialism with greater, faster, better and more economical results, a line suited to the conditions of our country....

What are the main fighting tasks for the whole Party, the whole army and the people of all nationalities throughout the country in 1977?

First, deepen the great mass movement to expose and criticize the "gang of four"...

For a long time, with the mass media under their control, the "gang of four" spread a host of revisionist fallacies, trampled on the fundamental principles of Marxism at will and tampered with and distorted Chairman Mao's proletarian revolutionary line and his various principles and policies. Metaphysics ran wild and idealism went rampant. The gang represented many correct things as incorrect and vice versa, reversed right and wrong, confounded black and white, and did cause confusion in people's thinking.....

*On "Gang" Takeover of the Party*

Second, strengthen Party building. It is necessary to carry out a movement of education in Marxist ideology throughout the Party, centering on the strengthening of the Party's unified leadership and democratic centralism and the promotion of its fine style of work, so as to build up our Party well.

The Party is the force at the core that leads everything. In complete betrayal of the basic principles of "three dos and three don'ts," the "gang of four" practiced revisionism, created splits and engaged in intrigues and conspiracies to undermine and disintegrate the Party, and ganged up to pursue their selfish interests and usurp Party power. In the few places and units where they maintained tight control and did much damages, unified Party leadership was impaired, all principles of Party life were trampled underfoot and the Party's fine style of work was sabotaged. New Party members were recruited in violation of the provisions in the Party Constitution, cadres were promoted in disregard of the five requirements put forward by Chairman Mao, and even bad elements were drawn into the Party and smuggled into leading bodies. Under the protection of the "gang of four," some brazenly asked for leading positions and grabbed power at every opportunity.... We must carry out extensive education among the Party members so that they will truly realize the seriousness of the harm caused by the "gang of four" on the question of Party building; they will understand the fundamental principle that the Party is founded for public interests, that the interests of the Party and the people are above everything else and that ganging up for private interests is not allowed; they will understand the Party rule that forbids the formation of any faction or secret group within the Party; they will understand the importance of unified Party leadership and Party discipline and the harm of anarchism; they will understand that Party members must uphold the proletarian Party spirit and oppose bourgeois factionalism; they will understand that Party cadres are all servants of the people and must in no case ask the Party and the people for higher posts and power....

The "gang of four" also spared no effort to undermine the democratic life inside the Party and suppress any criticism directed at them; they ran a "steel plant" and a "cap factory" to attack the revolutionary cadres and revolutionary masses. We must improve the democratic life inside the Party and among the people in accordance with the democratic centralist principles, let people air their views, let people criticize, allow the minority to reserve their differing views and strive to create a political situation in which there are both centralism and democracy, both discipline and freedom, both unity of will and personal ease of mind and liveliness....

Third, deepen the mass movements of *In agriculture,*

*learn from Tachai; in industry, learn from Taching and strive to push the national economy forward....*

*On Raising Living Conditions*

...Learning from Tachai and Taching means....launching mass movements energetically, bringing into full play the enthusiasm, wisdom and creativeness of the cadres and masses, unfolding socialist emulation campaigns and building socialism in a big way. Whether in industry or in agriculture, or in any other economic undertakings, we must follow the policy of building our country and running all our enterprises diligently and thriftily and rely on the masses, and systematize rational rules and regulations and improve and strengthen socialist economic management. We should encourage people to raise their cultural and technical levels for the sake of the revolution and to acquire proficiency in their work so as to be both red and expert. Leading cadres at all levels must persistently

take part in collective productive labour and eat, live and work together with workers and peasants. We must pay attention to the well-being of the masses and raise the living standard of the people step by step on the basis of increased production....

...We are determined to adhere to the Party's basic line for the entire historical period of socialism, enhance the great unity of the people of all nationalities throughout the country, wholeheartedly rely on the working class and the poor and lower-middle peasants, unite with other working people and the large number of intellectuals, further develop the revolutionary united front led by the working class, based on the worker-peasant alliance and embracing the patriotic democratic parties, patriotic personages, patriotic overseas Chinese and compatriots in Hong Kong and Macao, consolidate the dictatorship of the proletariat in China, work hard to build a powerful socialist country, and strive to make a greater contribution to humanity....

## Speech by Comrade Yung-Kuei

*Exclusive to NSIPS*

*On "Gang" Economic Sabotage*

A fierce struggle around whether in agriculture to learn from Tachai or oppose it has been fought over the past year between our party and the "gang of four".

We must see that interference and sabotage by the "gang of four" did cause great losses to the movement to learn from Tachai and to agricultural production, with still more serious consequences in places where Ogey intervened directly. Agricultural production in the six provinces of Yunnan, Kweichow, Szechwan, Fukien, Chekiang and Kiangsi suffered serious disruption in the past few years. In Wenchow, the most affected prefecture, the situation in many places deteriorated to such an extent that the land was divided up and the commune members had to go it alone. Polarization of rich and poor re-emerged, black markets became rampant and the collective economy disintegrated. Class enemies became arrogant, and the poor and lower-middle peasants were thrown into misery. There, the cadres who upheld the collective were stigmatized as "capitalist-roaders", "revolutionaries". The example provided by Wenchow shows that, if the "gang of four" had seized power, capitalist restoration would have emerged throughout the country, our country would have changed its colour and the people would again have been thrown into the abyss of suffering.

