

Jan. 25, 1977

Vol. IV

No. 4

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# **EXECUTIVE INTELLIGENCE REVIEW**

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**New Solidarity International Press Service**

**five dollars**

## 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.

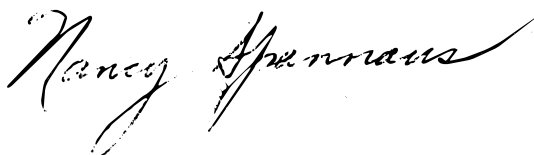
There are two interconnected reasons for which avowedly capitalist corporate managers have repeatedly appreciated the intelligence services supplied by the avowedly Marxist Executive Intelligence Review.

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

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The Soviet ruble is your key to unlock economic recovery in the West... That was the message the Soviet Union delivered to businessmen and government officials in the OECD countries this week... with the publication in its globally circulated journal **International Affairs** of a proposal to replace the bankrupt dollar monetary system with new monetary institutions built around a gold-backed transfer ruble. Our **International Report** spells out the political implications of the USSR's T-Ruble campaign... and carries lengthy excerpts from the Soviet article not available elsewhere in English until February.

\* \* \*

Forlani and Gromyko in Moscow...Andreotti and Schmidt in Bonn...Behind the flurry of diplomatic activity, a new convergence on a unified European economic policy... which portends a chilly reception for Fritz Mondale in Europe next week... (see **International Report**)

\* \* \*

Why did the Bank of England tell off the IMF? Why did Giscard blow up over the Abu Daoud affair (and who gave him his orders)...why has the U.S. press blacked out Schmidt's remarks in the West German parliament? The 'wait for Carter' days are over...**Europe** has decided he's the Ugly American.

Some U.S. interests agree with the Europeans. The Sorensen nomination was Carter's first black eye from Congress...Our **National Report** ignores the cover stories, tells you what the opposition really had on Sorensen...and why it could lead to bigger defeats for the Trilateral Commission crew around Carter.

\* \* \*

**Washington Week**... our behind-the-scenes report from the U.S. capital...on James Schlesinger's energy power play...on Scoop Jackson's attempted deal with Schlesinger...on Paul Nitze's Senate tirade against the U.S. Labor Party.

\* \* \*

Read our special reports on U.S. national security, and you'll understand why Nitze saw red:

. The Trilateral Commission's Dr. Jekyll and Mr. Hyde, or why the United Nations Association's arms control plans are an un-American activity. (see **Military Strategy**)

. Zbigniew Brzezinski's Trotskyist capers in Europe. (see **Military Strategy**)

The real scandal of the 'Russian spy' stories, exposed by U.S. Labor Party Chairman Lyndon LaRouche. (see **Law**)

INTER- NATIONAL
NATIONAL
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MIDDLE EAST
ASIA
LATIN AMERICA
LEGAL

In this issue, the **Asian Economic Survey**, the second of our periodic feature reports on a major sector of the world economy, provides an in-depth, country-by-country picture of the region's economic performance and future prospects...and explains why reflation is out for Japan...the secret of India's remarkable 1976 display of economic muscle...the new direction in Southeast Asia...

\* \* \*

Invest in Latin America? With a new War of the Pacific between Chile and Peru in the offing...Mexico's Lopez Portillo opening up his country to chaos and terror...police state repression in Peru...and the Carter team telling the continent 'depend on us for more hunger.'

But the openings from the Comecon countries promise a way out. In our **International Report**, the story of the historic Comecon meeting in Havana, and new initiatives by Jamaica and Venezuela which could lead the way to prosperity...A preview of our upcoming Latin American Economic Survey.

\* \* \*

A U.S. computer firm has brought in Soviet experts to spur technological innovation...read what Control Data's William Norris thinks the USSR has to offer in this week's **Science and Technology** section.

A new round of Entebbe-style terror raids in the Middle East? That's what Israeli superhawks are promising...An exclusive dossier on Carter's Zionist Lobby maps the private intelligence networks, from controllers to errand boys, which will be used to try to panic the U.S. population into supporting Israeli national suicide... And Vance will have nothing better to offer the Arabs on his upcoming trip to the area... see our report on the situation in Egypt to find out why.

\* \* \*

Would you believe that one of the world's biggest suppliers of uranium and an international organization of eco-freaks who are on the rampage to shut down nuclear power plants are both run by the same people? A special report in **Economics** breaks the astonishing story of the plot to drive up uranium prices and sabotage nuclear development.

In our **Energy** report:

- The worldwide coordinated campaign to force expanded use and development of nuclear energy...backed by industrialists who don't want to shut down their plants and workers who don't want to turn down their thermostats...
- Saudi Arabia issues marching orders to the multinational oil companies...including a suppressed interview with Saudi oil minister Yamani, who blows the whistle on the Carter attempt to drive up oil prices...

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P.O. Box 1972, GPO, New York, N.Y. 10001

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**Executive Intelligence Review** is published by Campaigner Publications, Inc., 231 West 29th Street, New York, N.Y., 10001.  
Single issue price: \$5.00 (U.S.).  
Subscription by mail are \$225 for 1 year (52 issues).  
Address all correspondence to: Campaigner Publications, Inc., P.O. Box 1972, GPO, New York, N.Y. 10001.  
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Production Editor: D. Asch

# Moscow Green Light for Transferable Ruble

Moscow has signalled the go-ahead for implementation of the Council for Mutual Economic Assistance (CMEA) offer of its transferable ruble as the basis of a new world monetary system. Word of the October 1976 protocols of the CMEA's International Bank for Economic Cooperation (IBEC), which provide for the transferable ruble to finance bilateral and multilateral international trade, had previously been issued only in the bulletin of Moscow Narodny Bank in London. Now Soviet economists writing in the authoritative Soviet magazine *International Affairs* this month have restated the offer with an extensive political motivation addressed particularly to Western Europe.

Highly placed officials of the Banca d'Italia and the Italian Foreign Ministry have stated many times privately that precisely such a Soviet decision to "go public" with the transferable-ruble proposal would greatly increase the feasibility of the plan from Western European policymakers' point of view.

The *International Affairs* article posed the prospective T-ruble trade financing system as nothing less than an alternative to the International Monetary Fund. Western Europe, where the T-ruble has been discussed *sotto voce* in government and business circles for many months, has never been riper for the idea.

The Moscow offices of Great Britain's four largest banks — National Westminster, Barclays, Lloyds and Midland — find the T-ruble proposal "highly interesting," according to the *Journal of Commerce* Jan. 19. These banks intend to enlarge British exports to the Soviet Union from the 1976 level of £221 million into the £1 billion range.

Following Prime Minister Callaghan's assertion of control over trade, industry, finance, and economic planning last week, this reported London policy outlook brings Britain fast on Italy's heels in leadership of a Western European axis opposed to the New York banks. Britain, like Italy, and with Arab assistance, is prepared to bolt from the dollar if President Carter attempts further inflationary action. The *London Times* editorialized Jan. 16, updating a similar warning in the West German *Deutsche Zeitung* last December, that any such action by the Carter Administration will be the signal to end the reserve role of the dollar.

The strength of Western Europe to move *en bloc* against the dollar depends decisively on the position of its most powerful country, West Germany. Italian Prime Minister Andreotti was in Bonn for three days this week, with dramatic results. Following Andreotti's talks with Federal Chancellor Helmut Schmidt, Schmidt's

spokesman Klaus Boelling declared that the two sides had reached a state of "convergence" on major issues of economic, foreign, and defense policy.

Schmidt now proceeds to London for consultations with Callaghan. British press observers emphasize that they will study the first official statements of the new American president and prepare coordinated receptions for Carter's Vice President Walter Mondale who tours Western Europe next week. *The Daily Telegraph* and *Financial Times* of London have stated that Schmidt's trip to London should make clear that when Callaghan travels to Washington in February, he will be speaking on behalf of the entire European Economic Community (EEC).

Most telling of where Helmut Schmidt now stands was his nationally televised speech to the West German parliament Jan. 19, where he said there were "strong parallels" between Soviet party leader Leonid Brezhnev's view of detente and his own. Hit with catcalls from the opposition bench, Schmidt firmly repeated himself: "What alternative do you want? What means do you want to use (vis-à-vis the USSR) if you no longer speak with each other, if you no longer want to negotiate? Brezhnev has set a great task... Brezhnev is of the opinion that a lot has only just begun, and I agree. ...I was pleased by the openness of Brezhnev's speech."

Schmidt referred to Brezhnev's Jan. 17 speech in the Russian city Tula. Brezhnev there and Foreign Minister Gromyko in a speech the same day offered openings for Western Europe to take an independent line from the U.S. on arms policy — concomitant to the Europeans' economic steps. Brezhnev set priorities for "statesmen who have responsibility for millions of people and their nation:" agreements in the Soviet-American Strategic Arms Limitation Talks (SALT) and the Central Europe force reductions negotiations (MBFR). "Time will not wait," warned Brezhnev about SALT. For the MBFR, Brezhnev announced that the USSR has nothing against discussing that topic at any diplomatic level and anywhere: Vienna (where the negotiations have been stalled for three years), Bonn, Washington or Moscow. Gromyko, speaking at a reception for the Polish Foreign Minister Wojtaszek, called for a meeting of signatories of the 1975 Helsinki accords on European Security and Cooperation to discuss the Warsaw Pact's proposed treaty banning first use of nuclear weapons. "The December session of the NATO council stated lack of interest in this proposal," said Gromyko, "but the facts show that this is by no means unanimous...there are circles in NATO countries who are of another opinion."

### *"Greater Europe" and the World*

*International Affairs* (excerpted in translation below) proceeded from the standpoint of "Greater Europe" — from the Atlantic to the Urals. Toward first steps for institution of T-ruble financing through the CMEA banks, the Soviet authors stressed the potential of arrangements between the CMEA and the EEC as competent

negotiators for the two sectors of Europe.

The Soviet view is that even at current rates of expansion, East-West trade under present bilateral East-West arrangements is far under potential. The USSR also demands elimination of discriminatory tariffs, in order to maximalize trade and investments expansion over the whole continent.

## 'East-West Business Ties — Possibilities and Realities'

*The following is excerpted from the article by economists Yu. Shiryayev and A. Sokolov in the Soviet monthly International Affairs, Russian language issue no. 1 for 1977. This journal also appears in English and French on a later schedule; the English edition will not carry this article until February 1977.*

The countries of the socialist community are developing relations with states of the opposing system under conditions of détente, which creates possibilities for further expansion of these relations in the most diverse areas. The significance of the international division of labor is increasing for every country, irrespective of its wealth and level of economic achievement. The Soviet Union, like other states, is trying to make use of all the benefits which foreign economic ties provide, in order to mobilize additional potentials for solving its economic tasks, gain time for raising the efficiency of production and speeding up the progress of science and technology.

The significance of the division of labor in international life will grow even more in the future. Not only individual countries, however large and developed they may be, but even groups of countries are incapable of a fundamental resolution of such global problems as, let us say, raw materials or energy, food or ecology, mastering outer space or utilizing the resources of the oceans. These problems will increasingly affect the whole system of international relations and involve the interests of all of mankind.

In fact, if states of both systems develop mutual trade, participate in work on large-scale international problems, establish active cooperation in improving infrastructure, in the use of new types of energy, space exploration, questions of health care, defense of the environment, etc., this will lead to a growth in the economy of each of the cooperating countries and strengthen mutual trust and peace.

### *Realities in the Framework Of "Greater Europe"*

There exists a hefty material base for the further development of economic ties within the bounds of "greater Europe ..."

For several years now, trade between the socialist and capitalist countries of Europe has been one of the most

dynamically developing sectors of world trade. For example, while in 1970 the share of the 'Common Market' countries in the overall foreign trade of the socialist community was over 13 per cent, in 1975 it was closer to 25 per cent.

...The rapid rate of growth of trade with the capitalist countries is proof that socialist integration in no way leads to the isolation of the CMEA countries and does not present an obstacle to active, mutually beneficial business ties of the socialist states with countries of the opposing system. Moreover, to the extent that the provisions of the (CMEA) Complex Program aimed at raising the effectiveness and technological level of production are realized, the material preconditions are created for the intensification of economic ties of the CMEA countries with third countries, Western European ones in particular.

At the present time there exists a firm political basis for the further development of economic ties on an all-European scale.

### *Forms of Business Relations and Economic Strategy*

In the course of further development of economic relations between the socialist and capitalist countries an improvement of old forms and development of qualitatively new forms of such relations is taking place. Thus the Soviet Union and other countries of the community have long-term (usually ten-year) concrete programs of cooperation with several western countries, including mutual obligations to facilitate the realization of large-scale projects, the creation of mixed firms, etc.

Among the already realized projects are the gigantic trans-European gas pipeline from the USSR to Western Europe (5 thousand kilometers long and with a capacity for 30 billion cubic meters of natural gas per year), for which the biggest firms of the FRG, Italy, France and Austria took part in supplying equipment and pipe; the equipping and modernization of automobile factories in the USSR and other CMEA countries with the participation of Italian, French and West German companies; the construction of the Ust-Ilimsk cellulose factory by the CMEA countries with the participation of France in supplying equipment; the exploitation by the CMEA countries of ore deposits and the development of the oil-processing industry in Poland with technical and

financial participation of several western countries...

The majority of cooperative agreements concluded by the CMEA countries with western firms involves machine building, chemical industry, transport equipment, electronics, and electrotechnology.

At the same time, it must not be overlooked that such agreements still have many deficiencies. First of all their short-term nature and relatively small scale must be noted.

At the present stage, the Soviet Union and other countries of the socialist community are developing economic strategy for the long term, part of which is the development of major complex economic programs, intended for two to three five year plans. They encompass the fuel-energy sphere, metallurgy, the leading branches of machine-building, and food problems. The Programs are constructed taking into account progress in our own and world science and technology. Under these circumstances cooperation in the economy, science and technology, Under these circumstances cooperation in the economy, science and technology, productive cooperation between the socialist and capitalist enterprises must take on a much longer term and large-scale character, as representatives of western economic thought also affirm. There can be no doubt, wrote for example the French economists A. Faure and J.-P. Sebord, that the exploitation of deposits of raw materials and fuel in Siberia will lead to profound changes in relations between the Soviet Union and Western Europe which will mean the drawing closer and mutual-penetration of their economies.

Among the new forms of foreign economic ties which go beyond the bounds of 'traditional' trade, considerably expand our opportunities and are, as a rule, most effective, are compensation agreements, which make it possible to organically combine an equilibrium of obligations, mutual benefit, and close mutual ties between the interests of the partners on a long-term basis: industrial firms and banks of the capitalist states give credits, equipment, licenses, and the socialist countries repay the credits with part of the production from the new or existing enterprises.

In order to activate cooperation on a compensation basis, alliances of big banks are being created in Western Europe to finance exports to the socialist countries. Affiliates of banks of the CMEA countries are being created there, designated to extend credit for 'East-West' trade. At the present stage the conditions have matured for joint study by the Council for Mutual Economic Assistance and the European Economic Community of currency and financial questions, in order to find solutions which will facilitate a stable growth of trade, particularly by extension of credits by member countries of the two organizations on the most favorable terms possible.

The expansion of trade-economic relations between East and West in the framework of "greater Europe" presumes the solution of several problems of international transactions. This is due to the dissimilar character of the currency mechanisms used by the countries of the two systems. As is known, the Soviet Union in 1943-44 made a definite contribution to working out plans of the International Monetary Fund (IMF) and

the International Bank of Reconstruction and Development (IBRD), as participants in the Bretton-Woods conference. From the very start of the activity of these currency-finance organizations, however, it became evident that their functional structure did not ensure equal rights to all participants and that the IMF and IBRD could not be of help to international cooperation based on equal rights.

Subsequently the currency-financial system of the CMEA countries was created. Transactions between these countries rest on the foundation of the transfer ruble — not a national, but a collective currency, receipts of which are tied to real export of goods and services. A currency, that is, backed by real commodities. The system, created by the CMEA countries, of multilateral transactions in transfer rubles can play an extremely substantial role in the development of international economic cooperation, especially in the realization of various projects on a continental scale. The necessary technical and organizational capacities already exist today for including in the CMEA financial system interested countries of the other system, including Western European countries. The doors to the international banking institutions of the socialist countries — the International Bank for Economic Cooperation (IBEC) and the International Investment Bank (IIB) are open for all those who wish; any country whatsoever can become a member if it recognizes and fulfills the statutes of these banks. In 1975 the payments turnover among IBEC member countries reached nearly 67 billion transferable rubles, almost double the 1970 volume of transactions.

With the institution of the International Investment Bank the transfer ruble 'overstepped' the bounds of foreign trade and entered the sphere of capital investments. Although the IIB was created relatively recently in the five years of its activity 40 projects have been accepted and financed by the bank. Their approximate value exceeds 5 billion transferable rubles. The IIB gives credits both in transferable rubles and in freely convertible currency.

#### *Potentials and Reality*

While stressing the importance of development of cooperation on the European continent, the countries of the socialist community also call for development of all-sided economic ties with countries of other regions of the world. Despite the obvious positive results of cooperation between socialist and capitalist states, however, it still does not correspond to the potentials of the partners....

It can be noted that business circles of the West are trying to maintain a structure of trade which is favorable only to them, while the socialist countries, naturally, want both an increase in the volume of trade and a certain change in its structure: as was noted above, this still does not reflect the level of industrial development of the socialist states.

In actuality, while the trade flows from West to East are composed one-fifth of semifinished goods and four-fifths of industrial equipment, half of return purchases by the Western countries are of primary goods. But — and this should be stressed once again — industry in the CMEA countries plays no less important a role than it does in the economies of the developed capitalist countries.



In order to raise efficiency and improve the structure and balance of the Soviet Union's trade with the capitalist countries, the 25th Congress of the CPSU posed the task of developing export of those goods (including raw materials) which give the greatest currency revenues, and with this goal in mind ensuring a more thorough processing of goods designated for export. At the same time, the task was put forward of raising sharply the share of the manufacturing industry in the total volume of Soviet exports. In order to achieve this, it was decided to expand production of goods which enjoy widespread demand on foreign markets and to raise their competitiveness. As for imports they must to a greater degree be geared to the solution of the main tasks facing the socialist economy and raising its efficiency.

*The Differences in Economic Structure  
and other Problems of Cooperation*

Prospects for 'East-West' cooperation depend, naturally, not only upon the general political climate, but also on the solution of other concrete problems. There are not a few of these. It is essentially a matter of creating economic, organizational and legal conditions for stimulating the expansion of trade-economic contacts, of calculating the objective factors of the "incompatibility" of the economic structures of the countries of the opposing systems.

The principled differences of the two socio-economic sectors of the world economy are compounded by technological and structural differences of the economic mechanisms of the states of the opposing systems. Under the conditions of the long 'cold war' period, the capitalist countries artificially limited both the overall volume of trade with the socialist countries, especially trade in machinery and equipment, as well as exchange of technology. As a result, technological progress in the countries of the two systems also went ahead to a large extent in isolation, by separate roads. All of this led to the "technological incompatibility" of many branches of industry and types of production (from the standpoint of types of machinery and equipment produced, technological processes used, technical and operative conditions, standardization, etc.)

There exists a certain incompatibility of the industrial structures as a whole, which manifests itself in cooperation between East and West, in the framework of "greater Europe" in particular.

Another factor that could be pointed out is the different level of fundamental and applied research in the socialist countries and in the states of Western Europe. Throughout the postwar period Western Europe was to a significant degree oriented toward utilization of borrowed technological ideas and technological solutions (primarily American). The Soviet Union and the other socialist countries relied on their own solutions and elaborations.

There is yet another group of problems of economic cooperation between East and West which has a special character, since it reflects the qualitative differences in the principles of functioning of the socialist and capitalist economic systems, that is to say the state and private enterprise forms of conducting foreign economic operations. It is precisely this side of things which those

people in the West constantly point to, who are trying to demonstrate the "incompatibility" of the socialist and capitalist methods of foreign economic activity. "The planned economies," states economist L. Brainard from Chase Manhattan Bank a little doubtfully, "are not able to control the on-going development of foreign trade ties as precisely as is frequently supposed."

Of course, foreign trade and other organizations of the socialist states are in a qualitatively different position than capitalist firms, since they carry out their activity in the framework of a national economic plan and under circumstances of state monopoly on the totality of foreign economic ties. They consequently cannot act, so to speak, "at their own risk," which such bourgeois critics as L. Brainard construe as a negative factor, a sign of harsh administrative regulation, bringing with it a lack of operativeness, flexibility, etc. But in reality, as follows from the analysis of the rules of socialist foreign trade enterprises, the boundaries of their operative independence are sufficiently great, and assertions like Brainard's are untenable.

What is more, planning of foreign economic operations means they are automatically guaranteed by the state, and this enables the socialist partners to conclude and realize, without obstacles, contracts that are essentially unlimited in their scale....

It is well known that to carry out many export-import operations, capitalist firms have in each individual instance to solicit licenses from state organizations which control trade policies. Furthermore, to the extent that the financing possibilities of individual firms are limited, they must take recourse to bank or state guarantees, which as experience shows is by no means always an easy thing to secure.

Thus the problems connected with the development of East-West economic relations are not at all so one-sided as the critics of the socialist economic method try to present them. Furthermore, the larger the scale of the operations, the more sharply the advances of the planned socialist economy appear.

In the West, difficulties connected with the establishment of contacts with the socialist countries on the 'micro-economic' level are also frequently exaggerated, especially in the sphere of industrial cooperation. In reality, if one looks, for example, at relations between enterprises and firms of the "common market" countries—the degree of development of cooperative and other ties is higher than between the economic organizations of the CMEA members. This is primarily explained by the fact that many companies in Western Europe have existed since long before the foundation of the "common market" and have extremely long traditions. Moreover, American capital played a role as a sort of "integrator" of Western Europe, where as economic ties within CMEA are hardly more than a quarter of a century old.

*Prospects for Cooperation  
and Discriminatory Barriers*

The prospects for a deepening of economic cooperation between East and West depends decisively on the abolition of economic and trade barriers once and for all. It can easily be understood that a practical solution of

this problem on the European continent largely depends on the nature of relations between CMEA and EEC member countries. It must be admitted that in this area there exist significant difficulties, related to the different nature of the integrational processes taking place in the East and in the West of Europe.

Economic relations among countries are presently developing under conditions of the formation in Europe (and in the case of the CMEA — beyond the borders of Europe) of large integrational systems — the CMEA and the EEC. Both of the integrational processes in Europe are closely connected with objective tendencies in the development of modern productive forces and scientific-technological progress, and from this standpoint, they reflect — albeit in different socio-economic forms — a world process of internationalization of production and exchange. It cannot but be seen, however, that the integration processes in Eastern and Western Europe have not only dissimilar political and socio-economic forms, but different directions.

The policies and foreign economic relations practice of the CMEA countries is entirely devoid of the aspiration to impose any sort of economic barrier against Western Europe or to fence themselves off from the Western European states through a system of discriminatory restrictions. In essence, the CMEA countries have shown in their policy and continue to show more concern about a constructive solution of the problems of the peaceful future of Europe, than do the Western European powers.

The policy of artificial discriminatory restrictions in trade with the socialist countries, of course, cannot fail to slow the development of the national economies of the socialist countries. In many cases it is also extremely disadvantageous to the countries employing it, since it leads to an aggravation of their problem with markets, employment, etc. This is admitted by many businessmen from the West who conclude that discriminatory policies often come down hardest on the trade interests of the Western partners. But the measures of 'liberalization' adopted so far leave a long way to overcoming discriminatory barriers....

All this affects the interests of the socialist community countries since they produce approximately one-fifth of the grain and legumes in the world, 40 per cent of the sugar beets, one-fifth of the world's meat, half of the potatoes, a third of the milk, 20 per cent of the eggs, etc.

By these indicators, the CMEA surpasses the common market countries one and one-half to two times. A number of Western countries use the fabricated pretext of a 'struggle' with dumping — which the socialist countries are supposedly carrying out — to conduct an openly protectionist and discriminatory trade policy vis a vis the socialist as well as the developing countries. The mechanism for this is so-called anti-dumping taxes. A tax increase is introduced in the tariffs of many countries, formally as a means of defense against dumping. In fact, these taxes are often used when there is in truth no dumping taking place, but there is a desire on the part of state organs regulating foreign trade, to limit import of goods which are disadvantageous from their point of view.

The CMEA countries' proposal to conclude an agreement between the CMEA and its members on the one side and the EEC and its members on the other, was a new contribution by the countries of the socialist community to the further improvement of relations between European states which belong to different social systems.

Thus further significant progress in the international division of labor in the framework of 'greater Europe' will become possible when Western markets are open for the exports of socialist countries, discriminatory restrictions are lifted, and agreements on cooperation take on as long-term a character as possible. A prolonged disequilibrium of balance of payments is also impermissible — the socialist countries, just like the capitalist countries, cannot indefinitely make purchases without selling to approximately the same amount. The expansion of opportunities for realization of the production of socialist countries on Western markets is an important condition for the growth of their imports from the Western European countries.

At the same time, the countries of the socialist community oppose attempts of certain circles in the West to use foreign trade problems as a means of political pressure, by conducting the notorious 'selective policy' of peaceful coexistence vis-à-vis the CMEA countries. Trade, and broad production and scientific-technological cooperation ought to serve to accelerate the rates of economic growth, and economic and scientific-technological progress in all countries, and to be an effective means for the reliable material reinforcement of normal relations among states.

# Schmidt and Andreotti Reach Common Approach to European-Wide Problems

Italian Prime Minister Giulio Andreotti has returned from his official visit of Jan. 17-19 to the Federal Republic of Germany. The two heads of state reached broad agreement on détente, the necessity of advancing both East-West and North-South relationships, the possibilities for granting credits for industrial development, and the defense of the lira, according to the Italian dailies *Il Popolo* and *Il Giorno* of January 20.

The commitment to increase production will also result in increased exports to the so-called Less Developed Countries (LDC).

On the vastly improved Italian-German relations themselves, Andreotti set the tone in an interview to the West German newspaper *Bild am Sonntag*. Andreotti stressed the importance of strengthening Italian-German relations on the common basis of their memberships in both NATO and the EEC, and noted Italy's desire to be a factor in assuring European peace and security. A major result of Andreotti's visit is West German agreement to support Italy economically, both in backing Italy's requests for IMF and EEC loans, and in investing in the underdeveloped Mezzogiorno region of Southern Italy.

Both countries have agreed to make strong efforts to work for peace in the Middle East and to guarantee Mediterranean security. As a followup, Schmidt will undertake a series of meetings with other European leaders to extend collaboration on peaceful economic development, beginning with his trip to London on Jan. 23, followed by a trip to Paris.

The Italian press has viewed the meeting between Andreotti and Schmidt as a welcome sign of the emergence of Schmidt from his formerly "provincial" attitudes toward European problems. *La Stampa* Jan. 15 noted that for the first time since the 1976 West German elections, "Bonn's international political machine has been put into motion." *L'Unità*, the Italian Communist Party daily, Jan. 19 said that Schmidt is no longer a right-wing anti-Italian, but has become capable of a European-wide point of view — and promptly dubbed him "Euro-Schmidt." *L'Unità* noted that "the visit represents a success because of the big change in the West German attitude toward our country — on this basis the collaboration between the two countries is now motivated by solidarity and friendship, not just necessity." *Avanti*, daily of the Italian Socialist Party, said that Schmidt has lost his provincialism and is now ready to support European industrial development as a yardstick by which he can measure policy decisions.

Chancellor Schmidt, in his report on his meeting with Andreotti before the Bundestag "cited Andreotti many

times in order to underline the agreement and above all the question of Europe and of its domestic and international freedom," *Il Giorno* reported Jan. 20.

A series of regular meetings between Italy and West Germany has been provided to further the concrete actions that will come about as a result of the discussions.

## New Hansa Bank Formed

The West German economic daily *Handelsblatt* announced Jan. 15 the formation of the Hansa Bank which will open April 1 in Luxembourg. The Hansa Bank which will specialize in expanding Baltic trade was formed on the agreement between Landesbank of Schleswig-Holstein, whose prime minister is pro-development West German industrialist Gerhard Stoltenberg, and Finland's third largest bank, the Bank of Helsinki.

Finland already has established trade in transferable rubles with its Soviet allies, therefore, this West German-Finnish bank could open up the way for the transferable ruble to become a means for European financing of trade and development with the Comecon sector.

*Handelsblatt* also reported Jan. 15 the creation by Saudi Arabia of a \$6 billion fund which would be controlled by the Danish government and the Danish central bank. This fund would be used to finance large-scale infrastructure and industrial development in the Saudi peninsula. Construction of these projects would be carried out primarily by Danish, Swedish, West German, and Irish companies.

The newly instated government of Sweden — the lynchpin nation of Scandinavia — has begun to reorder its federal budget to allow for economic expansion. The new budget laid out by Economic Minister Gosta Bohman, at the Parliament assured continued social services and increase in outlays for nuclear fission energy and aerospace industries. The budget will be financed by a \$4.5 billion deficit.

This deficit spending is complemented by the maintenance of production in steel and shipbuilding in preparation for expanded trade with the Arabs and Comecon.

Swedish Industry Minister Nils Asling announced Jan. 17 the government would grant a debt moratorium to the large state-owned steel plant, NJA. This move follows Asling's decision last month to give state credit guarantees to allow four major shipyards to build ships in the absence of immediate orders.

# Comecon Meet in Cuba Opens Trade Offensive to Latin America

The events surrounding this week's 79th Executive Committee meeting of the Comecon in Havana mark the beginning of a coordinated diplomatic and trade effort by the leading Caribbean government's to integrate Latin America into the trade system now established between OPEC, the European Economic Community and the Comecon.

In his opening address to the conference, Cuban Premier Fidel Castro explicitly cited Cuban development as an example for other Latin American nations. "With the Comecon," stated Castro, "Cuba moves forward confidently toward increasing equality with the levels of development of the other member countries." Latin America, which faces "a depression similar to 1929," he pointed out, can now turn to the "advantages of this type of relations being promoted by the Comecon with the Third World."