They rode roughshod over the people, ran wild and labelled and bludgeoned people at random. Anyone who learned from Tachai was stigmatized as "not grasping class struggle" anyone who carried out education in the party's basic line was labelled as "directing the spearhead downward" and "opposing the corrupt officials only and not the emperor" anyone who carried out consolidation of party organizations and rectification of the style of work was charged with "capitalist restoration" and "retrogression" anyone who dispatched work teams to the countryside was accused of

"pursuing a bourgeois reactionary line" anyone who stressed the centralized leadership of the party was accused of "supporting the capitalist-roaders and suppressing the revolution" and anyone who went all out to build socialism was accused of practising the "theory of productive forces".

"Metaphysics is rampant" with them. They pitted politics against economies, revolution against production, the relations of production against the productive forces and the superstructure against the economic base, in complete violation of Marxism-Leninism-Mao Tsetung thought.

*On Party Education*

In carrying out education in the party's basic line, it is necessary to do a good job of consolidating party organizations and rectifying the style of work. We should conduct Marxist education on a wide scale among the party members and cadres, wage active ideological struggle and more firmly uphold the three basic principles "practise Marxism, and not revisionism; unite, and don't split; be open and aboveboard, and don't intrigue and conspire". The problems of line, revolutionary drive, style of work and unity must be successfully solved and the influence of the "gang of four" must be eliminated politically, ideologically and organizationally.

The overwhelming majority of our cadres are good or comparatively good. Policies must be carried out to enable comrades who have erred, including those who have committed grave errors, to "learn from past mistakes to avoid future ones and cure the sickness to save the patient". It will be all right provided those who have made mistakes correct them. A relative stability in cadres must be maintained at the grassroots. The sabotaging activities of the landlords, rich-peasants, counter-revolutionaries and bad elements and new and old bourgeois elements must be resolutely attacked and

counter-revolutionaries and those who have mistreated people, destroyed things and looted must be dealt with firmly.

Education in the party's basic line should be carried out in a well-guided and systematic way under the centralized leadership of county party committees by the method of combining work both inside and outside the party, both in urban and rural areas and both at selected points and in entire areas. Effective work teams should be dispatched. They should not take everything in their own hands, but should rely on commune party committees and grassroots party branches and the poor and lower-middle peasants. It is necessary to make an overall plan, grasp one-third of the work well each year and persist in doing so for a long time so as to accomplish the task of consolidating the dictatorship of the proletariat in the grassroots units and build every county into a fighting bastion that will uphold chairman Mao's proletarian revolutionary line and keep to the socialist road.

#### *On Mechanization and Agricultural Development*

We have now built a number of advanced counties in learning from Tachai and had good harvests for fifteen consecutive years, thus ensuring food and clothing for the eight hundred million people. This is a very great achievement. But we must take cognizance of the fact that interference and sabotage by Liu Shao-Chi, Lin Piao and the "gang of four" were serious and that the rate of agricultural development has fallen much behind the ...country's socialist revolution and construction. In developing the national economy, take further steps to consolidate and expand the collective economy of the people's communes, and make a leap from small-scale farming with animal-drawn farm implements. We must...realize in the main the mechanization of farming throughout the country by 1980.

It is necessary to implement the "eight-point charter" for agriculture in an all-round way and raise the level of scientific farming. It is imperative, in particular, to make large-scale, unremitting efforts in building capital farmland construction projects, do a good job of this

great socialist undertaking and ensure stable, high farm yields. We have achieved very great successes in this respect but the development has been lopsided, so much that the mountains and rivers in a few places have remained as they were before and the people there still live at the mercy of the elements. This state of affairs must not be allowed to continue. We must wage an all-out people's war for capital farmland construction projects by combining the mass movement with the ranks of professionals. The more enthusiastically the people work, the more we should be concerned with the well-being of the masses, pay attention to methods of work and guard against coercion and commandism. We must make sure that, with efforts in the next few years, the total amount of farmland giving stable, high yields irrespective of drought or waterlogging will by 1980 average one-fifteenth of a hectare per capita of the rural population. We must step up the pace of farm mechanization.

It is necessary to give full scope to the advantages which the people's communes possess of being bigger and having a more developed socialist nature than the former agricultural co-ops and consolidate and develop the people's commune system.

The shattering of the "gang of four" has freed the productive forces greatly. The tremendous expansion of agriculture, in turn, is bound to motivate and promote a new upsurge in the entire national economy.

We should act firmly in accordance with chairman Mao's teaching: "All secretaries of the provincial, municipal and prefectural party committees and the leading comrades of the central departments should exert themselves and, on the basis of raising their level of Marxism-Leninism, turn themselves into experts versed in both political and economic work. It is necessary to do a good job of political-ideological work on the one hand and of economic construction on the other. We should develop a really good understanding of economic construction."

So long as we come to understand more of Marxism-Leninism, natural science and, in a nutshell, the laws governing the objective world and commit fewer subjectivist errors, the goal of our work of revolution and construction can certainly be attained.

## Gandhi Weakened by Congress Party Factional Feuding

For the first time since she declared a state of emergency in July 1975, India's Prime Minister Indira Gandhi has begun to feel the strains of bitter factional infighting inside the ruling Congress Party. Party feuding has forced the resignation of the pro-socialist Chief Minister of the state of Orissa, Nandini Sathpathy, and two other states, Kerala and West Bengal, are extremely tense. The sharp factional battling has paralyzed the state governmental apparatus, preventing the implementation of Gandhi's 20-point economic program.

The domestic tensions of the Gandhi government have multiplied since August 1975 when India played a major role demanding the implementation of a new world economic order at the Colombo summit meeting of nonaligned nations. Despite a continued Indian pressure for Third World debt moratoria and international economic change, domestically Gandhi's policies have languished as the stalemate grew between proponents of the domestic equivalent of a new world economic order and the entrenched business and landlord interests in the Congress Party.

The party's current reorganization reflects two basic factional positions. The principal faction is grouped around Chief Minister Sathpathy and a substantial number of party and government figures who want to strengthen India's economic and political relations with the Soviet Union and socialist countries and immediately integrate the country into treaty arrangements with Europe and the middle east.

This grouping relies heavily on close collaboration with the pro-Soviet Communist Party of India (CPI) to implement Gandhi's economic program. In the past three months, this political tendency has sent numerous delegations to the mideast and Europe in search of oil-for-technology deals involving independent oil companies in the exploration of the newly found rich oil fields off the west coast of India. The Soviet Union has responded to these overtures, and last week formally offered India the sale of 5.5 million tons of crude oil in a barter exchange for Indian iron and steel exports. The Soviet offer, which would come in 1 million ton allotments per year, has conveniently cushioned the immediate effect the OPEC oil price increase would have on the Indian economy and has provided the pro-development forces in India with a concrete issue to build support for Indo-Soviet trade.

#### *The Zero-Growth Opposition*

Opposing the pro-growth forces is the landlord and business alliance led by the Birla financial group. The Birla group funds and backs the Congress Party and is currently conducting a major campaign to reduce the role of the public sector in India's heavy industries. The Birla zero-growth, austerity policy emerged after a series of meetings with Orville Freeman, former U.S. Agricultural Secretary and one of Jimmy Carter's top advisors for policy on South Asia, and Robert MacNamara, president of the World Bank who visited India in October. Essentially, the Birla group wants to turn India into another "Brazilian miracle" — an economy primarily based on strict labor discipline and drastic reductions in the standard of living of the working class, combined with huge exports that can be helped along by the participation of U.S. multinationals in India's public sector. On repeated occasions the Carter advisors have offered India not only more aid, as MacNamara publicly told Indian journalists, but bigger export markets in both Europe and U.S. for India's intermediate technological goods.

Although Prime Minister Gandhi's position is known to be closer to the Sathpathy group and include a solid commitment to the Indo-Soviet Friendship Treaty, her son, Sanjay Gandhi, is reportedly tied to the Birla financial interests and through them to the policies of the Ford Foundation and World Bank.

#### *How the Faction Fight Developed*

The conflicts within the Congress Party first appeared in public Oct. 2 with the resignation of Wadud Khan, a former socialist and chairman of the Steel Authority of India (SAIL). Khan is known to be a chief proponent of Soviet collaboration in the public-sector expansion of India's steel industry. The policy differences inside the Congress surfaced again in November 1975 at the All-

India Congress Committee (AICC) annual conference. Prior to the conference, industrialist G.D. Birla had spent a month touring the U.S., and then met with Freeman and MacNamara in India. The leading Indian daily, *Patriot*, reported Oct. 30 that the meetings involved decisions on U.S. aid to India, possibly by opening up new markets for India's exports.

At the party conference, the right-wing tendencies in the party linked to the Birla group, as well as India's pseudo-socialists delivered major speeches attacking all the Congress Party leaders who collaborated with the CPI to implement the domestic economic program. The 20-point program includes various popular demands that Gandhi has made government policy, such as moratorium on peasant debt, land reform, and other benefits for the working class and peasantry. The right-wing grossly distorted the Prime Minister's programmatic presentation and turned it against the left wing of the party. In an attempt to bring about some compromise Gandhi called for unity and an end to "outside intervention into the party."

At the state level, the Congress feud spilled into print two weeks ago in Orissa where Sathpathy, a party figure who has openly collaborated with the CPI in the implementation of economic policies, resigned as chief minister after tremendous pressure was placed on her cabinet. The Indian press reports that the major figures calling for her resignation were particularly enraged by Sathpathy's refusal to abide by a compromise formula that would have cooled relations with the CPI. A new chief minister was appointed by the party to take office Jan. 28.

Another state-level confrontation had been simmering for a month in West Bengal and was resolved last week when Chief Minister Siddhartha Shankar Ray arrived in New Delhi to hold talks with Gandhi and Congress President D.K. Borooah. Ray, Gandhi, and Borooah jointly agreed to a formula whereby he will give up control of the state interior ministry portfolio in exchange for control of the development ministry. Ray, however, held on to his position as the acknowledged leader of the Bengal Youth Congress, a role which he had come under increasing pressure to give up to Sanjay Gandhi. Ray is known to oppose the World Bank policies for turning Calcutta into the center of labor-intensive agriculture and chief industrial export center.

The third state subjected to pressure from the national Birla faction is Kerala, a southern state that has been the traditional stronghold of the CPI and the Congress Party. As a result of CPI strength, Kerala is the only state throughout India that has fully implemented the government's 20-point economic program and is now introducing state farms. The state Congress Party chairman, P.C. Anthony, asserted Dec. 23 that despite national political differences, the Kerala coalition government will not be hamstrung.

#### *The Role of Sanjay Gandhi*

The confrontation nationally and on the state level between the Birla forces and the pro-socialist grouping has involved as a major point of contention, the role of Gandhi's son, Sanjay. Since the beginning of 1976, Sanjay was splashed into political prominence by the Birla

forces. He adopted a "five point program" that includes family planning, tree planting, slum clearance, and a campaign against illiteracy and the dowry system — a program that nearly duplicates the World Bank proposals and that has the approval of the Ford Foundation. On numerous occasions Sanjay encouraged the family planning program in the form of mass sterilizations throughout the country.