In a nationally broadcast address on Jan. 19, Jamaican Prime Minister Michael Manley announced that a "formal agreement" is being reached whereby the Comecon will purchase bauxite from Jamaica, the largest supplier of bauxite to the United States. Manley also implied the advantages of the Comecon as a credit source for the Third World when he charged that existing international financial institutions, "especially the IMF," pressure borrowing countries to "give up their programs of domestic socio-economic development."

At the same time, Guyana's development minister, Desmond Hoyte, who attended the Havana meeting, declared that "Guyana will have the closest ties with the Comecon of any Latin American country" besides Cuba. "We consider the work of the Comecon essential for the most rapid and orderly development," he added.

The timing of the meeting, the first such session in the Western Hemisphere, coincides with a renewed effort by the Soviets to publicize the proposed transfer ruble as an alternate source of international credit. However, as Carlos Rafael Rodriguez, the vice president of Cuba's State Council, explained last week, the choice of Cuba as the site for the Executive Committee meeting should not merely be viewed as a sign of Comecon interest in Latin America. It is also the result, he said, of overtures toward the Comecon by members of the Andean Pact and SELA, the Latin American Economic System. Jamaica and Guyana are particularly interested in establishing "contact" with the Comecon, Rodriguez said, and Castro, in his speech, announced that negotiations are already underway to "formalize" these relations.

Castro's address emphasized that when Cuba joined the Comecon in 1972, it did so as "a socialist country, an underdeveloped country, and a Latin American country." "These factors," he said, make Cuba "a natural link between the Comecon and the so-called Third World."

He continued by pointing out the essential feature of Comecon credits: they are oriented strictly toward development. "The members of the Comecon have provided the developing countries with long-term credits at low interest totaling more than 11 billion rubles," Castro said. "There is not a single onerous demand, nor search for raw materials, nor extraction of financial profits. These characteristics represent the great difference that distinguishes Comecon policy toward the Third World from the economic practices of the developed capitalist countries, which are today censured in all international forums."

Castro also affirmed that "the new international economic order has become the common denominator of those countries fighting to abandon backwardness."

The final communique of the Comecon meeting called for the full support of all member nations behind the rapid development of Cuba's economy, particularly its nickel producing capacity. With such support, the Executive Committee statement predicted Cuba has the immediate capability of producing 130,000 tons of nickel annually — one fourth of the world's yearly production.

## *Venezuelan Link*

In conjunction with the Comecon meeting, similar developments are taking shape involving Venezuela, the key non-socialist government in the region. As a member of OPEC, the Andean Pact, and the Caribbean Development Bank, Venezuela is strategically situated as the pivotal point for connecting the rest of the continent with the de facto new economic order. The German Democratic Republic recently established a special trade office in Caracas to provide a "special impetus to economic relations" between the two nations. The office has announced that the GDR is interested in buying Venezuelan iron ore and oil for the first time, and will send a technical mission to Caracas next month to discuss means of expanding Venezuela's port facilities.

Venezuelan President Carlos Andres Perez has embarked on a policy of expanded trade and development that clearly breaks with the deindustrialization policies of the IMF and related institution described by Manley. In this endeavor he has the support of the national businessmen's federation, Fedecamaras, on the central issue that distinguishes real development from so-called Brazil Miracle-type projects: the development of the mental powers of the labor force. (See the Executive Intelligence Review, Vol. IV, No.3) The Fedecamaras statement exemplifies the increasing awareness of industrialists throughout the continent of the fact that adherence to the economic policies of the World Bank, the Brookings Institution, etc., can only lead to the destruction of labor power. Increased East-West trade, also endorsed by Fedecamaras, is the alternative.

# Sorenson Defeat Shows Anti-Carter Forces' Strength on Capitol Hill

Just days before being sworn in as the 39th President of the United States, Jimmy Carter suffered a swift political defeat at the hands of Constitutional forces in this country.

On Monday, Theodore Sorensen was forced to withdraw his name from consideration as Carter's Director of Central Intelligence rather than face certain public rejection by the Senate Select Committee on Intelligence. Only four days prior to Sorensen's announcement to the opening session of the Intelligence Committee's confirmation hearings Monday morning, no national media network or journal had the slightest idea that the Sorensen appointment was in trouble. Over the weekend media speculation and rumors erupted that the would-be CIA director's confirmation would be voted down by a majority of Republicans and Democrats on the Committee.

At the Monday hearings, Sorensen bewailed what he complained were "scurrilous and unfounded attacks which have been anonymously circulated," before conceding his defeat. Had Sorensen gone through with the hearings, a stream of witnesses were prepared to testify to his unsuitability for the CIA post, including the U.S. Labor Party, the Fusion Energy Foundation, the conservative Liberty Lobby, the American Conservative Union, and former U.S. Ambassador to Chile Edward Korry, who recently laid bare the Rockefeller-Kennedy conspiracy to destabilize Latin America at Senate Foreign Relations Committee confirmation hearings on Secretary of State designate Cyrus Vance (see Korry testimony in Executive Intelligence Review Vol. IV No.3).

Sorensen's defeat inflicted heavy damage on the Carter Presidential "prestige," and at the same time gave impetus to anti-Carter circles in the press and Congress to escalate their efforts to restrain the new government's push toward a confrontationist foreign policy and a low energy domestic policy. The day of Carter's Inauguration New York City's weekly *Village Voice* hit the newsstands with a full-page article entitled "Impeach Carter!" Even before the new President took office, the *Voice* stated he has done more to merit impeachment than Richard Nixon ever did while in office. The same day, the *Washington Post* reminded Carter of Nixon's fate in a lead editorial. Several days before the Jan. 16 *Post* ran a lengthy expose on the Carter Cabinet's interlocking directorship with David Rockefeller's Trilateral Commission, pointing out that 13 members of the Carter team from the President, Vice President on

down have been Trilateral members since the Commission's inception in 1973. The following day, the *Post* explored the Carter Administration's connections to Wall Street law firms and financial interests associated with the Rockefeller brothers. Heretofore what has been common knowledge throughout Europe, where Carter's Trilateral Commission connections have drawn considerable concern from leading media, has only been made public in the U.S. via publications of NSIPS, the U.S. Labor Party and its collaborators.

Nonplussed by the public show of opposition to Carter's Trilateralism, Carterites in Congress and the press are raising a hue and cry designed to drown out their critics. During the aborted Intelligence Committee hearings Monday, Sen. George McGovern (D-SD) took the witness stand to accuse members of the Committee of carrying out a "McCarthyite" attack on Sorensen. Committee chairman Daniel Inouye (D-Ha) responded by rebuking McGovern for impugning the Committee's integrity in order to silence him. The following day, the *New York Times* echoed McGovern's spurious charges by editorializing against the "subterranean stream of accusations made against him (Sorensen)," and mooted elsewhere that the "far right" was responsible for his defeat.

Not even the *Times*, however, has been able to dismiss the ominous implications which Sorensen's defeat holds for the future of the Carter regime. "Not since the Republican-controlled Senate of 1925 rejected President Collidge's nomination of Charles Warren for Attorney General has a President been turned back by a Congress controlled by his own party," the Jan. 18 *Times* admitted. The *Washington Post* reported the Sorensen affair as "a painful public display of Carter's limited influence on Capitol Hill" and "an omen of the political realities" facing the Carter Administration.

Carter's first political bloody nose seriously destabilized him. After proclaiming his unequivocal support and confidence in Sorensen on Sunday, he did not issue a statement on his nominee's withdrawal until Monday evening, nearly 12 hours after Sorensen's own statement.

The Sorensen debacle has significantly heartened anti-Carter conservatives of both major parties. Senate insiders report that many members are thinking twice about the criteria by which to judge Carter's other appointees. On Jan. 20 the Senate postponed action on three Carter designates — Griffin Bell as Attorney General; Ray Marshall as Labor Secretary; and Joe Califano as

HEW Secretary — while routinely approving eight others. Sources close to the Intelligence Committee stated flatly in the wake of Sorensen's withdrawal, "Nobody associated with Team B (i.e. the Committee on the Present Danger) or with the Trilateral Commission is acceptable to head up the CIA." Inouye in his opening statement Monday stressed that the primary consideration in deciding whether to confirm or reject key

Cabinet-level nominees is the attitude of foreign governments toward them.

Behind the scenes several influential Senate offices have begun an exhaustive preliminary investigation of the Trilateral Commission and its illegal relationship to the Carter Administration and are considering calling for an official Congressional inquiry.

## Republican National Committee Comes Under Trilateral Leadership

William Brock, who last week was elected Chairman of the Republican National Committee in Washington, D.C., is a member of David Rockefeller's Trilateral Commission. Like more than a dozen members of the Carter administration, including Carter himself, the former Senator from Tennessee has served on David Rockefeller's private political machine for more than two years. His election as Chairman of the RNC effectively extends Rockefeller control over the Republican Party apparatus as well as the White House.

The Brock choice appears to have followed a meeting at the White House where President Ford, Governor Reagan, Nelson Rockefeller and John Connally attempted to determine the party's future. Also emerging from that meeting was a proposal floated by Ford that the GOP form a shadow cabinet of 35 persons "to coordinate policy." This proposal smacks of the stratagem advanced by Averell Harriman in the 1950s from which emerged the Democratic Advisory Council that effectively shifted policy initiative away from that party's elected leadership in Congress to a self-appointed coordinating committee.

This is all the more striking because no elected official participated in the White House summit meeting. Barry Goldwater, the only former national candidate of the Republican party still holding elective office, was excluded. Goldwater sharply reacted by denouncing the meeting and effectively announcing his withdrawal from future Party fundraising efforts.

In his acceptance speech Brock talked of enlarging the party's base, enhancing its appeal to minorities and the disenfranchised. These are code terms for Rockefeller Republicans' efforts to push the party toward Fabian pluralist policies, and to fragment the party's genuine

conservative base.

Under the Rockefeller-Brock Fabian "alternative leadership," Republicans can expect to see so little in the way of policy alternatives to Carter's Trilateralism emerge from their Party that the bad old days of "metooism" may soon seem like the party's golden age. The key issues Republicans need to stress — despite anticipated opposition from Brock et al.—are expanding East-West trade and with it a national energy policy that can provide for increased agricultural and industrial production through the 1980's. A firm stand on such policies — which are at the core of basic Republicanism — is especially urgent now in view of the Carter Administration's avowed commitment to attacking the ability of U.S. industry to produce.

In the early 1960s, faced with a similar problem, the GOP developed a partially successful strategy of providing its congressional leadership with well-developed white papers on key policy issues. The Republican leadership then seized the initiative from the Kennedy administration by initiating debates in Congress that shaped the nation's political climate. This was the origin of the unjustly belittled "Ev and Charley Show," featuring then-Senate Minority leader Everett Dirksen and House Minority Leader Charles Halleck.

Testimony by the U.S. Labor Party in support of such policies at confirmation hearings for Carter appointees, as well as the USLP's widely-circulated energy policy statements, have already had a significant impact on Capitol Hill Republicans, and, judging from recent statements by Goldwater and Schmitt (R.-New Mexico) have been used to good effect. But if the GOP is to save itself from the miasma of Rockefeller's Trilateralism, the fight begun by the Senators will have to be greatly expanded.

**EXCLUSIVE**

## Schlesinger in Command

Informed congressional sources have reported that Carter Administration energy czar-designate James Schlesinger has already held several high level meetings with the Carter transitional team. The immediate purposes of the meetings have been to establish procedures for the emergency allocation of "limited" natural gas for the duration of the winter months. To accomplish this all allocation procedures will be seized by Carter and Schlesinger using the shortage hoax as the initial step in garnering direct control over U.S. energy resources and their rationing.

The Carter-Schlesinger plan surfaced in the halls of the Senate on Jan. 19 in the form of a "Dear Colleague" letter issued from the office of Sen. John Glenn (D-O). Glenn, whose home state of Ohio is the hardest hit in the nation by the effects of the Seven-Sisters orchestrated gas hoax, is proposing a bill that would give Carter and Schlesinger the powers to redistribute natural gas from the less distressed states to the more heavily effected states.

Sources also report that Sen. "Scoop" Jackson (D-Wash), Chairman of the Senate Interior Committee, has also met with Schlesinger and is angling for a deal that would give his own operative Friedman, now placed in the Carter transition team, a broad say in Administration energy policy in exchange for Jackson's support of the gamut of Carter's proposed executive reorganizations. The rumored kicker in the Jackson deal is that he will support and push a Carter plan to incorporate the Department of the Interior into a Department of Energy headed by Schlesinger. This would give Schlesinger oversight of more than energy matters: he would also oversee raw material questions. The initial proposed crisis

management and control of natural gas by Carter and Schlesinger are leading to suspicions in informed quarters than the same dictatorship could well extend to all energy and raw material resources.

Last week resistance to an unrestrained Carter

### WASHINGTON WEEK

reorganization was offered by Rep. Jack Brooks (D-Tex.), Chairman of the House Government Operations Committee. Brooks, speaking for the energy states of Texas, Louisiana and Oklahoma, refused to initiate hearings in his committee, which has oversight on the executive reorganization proposals, until Carter presents him with Carter's reorganization plan.

Well-placed sources have reported that Jackson himself will soon run up against stiff opposition in his own committee. There are indications that a fight will soon be launched to move responsibility of oversight of research and development of inertial confinement from the Armed Services Committee, where only its military implications have been funded, over to Jackson's Interior Committee where emphasis will be put on its commercial uses.

The blow dealt to Carter and his Trilateral Commission controllers with the forced withdrawal of Theodore Sorensen from his assigned position as the director of the CIA has reportedly severely shaken up Trilateral forces. Paul Nitze, a key organizer of the Trilateral-linked Committee on the Present Danger, singled out the U.S. Labor Party in testimony before the Senate Foreign Relations committee on Jan. 19. Nitze accused the USLP of having attacked him and the Committee on the Present Danger for having

"underestimated the extent and timing of the Soviet threat." Nitze's lying before the committee continued: "They (the USLP) say that if the U.S. would take steps to strengthen its strategic position, the Soviet Union would take forceful and immediate action to teach us a lesson. In this context detente is irreversible, where we are too weak and they are too strong to reverse current trends." The Nitze diatribe came two days after the Sorensen withdrawal and on the heels of the widest exposure of the Trilateral takeover of the Executive conducted by the USLP at Senate confirmation hearings.

Congressman Michael Harrington (D-Mass.) is reportedly in a tizzy over the Sorensen withdrawal and the wide exposure given to the trilateral takeover. While fellow leaker Sorensen was withdrawing early Monday morning, Harrington had ordered his staff to request from USLP headquarters, "everything you have on the trilateral Commission." Sources indicate that Harrington is terrified that a full scale investigation into the Trilateral Commission would reveal his own links to the Trilateral-connected Institute for Policy Studies, the clearinghouse for international terrorism.

Sources have also revealed that Rockefeller-linked Congressman James Scheuer (D-NY) is extremely worried that his sweetened plan to ram genocide legislation through Congress is in trouble. A widely distributed exposé of the plan appearing in the USLP's *New Solidarity* newspaper in late December has apparently dissuaded scores of duped Congressman away from the Scheuer plan. Scheuer ordered his staff on Jan. 19 to call USLP headquarters in Washington, D.C. in order to obtain a number of copies of the issue of *New Solidarity* in which the exposé appeared.

Westinghouse vs. Rio Tinto Zinc

## A Company Against Uranium Use

## SPECIAL REPORT

A legal suit filed against Rothschild mining interests by the U.S. Westinghouse Corporation several months ago contains heavy documentary evidence of a "monoplistic" conspiracy operating for the past five years to raise the international price of uranium to prohibitive levels and freeze Westinghouse out of the market. However, a continuing Executive Intelligence Review investigation into the case's background suggests that a broader, primarily Rockefeller family campaign to sabotage the development of industrial energy sources, commensurate with that faction's de-industrialization program, has enjoyed the benefit of Rothschild cooperation in an included plan to sabotage the nuclear energy industry at its source. Westinghouse, as a primary supplier of nuclear reactors and materials, has found itself at loggerheads with the involvement of Rothschild executives in a Rockefeller plan to disrupt uranium production and sales to ensure the demise of nuclear power.

Ironically, the information now at Westinghouse's disposal was provided by the very Rothschild and Rockefeller interests they have now taken to court with it.

Central in the affair is the Wall Street law firm of Fried, Frank, Harris, Shriver and Kampelman, which represents the international legal interests of both major Rockefeller concerns and the Rothschild's Rio Tinto Zinc Corporation Ltd., the largest British-based mining company whose uranium holdings extend throughout South Africa, Namibia, Australia, Canada, and the United States. Law firm partner Max Kampelman is general counsel to the Rockefeller's Committee on the Present Danger. Partner Patricia Roberts Harris is a director of the Rockefeller's Chase Manhattan Bank and IBM Corporation, and she is now Jimmy Carter's Secretary of Housing and Urban Development. Partner Sargent Shriver ran the Peace Corps under John Kennedy, controlling major intelligence operations in Asia, Africa, and Latin America. But the principal is partner Sam Harris.

Harris, who was head of "Wall Street Lawyers for Carter," sits on the Board of Directors of the Rio Tinto Zinc Corp., its Canadian subsidiary Rio Algom Canada, and its American subsidiary U.S. Borax and Chemicals Co.

Late last year, Westinghouse filed suit in Federal District Court accusing Rio Tinto Zinc of organizing a global cartel of 28 uranium producers to artificially raise uranium prices. Westinghouse identified Sam Harris by name, and held the cartel responsible for increases in the price of uranium from \$5 a pound in 1972 to \$40 a pound in 1976. Westinghouse filed this suit after being sued itself by over 20 U.S. utilities for breach of contract. Westinghouse had had contracts to

deliver uranium to the utilities at lower prices, and when the price rose, it defaulted alleging "force majeure."

The essence of the Westinghouse charges is that Sam Harris and Rio Tinto Zinc conspired to fix a "world market price" and to regulate uranium supplies for both interstate and foreign commerce. A series of documents detailing the conspiracy were given to the company by "Friends of the Earth" officers in Australia, to whom they were "leaked" by a source within Mary Kathleen Uranium Ltd. of Australia. Since 52 percent of Mary Kathleen is owned by Rio Tinto Zinc, Westinghouse's information comes in effect from the very people they are suing, through an "environmentalist" organization dedicated to destroying nuclear power.

According to the documents, a 1972 Paris meeting between Rio Algom Canada, Rio Tinto Zinc England, Rio Tinto Zinc Services, Nuclear Fuels of South Africa, PanContinental of Australia, Denison Mines of Canada and several others, discussed fixing prices and production of uranium on a world scale. Throughout the year, further meetings were held in Paris, Canberra and Sydney, and in June, a Johannesburg meeting set up a preliminary price schedule and a "Secretariat" and "Operating Committee" to implement it. The first task set by the cartel was to lift an embargo placed on the enrichment of foreign uranium for use in the United States by the Atomic Energy Commission. By the fall of 1972 meetings began with major U.S. producers. The U.S. producers, in the words of the Westinghouse law suit, "undertook not to oppose" the phaseout of the AEC embargo on the enrichment issue. The U.S. producers also agreed to adopt the cartel's "world market price" for whatever uranium they sold.

The U.S. and foreign producers formed an Ad Hoc Committee of the Mining and Milling Committee of the Atomic Industrial Forum which consisted of Phelps Dodge-Western Nuclear, Rio Tinto Zinc England, Rio Tinto Zinc Services, Rio Algom Canada, Rio Algom US, Getty, United Nuclear, Gulf, Pioneer, and others. The Ad Hoc Committee held a number of meetings including an important meeting at Oak Brook, Illinois in March 1973, during which the representatives of Rio Tinto Zinc England, Rio Tinto Zinc Services, Rio Algom Canada, and Rio Algom US gave assurances that in the event a decision was reached by the AEC to phase out the embargo, neither their companies nor other foreign producers would sell uranium in the U.S. at prices below those charged by the U.S. producers. They gave similar assurances to members of the Steering Committee of the Mining and Milling Committee of the Atomic Industrial Forum. This Steering Committee had also been formed by the producers and consisted at various times of Rio Algom, Anaconda, Kerr-McGee, Getty, United Nuclear, Phelps Dodge,



Western Nuclear, Homestake, Federal Resources, and Utah International.

Based on such assurances, the U.S. members of the Ad Hoc Committee and the Steering Committee agreed that they would not oppose a phase out of the embargo beginning in 1977. By May 1975 officers of Rio Algom Canada and Rio Algom US were formally appointed to the Steering Committee to represent the foreign producers.

At the March 1973 Oak Brook meeting the U.S. producers also decided to raise the price of domestic uranium higher than the "world market price." In October 1973 the foreign producers met in London to raise the "world market price," and in January and February 1974 the foreign producers and Gulf Canada raised the "world market price" once again.

Westinghouse was selling uranium to Swedish customers at prices below the world market price — uranium purchased from other sources. This, according to the Westinghouse court papers was the subject of a November 1973 meeting in Las Palmas in the Canary Islands where the cartel members agreed not to sell uranium to Westinghouse.

#### *"Friends of the Earth"*

When the documents proving this conspiracy were first obtained by the "Friends of the Earth" in Australia late last year, the organization contacted its Energy Project Director in the U.S., Jim Harding, who is now an advisor to the California Energy Commission. Harding called a press conference with California Public Utilities Commissioner Leonard Ross to disclose the material. Their objectives were entirely clear: Harding acknowledged in an interview that, in keeping with the "environmentalist" goals of Friends of the Earth, he hoped to altogether discredit uranium mining as a way of stopping nuclear power development; Leonard Ross similarly expressed himself in a *New York Times Magazine* article this past December, when he attacked all nuclear energy because it exposed the world to the dangers of "nuclear terrorism."

Even so, Westinghouse immediately used the evidence in their legal suit, which is palpably aimed at bringing down the price of uranium and regaining access to the market to provide it to U.S. utilities. Moreover, Sam Harris, the very man singled out by Westinghouse on the documents as responsible for their troubles, is an attorney for the J.M. Kaplan Foundation which conduits CIA and other monies to ... Friends of the Earth.

Friends of the Earth is Rockefeller. Most of its "environmental" litigation is handled by the National Resources Defense Council which received \$50000 from the Rockefeller Family Foundation, \$30000 from the Rockefeller Brothers Foundation, and \$15000 from the J.M. Kaplan Foundation in 1975. Mr. Harding of Friends of the Earth will be leaving soon to take up a position with the National Resources Defense Council, and Mr. Amory Lovins of Friends of the Earth published a long article against nuclear energy in the October 1976 issue of *Foreign Affairs*, the magazine of the Rockefellers' New York Council on Foreign Relations.

Leonard Ross, who published the documents with Harding is a close personal friend of George C. Eads, the Executive Director of the National Commission of Supplies and Shortages, which calls for stockpiling strategic raw materials because of the danger of war in southern Africa. The

commission is chaired by Rand Corporation President Donald Rice and includes Trilateral Commission member, and new Chairman of the Republican National Committee, Bill Brock, former Senator from Tennessee.

Friends of the Earth openly advocates cutting U.S. energy consumption by 50 per cent by 1985. Its president is David Bower. U.S. Congressman Richard Ottinger is Executive Vice President, and David Sive is an Executive Committee member. Candice Bergen, Edwin Matthews, and Helen Severinghaus are Directors, and the Advisory Council includes all sorts of innocent and not-so-innocent celebrities: Cleveland Amory, Paul Ehrlich, Norman Cousins, Karl Menninger, Linus Pauling, James Farmer, Konrad Lorenz, Pete Seeger, Harriet Van Horne, George Wald, C. P. Snow, and Robert Redford.

Its principal representative in Paris is director Edwin Matthews, who is also a partner of the Rockefeller allied law firm Coudert Freres (which once represented the Vichy regime). Trilateral Commission member and Carter's nominee for Ambassador to Italy Richard Gardner is a Coudert partner. Gardner is both a very close associate of the UN's resident "ecology freak," Maurice Strong, and is also a close friend of Carter National Security Council head Zbigniew Brzezinski.

In Australia, Friends of the Earth and the Australia Conservation Foundation (ACF), which receives \$150000 each year from the Federal Parliament, have worked closely together to halt internationally important uranium exports, including encouraging the Aborigines to veto attempts to mine uranium on their reservation land under the Aboriginal Rights Bill of 1976.

During the last week of May 1976, all Australian railroads were paralyzed by a 24-hour strike called by the Railway Union and organized by the ACF to ban the mining processing, and export of uranium. There are no uranium producers allowed to operate in Australia except Rio Tinto Zinc's Mary Kathleen uranium. The ostensible purpose of the strike was to halt the export of 50 tons of uranium to Pennsylvania's Commonwealth Edison. The strike also accomplished an embargo against all future uranium shipments anywhere, and intimidated would-be uranium producers who had signed long term supply contracts with the Japanese.

Sam Harris' law firm represents Rio Tinto Zinc's extensive Southern African interests, and the firm's links to that area are quite remarkable. In addition, partner Robert Prieskel originally set up the Congress for Racial Equality (CORE) which ran race riots in the United States, and openly recruited mercenaries to fight with the CIA's UNITA against the Popular Movement in Angola, a project to gain time for Rio Tinto's illegal occupation of the world's largest uranium mine, Rossing, in neighboring Namibia.

Preiskel's son John, an advocate of terrorism, is a key operative in the "Liberation Support Movement" in the United States. The Liberation Support Movement has ties to the Weather Underground and organizes principally around African issues. LSM was recently condemned by the South African Communist Party as provocateurs. LSM agent Oleg Gjerstad was dispatched to Luanda during the final days of the Angolan Civil War, ostensibly to transmit reports to WBAI radio in New York City.

# Dollar Gains Brief Respite ... at U.S. Credit Market's Expense

## FOREIGN EXCHANGE

The U.S. dollar's slight recovery on foreign exchange markets during the last two weeks has been largely predicated on an upward shift in the U.S. interest rate structure — sparking the worst bond market crunch in two years.

Although the dollar has regained 2.5 per cent of its previous loss against the deutschemark, the .5 per cent jump in corporate bond yields — threatening another scale-down in already dismal U.S. capital spending plans — is a heavy price to pay.

The new Administration's dilemma was aptly characterized by a Jan. 10 London Times editorial entitled "Risking the Dollar" warning that Jimmy Carter's plans to reflate the U.S. economy would spell dollar disaster. But as the last two weeks' events have shown, any attempt by Federal Reserve Chairman Arthur Burns to slow the printing presses takes an immediate toll on U.S. credit markets. In the longer run, the dollar is just as dead.

### Redeployment of Dollar Reserves

It is therefore doubly ironical that the recent

European-Arab rapprochement, which could ultimately strike the death-blow to dollar hegemony, has not meant OPEC disengagement from the dollar as such but a major *redeployment* of existing OPEC dollar reserves into the economies of Britain, Italy, France, and Scandinavia.

This is "petrodollar recycling" with a twist not intended by the original coiners of that phrase. By providing footloose Eurodollars with a more firm foundation in real trade flows, OPEC has *temporarily* stabilized the dollar as well as the weaker European currencies.

To sum up the latest developments:

1) Saudi Arabia has established a \$6 billion fund for Denmark, to facilitate the shipment of agricultural machinery and fertilizers to the Saudis. (None of the monies are to be used for financing Denmark's huge foreign debt, Saudi officials have stipulated.)

2) According to a New York oil analyst, the Saudis have recently injected \$5 billion into France, and are backing the French government's move to hand state oil companies the majority share of the French market at the expense of U.S. multinationals. The sudden recovery of the French franc has been traced to Arab capital inflows, and a new-found confidence in French industry

FOREIGN EXCHANGE  
(Exchange Rates Quoted in U.S. Dollars)\*

COUNTRY	JAN. 19	JAN. 12	JAN. 5	% CHANGE IN TWO-WEEK PERIOD
Belgium (Franc) (commercial rate)	.027050	.027360	.027885	- 3.0
Britain (Pound)	1.7198	1.7105	1.7115	+ 0.5
Canada (Dollar)	.9905	.9946	.9966	- 0.6
Denmark (Krone)	.1680	.1705	.1721	- 2.4
France (Franc)	.2008	.2014	.2022	- 0.7
Italy (Lira)	.001135	.001142	.001144	- 0.8
Japan (Yen)	.003457	.003421	.003423	+ 1.0
Netherlands (Guilder)	.3963	.4015	.4085	- 1.7
Norway (Krone)	.1879	.1903	.1934	- 2.8
Sweden (Krona)	.2351	.2389	.2421	- 2.9
Switzerland (Franc)	.3988	.4038	.4078	- 2.2
West Germany (Mark)	.4149	.4205	.4255	- 2.5

\*Selling prices for bank transfers in the U.S. for payment abroad, as quoted at 3 p.m. Eastern Time.

Source: Bankers Trust Co., New York.

The U.S. dollar's marginal gains against most major currencies in the last two weeks has been closely correlated with the rise in domestic interest rates. On Jan. 20, Federal Reserve efforts to

aid U.S. bond markets by easing credit erased part of the dollar's gains against European continental currencies.

based on high-technology exports to the Middle East.

3) The recent sterling balance agreement has precipitated further Arab capital flows into Britain, the same oil analyst noted, since Arab sterling holders who got into sterling at \$2.40 are not about to get out at \$1.70. Instead, they are investing in British industrial recovery, accounting for much of the recent British stock market climb and the heavy demand for this week's record \$1.25 billion Treasury offering.

This European-Arab rapprochement helps to stabilize the dollar *only as long as* the dollar is still accepted as the international reserve currency — only up to that point when OPEC and the Europeans decide to accept the Soviet Union's offer to replace the remains of the Bretton Woods monetary system with a gold-backed system incorporating the transfer ruble. As the Journal of Commerce reported this week, British banks, as well as the Italian state industry, are enthralled with the prospects for trade-financing in the "Euro-Ruble."

Nor will Europe tolerate the inflationary growth of dollar reserves indefinitely. Noted the Journal of Commerce in its Dec. 17 editorial: "One central banker present at Basel said last week, not completely in jest, that the U.S. might have made too much of a point about the importance of funding sterling. If the talk turns to funding dollars held as international reserves, the amounts involved will be infinitely greater than the \$3 billion and the complexities far more trying."