Reliable sources within India have indicated that despite the extensive Western press buildup of an emerging political role for Sanjay Gandhi, his "star" revolves purely around his name. The Gandhi name is most closely associated in India with Indira's father Jawaharlal Nehru, the founder of the nonaligned movement and the most devastating critic of peasant backwardness. Ironically Nehru's grandson Sanjay has made a peasant-based India his model,

In an attempt to stabilize the situation, Indian Prime Minister Indira Gandhi herself addressed the preoccupations of the left in a major speech Dec. 24: "He (Sanjay) is too much of a small fry (to bother with) because he is not going to be prime minister or president or anything like that." She took exception, however, to the view of the CPI, stating, "They say they support me but there can be no greater insult than to say that I could be influenced by reactionaries or anybody else. If I am such a person who is so influenced, I have no business to be prime minister of this great country."

#### *The CPI Mobilizes*

In response to the turmoil in the Congress Party, the CPI has mobilized its entire working class and peasant base around Prime Minister Gandhi's economic program, giving the left Congress faction critical support in states where they are weak. In addition, the CPI introduced a new five-point program: the nationalization of the jute, textile and sugar industries now controlled by Birla interests; the reinstatement of worker bonuses frozen for over a year; and concrete government action

to ensure that prices are kept down by nationalizing distribution of vital commodities like grain. Aware that their program can be implemented only in a growing world economy, the CPI has adopted the economic and political documents discussed at the August Nonaligned summit as their major organizing material.

The most significant mobilization to date by the CPI has been its attack on the Ford Foundation-prompted sterilization drive. "The struggle against Malthusianism is an integral part of the struggle for peace in the world today," the party declared in an editorial entitled "U.S. Gov't and Population Control." Evoking the polemics Karl Marx used to discredit Parson Malthus in the 1800s, the editorial charges that zero growth policy is a "product of bankrupt bourgeois economics" that postulates that human resources are limited. The main zero growth advocates are the Rockefellers, the Carnegie Foundation, and General Motors, the editorial concluded, which have funded nearly every existing population control program.

Dropping the usual diplomatic niceties, the CPI for the first time linked the Sanjay Gandhi's five-point program directly to the World Bank strategy for India. "There is a one-point program being implemented today. It is sterilization. Family planning is being implemented in the very same terms demanded by the World Bank." Putting added pressure on Indira Gandhi to make an open break with the World Bank, the CPI announced that it will hold nationwide demonstrations Jan. 1.

Prime Minister Gandhi expressed an accurate understanding of what is at stake and what decisions are immediately in front of her, last week where she addressed tens of thousands of textile workers: "The working class will get its fair share. A bonus formula will be worked out to remove the injustice done to the working class. The working class and the peasantry must be the primary beneficiaries of the economic program of India."

# Linowitz Report On Latin America: Blueprint For Confrontation

The Linowitz Report — more properly known as the "Second Report by the Commission on United States-Latin American Relations" (CUSLAR) — was published Dec. 20, 1976 as an unofficially contracted proposal for Latin American policy under the Carter Administration. Sponsored by the Rockefeller-controlled Center for Inter-American Relations and financed by the Ford Foundation, CUSLAR sports a "breadth and diversity of membership" (according to the Report's preface) which spans Rockefeller-linked agencies. CUSLAR's roster contains such figures as Rita E. Hauser, member of the Committee on the Present Danger; George Harrar of the Rockefeller Foundation; Nicholas deB. Katzenbach, Ford Foundation fellow and Corporate Vice President of International Business Machines (IBM); Peter G. Petersen, chairman of Lehman Brothers; Andrew Heiskell, Chairman of Time, Inc. and a member of Rockefeller's Common Cause; Alexander Heard, on the Board of Trustees of the Ford Foundation; W. Michael Blumenthal, Trilateral Commission member and Carter-designee to the Treasury Department.

While the *New York Times* hailed the Linowitz report as a "new orientation for Latin America" which will base itself on the fight for "human rights," a look at the report reveals otherwise:

#### *Panama: The Most Urgent Issue*

*"Panama's broader significance is...not only is it immediately important for the United States and Panama to defuse a potentially disastrous confrontation; but this is also an issue on which the U.S. finds itself isolated even from our closest allies and from the most frequent users of the Canal..."*

*"The new administration should promptly negotiate a new Canal Treaty...and should make clear to the American public why a new and equitable treaty with Panama is not only desirable but urgently required."*

The issue of Panamanian sovereignty over the Canal has done almost as much to polarize the continent against the U.S. as the exposure of U.S. involvement in the overthrow of Allende in 1973 Chile. Panama has become a thorn in the side — to be resolved as expeditiously as possible.

#### *Human Rights: Deeply Disturbing Developments*

*"We believe that the U.S. government can help to reduce the incidence of repression if it applies quiet but firm pressure and speaks clearly and with one voice... The Commission reaffirms its belief that the U.S. should*

*consider human rights violations to be a major factor in deciding on the substance and tone of its bilateral and multi-national relations with all countries."*

The human rights issue, the leading edge of Carter's foreign policy towards the Third World, is the vehicle through which a massive "destabilization" campaign against Cuba and the other remaining progressive nations in Latin America, particularly the Caribbean countries of Guyana and Jamaica, will be launched.

Beginning with the highly suspect offer of prisoner exchange by Chilean dictator Augusto Pinochet to Cuban president Fidel Castro, the pressure has already begun to be applied internationally against the Cuban regime. The recommendations of the Linowitz Report for a new "soft approach" to Cuba on the part of the Carter Administration are designed to draw Cuba into a psychological wargame. The Cuban refusal to play by the new "rules" — a likely course given Castro's already announced rejection of the Pinochet offer — provides a thinly-veiled "justification" for a U.S. provocation against "recalcitrant" "Soviet mercenary" Cuba.

Numerous tactics are simultaneously at hand to attempt to destabilize and pick off Cuba's allies, Guyana and Jamaica. The infiltration of terrorist agents, such as in Jamaica, and the activation of black nationalist terrorists such as the Working Peoples Alliance (WPA) — controlled by the Institute for Policy Studies — in Guyana, is meant to provide the pretext for isolating and or intervening into these countries. In Guyana, the pro-socialist government of Forbes Burnham has come under the orchestrated attack of the WPA which charges Burnham with "corruption," "dictatorship," and "imperialism." Their charges have been picked up and echoed in IPS-linked press in the U.S.

#### *Cuba*

*"(a) The President should make clear the determination of the U.S. government to use its powers to the full extent permitted by law to prevent terrorist actions against Cuba or any other foreign country or against U.S. citizens, and to apprehend and prosecute perpetrators of such actions..."*

*"(b) Thereafter, representatives of the Administration should indicate to Cuban representatives that the U.S. is prepared to lift its embargo on food and medicines and enter into subsequent negotiations with Cuba on the whole range of disputed issues, provided Cuba gives satisfactory assurances that; (1) it would make a prompt and appropriate public response (such as the release of*



*U.S. prisoners); (2) its troops are being withdrawn from Angola and will not engage in military interventions anywhere; and (3) it will respect the principles of self-determination and non-intervention everywhere, and explicitly with regard to Puerto Rico."*

In view of Cuba's long-standing and quite explicit policy of intervention, military or otherwise, anywhere in the world where legally-constituted governments call for Cuba's aid, the Commission's "recommendation" to the Presidency is a recommendation of step-by-step provocation towards a replay of the 1962 Cuban "Missile Crisis." With human rights as its banner and Cuban-Soviet capitulation as its goal, the Carter Administration's plan is to back Cuba into a corner and, as the CUSLAR document puts it, "reduce Cuba's incentives to provide military facilities to the Soviet Union." What is clear, however, is that the Cubans will not accede to these suicidal "recommendations," nor will the Soviets back down. CUSLAR's recommendations are nothing short of a schematic leading to thermonuclear confrontation between the U.S. and the U.S.S.R.

#### *Arms Transfers...*

*"In its initial report, the Commission recommended... that regional restrictions on commercial arms sales, which were both ineffective and paternalistic, should be eliminated... While Peru has announced its intentions to purchase Soviet jets, the Commission does not believe that such a development would justify variation from the policy it recommended previously: that the U.S. should make available conventional military equipment to Latin American countries only on a competitive, commercial and non-discriminatory basis."*

The recommendations of the Linowitz Report on the question of arms transfers are virtually identical to those issued in the Rand Corporation report in 1974 by David Ronfeldt. Ronfeldt's document, which concerns itself with "Future U.S. Security Relations in the Latin American Contexts," is a detailed blueprint for nationalist military conflicts in the Southern Hemisphere and was specifically directed against the then pro-development Peruvian regime under President Juan Velasco Alvarado. Within that design, the "unrestricted" and "non-discriminatory" supply of arms to all sides was the recommended policy in anticipation of an outbreak of a second "War of the Pacific" between Chile and Peru. Ronfeldt's recommendations were that the U.S. should ready itself as a mediating force to intervene should any such belicose outbreaks occur on the continent.

#### *Economic Policy: The Central Issues*

*"The effectiveness of the recycling of petrodollars averted a global crisis, and was done with impressive efficiency by the private financial institutions; however,*

*it now looms as a significant constraint upon future Latin American growth. More than two-thirds of the total external financing to Latin America in 1975 was provided by the private sector in the form of short and medium-term commercial loans... In its stead, the countries of the region must be given the opportunity to adapt to their accumulated debt by obtaining new public credits to facilitate essential imports and to permit lengthening of the debt profile. In turn, the countries of the region must exercise appropriate financial discipline and restrain internal consumption."*

The threat of default from debt-burdened Third World countries is the motivating force behind Carter's economic policy concerns towards Latin America. As the CUSLAR document itself insists, Carter's Latin American policy must be a model for the rest of the Third World. The use of OPEC funds to prop up New York bank debt holdings, through the complete subjugation of OPEC as a political entity, is central to the schema. The urgent "recommendation" that the massive burden of illiquidity that threatens to collapse the New York banks be transferred to such "public" institutions as "the recently-established Development Committee of the IMF-World Bank" is a call for the establishment of a global "Big MAC" where middle and upper-income developing countries would be able to have "greater access to world capital markets through long-term bond issues suitable for development financing." The price for that "access" would come from "rapidly expanding exports that pay off capital flows."

Leaving no doubts that *deindustrialization* is the explicit intention of the CUSLAR recommendations, the Report adds: "The degree of technological sophistication varies significantly (in Latin America), and the development experience and technologies developed by middle-income countries like Brazil may be more relevant and useful for the least developed countries than much of the high *capital-intensive* technologies of the industrialized countries." (emphasis added)

In response to the Third World's demands for a coherent approach to commodity marketing within a New International Economic Order, the Linowitz Report offers a barely-disguised version of Kissinger's universally rejected International Resources Bank proposal. As the solution to commodity price fluctuations, CUSLAR suggests a commodity-by-commodity buffer stock arrangement with common funding by producers. The effects of such an arrangement are two-fold. With the stockpiling of buffer stocks, prices can be driven sky-high which would provide for a temporary flow of revenue into the debt-strapped producer countries, enabling them to continue to pay their debts. More significantly, the contraction of demand in a severely depressed world economy would lead to devastating cutbacks in production.