*Respite for European Austerity*

OPEC reserve redeployment has been a major prop for

the European debtor nations, relieving them of the necessity to implement more severe austerity programs. This is a slap in the face to U.S. international banks, who had hoped that the deutschemark's decline against the dollar would be complemented by even greater devaluations of other Western European currencies against the deutschemark. Instead, the deutschemark, due to its de facto secondary reserve currency role, has been forced to take the brunt of the dollar's two-week gain. Every major Western European currency, except the Belgian franc, Swedish kroner, and Norwegian kroner, have shown positive *gains* against the deutschemark. Not surprisingly, those sectors which have seen the greatest Arab capital inflow — Britain, France, and Italy — have shown the greatest currency strength.

New York foreign exchange traders have expressed their exasperation over the relative buoyancy of the French franc in particular: "It should be trading below 20 cents... This is only the quiet before the harsh storm in February." Commented one chief trader at a major New York commercial bank, "The Scandinavian currencies have been riding high in the snake. There has been no necessity for central bank intervention... Of course, distortions could occur later in the year."

The Japanese yen has also been the beneficiary of OPEC oil-for-technology deals. A heavy inflow of foreign funds into Japanese bonds, much of it Arab, has lifted the yen to its highest level against the dollar since mid-October. Japan has just extended \$1 billion in credits to Iraq for industrial projects in exchange for a stable supply of oil.

## Forlani Trip to USSR Seals Multi-Level Economic Agreements

### WORLD TRADE

Last week's meeting between Italian Foreign Minister Arnaldo Forlani and Soviet Premier Leonid Brezhnev in Moscow took place on the financial level as well as the political. Forlani was accompanied by the foreign ministry's economics advisor, Mario Mondello, who began working out the concrete details of large-scale Soviet-Italian economic collaboration.

The economic agreements themselves have multiple levels as well: strict barter arrangements which will provide nearly 50 per cent of Italy's natural gas import needs; technological exchange which the USSR financed through conventional channels by the Banca d'Italia, the country's central bank; and \$7 billion worth of industrial deals whose financing is still the subject of discussion.

The deals could be financed by short-term Soviet promissory notes, discounted in the West on a longer-term basis at the virutally prohibitive rate of 10 per cent, as Trade Minister Rinaldo Ossola has mooted. Two other possibilities would be more acceptable to both sides, and indeed would be ground-breaking contributions to a new international monetary system. One is the use of OPEC "hard currency" holdings presently put to no productive use, and the other would be the East-West trade bank

proposed by the foreign affairs spokesman of the Montedison chemical conglomerate, Giuseppe Ratti, using transferable Soviet rubles. Soviet rubles would probably be utilized in tandem with the pooled Western European gold reserves that will facilitate clearing transactions between the European Economic Community and Comecon.

Meanwhile, specific projects have been delineated which if consummated will require the full \$7 billion. The Jan. 13 issue of *La Repubblica* published a list of Italian corporations involved, though not the price tag on each deal.

\* ENI (the state petroleum enterprise, Ente Nazionale Idrocarburi) — increased gas and oil imports, plus investment in USSR petrochemical facilities.

\* Finsider — construction of a Soviet coal duct for \$303 million and subsequent purchase of the coal involved by the Italian government.

\* Finmeccanica-Breda thermonuclear division — USSR nuclear technology and supplies.

\* Montedison — petrochemical plant construction at Tomsk in the USSR.

\* FIAT — expansion of the present Togliatti plant for bulldozer production as well as sale of gas turbines.

\* Pirelli rubber and petrochemicals — unspecified.

\* Fincantieri — sale of ships and floating basins.

### *Barter And Beyond*

Because the Italian government could not meet the Soviet request for a \$1 billion direct addition to the \$750 million Italian state credit, the USSR agreed to barter natural gas in exchange for Italian goods and services, reported the Jan. 17 *Journal of Commerce*. The Soviets will increase their gas exports to Italy from the present 7 billion cubic meters a year to 10 billion. In exchange, the USSR is to receive plant and equipment from Montedison, ENI, FIAT, and Finsider. Italy has a 20-year gas-supply contract with the USSR which began in 1975, when the Soviets provided 22 per cent of total imports of the fuel.

As for the \$7 billion financing question mark, Ossola will follow up the Forlani-Mondello visit and negotiate the final contracts for credit arrangements next month, though this plainly does not mean that his personal preferences on the subject will prevail. Nor, on the other hand, is it at all certain that the use of the transferable ruble for East-West trade will be introduced to finance

the deals. However, the context is precisely the one outlined in the USSR's *International Affairs* article (see *International Report*) — the use of the ruble as a credit instrument that could in turn provide multilateral financing, e.g., by being further relayed by the Italian government to one of its key Third-World-OPEC trading partners, such as Libya.

If such transactions were formalized by way of Ratti's proposed financial institution, this would be equivalent to a seed-form of the International Development Bank proposed by the U.S. Labor Party in April 1975, and widely discussed among Western European and Third World policymakers since that time. The use of petrodollars to fund such a bank, while clearly less than a consummate break with the bloated world debt structure tied to the dollar, would represent a significant redeployment of OPEC financial resources out of dollar-debt refinancing — a task that Saudi Arabia and others has explicitly repudiated — toward the promotion of international industrial and technological growth.

## Farm Policy Fight Shapes Up; Wheatgrowers Demand 'Market Development'

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### AGRICULTURE

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The opening salvo was issued this week in what will be a crucial political fight over the renewal or replacement of the comprehensive 1973 farm legislation which expires this year. On Tuesday, Sen. Talmadge (D-Ga.), chairman of the Senate Agriculture Committee, introduced a bill to extend current basic farm support programs for five years beginning in 1978 and, for the first time, to base grain and cotton supports on actual production cost estimates.

The bill, co-sponsored by a group of conservative senators including senators Dole (R-Kan.), Allen (D-Ala.), Eastland (D-Miss.), Helms (R-NC), and Huddleston, contains no provision for a grain reserve system. Considered anathema by most farm producers, a government grain reserve scheme has been a prominent theme of Democratic think-tank and other Trilateral Commission backers of the Carter regime who view it as an urgent new foreign policy weapon, and is likely to become an explosive issue in the unfolding farm policy debate.

At the same time, this week, National Association of Wheat Growers' president Don Woodward speaking at the organization's annual meeting in Honolulu called for a revitalization of export markets, intensified market development activities, improved export financing, "and an overall policy of expanded U.S. wheat trade." In the same breath, Woodward cautioned wheat producers about grain reserve systems.

While spokesmen for several of the Talmadge bill's sponsors deny that its rapid introduction is part of an attempt to preempt Carter Administration initiatives

around government-held or government-accessed grain reserves, they make haste to cite Carter Agriculture Secretary Bergland's stated opposition to government reserves elicited during his recent confirmation hearings — with the obvious intention of holding Mr. Bergland to his word on that matter. The same spokesmen readily acknowledge that the composition of the Carter transition team, especially its foreign policy orientation, together with the consumer lobby that is "much bigger this year" otherwise portend a push for a government reserve and associated schemes on the part of the new Administration.

Presently, supporters of the Talmadge bill — all committed to expand exports and domestic farm production and the expansion of agriculture research and development efforts as the avenue of solution for the dangers facing the American farm sector — have the initiative. A sampling of pro-Carter Administration and Bergland to make a move, insisting that Senators Clark (D-Iowa) and McGovern (D-ND) will offer counter-proposals to the Talmadge bill.

As Woodward emphasized, the problem for wheat producers — among the hardest hit with falling farm prices and incomes as export markets stagnate and contract — is the current existence of large "surplus" de facto reserves, stockpiled on farms and in commercial warehouses across the grain belt. While cost-of-production-based support prices, and related crop loan levels to enable farmers to finance the construction of increased storage capacity, will provide an equitable base-line defense of the farm sector, the Talmadge bill's sponsors correctly emphasize expanded trade as the fundamental issue in line with the "full production" policy orientation established by former Agriculture Secretary Butz.

Conservative farm policy spokesmen in the Senate have indicated their intention to focus on the concept "market development" in relation to renewing the PL-480 legislation, which also expires this year. In particular, they have opposed the proposal of Sen. McGovern, a proposal publicly advocated by Carter Agriculture Secretary Bergland, to restrict PL-480 shipments to countries with less than \$300 per capita annual incomes, plainly identifying the Humphrey-McGovern forces as "anti-market development."

As the experience of the Great Depression demonstrated, the collapse of farm prices and production during the 1930s was neither a problem of "controlling production" nor of devising ever-more-ingenious means to seal off produce from the market (the 1929 Federal Farm Board stockpiled hundreds of millions of dollars worth of grain only to see the price continue to plummet for two years running) — but one of freeing consumption and trade from the stranglehold of world depression conditions.

## Steel Industry in Limbo

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### STEEL

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Although current projections by both steel industry sources and steel analysts for U.S. steel shipments in 1977 are ranging anywhere from 95 million to 110 million tons, there is as yet little reason to believe that shipments will surpass the 89.5 million tons shipped in 1976.

The current trend in the U.S. and worldwide has been one of declining orders and shipments. November shipments of only 6.7 million tons were 300,000 tons less than October's total and almost a million tons below September's. Since during December many plants were shut down for the holidays, it can be expected that shipments will show a further decline. To date, the New Year has not brought with it any significant increase in the demand for steel, but rather has further darkened the picture with extreme cold weather. The gas shortage hoax now in operation has forced many industries to either shut down completely or reduce operations due to cutbacks in natural gas supply. The effect on January and possibly February steel shipments as well, will be damaging.

In addition to U.S. Steel's recent announcement that they had been forced by the government to spend \$600 million for pollution controls at their Clariton Steel Works, Kaiser Steel Corp., under similar pressure, has announced a \$24.3 million plan to clear up coke oven emissions at its works in Fontana, Calif. The controls will increase operating costs by about \$2.5 million, just about enough to wipe out additional earnings expected from the flat rolled price increases announced in November. This is according to Kaiser's chief executive William Roesch. The next company expected to follow mandatory pollution expenditures is Inland Steel at its East Chicago works.

The low level of returns on equity already existing in the steel industry due to low prices, combined with government policies unfavorable to new investment programs, and now, expensive pollution control demands are causing U.S. Steel and other producers to reduce their spendings on steel programs and to diversify into such fields as raw materials mining, chemicals, etc. Such conditions are ensuring that the U.S. steel industry will not only be unable to meet this country's demand for steel should a sound economy return but will also lack the necessary funds needed to modernize their productive equipment to maintain competitiveness with imports.

## U.S. Steel Industry Announces Counterattack Against Imports

Paul Babb, general sales manager for Armco Steel Corp's Western Division has announced price reductions averaging \$40 (15 per cent) per ton. The move, which Babb referred to as part of a program called "foreign fighter," is the first public announcement by a U.S. steel firm that they would reduce prices to fight foreign competition.

It is well known in the industry that discounting below listed prices has been going on quietly for some time. The price reductions are on wide-range structural shapes produced at Armco's Houston works and sold within freight control area, defined as locations having lower freight rates from Houston than competing mills in other areas.

The move is apparently connected to the anti-import drive being conducted by the American Iron and Steel Institute and by independent steel producers such as U.S. Steel and Allegheny Ludlum. Up until this point the attacks have consisted of complaints lodged with different government bodies, and calls for secular talks on steel trade as part of the G.A.T.T. negotiations going on in

Geneva.

While it is true that imports have caused a severe hardship to U.S. producers in the Gulf regions, on the whole steel imports into the U.S. were approximately 14 million tons in 1976. This compares to over 18 million tons imported in 1971 when little opposition was voiced. In 1971, U.S. mills were then unable to satisfy domestic demand. Also, in the Southeast, Gulf, and Western regions where steel consumption has been increasing for years, U.S. mills have not invested to create suitable steel-making capacity in these areas, thus leaving them vulnerable to foreign competition.

On the day following Armco's announced increases, U.S. Steel announced that they will lower prices to be competitive in the Gulf region. It is apparent that other U.S. steel makers who compete in this market will soon follow suit in what is shaping up as a showdown against importers, especially the Japanese, to force them out of the market. Should the foreign suppliers try to lower their prices, dumping suits will most likely be brought against them.

# OECD Nations Defy Trilateral Commission, Seek Nuclear Energy Development

At its Tokyo meeting last week, David Rockefeller's Trilateral Commission called for a worldwide moratorium on export of nuclear fuel reprocessing facilities. The Trilateral decision came at the same time that the U.S. State Department and Energy Research and Development Administration (ERDA) announced a policy of effective banning of Japanese nuclear waste fuel recycling at the British Windscale facility run by British Nuclear Fuels Ltd., citing the October speech by President Ford which called for review of the nuclear fuel cycle question.

The latest U.S. decision, reached with the complicity of new U.S. "Energy Czar" James Schlesinger, according to sources, has brought the Japanese, European and developing sector nations to the verge of a forced political break with what they increasingly see as a U.S. government policy of international energy control.

### *Japanese Fight For Nuclear Power*

In Japan, the Foreign Ministry announced Jan. 19 that it plans to go ahead with its plans to complete its own Tokai reprocessing facility and according to reports has been vigorously accumulating concentrated supplies of uranium fuels, especially during December. At the same time the Japanese Foreign Ministry announced resumption of negotiations with Canada to firm up terms for import of uranium from that country.

The government Ministry of International Trade and Industry (MITI) has announced plans for a national public relations campaign for its policy of increased nuclear fission power development. Three major industrial groups, the Federation of Economic Organizations, the Japan Atomic Industrial Forum, and the Committee for Energy Policy Promotion held a meeting with Prime Minister Takeo Fukuda. According to the *Mainichi Daily News*, they urged increased efforts for development of atomic power, oil and liquefied natural gas (LNG) energy resources to be increased through creation of a cabinet level Energy Ministry.

A high MITI official reports that U.S. fuel restrictions were regarded as motivated by U.S. multinational oil companies attempts to control world energy prices and supplies. *Mainichi* echoed this widely held view, citing the fact that Japan, France, and West Germany viewed the U.S. restrictive attempts as part of moves to monopolize world plutonium supplies. (see Economic Report)

Closely tied to the Japanese opposition to this forced regulatory control of Japanese atomic power develop-

ment, French, British and West German nuclear interests and governmental agencies affirmed equally strong opposition to the Schlesinger policies. Britain has announced that it will back a French proposal made last month to include Japan in the group of eight advanced industrial nations to control the world's plutonium, a move which will be decided at a meeting in London this March between the U.S., Britain, France, USSR, Canada, Italy, W. Germany and Spain.

British Nuclear Fuels Ltd., which operates the large Windscale enrichment and reprocessing facility presently used by Japan, is part of a European nuclear fuels consortium, United Reprocessors, GmbH, which includes French, West German, and Italian reprocessing interests.

This substantial capability to regulate the entire so-called nuclear fuel cycle process is a major obstacle in the path of U.S. and specifically Rockefeller family control of world energy development. A spokesman for the National Resources Defense Council (NRDC) in the U.S., a group set up by Laurance Rockefeller in the late 1960s and funded largely by the Rockefeller Foundation and Rockefeller Bros. Fund, has stated that the organization aims at stopping nuclear reprocessing worldwide. The NRDC and Friends of the Earth are planning a "counter conference" in April in Salzburg, Austria prior to the meeting of the International Atomic Energy Association as part of an international scare campaign against nuclear reprocessing and nuclear power generally. This same international network of "environmentalists," a remarkable number of whom have top national security backgrounds, was instrumental last spring in circulation of a scare campaign on the danger of nuclear terrorism.

Directly countering the so-called Friends of the Earth campaign, British Nuclear Fuels Ltd. announced this week it plans to make application to the government for permission to go ahead with construction of what it calls the "non-controversial" section of the proposed 600 million pound expansion at the Windscale nuclear fuels facility. Government approval is expected and full plans involving handling of spent nuclear fuels, which has been subject to environmentalist attack, will be subject to a public inquiry. Although this inquiry is not yet final, a related inquiry, by the British Health and Safety Executive has just favorably recommended to Energy Minister Wedgewood Benn that plans for development of a commercial fast breeder reactor program in Britain can be made safe enough to warrant license for development.

### *West German Sabotage Coordinated From U.S.*

In West Germany, where the nuclear power development program has been built under what are considered the world's highest safety standards, future developments are being hampered by a concerted campaign of site occupations and disruptions being carried out in direct coordination with the NRDC and related groups in the U.S. A meeting earlier this week in Oldenburg of some 150 so-called Buerger Initiative groups planned a new wave of violent disruptions of the Brockdorf nuclear site. During the meeting a representative of Bremen Radio stated the likelihood that as many as 200 lives could be lost, but that "this is a small price to pay considering the danger of nuclear destruction." This new demonstration planned for Feb. 19 includes representatives from the U.S., Denmark, and Australia and involves members of several intelligence-run "Maoist" organizations — KBW, KPD, KPD-ml, KB (the so-called K-groups) and the groups associated with NATO agent Ernest Mandel.

A spokesman in Washington of the NRDC has revealed plans to occupy a second West German site for a nuclear reprocessing facility, to be announced soon. "More than 800 tractors will occupy the site within 24 hours of

government announcement of the final site," the source claimed.

The West German government has come under intense State Department and other pressure to withdraw its announced decision to sell to Brazil a nuclear reprocessing facility, even though inspection standards exceeding current International Atomic Energy Agency requirements have been agreed to by the Brazilian government.

In Brazil, which is firmly committed to fulfillment of the West German deal proceeding, in addition, eight nuclear power reactors, the government has recently refused a Canadian attempt to break the contract.

The Brazilians' commitment to develop nuclear power capacity is firmly supported by the Argentine government and industry. Argentina, which is the first Latin American country to possess a working commercial reactor, has had a vigorous press campaign in support of nuclear power. An article in the Argentine daily *Clarín* of Jan. 16 stated the case sharply: "All new advances of civilization are always surrounded by such discussions. Remember those who so vehemently opposed the automobile at the beginning of this century; or those who insisted that it was impossible for an airplane to fly?"

## Saudi Production Increases Aimed at Creating New International Oil Marketing Network

Backed by a coalition dominated by European state-owned oil companies and American independents, the Saudi Arabian government earlier this week assigned designated purchases of additional Saudi crude to be produced over and above the old 8.5 million barrels a day (mbd) production ceiling to the four partners of Rockefeller's Aramco consortium. The four oil companies in Aramco — Mobil, Exxon, Socal, and Texaco — will deliver Saudi crude to the European based companies — French state-owned company CFP, its Italian counterpart, ENI, British Petroleum, and Royal Dutch Shell — on terms dictated by the Saudi government. The Saudis intend to redirect the flow of their oil towards new markets using the Aramco partners simply to deliver the oil. The sale of all additional production will be accompanied by strict price auditing measures to prevent profiteering with Saudi crude.

Aside from the four European companies named, the Jan. 20 *Journal of Commerce* reports that American independent refiners may well also soon be allocated Saudi oil, as well as the Japanese. This is the first time that U.S. independents, longstanding rivals of Exxon et al., have been identified with the Saudi efforts to undercut the multinationals.

Following the collapse of last month's North-South conference the Saudis, with strong backing from Italy and Great Britain, have taken the lead in OPEC to ensure that oil is used for industrial expansion in the advanced sector in order to assure supplies to the Third World of

vital imports and technology. The *London Times* welcomed the Saudi selection of BP and Shell, linking it to the policy of "making additional supplies of cheaper Saudi oil available throughout the world, the latest step in the Saudi campaign." A well-informed Texas oil analyst suggested that oil sold to Shell could then be remarketed to Third World countries through Shell's extensive networks. BP and Shell may also soon be handling additional Iranian oil as third parties in barter deals worth \$2 billion between Iran and Great Britain. Such deals will make both BP and Shell the largest shareholders in the Iranian consortium of companies, directly responsible to the two governments as dictated by the terms of their trade contracts.

### *Aramco Nationalization*

The Lebanese magazine *Events* dated Jan 14 reports that the Saudis' 100 per cent takeover of Aramco have been completed by Jan. 15. While no other press reported the finalization of the super-secret nationalization negotiations, the Jan. 17 *Wall Street Journal* reports that the highly unusual assignment of buyers to Aramco's four companies was done "as if" the nationalization had been completed. *Events* reports that the terms of nationalization desired by the Saudis are to continue to use the extensive downstream capacity of the four multinationals to expand their production. But, unlike the previous terms of partial nationalization, the Saudis will exercise a much more vocal posture in deciding the use of the oil.

A major stumbling block to the U.S. being included in the Saudis expanded sales program would be FEA rules to institute a price equalization program, balancing OPEC's two-tier prices of oil. This would make the mandatory policy of auditing the sales of cheaper Saudi crude impossible. France was recently considering the equalization plan, but latest reports indicate the French will hold off pending President Giscard d'Estaing's trip

to Riyadh, Jan. 23. The Saudis, who are funding a large French-contracted arms industry in Egypt, will no doubt convince Giscard to dispense with the plan.

*The New York Times* earlier in the week expressed the sentiment of the Aramco partners, stating that the Saudis are becoming too involved in the internal policies of the oil companies and the consuming countries.

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## Arabs Move Ahead to Create Arab-European Tanker Fleet

An economic war has been launched by the Rockefeller-controlled oil companies to stop efforts by the Arab oil producing countries to build their own independent tanker fleet.

Running the Rockefeller operation against the Arab countries is Peter Douglas, a European shipping coordinator at Chase, who is issuing warnings to everyone who will listen that any tanker venture with the Arabs may lead to the danger of Arab "flag discrimination" in favor of the Arab-controlled ships, and even the possibility of oil blackmail against European states by the Arab countries.

However, the Arab oil-producing states have in the last few months made clear their intention to break the Wall Street-Seven Sisters hegemony over the transportation of oil to Europe. In a meeting of the Arab Finance Ministers which took place in Kuwait last Nov. 25, the Secretary and managing director of the Arab Maritime Petroleum Transport Company (AMPTC), Abdel-Rahman Sultan, accused the major oil companies and the established tanker industry of trying to "stifle the Arab tanker fleet in its birth." According to Sultan the AMPTC, which was established in 1974 by nine Arab countries with a fleet of six tankers, has become a major target of sabotage by the oil companies. "The major oil companies," he said, "have done nothing whatever to help us or put any business in our direction. Even when they go into market for charters they never let us know. In fact, we are being discriminated against." As a result, said Sultan, four of his company's tankers were laid up in different ports and the AMPTC is running a deficit. At the same time Sultan urged that the Arab shareholding governments ship at least 10 per cent of their crude in the AMPTC tankers, something that the majors are desperately trying to avoid.

According to Abdel-Aziz al-Sagar, chairman of the Kuwait Oil Tanker Company (KOTC), legislation giving preference to Arab tankers for Arab oil is inevitable, and a "must" to bypass the majors' control over the transporting of oil supplies to the European countries. KOTC announced two months ago that six of its tankers have

been chartered to the British oil company BP and to the Gulf oil company. In return, the two companies are going to obtain a preferential price for crude oil. The Libyan government has announced its intention to join with European tanker companies to build its own fleet. According to Libyan sources, Libya is also negotiating with a Swedish shipyard for a possible takeover of two supertankers now under construction which will be laid up on delivery.

### *Investments In The Tanker Industry*

The Arab countries, with the cooperation of European governments are pushing in the direction of rebuilding the depressed tanker industry. The Kuwaiti Shipping Company (KSC), 77 per cent state-owned, and the Kuwaiti Oil Tanker Company, 49 per cent state-owned, have decided to form a new shipping company called Middle East Gas and Petrochemicals in cooperation with two European concerns. The new company will export Kuwaiti gas and oil to European countries starting sometime around mid-year 1977. The Kuwaiti Investment Company, the biggest financial house in that country, has decided to take up 50 per cent of the shareholdings in the Greek Marship Corporation, one of the biggest tanker operations in Europe. KIC guaranteed a \$14.4 million loan and provided financial assistance for Marship earlier in 1976, when other shipping financiers decided to allow the Marship corporation to go under. As a result of their collaboration, KIC and Marship Corporation have placed new orders for heavy tankers in Japan worth up to \$66 million.

Saudi financiers in cooperation with the Saudi government are moving to build their own tanker industry. According to the London based Middle East magazine, the "Saudi-Europe" line shipping company, backed by the Saudi government, has been able to grow vigorously in the last two years and had substantial orders for new ships in different European countries. The same source placed reports that the European shipping millionaire Boris Vlasov has teamed up with the influential Saudi Pharaon, and the U.S.-based Philadelphia



IU International has reportedly tried to find a Saudi buyer for its shipping arm, Gottas-Larsen.

The Vlasov-Pharaon tied-up has resulted in two tankers and two cargo ships operating under the banner of the Arabian Maritime Transport Company, whose chairman, Dr. Ghaith Pharaon, says that additional new oil tankers will be bought from Japanese and European shipping yards. At the same time Shaikh Fahd Muhammad Alireza, president of the Saudi Reza Investment Institution, has teamed up Manchester Liners of the United Kingdom in a joint shipping company, Marine Transport International, which has engaged 76 per cent of its transport operations in shipping oil to European capitals.

But the biggest boost to the Saudi shipping prospects has come with the deal between the Saudi Adnan Khashoggi's Triad Group and two Finnish lines and a Finnish shipyard to establish a joint dry-cargo-line and investigate ways of developing a Saudi shipping industry.

On the initiative of the Saudi government, four Persian Gulf countries have joined to form the United Arab Shipping Corporation, with a capital of \$600 million, which aims to have a fleet of 150 ships by 1985.

#### *New Tankers For New Pipelines and Terminals*

In a closely related development, the Arab oil producers have announced intentions to construct new

pipelines for the transportation of oil to new terminals, which will require investments to the tanker industry for the construction of modern tankers. According to a report published by the Terminal Operators, the independent shipping consulting arm of the British Eggar Forrester group, the recent actions of the Arab countries and the agreements they have reached among themselves make clear that the Arabs are moving in a direction that will lead to the scrapping of the fleets of the oil majors: they will demand that new tankers capable of carrying double the amount of tons be brought into the new terminals which will be ready to go into operation in the next two years. However, the same source notes, "the major oil companies with their vast investments in large tankers are preferring to rely on long sea movements over which, as regards both oil and ships, they can always retain control" and are doing everything in their power to prevent the adoption of new methods for the transportation of oil.

However, such opposition to the Arab plans will not last for long says the Terminal Operators report. Under the "New Arab Plans" the demand for the old tankers will be reduced and only the "Arab Capital" will be able, with the cooperation of the European and Japanese tanker industry, to provide quick transportation of oil to European capitals.

## Yamani: 'U.S. is Principally Interested in Raising the Price of Oil'

*The following excerpted interview with Sheikh Ahmed Zaki Yamani was given Dec. 14, 1977 when it was printed in the Lebanese magazine Events.*

**Q:** Which countries are interested in destroying this weapon (oil —ed.) or taking it over from us?

**Yamani:** The industrialised countries in general. More specifically, the United States. It is the country that is promoting the campaign against the Arab weapon.

**Q:** But there are those who say that Saudi Arabia is in collusion with the U.S. regarding oil prices, in opposition to countries such as Iran. Why be in league with the U.S. which is conspiring against our oil?

**Yamani:** This is nothing but street talk, all this talk about the U.S. wanting to decrease the price of oil, with Saudi Arabia in collusion. This is just laughable. The United States is principally interested now in raising the price of oil. This is for many reasons — the most important of which is that the U.S. gains economically every

time the price of oil is increased. It leads to more demand for dollars, which in turn improves the balance of payments. This is a simple and basic economic rule.

Furthermore, the U.S. established the International Energy Agency, and the principle of a rock bottom price for oil. This means that if the price of oil should fall below a certain level, the consumer countries will impose big enough taxes on it to guarantee continued investment in searching for an alternative energy source, whether nuclear, coal or solar power. They will always guarantee that they do not face any stiff competition from the cheaper source — oil. Through such methods, the consumer countries encourage research into non-oil sources of energy.

The real interest for the U.S. is in higher oil prices. I do not recall that Dr. Henry Kissinger ever raised the subject of oil prices with us, although he talks to us frequently. These are well known facts. Their whole interest is in raising the price of oil. This is a political decision in the first instance, then an economic one.

# U.S. Computer Firm Brings in Soviets to Spur Technological Innovation

The chairman of the Control Data Corporation, a major competitor of IBM Corporation, told a Washington, D.C. press conference this week that his firm had decided to sponsor series of public seminars this month and next with visiting Soviet specialists in advanced computer technology — primarily “because technological progress in the U.S. is now proceeding at an appallingly slow rate.” William Norris, under whose chairmanship Control Data Corporation has signed important trade agreements with the Soviet Union, emphasized that “technological innovation” is the answer to the major problems of the economy and environment, and that U.S. scientists and industrialists had a great deal to learn from the Soviet Union on this score.

The press conference, conducted jointly with the Soviet specialists who will participate in the seminars, was attended by a full complement of press, and industry representatives from DuPont, Honeywell, Mobil, Allis Chalmers, U.S. Steel, Gleason, Pullman, Phillip Morris, Foxborough Intrustments, Union Carbide, TRW Corporation, Cities Service, Midwest Research, Monsanto, 3M Corporation, the Federal government’s Livermore Laboratories and eleven others.

Under the title “Process Control Technologies in the Soviet Union,” three seminars will be held in late January and early February by three Soviet experts and staff members of the Control Data Corporation’s Institute for Advanced Technology, all chaired by corporation vice-president Robert Chinn.

Mr. Norris’s remarks motivated the high-technology East-West exchange which the seminar series is designed to promote. “Expanded U.S.-Soviet cooperation is urgently needed to facilitate more timely solutions to the great problems of today,” he told the gathering. “For example, unemployment. The well-spring of new jobs is technological innovation.” He rebuffed reporters’ questions which implied that technology eliminated jobs.

“The pace of creating new technology in the U.S. is slowing down,” Mr. Norris continued. “That is the crux of our problem...In addition to its link to unemployment, the level of technological innovation in the U.S. is not nearly adequate to solve soon enough the other urgent problems we face — energy, food, environment, materials, water shortages, and better health care...”

“It needs to be stated clearly that throughout these seminars we will be talking about multitudes of practical, commercial, non-strategic technologies of a nature that need not alarm anyone concerned with our national security. In fact, the economic strength to be gained from U.S. industrialization of this Soviet technology bolsters the most basis elements of national security:

increased employment, productivity, and a rising gross national product. A strong industrial base is the greatest asset of U.S. defense.”