# Cuban Press Maintains Hardline on Carter— 'Carefully Fabricated Product of Trilateral Commission'

*Cuba has consistently taken a hard line against Jimmy Carter, mincing no words in describing who he is, who picked him and shaped him, and his lack of a popular mandate in the democratic sense. As the following selection of excerpts from the Cuban press shows, Cuba puts forth no illusions about the serious political crisis the U.S. faces and the kinds of decisions the Trilateral Commission presidency will make.*

*From Prensa Latina's review of the year by Arnaldo Hutchinson:*

The rise of James Carter to the presidency, electoral abstention, the deterioration of the economic situation, and bribery by multinational companies fought for the front pages in the United States during 1976.

During November, Carter was elected to sit in the presidential chair in the White House for four years, with the support of slightly more than 40 million of the 150 million persons eligible to vote.

A simple arithmetic calculation shows that only about 26 per cent of the electorate voted in favor of the man who will become president Jan. 20....The governor of the southern state of Georgia reached the presidency in one of the most crucial moments in the country's history — a time comparable only to the epoch of the war between the North and the South a century ago and to the period of the economic crisis of the 1930s....

*From the Cuban weekly Bohemia Nov. 19 in an article by Mario Kuchilan Sol called "He Who Sows His Peanuts:"*

What "wave length" are you on Mr. Carter? What's your game?

What produced the Nov. 2 election results and what "changes" do they entail for the U.S. and its relations with the world? The determining factor, despite the traditional skeptical absenteeism and the routine criteria that the reelection of an incumbent is a cinch, was the strategy of building a coalition that could give a majority on election day in the bourgeois democratic tradition of "the biggest minority."

The "I never lie and never will" peanut farmer is far from being a "naive dreamer." The legend of his political "spontaneity" is a myth. Carter is a carefully fabricated product, offered to the public as a needed change by the Trilateral Commission, a private "non-profit" organization that reflects forces which in the U.S. are identified with the Rockefeller clan, with the banking elite of England, with Giscard in France, with Giancanni (Agnelli) of FIAT in Italy, and with the samurais of heavy industry in Japan. The North American branch has 74 members — all bankers, industrialist, diplomats, financiers, politicians, intellectuals and journalists linked to a limitless economic power and owners of the mass media. They chose Carter from a list of governors presented by Averell Harriman with the suggestion, "We can't go on with old faces. Why don't we target a young

southern governor?" And he had Carter in first place. That was back in 1972 and thus they began to build the image of "the new politician," "the champion of morality," the "truth maniac," the farmer who carried off the nomination and the election against the machines, but within the context of the traditional popular abstentionism of people who don't believe unbelievable electoral promises. They studied the feelings of the nation, people's reactions to the problems and they emphasized changes in society and in the economic structure in order to catapult the peanut farmer technically, fallaciously, and propagandistically into the White House....

*The following excerpts on debt are from the official Cuban daily Granma Dec. 28 as reported in Prensa Latina:*

One of the most efficient instruments used by the leading capitalist countries to preserve and perfect the exploitation of the Third World is accelerated indebtedness.

The financial capital of those countries penetrates and progressively takes over the economic structures of the non-oil exporting underdeveloped world.

These loans and credits are granted only at high interest rates to be amortized over ever-shorter terms.

The backward socio-economic structures which burden most of the underdeveloped countries force them to seek credits, which makes their foreign debts grow excessively.

This results in a dramatic vicious cycle which obliges the debtor countries to ask for more loans to pay their debts.

The debt owed by the underdeveloped countries to the capitalist countries and international financial bodies already has reached the astronomical sum of \$150 billion.

In 1975, the underdeveloped countries paid these nations \$11.5 billion in debt service, while only \$9.4 billion in new loans were issued, which meant a negative flow of \$2 billion.

On top of this, the multinational companies pulled out net profits of more than \$23 billion between 1973 and 1975, according to UNCTAD (United Nations Conference on Trade and Development) statistics.

Latin America suffers the effects of this dramatic situation more than any other region.

At the beginning of 1976, according to Inter-American Development Bank data, Latin America's foreign debt was \$55 billion of which half was due before 1979. The most indebted Latin America country is Brazil, which at the beginning of this year owed more than \$17 billion, while Chile and Argentina each owed more than \$5 billion.

What is most grave is that almost half of this fantastic foreign debt has to be repaid within the next three years.

Because of this, during the fifth summit (of the non-aligned countries-ed) held in Colombo this past August, the struggle for a new world economic order became the

center of debates. This struggle accurately expresses the sharpening of the general crisis of capitalism.

## Panama Gov't Abruptly Shifts to Endorse Carter Administration

In an abrupt about-face last week, General Omar Torrijos Herrera, Panama's Chief of Government, reversed Panama's long-standing opposition to Jimmy Carter. The incoming Carter Administration, Torrijos said in a speech Dec. 19, "seems to have more integrity than the previous one."

Echoing the new position of the government, the pro-Torrijos daily *Critica* called Carter a "defender of political morality," while Foreign Minister Aquilino Boyd declared that Carter's appointment of Cyrus Vance as Secretary of State had "restored the vitality of the State Department."

These declarations of support for Carter contrast sharply with the almost daily attacks on Carter made by government spokesmen and the Panamanian press before the Torrijos speech. Carter was accused of obstructing peaceful canal negotiations, and the press suggested that he was behind the wave of bombings and other terrorist acts that have plagued Panama in recent months.

The Torrijos regime adopted the new stance toward Carter because of indications that the incoming U.S. president will grant Panama a new Canal Treaty along the lines of the recommendations of the Commission on U.S.-Latin American Relations, headed by Rockefeller associate Sol Linowitz. Torrijos met with Theodore Sorensen, Carter's appointee as director of the CIA, immediately before he announced his new line; and the next day, Dec. 18, the U.S. negotiator Ellsworth Bunker indicated that the U.S. was willing to move ahead on the long-stalled negotiations.

Observers have speculated that the Carter move to negotiate a Canal Treaty is to end Panama's leading role in the Caribbean opposition to the U.S., clearing the way for a U.S. hard line against Cuba.

Torrijos concretized his alignment with Carter by making public Dec. 19 a series of austerity measures, including a revision of the Labor Code. His concessions on the Labor Code, long demanded by the business sector, put Torrijos in a shaky position domestically, since among his staunchest supporters are the labor unions led by the communist Partido del Pueblo. The Partido del Pueblo has stated repeatedly that it "will never allow any revisions" in the Labor Code.

Immediate approval for Torrijos, however, came from the International Monetary Fund which three days after Torrijos' speech awarded Panama with an \$18 million loan.

### *The Carter Record in Panama*

Torrijos, who has pushed development policies in the past, had been subjected to continuous destabilization attempts and both the press and government officials had linked these terror tactics — bombings and provoked riots — directly to Carter.

The official Panamanian news agency, Panapress, listed as one of these destabilization attempts, the highly publicized "staged bombing" of the car of AFL-CIO representative in the Canal Zone, William Drummond, after Drummond had sued to have the Canal negotiations halted in October. The pro-Torrijos daily *Critica* commented at the time that Drummond was suing "on behalf of his little friend Carter." *Critica* is the same paper that last week praised Carter as a defender of "political morality." Another pro-Torrijos daily, *Matutino*, wrote Oct. 30, "Mr. Carter's friends are so desperate that they are determined to use any and all resources at hand to discredit the opponents."

Carter was also implicated in other bombings. Panapress wrote after the arrest of three terrorists who had placed bombs in Panama City Dec. 6 that the terrorists: "belonged to a Miami-based group of conspirators that has friendly relations with the man who directs Carter's policies. He is trying to arrange a meeting with them and the president-elect."

The press and government comments were also sharply critical of Carter's war mongering. Foreign Minister Boyd said Nov. 10 in his annual report to the Asamblea Corregimiento, Panama's legislature, "Neither Carter nor any other U.S. politician will be allowed to turn the Canal negotiations into a propitiatory victim of U.S. policies."

The daily *Matutino* followed up two days later with an even more explicit condemnation of Carter: "Carter has stated that he will not deal with blocs of nations but only with individual countries. That is the old policy of divide and conquer....Those Latin American countries that accept the old framework of relationships between the strong and the weak are putting themselves at the mercy of the Washington government with no option but subjugation and dependency....(Latin America must unite) in the face of the divisionist policies that the U.S. will follow when Jimmy Carter assumes the presidency."

# Carter Advisors Launch Campaign to End Mexico's Population Growth

In the past two weeks, the official spokesman for the Carter transition team and Carter's press outlets have promoted an intense propaganda campaign around Mexico's enormous population growth and the so-called solutions to stop it.

The essence of the campaign was expressed by right-wing Mexican politician Jose Angel Conchello in a Dec. 23 article in the daily *El Universal*, in which he responded to Mexican Labor Party charges that he is pro-Nazi. Conchello explained that Mexico at this point has no choice but to follow the policies of the "financial genius" Hjalmar Schacht, Hitler's finance minister, and "recognize just what our abundant resource is and take ample advantage of it: man."

Three days earlier, the *Baltimore Sun* had published an editorial entitled "Too Many Mexicans," that called for "an East German-style fence (that) would kill a few Mexicans and keep more out" as an alternative to continued Mexican immigration to the United States. "Is that what Americans want?" the *Sun* asked.

In France, the latest issue of the magazine *L'Express* features an interview with Daniel Bell, one of Jimmy Carter's top advisors and a professor at Harvard University, who elaborated even more drastically Carter's solutions for Mexico. "The United States can no longer absorb illegal immigrants," Bell said. "We may see an explosion on our southern border that will force Mr. Carter to withdraw certain (military) units from Europe."

Other Carter spokesmen have revealed the beginnings of a joint Mexican-U.S. plan to tackle economic problems in Mexico. Carter's Secretary of Labor-designate, F. Ray Marshall, stated that "keeping foreign aliens out of the job market in the United States is the first step in reducing unemployment." To achieve this, Marshall added, Carter will have to intervene in Mexican economic policy in order to keep the labor force tied to its place of origin and prevent its migration to the U.S. Marshall's remarks were reported by United Press International Dec. 24.

Clarifying these projects further, former state department official John Parke Young recommended "a Marshall Plan for Mexico." According to an interview with Young in the *Los Angeles Times*, this would consist of a Mexican-U.S. commission in charge of seeking soft loans — the source of which he did not specify — and a renegotiation of Mexico's foreign debt. As for a debt moratorium, Young hastened to say, "I don't think we should even mention that word."