Mr. Norris emphasized that Soviet strengths lay in their commitment to *basic research*, and that this focus in Soviet programs had led to such a large number of significant advances that the Soviets were extremely anxious “to find Western partners to develop commercial applications for their laboratory work.” He decried the de-emphasis of basic science in the United States, which he said was in part responsible for the incompetence with which most U.S. observers have evaluated Soviet technological capabilities.

“Total research and engineering effort in the Soviet Union is larger than that in the U.S. Interestingly, there is more emphasis in the Soviet Union on research in contrast to the U.S., where the most emphasis is on engineering to apply the results of research... The barriers to expanded cooperation, political and cultural, are not nearly as important as the tendency here in the U.S. to deprecate the quality of Soviet technology. This barrier has its roots to a considerable extent in the way in which Soviet research is organized and conducted. The Soviet approach emphasizes the creation of knowledge and experimental results. Also, most of the research and preliminary development effort is performed in the specialized research institutes which usually are geographically and organizationally isolated from the manufacturing enterprises. Hence, most Soviet research results are not highly visible, making it more difficult to identify commercial applications and in turn, to assign specific commercial values. As a result, U.S. industry for the most part is making superficial evaluations and misjudging the potential of Soviet technology.”

The potential of Soviet technology is large. Not only have the Comecon countries developed a powerful computer industry — the Soviets themselves increasing manufacturing output three-fold since 1971 — but, as a Control Data Corporation spokesman noted, “in fusion power, they’re quite a bit ahead of us.” William Norris reported the U.S. is at a growing strategic disadvantage with respect to Soviet technological development in several key areas; he left unsaid the obvious conclusion that continuation of Defense Department classifications and embargoes against high-technology exchange of ideas and expertise will constitute deliberate economic warfare against U.S. industry itself.

### *What the Soviets Have to Offer*

By contrast with the consumer-oriented (pocket-book size) widgets and wadgets used by IBM and Texas In-

struments, Inc., an aborted realization of U.S. computer technology, the Comecon sector's emphasis has been industrial growth, and innovations in computer technology for such fundamental industrial applications as *process control*. The Soviet sector has successfully effected improvements in computerized monitoring and re-ordering of the phasal parameters of large-scale industrial processes. This has included improvements in the transducer, the measuring device which translates aspects of a pesticides production process — alloy inputs, heat and pressure changes, for example — into electronic impulses which can be interpreted and acted upon by the computer to re-order the process.

Among the topics of the U.S. seminar series which Control Data Corporation is sponsoring will be Soviet development of new semi-conductor technologies which increase the speed for "real-time" applications of transducers. The Soviet specialist, Dr. Boleslav Volter, will explain the workings of East Germany's "Polymir 50" polyethylene plant, now in operation for two years and whose design, incorporating the most advanced high-level process control, was recently purchased by the West German firm, Salzgitter.

The plant's computerized monitoring system could only be built after Soviet and East German specialists had successfully developed a finely-tuned computer simulation of ethylene polymerization.

Dr. Boris Timofeev will discuss another successful Soviet process-control application, a hierarchical monitoring and re-ordering design developed for a steel-rolling mill complex which produces wide-flange I-beams. The design permits not only the normal control over the production process point-by-point, but monitoring and control on a second level for the efficiency of the first level automated devices.

The past five years' rapid development of the Comecon

computer industry has occurred according to a single, sector-wide plan for design and manufacture, called RIAD. The plan encompasses a wide range of models and types, from the smaller machines used in process control to the large and powerful RIAD 1060, initiated in June of last year and capable of 1.5 million operations per minute.

This diversity of Comecon computer output has been specifically designed for compatibility with Western "peripherals." The Soviet sector's development of a computer industry has had as its first objective a diversity of machinery for sophisticated industrial applications to Soviet and Eastern European manufacturing as it exists. The second and principal objective has been to facilitate high-technology East-West trade for *co-development* of the sectors' respective industrial economies through compatibility of their "frontier" industries.

Control Data Corporation leads U.S. industrialists in recognition of this policy, selling one of its Cyber model computers to the Soviet Union, licensing Poland to manufacture its magnetic disk units, and purchasing a RIAD 1040 model for its own study and use. (International Computers Ltd. of Great Britain has similarly licenses Poland to manufacture its model of printers, which are compatible with the Polish ODRA 1305.) With the support of the Soviet government, Control Data Corporation is now conducting its first round of joint seminars with Soviet specialists in the U.S. to force general recognition of East-West development potentials on American industry. And according to one of the corporation's spokesmen, the penetration of "Naderism" and "zero-growth" strains of "environmentalism" into the White House in Washington means that "it's high time the rest of the electronics industry came out of the closet."

## Zbigniew Brzezinski's "Trotskyist" Gang-Countergang Tactic

Jan. 15—The current antics of obscure "Trotskyist" international confederations have the clinical importance of reflecting shifts in general deployments and targeting assignments of the Atlantic intelligence community. A current, staged Punch-and-Judy show in the vicinity of London, between the two principal such confederations, is properly viewed as an added tip-off of the incoming Carter Administration's escalated provocations in Eastern Europe.

This is understood by the present British government of Prime Minister James Callaghan. New York City liberals' cocktail and marijuana cliques may profess as much righteous indignation as they choose. The fact is, Mr. Callaghan and his Blackpool and Confederation of British "Trotskyists" and the CounterSpy gangs are essentially nothing but agents for Mr. David Rockefeller's side of Atlantic intelligence factions. Mr. Callaghan, being no fool, has treated black operations specialist Philip Agee and his "Trotskyist" side-kicks for what they are: spies working for the other—that is, Mr. Brzezinski's—side.

There are two principal international confederations of "Trotskyists" today, the larger associated with the self-styled Unified Secretariat of the Fourth International, and the relevant countergang, the self-styled International Committee for the Fourth International. The first was established during 1961-1963 by negotiations conducted through Ernest Mandel, current titular head of the international confederations, and one Murry Weiss, then an official of the Socialist Workers Party (USA). The smaller, currently a paper organization outside the United Kingdom itself, is more generally known by its nickname, "the Healyites," after a former leader of the confederation, T. Gerard Healy.

The Atlantic intelligence community pedigrees of the Unified Secretariat are well known and massively documented. The intelligence affiliations of such leading figures as Ernest Mandel, Pierre Frank, Livio Maitan, et al. are documented to the end of World War II or even, in some instances, a significantly earlier time. In Western Europe, Mandel and Frank are situated as prominent second-rank NATO intelligence operatives in networks associated with the direction of Richard Lowenthal and Raymond Aron. During recent years, Mandel et al., working closely with the Brandt, Palme, etc. wing of the international social democracy, have been heavily involved in "Eurocommunism" capers, including Mandel's direct collaborations with Trotsky's assassin, Santiago Carrillo of the Spanish Communist Party. It is relevant that Mandel et al. are informed that Carrillo, acting as a British agent within the Communist In-

ternational, worked with Mexican U.S. agent Lombardo Toledano in directing Carrillo protégé Ramon Mercader to accomplish the 1940 assassination of former Bolshevik leader L.D. Trotsky.

Since the 1963 Kennedy reorganization of the Atlantic intelligence networks, Mandel et al. have managed the changeover quite agreeably, maintaining close collaboration with the U.S.-based neo-Fabian apparatus created by the Rockefellers and Kennedys around Marcus Raskin and the so-called Institute for Policy Studies and its more recently-established European "off-shore shell," the Transnational Institute.

Until approximately 1969, the "Healyites" operated in the mode of a sectarian reaction against the "neo-Bernsteinism" of Mandel et al. There were a variety of notable intelligence pedigrees among leading Healyites. Healy himself had been a personal protégé of the mini-Parvus, Michel Pablo-Raptis, until their open break during the early 1950s. Pro-Maoist currents within the Healyite leadership are to be properly regarded as symptomatic of intelligence affiliations of some of those officials. However, until a recent period, such pedigrees were only indirectly reflected in the overall policy profile of the Healyite organizations.

### *The Trotsky Assassination Issue*

During the past two years, the Healyites have shifted an increasing proportion of the efforts of their shrinking organizations to publicizing a review of the 1940 Trotsky assassination, depending largely on source materials obtained under the U.S. "Freedom of Information Act," or from other sources through similar Naderite modes of research. This activity has involved one George Vereecken, currently a principal figure of Michel Pablo's apparatus and a long-standing advocate for certain British intelligence circles.

The Healyites have contrived to gain attention to their efforts through an escalating public denunciation of two prominent figures of the Socialist Workers Party as "accomplices" of Soviet Intelligence (then, the GPU) in the Trotsky assassination. The principal feature of this attack against Joseph Hansen and George Novack has been an exposure of the fact that Hansen and Novack were variously in close collaboration with or responsible for concealing activities of persons working for Anglo-American intelligence networks inside the Communist International apparatus. To the ignorant dupe, who chooses to believe the "Communist" cover-stories of those operatives, the Healyites make the "GPU accomplices" case against Hansen and Novack appear quite plausible.

Healy himself believed none of that personally. Healy has had direct knowledge of Mandel's, Frank's, Hansen's and Novack's collaborations with elements of NATO intelligence since at least the early 1950s. Healy also knows that the principal Communist International architects of the Trotsky assassination, Santiago Carrillo and Lombardo Toledano, were acting as Anglo-American intelligence operatives in the affair. Healy also knows that the assassin, Ramon Mercader, was Carrillo's personal "hit man."

Healy's caper was turned from a fizzle into a modest success by the response of Hansen and Novack. Normally, Hansen et al. would have refused to contribute credibility to such an attack, and would have brushed it off with an occasional passing gesture of ridicule. In this case, the Unified Secretariat elected to make a celebrated case of Healyite efforts, keeping the issue very much alive in sectarian circles where it would otherwise have fizzled quickly after some momentary gabbling among the relevant silly geese.

At present, the central figure in this Healyite operation is Pablo operative Georges Vereecken. Vereecken, together with Isaac Deutscher and the antecedents of the obscure French Lutte Ouvriere sect, broke with Trotsky during 1938 over the formation of the "Fourth International." Vereecken was also distinguished during the late 1930s for his demand that Trotsky move into close collaboration with such British intelligence operations as the Independent Labour Party (ILP) and its Spanish associate, the POUM.

Otherwise, Vereecken is the sort of mechanical mentality, the arch-doctrinaire sectarian typical among resident intelligence agents working the edges of the international left. He is typical of those operatives who work under the cover of a developed authority as this or that sort of "orthodox textbook Marxist," the professed Marxist whose political documents closely resemble the brief of the defending party to a common divorce action.

The special feature of Vereecken is that his role as a pro-POUM critic of Trotsky's from 1938 onward has established his standing expertise on "GPU" agents within Trotskyist circles. Vereecken's late-1930s theses were to the effect that Trotsky's opposition to closer collaboration with British intelligence operations placed Trotsky at the mercy of the GPU agents massively infiltrating his circles.

The pathetic aspect of the arrangement is that since 1953, Healy et al. had been howling like an afflicted Job against the alleged "evils of Pabloism." More recently without so much as the proverbial "Excuse me, ma'am," the Healyite apparatus has been placed principally at the disposal of Pabloite operative George Vereecken. This current arrangement defines the Healyites' intelligence pedigrees as precisely as those of the Mandel networks.

More recently, the Healyites have retargeted their institutionalized operation around Trotsky assassination themes toward Eastern Europe. Again, the operation is

pure fraud. The Healyites know that Mercader's residence in Eastern Europe is the direct result of an intervention in Mercader's behalf by NATO operative Santiago Carrillo. They ought to know that, from the standpoint of the Soviet KGB, Ramon Mercader is one of a long list of known NATO agents currently being "kept in place," one of those who might disappear on any day in the course of the current sanitizing activities by Warsaw Pact political security agencies.

The fact of that matter is that Michel Pablo has, in effect, taken over direct control of the Healyite organization once more—after a 24 year intermission. It is also relevant, as the French PSU interface between Mandel and Pablo properly symptomizes, that the Healyite targeting of Eastern Europe is, under all the diversionary smoke-screen pretexts, a part of the same operation which currently includes all varieties of "Trotskyist" groups, including the Mandel gang, in a current, Trilateral Commission destabilization caper against Eastern Europe. In Europe, North America, and elsewhere, the aftermath of Mao Tse-Tung's death has found the relevant intelligence factions deploying their "Trotskyist" gangs and countergangs as a coordinating link in an effort to regroup "Trotskyist," Maoist, and sundry anarchist and anarchoid "leftist" ragtags into a new broad front, whose "program" and intended public activities will inclusively feature ranting efforts in behalf of various actual and potential destabilization operations in Eastern Europe.

Although the Mandel forces are currently making a great show of mobilizing a "united front" against the Healyites, Pablo's apparatus is running the Healyites and Pablo's and Mandel's networks are in close cooperation in the overall Eastern Europe project. What confronts the observer, therefore, is a modern classic in gang-and-countergang deployments. Two competing pilot projects in behalf of Mr. Brzezinski's Eastern Europe scenarios are in ostensibly violent competition with one another, although both squabbling siblings have the same mother and are served at the same table at the end of each day's playground festivities. This arrangement has three principal advantages to the common sponsors of both confederations: (1) the competing pilot projects represent a means for hedging investments; (2) the difference in style of the two approaches provides a broader basis for the overall project than either could secure by itself; (3) the teapot furor between the two project-groups generates a spectator-interest of the sort favorable to the efforts of mobilization.

It is of collateral relevance to consider the Dec. 24, 1976 issue of the Healyite's London daily tabloid, *The News Line*. Of a total of 16 pages, four are devoted to a largely boilerplate, four-page television and radio pullout, and two to a racing form. The remaining ten pages are not on a spectacularly higher intellectual or moral level of editorial quality.

**EXCLUSIVE**

## Dr. Jekyll and Mr. Hyde

Viewing the conflicting military policy pronouncements coming from Washington during the transition, the Carter Administration appears as the mad Dr. Jekyll in the Robert Louis Stevenson tale, who alternates between his own seemingly pleasant personality and that of a vicious criminal named Mr. Hyde.

Mr. Hyde is the Committee on the Present Danger (CPD), put together by the Trilateral Commission's top "limited nuclear war"-gamer James Schlesinger, now Carter's White House energy czar, together with Eugene Rostow, Paul Nitze, and Trilateral members Lane Kirkland of the AFL-CIO and former Defense Department wheel David Packard. The CPD openly demands "nuclear war preparations," raves about "Third World blackmail" and "an American Munich" in the face of "Soviet imperialism," announces its opposition to trade and technology transfer with the Comecon nations, and declares it is "preparing Carter not to back down" in the coming nuclear confrontation.

The Soviet press has vehemently attacked the Committee on the Present Danger and its co-thinkers in the White House and the "outside team" which contributed to this year's National Intelligence Estimate of Soviet military capability and intentions. The clear implication of the Soviet press statements is that if the CPD line becomes dominant in the United States, the USSR will view this as a "tripwire condition" for general thermonuclear war.

Less well understood is the Dr. Jekyll in the piece, the United Nations Association (UNA), whose voice is now the dominant theme in the Carter camp. The UNA is funded by John D. Rockefeller III, chaired by Carter's Trilateral Secretary of State Cyrus Vance, and features Carter Trilateral appointees Harold Brown (Defense) and Werner Blumenthal (Treasury), as well as the hapless Mr. Sorensen. UNA retails itself as a "private non-profit humanitarian organization" working through "multilateral institutions" for a "new world order" to "control the spread of nuclear weapons," "safeguard the environment," "halt population growth," "conserve scarce energy resources," "organize international disaster relief" and "stop terrorism."

The association of Vance and the UNA with published reports that the new Administration plans to conclude SALT agreements with the USSR next October (an agreement the Ford Administration was reported ready to sign shortly after Ford's reelection) has caused some persons, even including Soviet journalists, to lend credence to the notion that the UNA functions as a counterweight to the CPD in the formulation of U.S. foreign policy.

In fact, as their common Trilateral parentage suggests, the UNA and the CPD are complementary formations, not rival factional groups. The only difference between Stevenson's Dr. Jekyll-Mr. Hyde

character and the CPD-UNA is that the Carter Administration apparently believes it can undergo its psychotic personality changes at will.

### *The Phony Debate*

The UNA Jekylls and the CPD Hydes are fully cognizant of their symbiotic relationship. The UNA expects to use the CPD Soviet scare and war build up as a weapon to terrify the Soviets, Europe and the Third World into "converging" on the UNA's fascist soft line as "the lesser evil." For their part, the CPDers, although anticipating the failure of the UNA "new world order" schemes and anxious to move swiftly toward nuclear confrontation, are willing to use the UNA "carrot" to put the Soviets strategically off balance and thus pave the way for their nuclear big stick.

The Jan. 11 *New York Times* editorial opinion page "On U.S. Dealings with the Soviet Union" runs a piece by the UNA-affiliated American Committee on U.S.-Soviet Relations side by side with a war polemic from the CPD. This first shot in a staged debate was followed up that same evening with a CBS television broadcast during which Eric Severeid "predicted" a debate between pro-detente, pro-SALT forces and the Cold Warriors in Congress when Carter takes office.

### *Arms Control — A Case Study*

The Jekyll and Hyde complementarity is most obvious in the field of military "arms control." While the CPD was going public with its call for a 'national emergency' arms buildup on Nov. 12, 1976, CPD members Rita Hauser, Generals Mathew Ridgeway and Maxwell Taylor, John Connor and others were helping to publicize the UNA study "Controlling the Conventional Arms Race," headed up by Cyrus Vance, funded by the Rockefeller foundation, and released two days after the CPD's statement. In an interview with NSIPS after the release of both reports, General Ridgeway stated: "I see no particular difference between the two groups. Isn't Cyrus Vance on the executive committee of the CPD?" (He isn't). Ridgeway's confusion was understandable since he, along with General Taylor, attorney Hauser, and banker Connor are members of *both* the UNA and the CPD.

The UNA proposals for military arms control will be used to block transfers of nuclear and other high-technology products and resources between the West and the Comecon, while national research and development efforts are drastically reduced — the formula for rapid deindustrialization of the U.S. The UNA's more subtle effort at establishing a "dialogue of negotiation" between the U.S. and the Soviet Union, is to be played out in a web of military agreements aimed at offsetting Soviet strategic and tactical military advantages.

The limitation of arms sales and weapons develop-

ment, which nominally passes for disarmament, forms the centerpiece of the UNA proposals. They are expressed in two military studies, the Vance study and a study chaired by Werner Blumenthal on nuclear non-proliferation. The U.S. commitment to continued research and development, presently centralized in the Department of Defense and defense-related industry, is denounced by the Vance panel as the "central driving force" behind the arms race. According to this study, whole sections of the U.S. research and development establishment must be eliminated for the sake of "tension reduction" in various hotspots around the world. The bankers and lawyers of U.S. defense industries who set up the Lockheed bribery scandals and who are represented on the UNA panel, are now asking that those industries and their crucial research and industrial capabilities be shut down to avert further "embarrassing episodes." (The whole package is sold in the context of a grand scheme for productive civilian conversion of defense industries, proposals which will remain a monetarist smokescreen without putting the dollar monetary system through bankruptcy proceedings.)

According to both the Vance and Blumenthal studies, attempts should be made to stifle trade in high technology reactors and weapons systems to Third World countries. The UNA would place strict controls on the transfer of nuclear reactors, for instance, of the type the Soviet Union recently agreed to build in Libya. UNA adherents are currently obstructing delivery of a West German atomic reactor to Brazil. Besides denying that nation desperately needed power facilities, this obstruction has strengthened factions within Brazil committed to seeing the country enter a South Atlantic Treaty Organization, an extension of NATO stretching from South Africa to the Wall Street-dominated regimes of Latin America. The Warsaw Pact leadership has repeatedly made clear that any such plan will be viewed by the alliance as a direct strategic threat.

The UNA proposals on military negotiations are being offered to the Soviet Union as the *only* alternative U.S. package of military policies aside from the ravings of the CPD. Therein lies the hoped-for level for the acceptance of these policies. UNA policies are made to look "rational" only from the perspective of someone fixated on the CPD's psychosis. Within this context, the UNA has proposed a host of smaller tactical treaties, whose main thrust does not involve the consummation of any single treaty or group of agreements, but the creation of an "atmosphere of negotiation" aimed at reducing Soviet forward defense capabilities preparatory to war.

For instance, Vance's study includes a proposal for a dialogue which would seek to limit "qualitative and quantitative" aspects of naval deployments in the Indian Ocean, an area in which the Soviets have a marginal advantage. Additionally, there are proposals made to create a dialogue which would limit the deployment of all new weapons and weapons technologies; and one which would supposedly bring a break in the currently stalled Mutual and Balanced Force Reduction talks on Central Europe — an area where the Soviets have a decisive advantage — by having the U.S. unilaterally withdraw a miniscule portion of its tactical nuclear forces. Still another proposal would have the U.S. gradually pull its

forces out of South Korea, a proposal which is complemented by a different UNA study advocating the rearming of Japan. While each proposed negotiation has so far been completely unacceptable to the Soviet Union, and each is clearly aimed at reducing Soviet military capabilities vis-a-vis both current relative strengths and Soviet war-fighting strategy, the essence of the negotiation initiatives is to back the Soviets into a position where they would seriously consider such types of "cosmetic" military agreement as the preferable alternative to CPD consolidation of power in the Carter Administration.

This UNA function was made clear by Harlan Cleveland, a member of the UNA's Arms Control Panel, who told a reporter: "Whether or not the Soviets are moving in the direction of a war-winning capability is not the issue. Our job is to convince them that they must not move in that direction because it isn't safe for them to do so. The stability of the nuclear balance is at stake." The opposite is actually true — the participation of the Soviets in such agreements without addressing the fundamental underlying economic and industrial issues, would seriously weaken that stability and give false credence to a Pandora's box of UNA Trilateral programs which make nuclear war inevitable.

For example, the UNA is the architect of the fraudulent Carter Administration's call for the establishment of an international food reserve designed to institutionalize and legitimize the genocidal practice of food control against countries derelict in their debt payments.

Similarly, the UNA push to expand and create international "disaster relief" agencies is part of Trilateral preparations for the direct NATO "low intensity operations" militarization of the Third World.

At the same time the UNA is manipulating the United Nations Environment Program, the United Nations Development Programme, the UN's Advisory Committee on the Application of Science and Technology, and similar international bodies to enforce both depopulation and technology control in the Third World, eliminating "useless eaters" while desperately trying to limit technologies to (in the UNA's own words) "wind generators and solar power."

As the current unrest in Egypt demonstrates, however, Wall Street's policies of genocidal looting against its Third World debtors can no longer be carried out, even by fervently pro-U.S. regimes such as that of Egyptian President Anwar el-Sadat. The harsh austerity measures demanded by Wall Street can be enforced only by NATO-controlled military police states on the Chilean model, police states which Wall Street intends to install throughout the Third World.

Given that the escalating atmosphere of tension as both the U.S. and USSR perceive a strategic showdown approaching is bound to create a political climate in the U.S. in which "Mr. Hyde" is propelled to command, the only question those "UNA backers" inside or outside the Administration should be asking themselves is whether they will survive to witness their own inevitable submission or whether a Soviet thermonuclear first strike will eliminate psychological warfare games, along with 160 million U.S. citizens, in the first hour of general war.

## British Government Unions Base Recovery on Technological Growth

Governor of the Bank of England Gordon Richardson seriously jolted his pro-austerity colleagues in the City of London early this week by underlining the "flexibility" of Britain's relationship with its International Monetary Fund creditors. Richardson hinted that the onerous terms of Britain's IMF loan might have to be "renegotiated" if they continued to strangle industrial investment.

Richardson's uncharacteristic remarks — deemed "regrettable" by the Jan. 19 *London Times* — can be directly attributed to Prime Minister Callaghan's move last week to centralize under his personal control all aspects of economic and monetary decision-making relating to his policy for industrial expansion, including those formerly under the aegis of the Treasury and the Bank of England.

Callaghan's strategy to regenerate the British economy, primarily through export-led growth, is beginning to bear fruit in terms which have caught economic "forecasters" off guard. Britain's December trade figures — the first announced since Callaghan took command of the economy — showed the first balance of payments surplus since last March. For only the third time in four years, Britain's trade with the rest of the world was "in the black," largely generated by a record in exports of £2.36 billion. The actual jump in exports (4 and one-half per cent) and the drop in imports (7 and one-half per cent) far exceeded the targets set by the Confederation of British Industry which had called for a 1 per cent growth in exports and a 5 per cent drop in imports as the minimum necessary to set Britain on the road to recovery.

Callaghan is taking charge of a meeting with British shipbuilders to boost vital export contracts, like the ones he personally negotiated with Poland and Kuwait last year. Industry Minister Varley — originally supposed to chair the meeting — was relegated to observer status at the meeting. Varley and Chancellor of the Exchequer Denis Healey are due for demotion at the earliest opportunity as a result of their backing for the IMF's austerity conditions. Boxed in by the Callaghan faction, Healey reminded the Birmingham Chamber of Commerce that working people in Britain would tolerate no more sacrifice without assurance that "this period of hardship will be followed in the near future by a rise in living standards and a fall in unemployment." It is rumored that Healey will announce a "soft" budget this spring as his final action as Chancellor.

British trade unions are giving their active support to

Callaghan's long-term growth strategy by pinpointing energy as a critical area for immediate expansion via capital-intensive programs. Following a meeting of the Trade Union Congress' fuel and power committee this week, the chairman Frank Chapple stressed that "trade unionists do not consider that in such a vital sector as energy the forces of the market place will lead to the best decisions on investment, research and development." Energy policy has taken a "passive form" exploiting the most immediately economical fuel and neglecting the development of "other sources," Chapple added. Trade unionists, he said, regard as "totally unacceptable some of the more exaggerated hypotheses about the horrors of a plutonium economy," he asserted.

The British government's commitment to realize a high-technology economy was spurred by rail union head Ray Buckton this week who called for the electrification of the rail system as the only way to provide cheap, efficient haulage and the immediate development of the energy sources needed to complete such a program. According to the *London Times*, Buckton said that although the government was presently limiting investment in this field, there would be "a change in thinking in the not-to-distant future, because of pressure generated by the OPEC countries."

The British press is also carrying out an extensive campaign urging the Government not only to preserve Britain's current nuclear capabilities by basing the industry on exports of technology primarily to the Middle East, but to press ahead with Western Europe's thermonuclear fusion program as the only way to meet long-term energy needs.

Meanwhile, Callaghan's Energy Secretary Anthony Wedgewood Benn is on a tour of European capitals in his capacity as the new chairman of the EEC Council of Energy Ministers, promoting a coherent overall European strategy, which would take into consideration the individual resources of the countries involved.

*Journal of Commerce* reported Jan. 19 that British banks are watching "with interest" the development of the transferable ruble for expanded East-West trade, gives critical backing to Callaghan's emerging strategy for technological growth. The groundwork is already being laid in Britain for a new financial system with a top-level investigative team chaired by former Prime Minister Harold Wilson now looking into the irregularities of the City of London's speculative currency markets.



# Giscard in Retreat, Barre Steps Forward to Lead France

A combined offensive by Gaullists and Arab forces over the past ten days, culminating in the successful effort to bring about the release of the illegally arrested Palestinian leader Abu Daoud, has brought about a French national consensus rallying to the foreign policy conceptions of the Gaullists. French Prime Minister Raymond Barre (also Minister of Economy and Finance) has been pushed forward to act as its spokesman and President Giscard d'Estaing has been forced to posture as a defender of De Gaulle's foreign policy.

Giscard's own party, the Independent Republicans (RI), has successfully bucked attempts by Interior Minister Poniatoski to consolidate dictatorial control over its leadership, and on Jan. 13 issued a communique which called on European countries to reach "a common attitude with respect to the United States" on the issues of disarmament, raw materials and European construction. The communique warned of the "growing capacities of annihilation" represented by the arms race and called for a successful conclusion of the North-South talks between developed and underdeveloped sectors. Most significantly, the imposition of a Trilateral Commission dictatorship over Europe under the aegis of the Carter administration was decisively rejected by the State Secretary for Foreign Affairs, Pierre-Christian Taittinger, in a speech prepared by the Center for Analysis and Forecasting (created by former minister Michel Jobert) which he delivered Jan. 7.

These general themes were reported by Yves Guena, the General Secretary of the Gaullist Party (TPT) in *Le Quotidien de Paris* Jan. 18, where he stressed that "detente on our continent necessitates a powerful Western Europe, but excludes a Europe aligned on the positions of the United States." Communications between East and West Europe "remains a goal within human sight," he said.

With this tremendous pressure being brought to bear on him, it is not surprising that at his press conference on Jan. 17 Giscard "chose" to assert De Gaulle's "independent policy" for France and blast U.S. intervention into domestic political affairs.

Premier Barre has now stepped forward to act as the government spokesman for Gaullist political leaders, industrialists and assorted politicians from other parties. In an interview granted early this week to the economic journal *La Vie Française*, Barre emphasized the Gaullist theme that gold remains "a living international monetary asset" to be counterposed to the role of the IMF's fictitious Special Drawing Rights. Selective interventions will be made into the economy "to encourage the development of sectors which must participate in the re-establishment of our (trade) balances." Barre added, indicating that such interventions would not be financed through domestic looting measures like a national loan. Oil specialist circles have indicated that Saudi Arabia is considering a \$5 billion loan to France, the only plausible source of financing these "interventions" and others planned.

The Congress of the French Employers' Association

(CNPF) this week backed up the Gaullists' thrust. Finance Commission head Michel Caplain called for ten-year, low-interest, state-backed credit to be issued to industry for productive investment—specifically not to refinance industry's debt. Last weekend's issue of *Le Monde* reported that the French stock market rallies whenever Barre's economic policies are given a prominent position in the French press.

## 'Report on the Broad Orientations of France's Foreign Policy'

*Below are excerpts of a speech given by State Secretary for Foreign Affairs Pierre-Christian Taittinger on Jan. 7, on the basis of a report prepared for him by the Gaullist Center for Analysis and Forecasting. The excerpts are taken from the section on "Particular relations with the Great Powers":*

\*\*\*United States: An equilibrium had been reached with the Ford Administration... which had accepted our specific role....The problem is now posed in different terms with the Carter Administration....There are risks of disequilibrium in four areas:

—Non-proliferation: We mean to maintain our capacity to determine our policy in an autonomous way.... Nuclear energy does represent a credible and competitive energy alternative....

—Search for a concerted limitation of conventional armament transfers, notably in the Middle East;

—Will for a Western approach harmonized on the economic level vis-a-vis the Soviet Union and the European socialist countries;

—An exclusively "trilateral" conception of relations between allies and industrialized partners would threaten to lead in fact to a re-launching of the "globalization" dispute....

\*\*\*Soviet Union: The instability of Western tactics (towards the East bloc) contrasts with the perseverance of Soviet designs....French diplomacy (is) to maintain its own conceptions....French relations with Moscow must not be a function of the ups and downs of American-Soviet relations....Moscow is expected to understand the particular role of France in the European balance and her role in the world....

\*\*\*Middle East: Although we are not directly associated with the work of the Geneva conference, we are not deprived of means of influence in favor of a global settlement in the Middle East....

## Giscard: 'French Foreign Policy Not Made in Newsrooms'

*The following is excerpted from French President Giscard d'Estaing's Jan. 17 press conference:*

"There are some countries that do not accept the independent policy of France as it is being conducted. Well, I would like to say to you just as General de Gaulle used

to say, I think, in this very room, that French policy is not made at the stock exchange. Well, I myself tell you that France's foreign policy is not made in the newsrooms of a few international news media, nor will it ever be. French foreign policy is the business of the President of

the Republic, the government and the French Parliament. Neither France, her people nor her laws have any lessons to learn from anyone and I suggest that those who desire to be her friends refrain from trying to teach us their lessons.

## The French Side of the Abu Daoud Affair

One could say with a bit of irony that there has been as great an outcry in France against Interior Minister Poniatowski for ordering the arrest of Palestinian leader Abu Daoud, as invective against France for releasing him in the U.S. press.

The Interior Minister has been charged with acting in such a way as to "sabotage France's foreign policy" by carrying out Interpol-Israeli Secret Service orders to arrest the Palestinian leader while he was visiting Paris as a member of an official Palestinian Liberation Organization (PLO) delegation. Such accusations, brought by the French daily *Le Monde* and a slew of political figures, would have been enough to force the resignation of any Minister were it not for the close friendship Poniatowski maintains with President Giscard D'Estaing. Giscard, after all, owes to his minister his rise to power.

The result of Poniatowski's recent behavior, however has led to Giscard's near total political isolation and the defeat of the Atlanticist policies he has always stood for. The communique issued by Giscard's Independent Republican National Federation on Jan. 13, stressed the necessity for a European alliance based on advanced technological cooperation and peace and disarmament treaties with the Soviets. Poniatowski's step-by-step effort to take over since 1968 the predominantly Pompidolian RI party have been cancelled out within the span of a few weeks.

Giscard's Jan. 17 press conference included a warning to the United States to stop its campaign of "insults," and showed him to be breaking ranks with Poniatowski to seek a truce with his Gaullist opposition. What Poniatowski had failed to understand is that by upsetting the delicate balance between the Gaullist networks in the intelligence and military community and the U.S. interests which stand behind Giscard he was creating a strong boomerang effect.

It was Poniatowski's clumsy mishandling of three key "affairs" which combined to produce his unenviable position:

—The Daoud Affair: Poniatowski tried to protect himself by pretending that the DST (French FBI) carried out the arrest without his prior knowledge. For this he was exposed as a liar by former DST director Wybot, who pointed out that such a break in the chain of command was impossible—Poniatowski had had to have

given the order for the arrest. Wybot, who was ousted from his former position by then President General de Gaulle, could hardly be suspected of partisan judgement against the Atlanticist minister.

—The De Broglie Affair: Contributing to this environment of hostility to Poniatowski was his investigation into the Christmas eve murder of Jean de Broglie, a primary spokesman and negotiator for Euro-Arab dialogue. The speed with which Poniatowski concluded the investigation and dispatched himself in front of the media to announce that De Broglie had been murdered for a mere 4 million francs debt to an associate, raised severe doubts as to Poniatowski's commitment to investigate the murder. As the evidence for a "crime of interest" collapsed, the appraisal of the murder as some political affair in the press — including *Le Figaro*, known for its sympathies to Poniatowski — produced a swelling scandal.

—The Saleh Affair: While the De Broglie scandal was in process, the unexplained murder of Palestinian leader Saleh in Paris, one among many such murders of Arabs and their allies in the past months, prompted Gaullist organizers to go on the offensive. Vincent Monteil, Gaullist professor of Arabic studies, and formerly of the Gaullist left intelligence networks during the Algerian war, gave a press conference to demand that Poniatowski investigate the activities of the Israeli Secret Services on French soil. Monteil blamed the Israelis for several murders on which, he stated, he had given a full dossier of evidence to the Interior Ministry. Monteil added that should the Ministry fail to clean out the Mossad-Interpol dirty tricks and assassination networks in France, he would open a public debate on the question.

Since then the efforts at mopping up the network which constitutes the backbone of anti-Gaullist subversive activities in France have grown to include outside allies like the Algerian paper *El Moudjahid*, the East German paper *Neues Deutschland*, and the Danish paper *Politiken*, all of which analyzed different aspects of this network. Meanwhile a mysterious harassment campaign against individuals and defendants in the De Broglie affair (theft, armed attacks, break-ins and car sabotage), notably the near fatal car of a journalist, Hubert Lacier, who has been investigating these matters, has certainly not helped quiet the climate of suspicion surrounding the Interior Ministry.

# Schmidt Speech Sparks Heated Debate in West German Parliament

Three days of heated debate have just ended in the West German Parliament following the Jan. 19 speech of Chancellor Helmut Schmidt on détente and global economic growth. For the first time, spokesmen from Schmidt's camp publicly confronted pro-American, cold warriors in the Christian Democratic Union, who denounced the Chancellor's readiness to collaborate with European forces in reaching firm accords with the Soviet Union and Third World in place of firm support for the Carter Administration in Washington.

On Jan. 21, Chancellor Schmidt defended his government policy by addressing the problem of world inflation, affirming that long-term capital investments can effect economic growth. "I agree with Carter, (Japanese Prime Minister) Fukuda and (French President) Giscard," he stated, "that we must coordinate our economies. However, we can not solve the problems of weak nations through central bank funds, but only by using the capital markets." The present world economic crisis, he emphasized, unlike the depression of the 1930s, cannot be resolved by Keynesian methods precisely because inflationary pressures are now continuously in operation.

"We are under strong pressure," he admitted, "from Carter..." to reflate. Nevertheless, we will "assume our European responsibility, not only for economic reasons, but also for internal and foreign policy considerations."

The Chancellor noted that his preference for long-term investments had been echoed by Gerhard Stoltenberg, a prominent spokesman for the industrial wing of the Christian Democratic opposition. At the same time Schmidt launched repeated attacks on CDU General Secretary Kurt Biedenkopf for attempting to put responsibility for domestic crisis symptoms on the shoulders of the trade unions and government bureaucracy. Schmidt targeted Biedenkopf, a long-term associate of the Georgetown University think-tank, by asserting: "Without (our government officials,) without our trade unions, we would not have freedom."

### *Split Christian Democrats*

It is now openly recognized that the Christian Democrats (CDU) are fractured into two camps. In Oct. 1976, the tensions between Europeanist and pro-American forces reached such a crisis in the opposition

that a short-lived formal split was declared between the CDU and its Bavarian sister party, the Christian Social Union, chaired by West Germany's neo-fascist leader, Franz Josef Strauss. Although this break was patched up soon after by Strauss and CDU chairman Kohl, none of the fundamental disagreements coursing throughout the party have been resolved.

Most recently, Strauss has announced that he intends to leave the Lower House of the Federal Parliament this summer to become Minister President of Bavaria. Bavaria's CDU General Secretary announced Jan. 20 that he is resigning and speculations are rife in the nation's press about who will replace him.

Moreover, one widely read economics weekly reported in December that the industry-based forces in both the CDU and CSU were quickly consolidating by strengthening the CDU's renowned "Economics Committee." This report declared that the "Economics Committee" of the CDU now boasts 80 members in the Federal CDU Parliamentary fraction, and are striving to get control over key party fraction committees.

On Jan. 20, Gerhard Stoltenberg addressed the Parliamentary debate session, defending at length his decision to continue construction of a fission power plant in the state of Schleswig-Holstein, where he is Prime Minister. A series of violent demonstrations by Maoist-dominated environmentalist groups called into question the completion of this plant, located in the town of Brokdorf. "I would like to warn all those who have attacked the Schleswig-Holstein provincial government out of short-sighted tactical considerations that we have done nothing more than to implement the government declaration of Chancellor Schmidt" of Dec. 16, he stated.

At that time, Schmidt gave a high priority to the rapid development of nuclear energy resources, although following the violent incidents at Brokdorf the Social Democrats have postponed rapid implementation of their nuclear energy program until satisfactory solutions have been worked out on the disposal of nuclear waste materials.

Stoltenberg ironically noted that he had been attacked by Hans Koschnick, Social Democratic mayor of Bremen for defying the environmentalists, although the city of Bremen receives 50 per cent of its energy needs from a government financed nuclear power installation.

# Israeli Hawks Demand 'Spirit of Entebbe'

Although Interpol's attempt to frame-up Palestinian leader Abu Daoud for the 1972 Munich massacre has backfired throughout Europe Israeli hawks are deliberately reviving an "Entebbe spirit" in Israel around the Daoud affair, in an effort to box in moderate Prime Minister Yitzhak Rabin and prevent both a Middle East peace settlement and the growth of European-Arab relations. This week, the Interpol-connected Israeli intelligence agency, Mossad, issued "warnings" to several Western European countries that "Arab terrorists," supposedly operating from bases in Iraq, are preparing to launch "reprisals for Entebbe." At the same time Israeli intelligence sources "leaked" reports of Israeli terrorist operations against the French and the Arabs.

The threats of terrorism are part of an overall political offensive by Israel's warhawk layers, who are openly seeking the outbreak of another Mideast conflict. In response to the meeting last weekend between King Hussein of Jordan and Egypt's President Anwar Sadat — a meeting that established the basis for a reconciliation between Jordan and the Palestine Liberation Organization in regard to a West Bank state — Radio Jerusalem announced that the Sadat-Hussein rapprochement was "more ominous than anything before" and warned that "the next war will be fought on three fronts" — Syria, Egypt, and Jordan. Chief of Staff Mordechai Gur has likewise warned that another war "could explode at any time," and has called for Israel to increase its state of war readiness to the maximum. Rabin himself has been pressured by these developments into adopting a more intransigent posture.

## British Press Warns Of Reprisals and Terror

*London Times*, Jan. 16:

Britain, France and West Germany have been warned by Israeli intelligence that Arab terrorists are planning a spectacular reprisal for the Entebbe affair...

The tip-off suggests that the terrorist attack will happen before the meeting of the Palestine National Council, provisionally set for February 15, which will discuss Middle East peace proposals.

The attack would be on "European and Israeli" targets, possibly simultaneous operations that include hijacking...

Israeli agents say that, for the new coup, two leading terrorists have linked forces. One is 40-year-old Wadia Haddad, who was responsible for the hijack that led to Entebbe, and who runs paramilitary camps in Iraq and the South Yemen. The other is Abu Nidhal... who has set up an extremist rival movement in Iraq.

*London Times*, Jan. 16:

The French action (to release Abu Daoud) may lead to Arab terrorists being assassinated by "private enterprise" groups devoted to Israel's cause, according to Israel's leading military commentator, Zev Schiff of the newspaper Haaretz. And he says the French should not be surprised that most of the assassinations connected with Arab terrorism have so far been on French soil.

Schiff's... report is an intended warning to the Arabs and to France.

*London Times*, Jan. 14:

Mr. Gideon Rafael, the Israeli Ambassador in London, has hinted that an Entebbe-type raid might be launched to capture Mr. Abu Daoud, the Palestinian terrorist, who was released by the French authorities and flown to Algeria.

The ambassador said that the release... was a double invitation to lawlessness. It encouraged terrorism, and put heavy pressure on Israel to seek his capture.

*New York Times*, Jan. 17 (Reuters):

Prime Minister Yitzhak Rabin promised today that Israel would make every effort to bring Abu Daoud, the Palestinian guerrilla leader, to trial.

According to an official statement, Mr. Rabin told the Cabinet at its weekly meeting today that the release of Abu Daoud by the French last week "only served the cause of international terrorism.

"Israel has carried a heavy share of responsibility in fighting terrorism and will continue to do everything possible to bring to justice Abu Daoud and other murderers."

EXCLUSIVE

# Carter's Zionist Lobby: A Dossier

The Zionist movement was originally conceived by the Rothschild financier group at the turn of the century as an intelligence network and penetration operation for use against competing European national interests in eastern Europe and the crumbling Ottoman Empire. Before the First World War, Zionism as such was a fringe movement among Jews internationally, only achieving a mass base among those Eastern European Jews victimized by pogroms themselves touched off by Rothschild-organized anarchist terrorism in Russia and Poland. It was only in 1917, with the advent of the new Lloyd George government in Britain and its Rothschild policy-planning group run by Mark Sykes, Fabian Round Table editor Leo Amery, and Philip Kerr (Lord Lothian), that Zionism in its familiar Palestine-based manifestations became a public tool of the reigning financier faction.

Zionism as a phenomenon within the American Jewish community was also "brought in from the top," by Rothschild-connected Fabian patrician Louis D. Brandeis and a close circle of intellectuals around him, in order to win short-term American finance backing for the British war effort and for British policy in Palestine. Brandeis was fanatically anti-industrial growth, anti-socialist and a staunch convert to "cultural pluralism," the predecessor idea to today's *Volksgemeinschaft* community control policies espoused by the Carter circle. Brandeis was largely responsible for creating the American Jewish Congress as an instrument to subvert progress and promote corporatism in the United States. In combination with Carter-prototype Woodrow Wilson and other anti-growth patricians, Brandeis was an early architect of the Democratic Party-Zionist lobby which has operated powerfully within every Democratic Party administration of this century.

Today, the Carter Administration has proudly and loudly broadcast that it intends to use its own Zionist networks as a weapon to provoke confrontation in the Middle East; for trade and economic warfare policies against the Arab states, Western Europe, and Comecon bloc; for Watergating and terrorizing pro-trade industrial interests in the U.S.; for de-industrialization, energy restrictions, and Schachtian austerity schemes; and for the consolidation of the Hitler-like concept of *Volksgemeinschaft* ("one community") expressed as a theme at the Democratic Party convention this summer by black racist Barbara Jordan and others. The Carter Administration is attempting to sabotage honest efforts by Israeli forces within the Mapai, Mapam and other Israeli parties to formulate a peace policy toward neighboring Arab states by setting up Israel as a mercenary hit squad force against Arab nationalist and socialist forces and the oil-producing countries.

## *The Myth Of The 'Jewish Lobby'*

The Carter Zionist network does not operate according to the dynamics of those paranoid fantasies that have constructed a diffuse "Jewish lobby" operating mysteriously behind the back of an unsuspecting society. (As a matter of fact, this theme is nurtured by the Anti-Defamation League, in line with the Rothschilds' original purpose for this group: to *conceal* the actual activities of monetarist financiers behind a smokescreen of "anti-anti-semitism.") The Democratic Party's Zionist lobby is also *not* various Jewish and pro-Zionist groups that support Israel. Nor is it *primarily*, or *exclusively*, the Jewish groups that mobilize behind the Carter Administration-Trilateral Commission policies, such as the American Jewish Congress, the American Jewish Committee, the American-Israeli Public Affairs Committee, and the Anti-Defamation League. Rather, these groups act as agents on the leadership levels, in conspiratorial coalition with a network of controllers of the Israeli warhawk clique and right-wing Zionist intelligence agents *within* the Democratic Party of International Terrorism, the ruling group of Wall Street law firms and investment houses, the right-wing Social Democrat-trade union pro-war alliance, and Capitol Hill representatives of the Rockefeller family. In a sense, this network could be labelled the Zionist lobby within the ruling class itself!

On a *policy* level, the controllers of the Israeli warhawks are a coalition composed of top Carter team hawks National Security Advisor Zbigniew Brzezinski and energy czar James R. Schlesinger; leading right-wing social democrats and trade unionists within the pro-nuclear war Committee on the Present Danger; partners of Wall Street law firms such as Stroock, Stroock, and Lavan, and Paul, Weiss, Rifkind, Wharton, and Garrison; partners of investment houses, Kuhn, Loeb; Warburg, Pincus; Goldman, Sachs; and Rockefeller family owned Senators like Javits (R-NY), Humphery (D-Minn), Jackson (D-Wash), Ribicoff (D-Conn), Case (R-NJ) and Moynihan (D-NY). These operatives either directly push Middle East confrontation scenarios within policy-making groups, like Brzezinski's special 1975 Brookings Institution study panel, or use public pro-war fronts like the Committee on the Present Danger (CPD) and the earlier Coalition for a Democratic Majority to feed the factional position of Israeli Defense Minister Shimon Peres and his allies. Their activities include publishing pro-Israeli warhawk, anti-Arab, anti-Soviet propaganda in journals like the monthly *Commentary* or the Social Democrats USA's *New America* and coordinating Israeli-Zionist assassination and intelligence networks under the cover of philanthropic and welfare groups, the last being the long-standing turf of the Warburgs, Shciffs, Lehmans and German Jewish in-

vestment houses tied as *financiers* to the Rockefeller and-or Rothschild factions.

#### *The Carter Team And Zionism*

The Carter inauguration itself has triggered the activation of Rockefeller family Zionist networks in the U.S. The American Jewish Congress has opened a "human rights" campaign for Soviet Jews. The anti-Defamation League is declaring open warfare against industrialists and energy groups in the U.S. who are eager to trade with Arab states. The American-Israel Public Affairs committee is eagerly stepping up its program for replacing Israeli Premier Yitzhak Rabin with a Brzezinski-stype "government of technocrats" supervised by fascist generals Yadin and Sharon. CPD warhawk Uri Ra'anana expressed the hope that with Carter as president the chances of a Middle East "Cuban missile crisis" showdown with the Soviets have dramatically increased.

Carter himself has fed this with provocative avowals that "Israel is the fulfillment of a biblical prophecy" and with threats of economic and food warfare against the Arab states. Cabinet appointees Juanita Kreps, Secretary of Commerce, and Michael Blumenthal, Secretary of the Treasury, have called for an increase in the "anti-Arab boycott" campaign in Congress, in defiance of Saudi warnings that this could cause a crisis in relations between the U.S. and the Saudis, the main outside supplier of oil to this country.

The main controllers are **Brzezinski** and **Schlesinger**. Brzezinski is at the command and control center of Eastbloc Jewish "dissident groups" who are central to the destabilization of the Soviet Union. Recently Brzezinski met with former Israeli terrorist head and current Likud Party leader Menachem Begin, both in the U.S. and in Israel, and transmitted an intransigent, anti-Arab position towards future Mideast negotiations from the Carter camp. National Security Council conduits Evans and Novak wrote Jan. 15 that Brzezinski had capitulated to the "desires of Israel" renouncing his previous balanced views toward the Palestinians expressed in the Brookings Institution Mideast Study.

In the study Brzezinski hired pro-Israel Wall Street lawyer Rita Hauser, a public proponent of an Israeli invasion of southern Lebanon throughout the past year. For the past decade Brzezinski was the darling of the Social Democrats USA—Foreign Intelligence Advisory Board-Freedom House axis. He has recently served as Executive Director of the Trilateral Commission, a Director of the Council of Foreign Relations, and Director of the Council on Foreign Relations-linked Research Institute on Communist Affairs, center of Eastbloc destabilization operations.

Schlesinger was the author of the notorious 1975 *New America* article warning of the increasing "Vietnamization" of Israel through U.S. abandonment, a direct factional intervention on the side of Peres and Moshe Dayan. Soon after the article appeared, Schlesinger was invited as a speaker at the annual convention of the American-Israel Public Affairs Committee, sharing the podium with former head of Israeli military intelligence and top utopian war-planner Aharon Yariv, Senators Case and Humphrey, and the

State Department second-in-command for the Mideast, Joseph Sisco. Since Schlesinger is the architect of the doctrine of a surrogate "limited nuclear war" with the Soviets, his factional support for Dayan, who advocates Israel adopt a "nuclear option," is obvious.

Schlesinger worked out his limited nuclear war and politics-as-bluff theories as a hired hand at the Rand Corporation in the 1960s. He was CIA director in 1973 when Agency operations began to be collapsed into the pores of the government. Later he was appointed Secretary of Defense and subsequently fired by President Ford for insubordination and his advocacy of utopian war theories against the Soviet Union.

#### *The Committee On The Present Danger*

The CPD is the hard core of the Rockefeller pro-war faction. It has officially expanded its membership from 100 to 141 public adherents, with a significant percentage of new recruits from the Social Democrats USA (SDUSA) and AFL-CIO network of organizers for Israeli right-wing policies. The CPD conduits an openly racist attitude toward Israel's neighbors. The entire CPD, especially at the leadership level, is well-stocked with controllers of the Peres-Dayan group.

The CPD's "party line" on the Mideast, as conduited by Ra'anana, Eugene Rostow, Elmo Zumwalt, and other CPD members, is that the Soviets are preparing their major "test" for Carter in Middle East. This wildly paranoid premise, ostensibly based on empirical calculation of Soviet Mediterranean naval strength and on supposed secret strategy sessions between the Soviets and Arab leaders — especially in Egyptian military circles — to plot against a surrounded Israel leads to the inevitable assumption that each sign of inter-Arab coordination, even when explicitly aimed towards a Geneva peace conference, is a "sign" of Soviet-Arab grand designs. The inevitable conclusion is that a strong, warhawk government must be in power in Israel prepared to, "defend the free world against Arab-Communist aggression." It is no exaggeration that anybody pushing this line, whether in the U.S. or in Israel, is a traitor to Israel's long-standing demand for "security."

Among the CPD coordinators:

**\*\*Eugene Rostow**, General-Director — Rostow and his brother Walt were two of the leading pro-Israel hawks in the Kennedy and Johnson Administrations, both advocates of a policy of "regionalism" for the Mideast in which Israel would be the centerpiece ruling over a tamed Arab camp. Eugene Rostow was the State Department mastermind behind the June 1967 Arab-Israel war. He and CIA director Richard Helms with Israelis Yariv and Meir Amit, Director of Intelligence, worked out the details of a war push whose focus was the toppling of the pro-Soviet Nasser regime in Egypt. Reliable State Department sources from that era report that Rostow passed secret Egyptian government communication to the U.S. government on to the Israelis.

Rostow, who currently believes that "World War Three has already begun," is a leading member of SDUSA.

**\*\*Lane Kirkland**, co-chairman — chief organizer within the AFL-CIO hierarchy for mobilization around

Soviet Jewry, "defense" of Israel, etc. At a secret meeting of U.S. and West German trade union leaders in mid-1975, Kirkland laid down the line that in the next war, Europe had to rally behind Israel. Kirkland, a frequent traveller to Israel, has had connections for at least 15 years to Israeli intelligence, both directly and through his wife's Israeli connections.

Kirkland engineered the AFL-CIO's endorsement of the Carter campaign and is now slated to replace Meany at its head. Member of the CFR, Trilateral Commission, Nelson Rockefeller's Commission on Critical Choices, Foreign Intelligence Advisory Board.

**\*\*Max Kampelman**, General Counsel — Campaign manager for Hubert Humphrey's campaign for President in 1968, he is still a close adviser to corporatist Humphrey, a top Zionist spokesman in the Senate. Kampelman worked closely with U.S. labor counterinsurgent Joseph Rauh; his law firm, Fried, Frank, Harris, Shriver, and Kampelman, is deeply involved in social control and special operations in the Kennedy wing of the Rockefeller intelligence apparatus. One of his law firm associates, Patricia Roberts Harris is Carter's appointee for Secretary of Housing and Urban Development and a director of IBM and Chase Manhattan, and another, Richard Schifter, is on the CPD.

**\*\*Rita Hauser**, Executive Committee — Advocate of an Israeli invasion of the Lebanese South during peak points of the war in that country, Hauser has a "go-to-the-brink" attitude toward the Soviets. She travelled to Lebanon in mid-1976, made contact with Lebanese Falangists, and returned to espouse her Israeli invasion policy in the Wall Street Journal. She participated in Brzezinski's Brookings Institution Mideast study, and is a partner in Stroock, Stroock, and Lavan, one of Wall Street's leading law firms for coordination of pro-Zionist activities. She is a trustee of the Center for Law and Social Policy, which ran the Lockheed scandal against anti-Rockefeller industrial and military factions in the U.S., Western Europe, and Japan. She is also a member of the Council on Foreign Relations.

#### *Trade Union Traitors, The CPD, And Israel*

The CPD is well represented by the right-wing pro-war section of the U.S. trade union bureaucracy, the same group that most rabidly pushes domestic austerity, slave labor, industrial brainwashing, and speedup in the U.S. This group is tightly affiliated with that faction in the Israeli Labour Party and trade union movement that supports Shimon Peres.

**\*\*Sol Chaikin**, head of the International Ladies' Garment Workers' Union — Chaikin's efforts are geared to keeping alive the flame of pro-Zionist sentiment in the New York garment workers' community, one of the original organizing centers for Zionism in the U.S. But Chaikin is not a sentimentalist, he is pure warhawk, as identified by his drunken anti-Soviet, pro-confrontation ravings at last year's Saratoga Springs organizing conference for a Northeast regional Big MAC run by Lazard Freres' Felix Rohatyn. Chaikin is intent on setting up Israel as the launching pad for his anti-Soviet show of force.

His ILGWU works closely with the Jewish Labor

Committee based in New York, a known CIA conduit of funds to Israel. The JLC spends most of its time mobilizing trade unionists behind "human rights" in the Soviet Union and behind vicious attacks against the Palestine Liberation Organization as a "bank of organized murderers," in the words of senile AFL-CIO head George Meany at a presentation of the JLC's "Labor Human Rights Award" last year. The subjects of a recent JLC convention were headlined as "Problems of the American Worker," (i.e., resistance to slave labor "jobs"), "Israeli Security," and "Russian Jewry."

Another such award was presented in 1975 to CPD co-chairman Kirkland. The award dinner was followed by an "international affairs conference on the Middle East" the next day whose keynote address was delivered by CPD trade union traitor Martin Ward of the International Brotherhood of Plumbers and Pipefitters. The conference was sponsored by the JLC; by Georgetown University, whose strategic studies director, Ray Cline, is on the CPD; and by the National Strategy Information Center, whose director, Dr. Frank Barnett, is also on the CPD!

Yet another 1975 Human Rights Award was given to American Federation of Teachers head Albert Shanker, also a member of the CPD. Another close collaborator of the JLC is AFL-CIO International Affairs Director Jay Lovestone, long-standing Rockefeller CIA operative and member of the CPD.

As for Chaikin's ILGWU, its activities do not stop at collaboration with the JLC. It is the leading force in a U.S. trade union bureaucracy whose right-wing is intensively involved in support for Israeli covert operations abroad. The ILGWU, for example, conduits membership funds into the African-American Labor Institute, which are in turn used to abet the type of Israeli intelligence activities evident in the recent Benin coup attempt. ILGWU Legislative-Director Evelyn Dubrow is on the CPD, with Chaikin.

Other right-wing trade union members of the CPD include William Duchessy of the Amalgamated Clothing and Textile Workers of America; Rachelle Horowitz, Director of Political Education for the Shanker-run American Federation of Teachers; John H. Lyons, head of the International Ironworkers' Union; and Bayard Rustin, SDUSA officer.

It is the common boast of this warhawk trade union bureaucracy that "the American labor movement is the firmest supporter of Israel in the world." Were the complete story to be told about the covert use of American workers' money in the service of Rockefeller Mideast policy, it is certain that both American and Israeli trade unionists would be outraged.

#### *SDUSA's Pro-Israel Lobby Within The CPD*

Aside from Rostow and right-wing social democratic trade unionists, the CPD contains a clique of alienated, bitterly anti-Communist Jewish intellectuals who are prominent members of Social Democrats USA and who tend to congregate, officially or ideologically, around the ravings of *Commentary* magazine. Included in this group are *Commentary* editor Norman Podhoretz, his wife Midge Decter, Harvard ethnic affairs profiler Nathan Glazer, Stanford University behaviorist Seymour Martin

Lipset, and New York "consumer affairs specialist" Bess Myerson. Podhoretz, Glazer and Lipset are three of a group of SDUSA operatives intimate at the City College of New York three decades ago, a group which includes communist witchhunter Sidney Hook of the Hoover Institute for War and Peace; Harvard and Stanford University behaviorist Daniel Bell; Democratic Socialist Organizing Committee and *Dissent* magazine honcho Irving Howe; and the current American Jewish Congress head, Rabbi Arthur Hertzberg.

**\*\*Podhoretz**, in a recent interview, explicitly pushed the Peres-breakaway ally line for Israeli national suicide. Asked about pressure on Israel to move toward an overall Mideast peace settlement, Podhoretz grunted, "Israel better not be pushed too hard. This is Munich, 1938," a theme which has been echoed in recent days by leaders of Begin's Likud in Israel. Podhoretz spread the same venomous line in a recent Commentary piece on "The Abandonment of Israel." In the same interview, Podhoretz demanded a "get-tough" confrontation policy toward the Saudis and other Gulf oil-producers, no matter what the consequences to the U.S. economy, and insisted that the U.S. assert "its role as a world power" in dealing with the Soviets.

**\*\*Glazer**, co-author with New York Senator Daniel Moynihan of the social profiling "Beyond the Melting Pot," has over the past year become an active member of the "Jewish liberal" Breira group, and instrumental in steering at least a substantial faction within that group toward becoming active agents of Trilateral Commission policy. Glazer and chum Howe will be among Breira's featured speakers on the Palestinian question next month.

**\*\*Lipset** was a member of the Democratic Party advisory task force on the Middle East during the first half of 1976, with fellow CPDer Peter Rosenblatt and George McGhee. Lipset is currently at the Stanford Center for Advanced Studies in Behavioral Sciences, and is a member of the Council on Foreign Relations.