Mexican President José Lopez Portillo left the door wide open for this U.S. intervention into Mexican affairs. As reported by columnist Marquis Childs in the Dec. 28 *Washington Post*, Lopez said: "I would like to see a joint commission named to study trade and agriculture for the long term." Childs specified each of the points that this

commission would cover: investment solely for creating jobs using cheap manual labor; an end to the distribution of latifundios among peasants; population control; and above all, the handing over of Mexican oil to multinational interests. Should Lopez fail to comply with these points, concluded Childs, "unemployment, terrorism, and violence will be exported across a 2,000-mile border."

In an interview in the Mexican press Dec. 30, centrist Lopez announced that Mexico will increase oil exports, implement population control, and pay off the foreign debt. At the same time he noticeably avoided any reference to the aggressive Third World policies of former president Luis Echeverria. Lopez, however, rejected the implementation of these points by "drastic plans." Instead he insisted that "thoughtfulness be what governs these proposals."

Among the first domestic steps in putting the new plan into effect is the breaking up of traditionally nationalist institutions such as the Pacto de Ocampo, the largest peasant federation. This week several right-wing spokesmen asserted that the Pacto will give up its fight for dividing up the latifundios (large landholdings) and instead opt for "getting jobs" for peasants in agro-industries using cheap and unskilled manual labor.

The pressure of the Carter team on the president and population of Mexico revolves around Mexico's enormous foreign debt. Last week, Finance Minister Julio Moctezuma Cid revealed that the amount of public foreign debt has reached \$20 billion and he indicated that the total foreign debt fluctuates between \$32 and \$35 billion. This huge sum makes Mexico the Third World country with the highest foreign debt.

A representative of Mexico City's right-wing Chamber of Commerce, Jose Luis Ordonez, revealed Dec. 23 that the private sector is already renegotiating its debt in dollars and that its foreign creditors "look on this sympathetically." Nevertheless Ordonez added, "the only thing that worries them is Mexico's demographic growth."

## Mexico Needs Schacht

*The following are excerpts from an article by Jose Angel Conchello, published in the Mexican Daily El Universal Dec. 16:*

The country's economic recovery program needs the ideas of the great banker, Hjalmar Schacht....

The economic mechanism of investing capital to create work in order to yield money, to in turn make more capital and more work...has been the cornerstone, the

fundamental idea since the 18th Century. The idea of that great banker Hjalmar Schacht, director of the Reichsbank during the Hitlerian empire, was to lift up Germany after the First World War with more money, more capital, and more work....

At present we are seeking to invest capital to create jobs in order to create money. But it is not possible, perhaps, to invest labor to create capital for generating money which would in turn lead to investing more labor? Of course it is! It is possible because history shows us it is so, from the Great Wall of China, which required an enormous investment of labor...to the French, who paid their taxes with 60 days per year of communal work....

Furthermore, there is the ultimate maxim of common knowledge, the economic rule of investing what is abundant to achieve what is scarce. And among ourselves, what is abundant are hands, wills, and desires. What is scarce is money available to save and, in turn, invest.

Let us invest effort, let's get to it, as the peasants say, and with this we will create capital, and from capital will come money.

But this requires a great program with a new approach, a different program which seems to be implied by the labor army of the Mexican nation, but which needs to be spurred vigorously from the top to move forward.

In the case of Mexico, the investment approach is important, but the emphasis on work is essential. Mobilizing money is important, but mobilizing men is essential. Moving the cities is important, but mobilizing the countryside is essential.

### Conchello Answers Mexican Labor Party

*Conchello published another article in El Universal Dec. 23, responding to Mexican Labor Party charges that he is a proponent of Nazi labor policies. The following are excerpts from his reply:*

The Mexican Labor Party, answering my article of a week ago, charged that because I mentioned Hjalmar Schacht, the president of the Reichsbank, I was

proposing Nazi roads to recovery; they heard a German name, heard something about Hitler, and this proved sufficient for them *not* to understand what I was talking about...

It is possible to speak of three major paths of development that are not mutually exclusive and which, in the case of Mexico, can even be complementary....

The third of these paths is: labor that generates capital, which in turn produces money. This is the natural cycle of progress for those countries in which, as in our own, the abundant factor is labor and the scarce factor is capital; the historic road, according to Hjalmar Schacht himself...

If Lopez Portillo has said we must do away with the "fictitious economy," I believe one of the ways to do this is to recognize what our abundant resource is and take ample advantage of it: man. To use it voluntarily on the basis of collective work-days, on the basis of people's action armies.

I recall, for example, that in Santa Ana Xalmimilulco, the old river channel has been clogged with silt for more than 50 years. The residents there want (the ministry of) Hydraulic Resources to dredge it; they will have to be convinced that they have to do it themselves.

## N.S.I.P.S. Peru Correspondent Vasquez Released

After two and a half months of illegal detention, Peruvian NSIPS director Luis Vasquez Medina was granted "provisional liberty" Dec. 28, pending trial by military tribunal at some future date on trumped-up charges of "subversion" and alleged violation of Peruvian press laws. While the release of Vasquez represents a concession by the fascist military faction led by Interior Minister Gen. Luis Cisneros to the pressure and international attention generated by the tri-continental mobilization of the Labor Parties and NSIPS since Vasquez' arrest Oct. 18, they have not ceded on their drive to turn Peru into a total police state.

Vasquez was released under stringent conditions, and the NSIPS branch office in Lima remains closed and sealed. The police have made it clear that Vasquez, or any other NSIPS staff member in Lima, can be picked up again at any time if judged to be not on "good behavior."

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