**\*\*Myerson** is on the Commentary Publications Committee.

Although other CPDer would consider themselves SDUSA co-thinkers, one in particular should be noted at this point. Israeli thinktanker Uri Ra'an, who shares an office at the Fletcher School of Law and Diplomacy with Johnson Administration Vietnam superhawk, SDUSA member and fellow CPDer John P. Roche, is one of the top U.S. thinktank conduits for the black propaganda that the Soviets are readying a Mideast "test" for Carter. For Ra'an, this is only a moment in Soviet plans to launch a general war against the U.S., plans which require readying the U.S. population for willing self-obliteration to convince the Soviets to "back down." Ra'an is reportedly unnerved at NSIPS publication and circulation of his warmongering scenarios.

#### *The Law Firms*

A small number of key Wall Street law firms play a vital role in developing the legal infrastructure for Rockefeller faction domestic labor relations counterinsurgency, intelligence reorganization, and community control along the lines of the Vietnam war

strategic hamlet. A number of these law firms also provide leadership personnel for American Jewish organizations to tailor the policies of these groups to the short-term needs of overall Rockefeller policy, whether it be to mobilize a "Jewish campaign" behind Naderite "energy conservation" regulations to "lessen dependence on the Arab states," or to step up anti-Soviet propaganda around "human rights" issues.

One of the primary law firms on this level is Paul, Weiss, Rifkind, Wharton, and Garrison. This firm is tightly tied to the Carter interests, represents the Carter-connected Warner Communications empire and the interests of several of Carter's top financial backers in the Field and Schiff-Warburg financial groups, including the formerly Schiff-owned **New York Post**. One of Paul, Weiss' partners is Carter's defeated appointee for head of the CIA, Kennedy family agent Theodore Sorensen.

Two of Paul, Weiss' leading lights, current partner Morris Abram and former partner Arthur Goldberg, are mainstays in the upper echelons of American pro-Zionist circles, when they are not involved in watering anti-Rockefeller interests or formulating labor relations legislation. Both were presidents of the American Jewish Committee in the 1960s and are current Honorary Presidents of the Committee, who continue to play leadership roles in the American Jewish Congress.

Partner Simon Rifkind, in recent years a member of the Warren Commission and the New York Big MAC austerity swindle, was the adviser on Jewish Affairs to General Eisenhower in the European Theater of Operations from 1945-47, the period when the Rockefeller wing of the United Nations Relief and Rehabilitation Administration (UNRRA) was organizing illegal Jewish emigration to Palestine from Europe.

Former Paul, Weiss associate Elizabeth Holtzman is now a key organizer in the House of Representatives for Soviet Jewry, anti-Arab boycotts and related campaigns. Paul, Weiss partner Ramsey Clark "predicted" Israeli Entebbe-style violations of national sovereignty immediately before the raid occurred.

A second important Zionist lobby law firm is Stroock, Stroock, and Lavan, the legal representatives of the Rosenwald-Sears Roebuck, Warburg, and Stern family foundations and related interests. Aside from the CPD activities of new partner Rita Hauser, partner Alan Stroock, who oversees several Stroock and Warburg family funds, is an honorary member of the Publications Committee of Commentary. His father, Sol M. Stroock, was President of the American Jewish Committee in 1941.

Other Stroock partners are not foreign to Rockefeller family Mideast policies and support for the Carter campaign. Robert B. Anderson played a crucial intermediary role in the John Foster Dulles-engineered Suez crisis in the mid-1950s. Kennedy family agent William J. vanden Heuvel ran Carter's campaign in New York.

A third important Wall Street law firm is Proskauer, Rose, Goetz, and Mendelson, the firm that represents Warner Brothers subsidiary interests. Late Proskauer, Rose head Jacob Proskauer led the American Jewish Committee in the 1940s and engineered the turn of this ostensibly non-Zionist organization behind a strong



supportive policy for the new Israeli state. A Proskauer family member is on the executive board of the New York chapter of the American Jewish Committee.

A Proskauer, Rose partner, George Shapiro, was counsel in the 1940s to New York Governor Dewey and was the coordinator of Rothschild operations in the United States.

#### *The Investment Houses*

A small number of disproportionately powerful New York German-Jewish investment houses have for nearly a century controlled networks in the manipulation of the immigrant East European Jewish communities in New York who have formed the base for the Zionist appeal. These houses — Warburg-Schiff's Kuhn Loeb; Warburg, Pincus; Goldman, Sacks; and Lehman Brothers (the

latter two allied since 1906) — as early as the 1890s set up the Federation of Jewish Philanthropies as a "charity" cover for domestic counterinsurgency programs among American Jews. In the pre-World War I years, these banking houses set up the American Jewish Joint Distribution Committee as a penetration network into Russia. The AJJDC was used as an organizational front for creating and sustaining Jewish "experimental communities" in Russia and Poland. Today Edward Warburg is the international chairman of the AJJDC.

During WWI the Rothschild-Brandeis Anglo-American conspiracy momentarily pre-empted and usurped the Schiffs' Jewish networks, which were operating primarily through Britain's war opponent Germany. Brandeis and Schiff had bitter fights about Brandeis' launching of a pro-Zionist crusade in the U.S. But with

## What's Behind the 'Arab Boycott' Bills

In the coming weeks, the Carter Administration will attempt to get through Congress legislative action which would impose strict penalties on U.S. companies who participate in the so-called Arab boycott against Israel — despite clear warnings from the Arab oil producers and, in particular from Saudi Arabia, that if such legislation passes, they will view it as an attack on OPEC and will retaliate by cutting off all oil shipments to the United States.

The purpose of the legislation is in fact to provoke the Arabs into carrying out their threat. In the view of Carter's advisors, the U.S. would then have a pretext for direct U.S. intervention in the Middle East and increased leverage for the "energy crisis" crackdown at home. That U.S. military intervention is central to the "anti-boycott" bills was confirmed to NSIPS by Norman Podhoretz, member of the Committee on the Present Danger, an editor of *Commentary* magazine, and a prominent member of the 'Zionist lobby.' Podhoretz, asked if the threat of an oil boycott wasn't a big risk for the "Anti-boycotters" to take, replied, "We should take bigger risks. We should not allow oil blackmail. The U.S. should have threatened military intervention three years ago," during the October war. He went on to make a confident prediction that the Carter Administration will only "make passes" toward a Geneva Conference.

Carter has appointed two of his top aides, Bob Lipshutz and Stu Eisenstadt, to coordinate and prepare "public support" for the anti-Arab legislation through cultivation of the 'Zionist lobby.' Most of the important bills have already been drawn up and introduced in both the House and Senate.

The Senate Bill, S.92, was introduced on Jan. 10 by Harrison A. Williams (D-N.J.) and William Proxmire (D-Wisc). It is clear from the remarks by both Proxmire and Williams that their bill, which amend and extend the Export Administration Act,

is designed not just to prevent a boycott, but to bust up OPEC, prevent the Arabs from selling their oil, and prevent oil-for-technology trade agreements. Refusing to even mention the political demands of the Arabs, Williams and Proxmire, both advocates of a labor-intensive public works economy in the U.S., admit that an Arab oil and trade embargo against the U.S. would have severe consequences for the U.S. economy in that there is a "continuing increase in the level of trade in the Middle East as these countries continue to reinvest their petrodollars in American products, technology and know-how."

The provisions of the bill broaden the anti-Arab boycott restrictions to include any foreign instituted boycott and, therefore, could be utilized in moving against, for example, an EEC-initiated boycott of South Africa. It states that "it would be a violation of the Export Administration Act for any U.S. person to do or agree to comply with, further, or support a foreign boycott or restrictive trade practice against a country which is friendly to the United States and is not the object of any U.S. embargo." A similar bill was introduced in the House on the same day by Jonathon Bingham (D-N.Y.) and co-sponsored by another New York Democrat, Benjamin Rosenthal.

Senator Adlai Stevenson (D-Ill.) has sponsored yet another "anti-boycott" bill, S. 69. Although Stevenson claims his bill "bows to reality that an end to the primary boycott rests upon resolution of the underlying issues in the Middle East conflict, and that an attempt by Congress to legislate an end to the boycott would be futile and contrary to the interests of both Israel and the United States," he retains many of the Proxmire-Williams provisions. The bill does, however, permit Congress to override Presidential embargoes on agricultural sales abroad.

the war over, the German Jewish and Brandeis-allied network reconciled, the Schiffs and Warburgs became massive funders of programs in Palestine, and Frederick Warburg became one of the leaders of international Zionism, active in the Jewish Agency and the creation of programs in Palestine itself. (Felix Warburg headed the World Zionist Organization in its tamer pre-World War I days.)

For the past fifty years, these German-Jewish houses, who as financiers are tightly tied to Rockefeller family international policy, have maintained a decisive input into American Jewish and Israeli circles by pouring funds into Israel, using charitable organizations and funding conduits, such as the United Jewish Appeal, the Federation of Jewish Philanthropies, and tax-exempt Israel Bonds, as a means to exercise leverage over the policy directions of these networks. The late Frederick Warburg and Gustave Levy of Goldman, Sachs — described by *Washington Post* writer Stephen Isaacs as the “single most powerful individuals on Wall Street” — were both Directors of the Federation of Jewish Philanthropies. Levy is identified by Isaacs as the single largest contributor to Israel during and after the two most recent Arab-Israeli wars, periods during which Levy also applied intense pressure throughout his Wall Street contact network to pour tens of millions of dollars into Israel.

Similar roles have been played by Benjamin Buttenweiser, Kuhn Loeb partner, Associated Chairman of the Board of Trustees of the Federation of Jewish Philanthropies, and heavily involved in both the American Jewish Committee and the United Jewish Appeal; and by Henry Bloch or Warburg, Pincus.

On the intelligence-policy side, Lehman Brothers' late Herbert Lehman ran OSS-connected Jewish emigration networks from Europe into Palestine in the immediate post-World War II years, an operation expedited through Lehman's connections to the French Edmond de Rothschild Zionist interests through the participation of Rothschild subordinate Pierre Uri as a Lehman partner.

More recently, Lehman partner George Ball has played a leading role in formulating Rockefeller war schemes.

Similarly, Goldman Sachs partner Henry Fowler, an ex-Secretary of the Treasury, is currently co-chairman of the CPD. Goldman, Sachs partner Charles Salzman is also in the CPD.

#### *Capitol Hill: Rocky's Senators and AIPAC*

Not surprisingly, the most avid spokesmen on Capitol Hill for Israeli intransigence are those Senators who are frontmen for SDUSA-AFL-CIO foreign policy demands and domestic slave labor and corporatism. It is the Congressional offices of these Senators who have put together the leading pro-Israel thug operation on Capitol Hill, the American-Israel Public Affairs Committee.

The verbose Sen. Hubert Humphrey, author of the Humphrey-Hawkins bill, was one of the featured speakers at AIPAC's most recent convention, a meeting which played heavily on the theme of Israel's “abandonment” by the U.S. Humphrey's ex-foreign policy aide, Dan Spiegel, has been in charge of staffing the

“Mideast team” during the Carter transition period. His top adviser through the years has been CPD general counsel Max Kampelman, and his Executive Assistant when he was Vice President, William Connell, is also on the CPD.

The senior Senator from Humphrey's Minnesota, Vice President, Trilateral Commission member, and leading U.S. Fabian Walter Mondale, is also a staunchly “pro-Israel” public advocate. Mondale's chief Congressional aide, David Aaron, is now heading the staff of Brezinski's National Security Council.

Two of the darlings of the Israeli right-wing in this Congressional network are Sen. Henry Jackson of Washington and the newly-elected Sen. Moynihan of New York. Jackson is the co-author of the notorious Jackson-Vanik amendment to U.S.-Soviet trade legislation, which calls for linking U.S. trade deals with the Soviets to U.S. approval of Soviet emigration policy for Soviet Jews. The maudlin Moynihan became the prime symbol during 1976 of U.S. anti-Third World policies with his constant attacks on Third World development plans at the United Nations.

Capitol Hill's most public pro-Israel organizer is New York's Jacob Javits, who, immediately before the Israeli Entebbe raid last July gave the go-ahead for the “limited sovereignty” raid with the admission that “blood is on my hands” in a speech before the Ralph Bunche Institute conference on terrorism.

Aides to Jackson and Sen. Ribicoff were responsible for setting up AIPAC in the early part of this decade, and were soon joined by aides from the offices of Democratic Party Senators Humphrey (the above mentioned Spiegel), Tunney and Bayh, and Rockefeller Republicans Schweiker and Javits.

The two original organizers for AIPAC, Jackson's man Richard Perle and Ribicoff's man Morris Amitay, are quite open and proud about their creation of AIPAC as a tool to whip American Jews into anti-Soviet hysteria and terrorize Congressmen who refuse to support outlandish arms outlays to Israel or to rally around the Soviet Jewry issue. Those two issues, Amitay and Perle stress, are AIPAC's *raison d'etre*.

In statements made to the *Post's* Isaacs, Perle advertized Israel as in the forefront of the fight against the Soviet Union, declaring that he would eagerly support that “piece of real estate *per se*” even if it were “populated with Vietnamese” and identifying his views explicitly with SDUSA warhawk Roche. Perle noted that AIPAC's push behind “Jewish power” succeeded because of Jewish popular “fear of the Soviets” in the U.S. and gloated that the Soviets had made a disastrous mistake in imposing an emigration tax on Jews in the USSR, since “without that, it would be difficult to sustain interest in the issue.”

Complementing Perle, Amitay eagerly told Isaacs of the “fantastic, untapped reservoir of Jews” in the United States who are just “sitting around dying to do something” and are, thus, susceptible to AIPAC's propaganda.

AIPAC works by terror, and its primary boast is its ability to bring three-fourths of the Senate around to the most rabid pro-Israel policies. Its staff of full-time

"Jewish lobbyists" puts out a weekly scandal sheet, *Near East Report*. According to reliable Capitol Hill sources, it is the only piece of literature dealing with the Mideast read by Congressional staffs in at least 200 Capitol Hill offices! The *Report* is an unsubtle warning to Congressmen that less than 100 per cent support for Israel will be met with an AIPAC-organized phone call-mail-media barrage. With the aid of several SDUSA-oriented Congressional offices, AIPAC engages in selective targeting to win the needed margin of Senatorial votes for Israeli arms supply bills in Congress.

During the past year, AIPAC enthusiastically supported Carter, with staff man Edward Sanders leaving in late summer to become a West Coast regional director of the Carter national campaign. During the same period, AIPAC, piously pro-Israel in propaganda, began to polemicize against Israeli Premier Rabin as "weak-kneed" and to push for a strong new government in Israel run by Peres or by some coalition of forces under Generals Yadin and Sharon, both of whom were described to callers as "Israel's Carters."

AIPAC assisted by funding Sharon's visits to the U.S. to meet with the Carter camp and enthusiastically described the activities of both generals to callers during the last months of 1976. AIPAC staffer Leonard Davis is preparing a policy document outlining how a "technocratic government," modeled after Brzezinski's theories and Trilateral scenarios for governmental reorganization in the advanced industrial states, can be imposed on Israel. Davis has eagerly described to callers how the Labour Party in Israel is being wracked by scandals, and how the traditional Labour Party-trade union alliance is being rent asunder by anarchic strikes.

Aside from plotting the destruction of the current Israeli government, AIPAC spreads overtly racist venom against Israel's neighbors, and expresses total scorn toward Arabs. Racist AIPAC staffer Aaron Rosenbaum told a caller: "When they get an inch they take a mile. All they have is a sense of dominance and submissiveness. They're irrational. They don't realize this is the twentieth century, not the eighth century. The Arabs are a bunch of primitive motherfuckers. Like the Germans: at your feet or at your throat. You can't deal with those suckers."

Before being streamlined and put together by Perle and Amitay and then joined by Davis, Rosenbaum and a handful of other full-time lobbyists, the AIPAC operation worked as the one-man show of Israel's top U.S. lobbyist, I.E. Kenen, editor of *Near East Report* since the early 1950s. Kenen sees his primary task as "countering Arab lobby propaganda" and issues a weekly diatribe against Arab academics, oil companies, the "Arab boycott," and groups such as the National Association of Arab-Americans.

#### *Getting the Troops Out: The Hard-Core Rockefeller Four*

When it comes to whipping up American Jews behind any one or series of psychological warfare issues, the leaders of four groups — the American Jewish Committee, the American Jewish Congress, the Anti-Defamation League, and the Conference of Presidents of

Major Jewish American Organizations — handle the public dirty work.

Throughout its near-70 year history, the American Jewish Committee has been publicizing and conducting the most provocative social control doctrines of the ruling financier faction in the U.S. The profile of its leadership has always been that of the Jewish intellectual — so terrified of anti-Semitism that he is willing to outdo the ruling class itself in propaganda against the population.

The AJComm's service to the Rockefeller-Carter group is best demonstrated by a review of the main articles of a sample of the group's house journal, *Commentary*. In the past four years alone, *Commentary* has floated the following themes: U.S. military seizure of Arab oil fields; Israeli adoption of a nuclear option; the consequences of "abandoning" Israel; and the non-existence of Arab moderates. The magazine also prints in every issue articles conducting the SDUSA "line" on U.S. foreign policy issues, and carries an incestuous series of correspondences amongst the SDUSA "elite intelligentsia" which strive to legitimize for a key layer of academics and professionals the anti-humanist ideology of these circles.

The American Jewish Committee has historically, up to the present, been at the forefront of Tavistock Institute "ethnic consciousness" race-relations brainwashing. It runs the Institute for Human Relations, which is self-professedly the pioneer institution in the U.S. in Tavistock person-to-person, sensitivity training. After World War II, AJComm and the OSS jointly sponsored and funded the publications and activities of Tavistock race-relations specialist Kurt Lewin, who initiated the "Negro vs. Jew" ideology that provided the pioneering basis for much of the next two decades in U.S. counterinsurgency. The AJComm was responsible for creating the predecessor institution to what later became a major U.S. center for educational brainwashing, the National Training Laboratories.

The AJComm has regional affiliates throughout the U.S., and on a national level is represented in the CPD through Podhoretz and Myerson. Georgetown University and London-based International Institute for Strategic Studies planner Walter Laqueur is a contributing editor of *Commentary*.

When a hot issue breaks that requires pious intonations from leading Jewish American spokesmen against the Soviets, or against the French government as in the Abu Daoud affair, or disclaiming those companies "involved in the Arab boycott," the spokesmen of the American Jewish Congress can be readily counted upon to join their American Jewish Committee counterparts in sending seemingly pre-packaged statements through controlled media outlets like the *New York Post* or the *New York Times*. It has a virtually unbroken track record of nearly sixty years of servicing the interests of Rothschild and Rockefeller interests.

The Congress began as an instrument of Louis Brandeis in his usurpation of the previously hegemonic networks of the Schiff-Kuhn-Loeb German Jewish patricians, and quickly evolved into Brandeis' ideal tool for imposing cultural pluralist ideology on the more demoralized layers of a vocal and politically active U.S. ethnic group.

During the New Deal, the Congress emerged as one of the most consistent supporters of corporatist social legislation pushed by its leading light Felix Frankfurter. It is this role in particular that the Congress actively relives today. In the forefront of weakening U.S. trade interests by using the Arab boycott pretext, it has put out an "Energy Position Paper" that calls for strict conservation in order to lessen "dependence" on the Arab states and identifies for investigation most American interests dealing in trade with Arab states, as well as the Organization of Petroleum Exporting Countries (OPEC) itself. In American Jewish communities, particularly in New York, it plays upon "community fears" engendered by the fast-developing collapse of the cities to inculcate paranoid "local control" consciousness. For the past year, the Congress' standard response to U.S. Labor Party inquiries about its reaction to Nazi-like economic austerity measures has been to proclaim angrily, "This is not of our concern to us!"

The Congress, like the Committee, has regional affiliates throughout the country. Nationally, it is headed by SDUSA-linked Rabbi Arthur Hertzberg, a staunch supporter of outgoing Secretary of State Kissinger and of Carter, and a proponent of the theory that Israel must become the key religious symbol of American Jews, to impede the assimilation of the U.S. Jewish community into the broader American society. Among other top national Congress heads are Paul, Weiss lawyers Abram and Goldberg.

The Congress' 60th Anniversary Celebration last year had an "honorary sponsor" list that was headed by Nelson Rockefeller and included Sens. Kennedy, Javits, Ribicoff, and (then running for election) Moynihan, CPDer Bayard Rustin, and the governors of New Jersey, Connecticut, Brendan Byrne and Ella Grasso respectively.

The Anti-Defamation League of the B'nai B'rith, while portraying itself as a defender of the American Jewish community against anti-Semitism, is in fact an intelligence agency for the Rockefellers, especially the ADL's Research Bureau, which spends its efforts profiling and publishing intelligence documents on both leftists and the U.S.-based concerns that desire expanded trade with the Arab sector. Reliable sources have identified the ADL as the nerve center of slanders and hatchet jobs on U.S. industrial and trade interests, and it is reliably reported that the ADL is now intensively researching the U.S. Labor Party.

The ADL's national chairman is Seymour Graubard, who from 1959-61 worked with then-Governor Nelson Rockefeller's State Commission on Governmental Operations, and whose law firm, Graubard, Moskovitz, is involved in "labor relations." Senators Javits and Ribicoff are Honorary Vice Presidents of the ADL and the League's Executive Committee includes California lawyer Max Greenberg, whose firm represents Lazard Freres; Robert Nathan, associated with *Time* Magazine and the Council on Foreign Relations; and Chester Roth trustee of the Federation of Jewish Philanthropies and overseer of the Albert Einstein School of Medicine, spawning-ground for the terrorist countergang Black Liberation Army.

The Conference of Presidents is the last of the Big

Four. Its coordination with the other top organizational conduits of Rockefeller policy in the U.S. Jewish community was demonstrated in the Abu Daoud affair, when Conference head Rabbi Alexander Schindler announced a boycott by "thousands" of groups affiliated with Jewish organizations against French products at precisely the moment when the resolution of the incident opened the way for expanded French trade deals with the Arab states.

Schindler, who cultivates an urbane, liberal image, was a supporter of Carter during the election campaign, despite the juridical neutrality of his position, and during 1976 he actively supported Kissinger's unpopular shuttle diplomacy during a trip to Israel. Upon his return to the U.S., the liberal rabbi expressed his support for Israeli collaboration with the fascist Lebanese Falange, and began conduiting the slander that the U.S. Labor Party "supported the genocide of 400,000 Christians," as well as warning questioners to "watch the USLP closely."

The Conference of Presidents itself is the umbrella organization for over thirty American Jewish groups, and portrays itself as the official intermediary between the Israeli government, the U.S. State Department and American Jews, a reenactment of the feudal "court Jew" role of leading scions of the Jewish community with the ruling powers.

#### *The Countergangs: Right...*

In the current structure of American Jewish politics, extreme Jewish groups like the Jewish Defense League and the wild Save Our Israel (S.O.I.L.) group operate as National Security Council-controlled countergangs deployed to play on the most paranoid fears of local Jewish communities in the depression. They are the overtly fascist side of Carter's community self-help strategy. The groups work as an extension of the AIPAC and related operations.

For example, AIPAC hero Ariel Sharon came to the U.S. during the election campaign, boasting that he was setting up his "own support networks" within the American Jewish community. Sharon is a known hero of the JDL, whose head Rabbi Meir Kahane, who has deployed in the recent period to back up the crazy right-wing expansionist elements in Israel and to foment terror about the economic depression in U.S. Jewish communities, was last month greeted with a handshake by President-elect Carter outside of the latter's church. Soon after, the deacons of the church considered using a raving Kahane document on Israel for the following week's sermon.

The countergang role of the Jewish "crazy" right in relation to the Jewish establishment is heightened on a regular basis by Jewish press controlled by the Begin-Likud Party supporters in the U.S., including the *Jewish Press*, which features rambling commentaries by Begin and Kahane, as well as a weekly "City Column" by "activist" Marvin Schick, ex-Mayor Lindsay's adviser on Jewish affairs.

(For the details on the spawning of Jewish zombie right-wing groups, and the involvement of OSS psychological warfare operatives in this process, see *Carter and the Party of International Terrorism*, p. 122).

...And the Left

A key left-borderguard role for the Trilateral Commission has been played, recently increasingly so, by a "left-Jewish" operation run through the Institute for Policy Studies and Jewish left controller Arthur Waskow, a trustee of IPS. This operation has been mounted through the agency of the group "Breira" (Hebrew for "change"), based in New York but with affiliates throughout the U.S.

Breira, at its 1973 inception, was an outgrowth of the Jewish Peace Fellowship, itself a member-group of the hodgepodge IPS-manufactured anti-Vietnam war movement. At the time of its birth, its membership consisted of a handful of Jewish activists from the Vietnam mobilization period, several score liberal rabbis, a handful of liberal Jewish college professors and professionals, and Waskow, who was one of Breira's coordinators. Breira made its initial pitch to take over the dishevelled networks left over from the disintegration of such "anti-Zionist" groups as the American Council for Judaism, funded by the Rosenwald (Sears, Roebuck, etc.) and Loeb (Kuhn, Loeb) interests. Like its Rosenwald and Loeb-funded forebears, Breira adopted a "soft line" on Israel (although not anti-Zionist), but maintained an active "concern" around "Jewish issues" such as "human rights" in the Soviet Union.

The hegemonic ideology in Breira circles is exemplified by Waskow's own writings during the past two years in counterculture left-social democrat journals like *WIN* and *The Progressive*. Bemoaning the monopoly of Jewish mysticism-activism among right-wing layers in both the U.S. and Israel, Waskow called for a "revitalization" of Jewish mysticism within the New Left and traced his own evolution from "counterculture" to the "more authentic" Jewish mystical experience. Waskow called for the activation of small cells of intense Jewish leftist mystics around the U.S. and even initiated an experimental kibbutz himself to provide a social structure for a new Jewish mystical belief-structure. Without this, Waskow and IPS calculated, there would be no left-cover operation to contain and maintain under U.S. monetarist control potential peace moves and efforts toward Palestinian-Israeli detente.

A second key developer of a left-control Jewish belief structure during this period was Massachusetts Institute of Technology's Noam Chomsky, espousing an "Ulster binational" solution for the Palestinian-Israeli conflict.

Once legitimized as *the* Jewish liberal, moderate-on-Israel U.S. Jewish group, Breira went through a noticeable transformation toward the last days of 1975,

coincident with the Lebanon war's new ratchet of bloody confrontation and the Trilateral Commission's "policy in the wings," the Brookings Institution special study on the Middle East, unveiling. The latter, otherwise a retreat in new language of Kissingeresque step-by-step diplomacy, put forward a position favorable to "Palestinian self-determination." Breira, at the end of 1975, supported and *circulated* the Brookings study, and established itself as a potential contact point for U.S.-managed Palestinian-Israeli contacts.

Phase two in Breira's transformation occurred in August 1976, bordered by two key events in Lebanon, the Syrian troop invasion and the Tel Zaatar massacre. As the war against the Palestine Liberation Organization on the ground heated up, the tactic of "catalyzing" into prominent pro-U.S. Palestinian moderates through offers of contacts with Jewish and Israeli leftists was offered. In June 1976, Breira for the first time began to get prominent press coverage in the U.S., both in the *New York Times* and in the *Washington Post*. Washington Post editor Stephen Rosenfeld, who had been kicked out of the Soviet Union in the early 1960s, and was a 1976 advocate of an FBI repression campaign against the USLP, broke the editorial ice with a call to "encourage Palestinian moderates."

It was around this time that meetings were initiated in Paris between PLO officials and Israeli groups under the IPS-connected Committee for an Israel-Palestine Peace, and it was decidedly in the interest of Brzezinski, Kissinger, and Waskow to ensure that the U.S. had ample maneuverability in these talks.

Numerically minor but nonetheless significant organizational changes also transpired in Breira during 1976. Two operatives from the Podhoretz-SDUSA crowd, current CPD member Glazer and *Dissident* editor Howe, joined the Breira Advisory Board and wrote frequent features on U.S. Jewish affairs in the Breira monthly *Interchange*.

During this period, Breira failed completely the litmus tests for actual independence from Israeli warhawk policies. It enthusiastically endorsed the Israeli Entebbe raid as an expression of the Jewish "biblical right" to retaliate against hostage-taking. Its reaction to the Abu Daoud affair was to express complete solidarity with and support for the protest actions of "the American Jewish community" and to "deplore strongly" the French government's release of Abu Daoud.

Breira will hold its first annual convention next month. Featured speakers on the Palestinian issue will be Glazer, Howe, Rosenfeld, and Brzezinski National Security Council appointee and Palestinian resistance movement profiler William Quandt.

# Why is Cyrus Vance Going to Egypt?

Demonstrations in Egypt by workers and students over the government's attempt to increase prices of food and commodities this week, underscore how purposeless Secretary of State Cyrus Vance's coming trip to Egypt will be. What can he offer President Sadat in the face of open rebuff by his own people for taking the "advice" for Egypt's economic "recovery" proffered by David Rockefeller and the bankrupt International Monetary Fund?

While Rockefeller is offering Egypt and the whole Arab world austerity and genocide, Europe is offering to do business. A European Arab Bank has been formed to handle the expected increased business and trade; the European Economic Community finalized and signed a trade accord this week with Egypt, Syria and Jordan, giving further impetus to the Europe-Arab dialogue. Japanese and European businessmen are fully cognizant of the tremendous potential markets in the Mideast and are wasting no time in exploiting them. Their trust has so startled U.S. businessmen, that the U.S. Commerce Department was forced to publish some doctored 1977 projection figures for U.S. exports to the Arab countries.

The Commerce Department is embarrassed to admit that U.S. investment in Egypt is virtually non-existent, and spokesmen for that department hold no hope for improvement in the future. Given the tremendous potential for development in Egypt of both agriculture and industry, especially with French technology to build nuclear energy plants for desalination plants, it is clear that the U.S. Commerce Department and others are keeping business and investment out of Egypt—the IMF's notorious "Open Door policy" is a clear expression of that.

The Egyptian-U.S. Business Council (on its board of directors sits David Rockefeller) has come up with another method of sabotage. It has created, with the advice of the U.S., the IMF and the Agency for International Development, an Investment Simulation Program. This public relations scheme for gullible Egyptians intends over a three year period to attract U.S. partners for twenty-four specific industrial projects—like shoelace factories. To manage this con game, "top business executives" from private corporations have been chosen. So far they have sent telegrams to 3,000 firms and received three interested replies.

The scheme is a stop-gap, with promises of long term involvement in a country which every potential investor says has no infrastructure. Neither U.S. private nor government investment has been allocated to upgrade the economic level of the population. Indeed the only items proliferating in Egypt since the Open Door policy are debt and foreign banks—76 of them so far. On the other hand, the Saudis have repeatedly said they are willing to invest oil money in Egypt, if they have assurances that the money is going for development and not for debt rollover.

This is where the Europeans and the Eastbloc countries have stepped in to effect measures exemplified by the EEC's aid and cooperation agreement. Italian initiative has begun to wipe away Arab resistance to European investment.

According to a recent Harvard Business Report, the U.S. is decidedly losing Mideast markets to the Europeans. Backing this report was a Journal of Commerce article showing how the West Germans have become as important a customer and supplier as the U.S. to the Mideast and that German companies are landing contracts for projects almost on a daily basis.

## Egyptian Riots Explode IMF Austerity Program

Anti-austerity demonstrations by thousands of Egyptian workers and students, the most serious since the 1975 food riots, hit Cairo streets on Tuesday after the announcement of a new budget by Abdel Moneim al Kaissouni, Deputy Prime Minister for Economic Affairs. The new budget cut food subsidies and increased the price of luxury goods in line with an International Monetary Fund austerity program to "solve" Egypt's debt problem.

The Minister's announcement of the price increases was also greeted by a strong protest, including boos and heckling, in the National Assembly, and members of the Economic Council asked the government to veto the measures there and then. The angry public protests nationwide finally forced President Sadat to cancel the price increases.

In Cairo's industrial suburbs, walk outs and sit down strikes closed most of the factories and students joined workers to march on the Assembly building. The action spread from Cairo to Alexandria and Egypt's other major cities, including the southern town of Aswan.

Crowds of students gathered shouting disapproval of the government's program, chanting "Said Marei, millionaire" (a reference to Sadat's brother-in-law, a wealthy member of Parliament), "Down with Sadat" and "Nasser! Nasser! Nasser!" Windows were broken at the American University — one of the targets of the demonstration. The streets leading to the Assembly were blocked by police. Public transportation in most of the country was halted.

After two days of such demonstrations, Sadat put the government on record as saying that the increase would be too great a burden for the average Egyptian to bear. But the crowds are still in the streets and Sadat has ordered a 14 hour curfew in Alexandria and Suez.

The mobilization of the mass protest, coordinated by Egypt's Nasserist movement and the powerful underground Communist Party, has now posed the most serious threat to the IMF in Egypt. The fall of the government of Prime Minister Mamdouh Salem may be imminent. One possible replacement: former Prime Minister Aziz Sidqy, now an outspoken critic of Sadat and an advocate of closer Egyptian-Soviet ties.

# Reflation Is Out for Japan

In the fourth quarter of 1976, Japan re-entered the depression which for three years has plagued the land once famed for 10 per cent plus real growth rates. Now that the U.S. and Europe can no longer continue astronomically increasing imports of consumer durables from Japan — the only thing that enabled Japan to survive 1976 — Japan's domestic sales and production have started tumbling. Fourth quarter sales fell 4 per cent from the previous quarter; domestic machinery order in November were the lowest in all of 1976; and overall industrial production has fallen steadily since August except for a one-month upward blip in November. It is widely feared that the first quarter of 1977 will be even worse.

This fact alone makes a mockery of the Carter Administration economic strategy to get Japan, as one of the three "strong economies," to effect a worldwide recovery through increased imports made possible by domestic public works reflation. Japan in 1976 was a weak and fragile country, dependent upon inflationary consumer credit policies in the U.S. and its own ferocious export drive in Europe.

This export drive has been *supplemented* by a fiscal stimulus which was actually quite mild compared to the stimulus Carter wants Japan to impose now as a substitute for exports. Nonetheless, the major business daily *Nihon Keizai Shimbuni* (*Nikkei*) complained that this stimulus — a 30 per cent budget deficit — had caused major "cracks in the financial structure of Japan." Any attempt to impose the Carter program would wreck Japan's economy by producing an immediate 30 per cent plus inflation. Thus, the business community and major newspapers raised an almost unanimous cry of outrage that has so far prevented Prime Minister Takeo Fukuda from carrying out the Carter line. The industrialists have counterposed to the Carter-Fukuda line a policy of stimulating exports of capital goods and domestic investment.

## *The Fourth Quarter Tumble*

At the end of 1975 Japan was heading back into recession due to a drop in exports to the developing countries. This process was arrested only through huge increases in exports of consumer durables to the U.S., and exports of durables plus steel and ships to Europe. By July, the high point, exports to North America and Europe were both 50 per cent higher than they had been in January (also 50 per cent higher than July 1975). As a result, production of consumer durables rose 23 per cent from November to July, and overall production rose 15 per cent in that period.

Since July the renewed recession in Europe and the end of inflationary consumer credit policies in the U.S.

produced stagnation and then a November decline in exports. As a result almost every significant economic indicator tumbled in the final quarter (see *Table I, II, III*).

\*\*\* Production hit its peak in July and then fell 2 per cent by October. A one-month blip brought it back to July levels in November but the Ministry of International Trade and Industry predicts another fall for December.

\*\*\* Consumer durables, the heart of the "recovery," fell 15 per cent by October (latest available) from its April peak and 11 per cent from July, the economy's peak. Other sectors, such as consumer non-durables, producer goods and capital goods fell approximately 2 per cent in the period.

\*\*\* The operating ratio of factories fell from its April peak of 90.6 per cent to 89.1 per cent in July and to 85 per cent by October.

\*\*\* Fourth quarter sales fell 3.9 per cent from producers, 4.8 per cent from wholesalers and 3.8 per cent from retailers from the third quarter.

\*\*\* Capital investment is predicted to fall 4 per cent in the first quarter of 1977, and steel is predicted to fall 8 per cent in the quarter. The only thing keeping capital goods production from falling precipitously up to now has been the export market. Domestic machinery orders index in November was at the lowest point for all of 1976, while export orders were up 36 per cent from the year before.

## *Cracks in the Financial Structure*

By itself, this sensitivity to the export situation could be taken by some observers — and has by most — to indicate simply a "pause." Many Japanese businessmen are hoping that Carter will repeat the import bailout that occurred in 1976. And even the most pessimistic major banks are predicting real growth no lower than 4 per cent. But the bailout will not occur. Carter cannot do it. More importantly, Carter's backers — Chase Manhattan Bank et al. — insist that Japan substitute domestic reflation for exports, that Japan deliberately run a current account payments deficit, in order to bail out Third World and weak OECD countries.

This is the crux. What worries the more astute financial observers is not the immediate economic downturn figures, but the more fundamental financial dislocation caused by the 1976 experience. This view is exemplified by the Jan. 4 *Nikkei* column by Sumitomo Bank's Chief Economist Tsutomu Nishimura entitled "Big National Bond Issue Causes Cracks in Financial Structure."

In the period of high growth, Japan's exports grew along with world trade as a whole and thus promoted high rates of capital formation. In 1976, Japan's exports grew at the expense of other countries, with Japan taking

TABLE I: INDUSTRIAL PRODUCTION (seasonally adjusted, 100 equals 1970, in breakdown by sector, proportions from 1970)

YEAR/MO	PRODUCTION (100%)	CAPITAL GOODS (21)	CONSTRUCTION MATERIALS (10)	DURABLE CONSUMER GOODS (10)	NONDURABLE CONSUMER GOODS (15)	PRODUCER GOODS (42)	OPERATING RATIO
1973	127.3	127.3	131.6	136.1	115.4	128.2	100.6
1974	123.3	128.5	119.7	134.9	116.4	120.9	91.4
1975	109.7	110.6	101.8	129.1	111.9	105.7	81.2
RECESSION LOW	105.7	106.2	101.7	116.8	109.9	96.3	-----
NOV 1975	111.2	106.2	104.7	134.7	110.6	109.9	82.8
JAN 1976	115.7	115.3	103.8	142.2	114.5	113.2	84.3
APR 1976	126.2	129.4	109.6	165.9	120.9	120.7	90.6
JUL 1976	128.2	127.5	113.6	159.2	127.1	124.9	89.1
AUG 1976	126.0	125.1	114.2	155.1	122.5	123.5	86.9
SEPT 1976	125.5	125.7	115.0	147.5	125.4	122.6	87.1
OCT 1976	125.4	127.7	114.4	144.3	124.3	122.8	85.5
NOV 1976	128.5	-----	-----	-----	-----	-----	-----

Note: The recovery of production in early 1976 is clearly based on exports. Export-oriented durable consumer goods show sharpest increase. Recovery of capital goods is based almost entirely on exports. Capital goods kept falling throughout 1975

and hit their low in Nov. '75. Their growth since then has been based on exports, c.f. GNP distribution table which shows no recovery in domestic capital investment.

TABLE II: TRADE AND BALANCE OF PAYMENTS (in billion dollars)

YEAR/MO.	CUSTOM CLEARED*		BALANCE OF PAYMENTS (IMF SERIES, SEASONALLY ADJUSTED)			OVERALL	
	EXP.	IMP.	TRADE	CURRENT ACCOUNT	SHORTTERM CAPITAL		
1973	36.9	38.3	3.7	-.1	2.4	-9.7	-10.0
1974	55.5	62.1	1.4	-4.7	1.7	-3.8	-6.8
1975	55.9	57.8	5.0	-.7	-1.1	-.3	-2.6
JAN 11, 1976	59.9	58.8	8.5**	+3.3	-0.08	-.2	+3.1
JAN	3.6	4.8	.4	-.09	-0.2	-.03	-.07
FEB	4.8	4.7	.7	+.3	.3	+.3	+.7
MAR	5.9	5.2	1.5	+1.0	-.06	-.09	+.8
APR	5.3	5.1	.9	+.4	-.02	+.09	+.3
MAY	5.3	5.3	1.3	+.9	+.09	+.05	+1.0
JUNE	5.7	5.4	1.0	+.6	+.01	-.09	+.3
JULY	5.9	5.6	.7	+.1	+.2	+.1	+.45
AUG	5.4	5.5	.4	-.2	+.08	-.2	-.1
SEPT	6.1	5.6	.7	+.1	-.01	-.3	-.08
OCT	6.1	5.7	.7	+.2	-.2	-.48	-.5
NOV	5.6	5.8		+.06	-----	-.13	+.3

Note: \* On custom clearance, exports and imports cannot be directly compared due to difference in measure of freight and insurance charges; a rule of thumb is to deduct 10% from import. For 1976, please note it only covers through Nov. For year

as a whole the increase in exports over '75 will be about 20%.

\*\* On balance of payment cumulative figures for 1976 in trade and shortterm capital only cover through Oct.



TABLE III: REGIONAL BREAKDOWN OF JAPAN'S TRADE ( in billion dollars )  
 (for each country, exports from Japan on left, imports on right)  
 (not seasonally adjusted)

YEAR/MO.	N. AMER.		W. EUROPE		ASIA	
	EXP.	IMP.	EXP.	IMP.	EXP.	IMP.
1973	11.7	11.9	6.5	4.0	8.9	7.9
1974	16.5	16.3	8.5	5.2	12.6	12.4
1975	14.6	14.9	8.1	4.3	12.5	10.5
JULY 1975	1.2	1.4	.68	.42	1.06	.82
OCT 1975	1.1	1.2	.75	.36	1.15	.94
JAN 1976	1.1	1.1	.62	.34	.8	.92
MAR	1.7	1.3	.85	.40	1.23	1.10
JULY	1.8	1.3	.95	.45	1.21	1.18
AUG	1.4	1.2	.82	.43	1.10	1.13
SEPT	1.6	1.2	1.02	.41	1.18	1.23
OCT	1.5	1.2	1.03	.40	1.28	1.17
NOV	1.5	1.2	.97	.46	1.18	1.17

Note: Notice the approximate 50% increase by July 1976 in Japan exports to N. America and W. Europe over year before as well as over Jan. 1976 due to stagnation in latter half of 1975. This allows an approximate 50% increase in Japan's imports from Asia by July '76 compared to year before or to January. Thus,

Japan did not directly act to lift the rest of the world but simply as a transmission belt. Yet, the Rockefellers insist that Japan continue to maintain such an increase in purchases from the developing sector even after it loses its trade surplus with the U.S. and Europe.

much larger chunks of world market than normal in such goods as steel, auto, and electronic appliances. Japan's overall exports grew 12 per cent in *real* terms (20 per cent nominally) much more than world trade. Thus, it could not stimulate genuine recovery, either in capital investment or in consumer spending.

Therefore, the government supplemented the export drive by fiscal measures (a 30 per cent budget deficit) aimed at preventing a drop in consumer spending. As we will show, the actual stimulative effects of the measures were minimal, but the deficit caused severe financial dislocations and severe (though still latent) inflationary pressure. And now it is proposed — by David Rockefeller — to eliminate the exports surplus while pouring on an even bigger budget deficit!

In 1976, the amount of national government bonds issued was \$23 billion versus \$16 billion in 1975 and \$6.4 billion in 1974. The deficit did not result from a big buildup in public works, nor from a tax cut, but simply to avoid the collapse of consumer spending that would have resulted if the deficit had been closed through a tax increase.

The major commercial banks were forced to absorb these low-yield government bonds at almost no profit. The banks were able to buy them only because loans for capital investment plummeted. In the second quarter of 1976 (latest available) private capital investment for and equipment was still 13 per cent below the March 1974 peak and only 5 per cent higher than the recession low. As a portion of GNP, investment dropped from 20 per cent to 13 per cent of GNP (see *Table IV*). Thus the 1976 increase in capital goods production went mainly for exports.

Corporations in turn shifted spare cash into investments with a higher yield than bank deposits, e.g. each others' short-term bonds, stocks, commodities, etc.

Therefore, according to Nishimura, "City (commercial) banks, who have underwritten national bonds

but find liquidation virtually impossible... (are forced to) higher reliance — 36 per cent. — on marginal means of fundraising such as borrowing more from outside and liquidating bond holdings." And now, with a lowered prime rate, the interest banks pay on some deposits is lower than they receive for loans. A lower deposit rate will further accelerate the shift out of bank deposits. And David Rockefeller wants Japan to increase the bond issue still more?

The industrial corporations are in similar straits. Their current liquidity situation is better than the banks' due to low capital investment, sale of assets, rationalization measures, price increases, and flow of liquidity from export firms to others. However, their basic financial position is tight.

In the term ending September 1976 *operating* profits for all businesses increased 60 per cent above the previous six months, on sales increase of 5.3 per cent. However, they were still only 60 per cent of March 1974 peak. Even more important, *total* profits (i.e. counting debt service, capital costs, transfer of assets, etc.) rose only 5 per cent and post-tax profits decreased 5 per cent. Moreover, the increase was concentrated in only six of twenty-one major industrial categories, those related to exports. For the term ending March 1977, *Nikkei* predicts a 20 per cent rise in operating profits but says that 70 per cent of the increase will occur because of price increases in three industries — steel, chemicals, and nonferrous metals. According to the *Mainichi* of Jan. 5, the major banks are beginning a review of their clients with the aim of weeding out firms with bad performance or little prospect of growth. Bankruptcies in 1976 rose to 15,000 from 12,000 in 1975 and in November-December rose to 20,000 annual rate. Wholesale prices rose 6 per cent in 1976 versus 1 per cent in 1975. And David Rockefeller wants to restrict exports and increase the budget deficit still more!

Due to the tight financial situation, corporations

TABLE IV: GNP DISTRIBUTION IN CURRENT BILLION DOLLARS  
(Calculated at 300 yen/dollar)  
(quarters at annual rate)  
(amount and per cent of total)

YEAR/ QTR.	TOTAL	PRIVATE CONSUMPTION		PRIVATE CAPITAL FORMATION						GOVERNMENT EXPENDITURES					
		Amt.	%	MACH- INERY	AMT.	%	INVEN- TORIES	AMT.	%	DWELL- INGS	AMT.	%	CURRENT	CAPITAL	
1973	\$370b.	\$189b.	51%	\$71b.	19.1	\$12b.	3.1%	\$31b.	8.4%			\$33b.	9.1%	\$34b.	9.1%
1974	441	232	52.7	78	17.8	17	3.8	33	7.5			44	10.0	40	9.2
1975	483	273	56.7	68	14.2	5	1.0	35	7.2			54	11.2	47	9.8
1Q	465	261	56.3	69	14.9	3	0.7	30	6.6			52	11.3	45	9.7
2Q	483	269	56.1	69	14.4	4	0.8	36	7.6			53	11.1	46	9.5
3Q	488	278	57.0	68	14.0	6	1.2	40	7.5			54	11.2	48	9.8
4Q	498	284	57.2	67	13.5	8	1.5	35	7.1			55	11.1	50	10.1
1976															
1Q	511	296	57.3	68	13.1	2	0.3	40	7.6			59	11.4	50	9.6
2Q	538	308	57.3	70	13.0	4	0.7	40	7.5			61	11.3	50	9.2

Note: Notice that even measured in current dollars the fall in capital investment is nothing short of catastrophic both in absolute terms and as a percentage of GNP (the 19% figure of 1973 is typical for the later 60s and early 70s.) Notice also the rise in private consumption as portion of GNP, even though in real

terms there was very little increase in consumption on absolute scale. Finally notice that as portion of GNP the real increase in gov't spending came not in public works but in current spending, a process Fukuda is trying to reverse.

limited wage increases to the consumer inflation rate for the third year in a row, only 8 per cent in 1976 against inflation at 10 per cent by the year end. While wages were 13-15 per cent above year-before levels in the first half of 1976, they dropped to 8 per cent increase in the latter half — providing months of steady real wage decreases. A real drag on the economy (Table V).

Nonetheless, David Rockefeller sticks the knife in some more. In Tokyo for the Trilateral Commission last week, he met with Prime Minister Fukuda, his longtime protégé. In late August 1975, when Fukuda was Economic Planning Minister in Takeo Miki's cabinet, he had visited Rockefeller in New York City on a secret trip and worked out the policy implemented in 1976 — the "reliance on the U.S. recovery." Last week in Tokyo

Rockefeller told newsmen he recommended that Japan revalue the yen, reduce its trade surplus and "increase its share of the defense burden."

Richard Cooper, a leading member of Rockefeller's Trilateral Commission and Carter's appointee for Undersecretary of State for Economic Affairs, told newsmen in Tokyo on Jan. 11 that Japan's trade surplus was "a burden on the rest of the world." Cooper added, "Happily, the three largest economies on the non-communist world, the U.S., Japan and West Germany, don't find themselves in acute financial difficulties... These three countries together should take the lead in expanding the world economy... (and they) should be less concerned about the size of government deficits than they seem to be."

TABLE V: CONSUMPTION AND EMPLOYMENT

YEAR/MO.	NOMINAL WAGES (CHANGE FROM PRECEDING YEAR IN PER CENT)	EMPLOYMENT OF REGULAR WORKERS (1975 equals 100)
1973	121.5	101.8
1974	127.2	102.0
1975	114.8	100.0
RECESSION LOW	106.8	97.4
NOV 1975	114.4	99.6
JAN 1976	113.5	98.3
APR	115.3	99.4
JULY	108.8	98.6
AUG	107.6	98.1
SEPT	108.9	97.9
OCT	112.2	97.8

Note: Regular workers refers to workers hired for life and full time, about half of labor force in Japan. They are almost never laid off since there is a large pool of parttime and temporary workers who are subject to layoffs or reduced hours. It is this system that gives the impression of low unemployment when in

fact the real unemployment is quite large.

Note that in first half of 1976 nominal wages were more than 10% above preceding year, i.e. above inflation, a real wage gain though small. In second half, wage gains were below 10% (except for Oct.), a real wage drop.

TABLE VI: INFLATION

YEAR/MO.	WHOLESALE INDEX		CONSUMER INDEX	
	Per cent change from preceding year	Per cent change from preceding month	Per cent change from preceding year	Per cent change from preceding month
1972	0.8		4.5	
1973	15.9		11.7	
1974	31.3		24.5	
1975	3.0		11.8	
NOV 1975	0.8	0.3	8.1	-0.5
JAN 1976	2.4	0.8	8.7	2.0
FEB	3.7	0.7	9.3	0.6
MAR	4.5	0.6	8.6	0.4
APR	4.9	0.6	9.3	2.5
MAY	5.3	0.4	9.2	0.3
JUNE	5.9	0.5	9.5	0.2
JULY	6.8	1.0	9.9	0.5
AUG	6.7	0.5	9.2	-0.8
SEPT	6.8	0.4	9.7	2.7
OCT	6.5	0.1	8.6	0.6
NOV				

## India's 1976 Success Based on New World Order in 1977

India has ended 1976 in one of its strongest economic positions ever, as a result of premising its policies on an early realization of a new world economic order. Cultivating its heavy-industry state sector, its trade with the Soviet Union, and high-technology "trilateral" exchanges, the Gandhi government has achieved the first balance of trade surplus the nation has had since the early 1950, and has ended the year with a better foreign reserve position (\$3 billion) than any Indian finance ministry official has known since 1948.

These economic achievements have provoked a debate on how to sustain the year's improvements, pitting Mrs. Gandhi's pro-growth faction against the very opposition forces whose World Bank program Mrs. Gandhi largely ignored on the way to the 1976 success. The demand that Mrs. Gandhi reverse her economic approach in favor of a program whose rejection proved fortunate can be credibly raised in India at this time only because landlord-based right-wing interests in the ruling Congress Party are receiving public support for such sleight-of-hand from prominent Carter Administration advisors who are promising an "India tilt" in U.S. policy. Robert McNamara, President of the World Bank, and Orville Freeman, head of Business International and the "zero population growth" Worldwatch Institute, have promoted the Indian controversy by offering generous new aid and preferential market treatment to help India overcome continuing capital and credit limitations — provided that Mrs. Gandhi curtails further high-technology

imports, de-emphasizes the state sector, degrades the composition of India's exports toward primary commodities and materials, shifts trade volumes away from the Soviet Union into U.S. dependency, and uses both new loan monies and export earnings to perennially repay what is currently a \$17 billion foreign debt.

Mrs. Gandhi and her supporters have had occasion to observe the weakness of the opposition recommendations. While the right-wing and their liberal-counterparts credit speed-up of labor, general wage-controls and good monsoon rains for India's economic advance, the Prime Minister's advisors have publicly emphasized those points of the World Bank program she would *not* tolerate, with these results:

\* With grain production over 110 million tons for the year, government take-over of the private grain trade has resulted in a 75 per cent increase in grain stocks in 1975-76 from 10 to 17 million tons.

\* Industrial production in state sector industries like iron, steel and coal broke all records, with India becoming a net exporter of steel for the first time.

\* India secured contracts valued at \$800 million for infrastructural development in the Middle East and Africa, and has skilled technicians exploring for oil on behalf of such important pro-socialist allies as Tanzania and Vietnam. As a result, the nation is excellently situated within the expanding nest of triangular trade agreements of Europe, Arab-OPEC and Comecon partners to ensure a continued high-technology composition

of both imports and exports, and growing access to development-oriented capital aid and credits.

\* Average per capita caloric intake rose from 2,000 to 2,300 daily.

\* Foreign exchange reserves doubled from \$1.6 billion to \$3 billion.

A cause for celebration among industrialists and pro-growth political leaders throughout the world, India's impressive performance is a cause for concern in New York financial circles. India "is pivotal in either strengthening the Bretton Woods system or drastically weakening it," wrote a Brown Brothers Harriman executive in a recent book on India. His co-thinkers advise the nation to sacrifice development in favor of increasing exports to repay its dollar-denominated debt. Traditionally western markets for Indian exports have been confined to products like sugar and textiles which do not further India's industrial development.

Similarly, the World Bank report on India in 1975 declared: "India has entered 1974-75 with 1) foreign reserves net of IMF obligations equivalent to less than one month's imports at 1974-75 levels... 2) no substantial secondary lines of reserves in the form of food stocks; 3) secondary reserves with the IMF already partly utilized; 4) considerable debt obligations ... over a very short period; 5) little relief in sight from continuing sizable trade deficits." The World Bank proceeded to propose opening up the public sector to multinational corporations, drastic reductions in Indo-Soviet trade ("which does not produce foreign exchange to pay the debt") and drastic domestic austerity — the opposite of what Mrs. Gandhi subsequently did to reverse the situation.

Those who would raise the World Bank program all over again to "sustain" the 1976 economic performance are indeed so discredited that Mrs. Gandhi has chosen to announce new elections, and lifted the "State of Emergency" she declared in 1975 at the time of her decision to

buck the World Bank program (and weather at all costs the inevitable destabilization operations thrown against her government.) Mrs. Gandhi summarized both her confidence and her intentions during the surprise announcement: "May I say that the Emergency was proclaimed because the nation was far from normal. Now that it is being nursed to health, we must insure that there is no relapse... The election will surely uphold the fair name of India as a land committed to the path of reconciliation, peace and progress."

#### Agriculture

Although the weather has been on India's side a major factor in producing bumper harvests in both 1975 and 1976, the uncertainties of depending on the monsoon rains are already seen in a fall in the 1976 summer crop of 65.4 million tons compared to the previous year's 70 million. Estimates for 1976-77 are 110 million tons of grain production compared to 118 million the previous year. The difference is noticeable in the administration of the countryside, where through June 1976 the government launched a major campaign to procure grains for state storage. The current state stocks are at an all time high of 17 million, though spoilage is expected to be about 25 per cent. The government has already moved to rectify the storage problem by making the first priority of the next few months the building of 20 million tons of good storage capacity compared to the existing 6 million tons.

Fertilizer production domestically has also risen the major problem remains the use of it in agriculture. Usage remained almost stagnant (2.9m. metric tons to 3.1 million metric tons) because of the extreme poverty of the majority of Indian farmers.

The major gains and problems have been in the area of social and administrative reorganization. Mrs. Gandhi's 20-point economic program emphasizes an improvement for the rural population calling for: peasant debt mora-

#### AGRICULTURAL PRODUCTION (Millions of Tons)

	<u>1974-1975</u>	<u>1975-1976</u>	<u>1976-1977</u>
<u>Agriculture</u>	100	118	110 (est.)
Nitrogenous Fertilizer	0.95	1.22	1.4
Potassium Fertilizer	--	.3	--
Fertilizer Consumption	--	2.9	3.1
Fertilizer Capacity	--	--	2.4
<u>Foodgrains</u>			
Food Stocks	10	8	17
Summer Crop (Kharif)	--	70.9	65.6
Winter Crop (Rabi)	--	47	44.6 (est.)
<u>Caloric Intake (Average)</u>	--	2,000	2,300
Northwest	--	2,300	2,700
South	--	--	2,000
<u>Crops</u>			
Sugar	--	14.2	15.0

toriums, land reform, the enactment of rural and urban land ceilings, an end to hoarding, and anti-smuggling operations. The main problem in implementation has been the central government's inability to extend the amount of credit needed at the rapid pace to make the peasant debt moratorium effective. Moreover, numerous state Congress Party leaderships are predominantly controlled by landlord interests who resist the government's policy. Despite the fact that 18 major new rural banks, and over 115 branches were set up in 1976, the money-lender remains an active figure in India's countryside.

#### Industries

The most remarkable performance of the economy is in the core industries. Increased worker productivity overall has resulted in a 100 per cent utilization of plant and equipment. This is reflected in the performance of the steel mills at Bhilai, Rourkela, and Bokaro, initially built with Soviet, West German and British capital in the 1960s. In 1976 for the first time in Indian history, India became a net exporter of steel earning \$115 million; major expansion plans have been laid out for the Bhilai steel mills in 1977. Industrial production rose 3.9 per cent in 1975 against a 2.2 per cent increase over 1974. In 1976, the average industrial production index (1970=100) stood at 131.1 during the first six months of 1976, a 13.0 rise over the corresponding period in 1975. The high technology content of the economy's new activity accounts for the fact that the public sector's accelerated growth rate has been over 30 per cent. In the areas where both exports and production have increased are saleable steel, cotton textiles, jute, cement, electricity, aluminum, agri-

cultural tractors, automobiles and machine tools. The sectors that declined in production have been sugar, rubber products, and some textiles which are predominantly private owned. Exports to the Mideast in particular have been composed in larger installments of machine tools, construction equipment and engineering goods from the state sector. Traditional exports such as textiles, sugar, leather goods have registered major foreign earnings as well but at lower unit value realization given the fluctuations in world commodity prices.

The immediate economic problems can be isolated easily. First, 25 per cent of the previous economic activity collapsed under the government's anti-black market drive. Construction has been the major sector affected, and small business that lived off it have been folding. With the black market under control, unemployment has soared in these areas. Secondly, while India has huge construction contracts for 1977, and has already exported huge amounts of machinery to Soviet financed projects in the Third World, its own internal demand for goods is abysmal.

Purchasing power is extremely low, and export of technology at this state of its development without substantial capital inputs, fails to aid internal industrialization that would change the 80-20 rural-urban population ratio to one of urban growth. India has the world's third largest pool of unemployed or underemployed scientists, as shown by the continued export of doctors while failing to increase their employment in India's own rural areas. Current rates of production, the optimal the economy can reach, cannot be sustained into next year without huge capital replenishment.

#### INDUSTRIAL PRODUCTION (Million Tons)

	1973-1974	1974-1975	1975-1976	1976-1977
Iron Ore	---	34.6	42	---
Finished Steel	4.5	4.9	5.8	6.5 (est.)
Crude Steel	---	6.7	8.3	9.3 (est.)
Coal	82	91	95.9	108 (est.)
Cement	---	14.4	18.1	---
Industrial Production (1970=100)	114	120	131.3	131.3 (first six months)
Wholesale Price Index (1970=100) June	---	---	158.7	167.3
Consumer Price Index - July	---	178	180	156

\*1976-1977 figures are projections made by the government of India, Ministry of Commerce based on current trends.

### Energy

The energy policy best demonstrates the government's understanding that new areas of the economy must be explored through the state sector. India consumes 20-24 million tons of petroleum a year, domestically producing 8.3 million tons and importing 14 million tons. Oil and fertilizers, next to food grains, have traditionally been the depleters of foreign exchange.

Petroleum Minister K.D. Malaviya has just announced that the 1976 production figures will hit 9 million tons, primarily because the newly explored Bombay High Oil fields now have a production of 32,000 barrels a day.

The Bombay High exploration has involved the government in the implementation of its longstanding strategy to arrange oil for technology agreements only through the independent oil companies and nationally held ventures. In 1974, India, Iraq and Iran signed government to government agreements whereby India provided intermediate technological goods for development of the Mideast in exchange for concessionary oil prices. At the same time, Iran's National Iran Oil Company (NIOC), India's Oil and Natural Gas Commission (ONGC), and Italy's ENI agreed to form a working relationship whereby they would explore oil fields in the Mideast by pooling their resources rather than depend on the multinationals.

Oil, as food and fertilizer in the past, has been a major drain on the foreign exchange reserves of India. However, in 1976, significant progress was made to barter arrangements with the major one being the December offer from the Soviet Union to sell India 5.5 million tons of oil over the next four year period in exchange for Indian iron ore exports. Soviet oil experts have also been instrumental in exploring the Bombay oilfields, completing a study that totally refutes the U.S. multinationals by concluding that India can be self sufficient in oil by the mid-1980s.

With this estimate, Malaviya has toured Europe and socialist countries seeking rapid capital inputs. Malaviya has been instrumental in effecting the nationalization of all of India's 24 million tons/year refinery capacity, effective Jan. 1977. Caltex and Exxon were the major firms nationalized.

### Monetary and Fiscal Policies

As seen in the adjoining chart, the major accomplishment of the economy is its \$3 billion reserves by Jan. 1977. A phenomenal figure for a third world country, this has been achieved through 1) breaking black market money operations and forcing the inflow of foreign remittances at a \$150m monthly rate; 2) reducing major traditional import items such as food, fertilizer, oil, either through straight cuts as in the case of food, or through alternate arrangements; 3) increasing exports earnings by over 20 per cent over 1976, particularly through the performance of the public sector industries. Reserves have been used mainly to make continued debt payments to India's western creditors. In 1976-77, India's debt service payments amounted to \$650m. Total debt figures are estimated as high as \$17 billion, of which over half is owed to the World Bank.

The weaknesses remain in short-term achievements. Food imports, reduced to zero since June 1976 could be forced upward by a bad harvest. Fertilizer stocks are up because of minimal increases in usage, not a good sign for expansion of agricultural productivity. The government must still deal with bringing back into existence in some form sectors of the economy collapsed by the end of the black market and those which need capital replenishment such as textiles. The danger here lies in that while the government has announced in September 1976 that it will utilize \$400m. foreign exchange over two month period for import of raw materials and industrial inputs, the private sector of the economy, which for the most part has not accounted for any remarkable economic performance, has succeeded in capturing the industrial inputs. Raw materials will be used for both sectors. The private sector is also calling for the relaxation of foreign exchange controls, as overly protective of the Indian state sector.

The internal economic picture shows disturbing trends. Since June 1976, wholesale prices for essential commodities began to rise at a 2 per cent monthly rate. After nine months in which the inflation rate was zero, the relaxation of the government's anti-hoarding drive then enabled big landlords to create artificial scarcities in the countryside. While grain prices in the cities have

OIL CHART  
(Millions of Tons)

	1973-1974	1974-1975	1975-1976	1976-1977
Consumption	20.4	-	20	20-24 (est.)
Domestic Production	7	8	8.4	9
Imports	13.4	-	-	11 (est.)
Refinery Capacity	20.2	-	-	24

Source: India, The Energy Sector, P.D. Henderson, 1975. World Bank.

Government of India, Ministry of Commerce.

BALANCE OF PAYMENTS  
(In Millions of Dollars)

	<u>1973-1974</u>	<u>1974-1975</u>	<u>1975-1976</u>	<u>1976-1977* (Est.)</u>
Total Foreign Debt (Long Term)	---	---	---	18,762
World Bank	---	---	---	8,920
Outstanding IMF Drawings	---	---	---	730
Short Term Debt Service Ratio	---	19.4	19.5	---
Debt Service	---	750	800	643
Expected Aid Inflow	1,600	1,800	1,100	1,400
Foreign Exchange Reserves (Year)	---	969	1,800	2,960 (Through September)
Total				(April-September)
Imports	---	5,022	5,585	2,952
Exports	---	4,017	4,350	3,025

\*1976-1977 Figures and estimates released by government.

Other Sources: State Bank of India Weekly.  
Economic and Commercial News, Ministry of Commerce, New Delhi.

remained stable, prices of edible oils rose substantially. With workers's wages and bonuses frozen and a percentage of the civil service salaries impounded, the inflation rate has reduced the standard of living of the entire population despite the production increases.

The invisible factor in India's balance of payments surplus is necessarily the nation's relationship with the socialist sector, which has provided the Italian economy with trade allowing India to expand economic activity without draining its foreign exchange reserves. In 1975-76 Comecon became a significant supplier of fertilizers, kerozene, diesel oil, non-ferrous metals, all products which otherwise would require foreign utilization. The basic quality of this relationship is drastically different from India's relations with the West. In the 1960s, the import pattern involved capital goods, and essential plant and machinery, as well as raw materials, to shape the heavy industrial core sector in iron and steel, and machine tools. A new phase of imports were realized through exports from the socialist sector in the 1960s, where conventional machinery imports into India were replaced by Comecon assimilation of Indian exports. A new phase begins now with continued imports of ships, special steel, petroleum products, and pharmaceuticals but with India balancing this trade by providing the plant and equipment for third country-Soviet financed projects such as in Africa. Relations between the two sectors are conducted in Credit Agreements where the supply of

goods is ensured for specific projects and repayment is made in installments once the projects are in operation. (see chart for comparative figures) Yearly evaluations of trade balances are made. This month an Indian delegation in the Soviet Union is discussing the parity of the rupee to the ruble. Early in Jan. 1977 the Soviet Union valued the rupee parity as R. 11.2 to one ruble and was advising the Indian government to increase its gold holdings to back the rupee instead of using a basket of currencies of its trading partners. With an increased gold content, the Soviet Union has been interested in a new parity.

*Trade Trends: Future Economic Policy*

India's diplomatic calendar in the past six months and the major contracts it has secured for development of the Mideast demonstrate a major shift in trade trends phasing out dependence on the U.S. As the adjoining chart indicates, exports to Europe and the Mideast have dramatically increased compared to only slight gains in U.S.-India trade. In particular, Britain has imported large quantities of Indian goods in 1976 bringing back into operation the Commonwealth trade and economic ties. The tentative decline in trade with the socialist sector in 1975-76 is not expected to last through the current fiscal year, particularly since India can barter with industrial products as exports. As regard the Middle East and Africa, India has entered into arrangements such as the

INDIAN IMPORTS  
(Millions of Dollars)

	<u>1970-1971</u>	<u>1973-1974</u>	<u>1974-1975</u>	<u>1975-1976</u>	<u>1976-1977</u> (Jan.-Nov./est.)
U.S.	594.8	633.3	845.7	1,298	1.1
U.S.S.R.	139.6	320.6	474.3	343.1	---
Comecon	---	504.2	746.6	621.7	---
EEC	370.0	951.7	1,006.6	1,211.5	584.6
Britain	168.0	314.2	255.2	310.8	182.1
Japan	111.0	328.0	526.0	---	---
West Germany	142.5	251.2	367.5	413.6	---
Mideast	---	33.2	1,533.0	---	---
Iran	122.1	---	548.3	---	---

INDIA FOREIGN TRADE EXPORTS  
(Millions of Dollars)

	<u>1970-1971</u>	<u>1973-1974</u>	<u>1974-1975</u>	<u>1975-1976</u>	<u>1976-1977</u> (April-Sept.)
U.S.	270.3	498.2	435.9	659.4	---
U.S.S.R.	279.7	364.3	488.7	478.8	---
Comecon	---	617.7	759.9	751.8	745.8
EEC	324.8	829.5	805.0	950.1	763.3
Britain	227.1	331.1	356.1	468.1	264.4
Japan	271.3	455.8	342.4	---	---
West Germany	---	105.5	227.5	137.2	---
West Asia	---	---	451.3	---	---
Mideast	---	---	374.2	---	---
Iran	---	---	248.8	---	---

announced decision that India will prepare a study on the scope of industrial expansion activities for Libya's 5-year plan. Already agreed upon is India building a new airport in the Saharan region. Through 1976, India earned Rs. 2.7 billion (\$550m. approx.) in consultancy exports and execution of projects in Libya, the largest export venture for the year. Government estimates are that India is now running a favorable balance of trade of \$75m. accounted for by a 33 per cent increase in exports against 9.9 per cent decline in imports in April-October 1976. The same period in 1975-76 ran a \$916m. deficit.

To sustain this growth Prime Minister Indira Gandhi recalled all Indian ambassadors in the Mideast to hold high-level trade-meetings in New Delhi Jan. 10. Mrs Gandhi made the ambassadors' first priority the search for new contracts. The industrial activity in the first six months of 1977 is substantially premised according to government sources, on the expansion of contracts to build infrastructures in trade with Mideast and Africa at a rate five times as much as in 1975. Such growth needs the use of OPEC oil resources in agreements with both India and Europe.



India has depended on advanced technology from the west, which is unavailable in the quantities it needs for rapid expansion of the economy. The cluster of arrangements worked out as alternatives to the World Bank proposals represent a perspective on which the next six months of economic activity will be based.

With India already having invested so much of its future in economic recovery based on an alternative monetary structure, what the Carter Administration has proposed to Mrs. Gandhi is an eminently suicidal package. The advice given no doubt reminds Mrs. Gandhi of two past periods of crisis in the economy. In 1965, in her first year as prime minister she was pressured into following World Bank advice to devalue the currency only to find that the much promised aid and markets never came through. Now India is promised big export markets only to find the western economies in a recession. The promises are worth little in the light of India's alternatives.

EXPORT/IMPORT TRADE TRENDS  
(Percentage)

	Exports 1974-1975	Imports 1974-1975
Africa	7.1%	3.4%
North America	12.7	--
Canada	1.3	--
USA	11.4	--
East Europe	20.6	14.6
Soviet Union	12.7	9.0
Czechoslovakia	1.8	0.7
*EEC	20.9	18.8

\*includes United Kingdom, Federal Republic of Germany, Belgium, Italy.

## Economic Trends in Southeast Asia: An Overview of the ASEAN Countries

The five member nations of ASEAN (Association of Southeast Asian Nations), Indonesia, Philippines, Thailand, Malaysia, and Singapore, passed 1976 in a deceptively stable "holding pattern" that reassured only naive observers. The turnaround in Indonesia's reserve and payments situation from the "Pertamina crisis" of 1975 masked a near stagnation in development projects and domestic economic growth, and the effects of substantially reduced imports in the first half of 1976 on the economy. Malaysia's export revenue expanded in the first half of the year at a 30 per cent annual rate against constant imports, but most of this was accounted for by price rises in speculative trading on the London commodities markets, and export increases to Japan and the U.S. that cannot be sustained in 1977. The Philippines faced a debt crisis as 1976 ended that was characterized in New York banking circles as comparable to the crisis in South Korea a year ago. In fact, it is much worse, with exports falling, debt soaring, and no feasible means to reverse the situation. Despite the coup in Thailand by know-nothing fascist military men seeking to return the country to a Vietnam-era American military colony, foreign investors have been slow to return. Beneath the bulge in agricultural exports lies a stagnating economy in terms of long-term development. Only Singapore continued much as it has for the past several years, with no dramatic changes in any major indicators.

The most fragile feature of the superficially healthy trade picture for the ASEAN countries in 1976 was the substantial rise in exports for every country except the Philippines (see *Table A*). In reality (see *Table B*), most of the increases were registered with Japan and the United States which traditionally have accounted for the bulk of the region's foreign trade. However, these two

economies face the greatest difficulties in 1977 because of the mounting crisis of the dollar for the U.S., and the foreign trade dilemma which threatens to throw Japan into serious depression. Malaysia's increased exports were based largely on the 86 per cent jump in sales to Japan, an increase of \$373 million in the first eight months of 1976, and on a 23 per cent increase in shipments to the U.S. Indonesia and Thailand also registered most of their increases to these two countries. Even so, exports of two of the traditional mainstay commodities, tin and timber, were badly off last year's pace at midyear, with substantial gains registered only in rubber (see *Table C*).

Japan imported heavily from the region based on its short-term export boom, engineered at the expense of Europe and the U.S. That boom can not continue, as has been made clear to Japan, and with its passing will pass the export life-saver for ASEAN. Without very favorable export prospects, the ASEAN nations would under normal conditions face a grim year in 1977.

However, unlike, for example, the very limited options available to the Philippines when it faced a debt crisis in 1970 and reorganized its economy under International Monetary Fund direction, the nations of the region today have the option of integrating their economies into a fast-materializing new international economic order, emerging through an alliance of the Third World Non-Aligned nations, Europe and the Soviets. The economic boom imminent in these sectors of the world economy will provide not only an almost unlimited market for the ASEAN region's exports of raw materials; it will provide the basis for large increases in development project assistance to each country, to accelerate their stalled development programs. Already, Indonesia's President

TABLE A  
INTERNATIONAL FINANCIAL STATISTICS  
(figures from IMF)

	Exports (fob) mil. \$U.S.	Imports (fob) mil. \$U.S.	Trade Balance	Balance of payments-Current Account (goods, services, transfers) mil. \$U.S.	Change in Reserves <sup>a</sup> (Not of Capital Flows) mil. \$U.S.	Total Reserves mil \$U.S.	Consumer Price Index 1970=100
INDONESIA: 1975	6,888	5,464	1,424	-1,109	858	586	244
1976: 1Q	1,724	951	773	---	---	760	277
2Q	2,241	1,153	1,088	---	---	953	286
3Q	1,922	---	---	---	---	1,202	298
OCT	---	---	---	---	---	1,725	
PHILIPPINES: 1975	2,263	3,459	-1,204	- 923	16	1,360	203.4
1976: 1Q	501	1,017	- 516	---	---	1,538	209.8
2Q	702	923	- 221	---	---	1,679	213.4
3Q	---	---	---	---	---	1,626	217.4
MALAYSIA: 1975	3,775	3,334	441	- 186	- 63	1,524	142.2
1976: 1Q	1,127	849	---	---	---	1,672	144.5
2Q	1,264	898	---	---	---	1,938	144.9
THAILAND: 1975	2,177	2,837	- 640	- 608	- 51	1,775	152.0
1976: 1Q	744	780	- 36	---	---	1,910	157.5
2Q	730	820	- 90	---	---	1,896	158.2
JULY-AUG.	480	522	- 42	---	---	1,989	159.2
SINGAPORE: 1975	5,016	7,502	-2,484	- 749	- 410	3,007	164.7
1976: 1Q	1,460	1,994	- 534	---	---	3,129	163.9
2Q	1,571	1,913	- 342	---	---	3,227	161.0
ADDENDUM <sup>b</sup>							
PHILIPPINES:							
1975	2,182	3,232	-1,050	- 573	- 76	1,081	
1976	2,172	3,051	- 879	- 534	- 54	1,135	

a. In IMF reporting, an increase in reserves carries a minus sign, a decrease a plus sign.

b. These figures were published in the Far Eastern Economic

Review, Jan. 14, which was received just before press time. There was not time to reconcile the discrepancies with the IMF figures. However, the pattern in both sets of figures is the same.

Suharto has welcomed Soviet project assistance and maintained its standing in OPEC, while the Philippines' President Marcos has responded to the crisis in his country's debt payment situation by defining a more independent foreign policy than the country has had

since independence, and is now seriously threatening to break military relations with the United States and join the Non-aligned Nations. ASEAN's choice in 1977, outside of the anomalous regimes in Singapore and Thailand, will doubtless be to join the new world order.

TABLE B  
ASIAN TRADE WITH U.S. AND JAPAN  
Per Cent Increases (Decreases) 1976 From 1975

	<u>Exports to Japan and U.S.</u>		<u>Imports from Japan and U.S.</u>	
	Japan June-Aug. % increase (decrease)	U.S. June-Oct % increase (decrease)	Japan June-Aug % increase (decrease)	U.S. June-Oct % increase (decrease)
INDONESIA	13.7%	33%	-17.5%	30%
MALAYSIA	86.4%	23%	-15.3%	33%
PHILIPPINES	-38.6%	7%	10.4%	3%
THAILAND	22.2%	30%	4.1%	-20%
SINGAPORE	3.0%	37%	1.8%	-4%

Figures from U.S. Dept. of Commerce and Japan External Trade Organization

Note: On the import side for Indonesia and Malaysia, the discrepancy between the decrease in imports from Japan vs. the large increases in imports from the U.S. is accounted for by the difference in commodities imported. They import mostly

machinery from Japan, but a large amount of agricultural goods from the U.S. The other three countries, in contrast, do not import significant agricultural supplies from the U.S.

TABLE C  
EXPORT OF KEY COMMODITIES  
(Figures from IMF in U.S. Dollars)

	<u>1974</u>	<u>1975</u>	<u>1976*</u>
<u>Tin</u>			
Indonesia	175.4	133.7	120.2
Malaysia	606.0	482.0	548.8
Thailand	153.26	107.2	136.0**
<u>Rubber</u>			
Indonesia	479.2	360.3	488.0
Malaysia	1,150.8	810.4	1,111.2
Thailand	249.25	170.9	248.6
<u>Timber</u>			
Indonesia	716.0	501.1	381.6
Malaysia	616.0	444.4	312.0
Thailand	203.5	186.5	143.2

\* 1976 are estimates based on analyzing actual figures from January-June for Indonesia, Malaysia and Philippines and from January-September for Thailand.

\*\*Figures from Bangkok Post.

# The Philippines: Debt High and Sugar Low

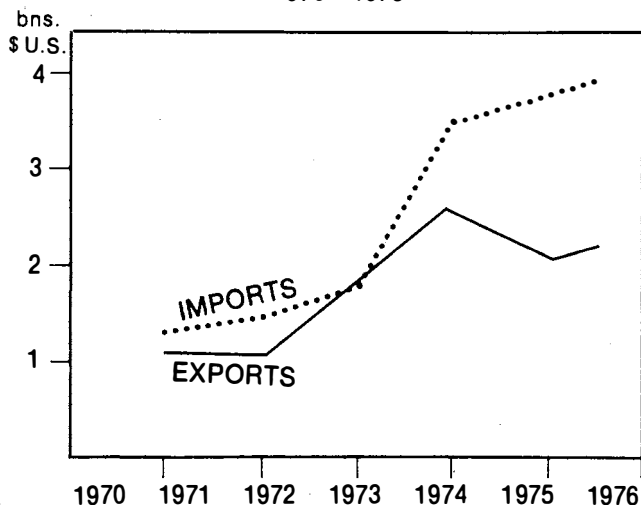
The Philippine economy, after a "success story" of dramatic recovery from the nadir of financial crisis in 1970, came badly unravelled during 1976, largely because of the shallowness of the 1970 "solutions." However, the response to crisis this time, in a very different world situation, has also been quite different. President Marcos has stated his desire to bring the Philippines into the Non-aligned nations movement, to rapidly establish diplomatic and economic ties with Vietnam, and bring strong pressure on the United States to either provide real aid, or remove its military bases from the Philippines.

The crisis hit late in 1976 in the form of a severe debt payments crunch, the details of which have been largely suppressed to avoid touching off a panic. However, officially acknowledged debt rose from under \$4 billion in 1975 and \$4.9 billion in October to a figure of \$5.5 billion by year end, according to the Jan. 14 *Far Eastern Economic Review*. During the year, real GNP rose a meager 6.3 per cent. Since 1973, the total debt accumulation has soared above real GNP (see *Graph 1*) making the burden of debt service even heavier. There also may exist \$1 billion or more in unreported short-term debt, exacerbating the crisis.

Underlying the debt crisis is a disastrous foreign trade picture for the past three years (see *Graph 2*). The foreign trade deficit began in 1974 partly because of the oil crisis, widened drastically in 1975 when the IMF index of terms of trade fell from 97 to 68, and has continued in the doldrums in 1976, during which sugar exports have collapsed. According to the London *Financial Times*' Quarterly Economic Review, sugar exports during the first five months of 1976 fell by 73 per cent from the same period last year, \$454 million to \$122 million.

Year end figures are not yet available, but the

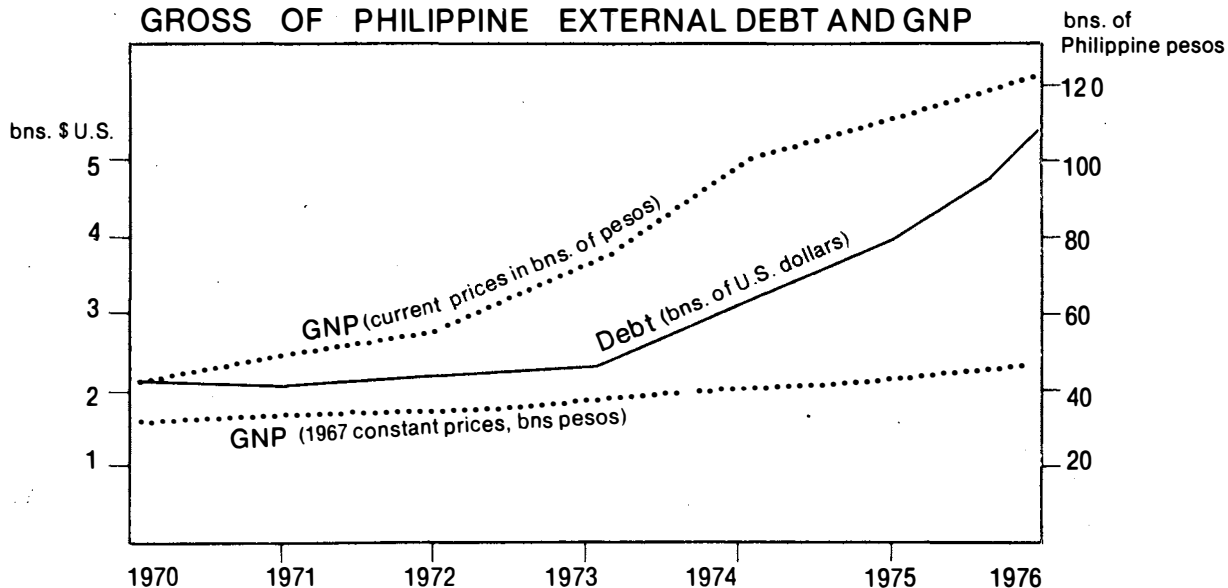
GRAPH 2  
PHILIPPINE IMPORTS AND EXPORTS  
1970-1976



Source: Financial Times Quarterly Economic Review, Oct. 1976

depression in the sugar industry is so bad that the sugar planters have been able to retain their workers for only two or three days a week in the last year, according to the Manila economic daily *Business Day*. Planters are now planning layoffs in March if exports do not revive and withdrawal from sugar production of 60,000 hectares, 12 per cent of all land planted in sugar, is likely. The *Financial Times*, reported Jan. 17 a rumor that the Philippines had made arrangements to sell 500,000 tons of sugar to the Soviet Union, and 450,000 tons to China, the

GRAPH 1  
GROSS OF PHILIPPINE EXTERNAL DEBT AND GNP



latter in exchange for low-priced Chinese oil. There has been no comment from China and a skeptically-received denial from the Soviet Union, but if true, the deals would fully suffice to solve the sugar crisis.

In 1976, the Philippines imposed certain austerity measures to deal with its financial problems, primarily limits on imports and a damaging domestic credit

crunch. However, inflation was curbed (under 7 per cent) while workers were given a wage increase, which ended a three year slide in real wage levels.

The question now is how far, and how fast, Marcos will lead the country into the alliance of Non-aligned and pro-development western nations who are now building the framework for a new international economic order.

## Indonesia: Holding Action Against Austerity

In an address to the Indonesian Parliament Jan. 6, President Suharto presented a \$10.11 billion budget for 1977-78, highlighted by a 53 per cent increase in expenditures for salaries of government workers. Coupled with recent moves to force foreign oil companies to yield more revenues to the Indonesian government, Suharto's budget represents a refusal by the Suharto regime to implement the austerity policies demanded by New York banks and Indonesia's major foreign creditors, grouped in the Inter-Governmental Group on Indonesia (IGGI). But under prevailing international circumstances, and despite Indonesian determination, this refusal is merely a holding action against the worsening international economy, and a failure to extricate itself from a crushing debt burden.

An inflation rate of 14 per cent brought down from last year's 20 per cent, will erode the new budget's development allocations of \$5,100 million, which was only a 13 per cent increase over last year's \$4,600 million. The budget calls for debt servicing of \$532 million dollars, a 28 per cent increase over last year and reportedly only accounting for 11.8 per cent of foreign exchange earnings. The figure is deceiving, however. Indonesia's reported public long-term debt of \$10.4 billion fails to account for all the \$6-10 billion debt of Pertamina, the state oil company. Nor does it account for short-term debt acquired for balance of payments, debt that may run into several billions more. And of course it fails to take into account the private foreign debt of the sizable local Chinese business community. In fact, the Indonesian government has continued to be a major borrower on the Eurodollar market as well as the Asia dollar market.

### *Fighting Foreign Oil Companies*

The major focal point of Indonesian struggle to stay one step ahead of its creditors while maintaining its development efforts has been a determination to get the needed revenues from foreign oil companies rather than by ravaging its own population.

The government has been renegotiating contracts with foreign oil companies for the past six months. Caltex, which accounts for two-thirds of Indonesian oil production, has yielded another \$1 per barrel in revenues to the government. The other companies (unlike Caltex, which operates on an old work contract) have had their production-sharing contracts renegotiated. Provisional agreements increase the government's share from the old 65-35 ratio to 85-15. In addition, the 40 per cent off-the-top which companies were allowed for expenses has been

replaced by the more conventional 10-year depreciation allowance formula. But finalization of new contracts has yet to occur, and negotiations remain deadlocked.

In a campaign to force concessions from Indonesia, the oil companies have all but ceased exploration, withdrawing over 20 oil rigs in the past six months. Indonesian sources report that only four rigs are in operation, although four more are expected to resume operations. Despite an increase of production in December to 1.583 million barrels a day, up from November's 1.503 million, production might drop next year if exploration is not resumed. Informed sources also note that both the Finance Ministry and the Central Bank are reporting falling revenues.

Despite this pressure, and notwithstanding wild rumors to the contrary, Indonesia is determined to abide by the decisions of the Organization of Petroleum Exporting Countries (OPEC) and maintain its firm commitment to the new world economic order. In accordance with last December's OPEC meeting, Indonesia will increase prices from 5.85 per cent to 10 per cent on its different grades of crude, and will raise prices again by another 5 per cent in mid-1977. Revenues will increase by \$200 to \$300 million.

Although western observers speculate that Indonesia cannot afford such militancy, Pertamina's president, Major General Piet Harjono, stated Indonesian policy in unequivocal terms. "We have decided to side with the majority, and thus we shall be consistent with the decision. If necessary we will even accept losses as the consequences." Indonesia is a great and respected country, he said. "How then will the world look at Indonesia if it sways only to the wind of profits?"

### *New Economic Ties?*

Concurrent with the strengthening of European-OPEC relations, a high-level Indonesian delegation lead by Ali Murtopo, a top Suharto advisor, toured West Germany, Britain, and France recently. Discussions were held with top industrialists as well as government officials. The Soviet Union is meanwhile in the process of concluding several agreements for credits for Indonesian development projects, for the first time since 1965. In addition to funding several hydroelectric projects, the Soviets will be involved in financing several industrial projects that U.S. banking interests had refused to fund. And while U.S. direct investment has turned to a mere trickle, the Japanese have concluded the huge billion-dollar Asahan aluminum smelter project deal with Indonesia, as well as another billion-dollar liquified natural gas project.

# Malaysia: Beset by Speculation and Battles Over Oil

The Malaysian economy continues to be determined by the speculative gains or losses of its five major export commodities: tin, rubber, palm oil, petroleum and timber. Although prices for all five have generally increased, it has only been on the basis of speculation on the world's commodity markets, the reflationary policy pursued by the U.S. and the ferocious export drive of Japan which accounts for a full 86 per cent increase in exports to Japan. None are likely to be sustained in the coming period.

It is the desire for stable commodity prices under an expanding world economy that has shaped Malaysia's internal economic policies and its determined commitment to bringing about a new world economic order. This is particularly clear in the government's petroleum policy, as well as in the "Bumiputra" (or New Economic Policy) calling for 30 per cent Malay participation in foreign companies in particular, the nation's rubber plantations and tin-mining. Like Indonesia, Malaysia had come under pressure from the foreign oil companies led by Exxon and the multinationals.

The recent speculative rise in tin prices caused by the opposition to the International Tin Agreement by Bolivia, the second largest tin producer after Malaysia, has created concern in Malaysia that consumer countries will turn to tin substitutes. A closer look at why rubber prices have increased gives further cause for worry. London Commodity brokers Lewis and Peat report that the strong prices for rubber in the past year were mainly influenced by currencies — more specifically, speculation against the British pound — not supply and demand.

It is in this context that the Malaysian government holding company Pernas sought more Asian representation on the board of directors of British-owned Sime Darby several weeks ago. Holding assets of \$300 million in rubber plantations and palm oil industries, Sime had a reputation for mistreating and underpaying its workers, who referred to it as "Swine Bobby" (slang for pig feed) or "Slime Darby." Pernas has accused the firm of using

profits drawn from Malaysia for speculative investments in Europe and elsewhere.

Significantly, the Malaysians with the help of the Rothschilds merchant bankers and in cooperation with other Southeast Asian businessmen, were able to get seven Asians onto Sime Darby's board. Chairman James Bywater, a British-born engineer, was replaced with Tun Tan Siew Sin, a former Malaysia finance minister.

## *Oil Battle*

But the most dramatic developments involve the oil companies. The Malaysian state oil company Petronas, modeled after Indonesia's Pertamina, has been carrying on a fight with the foreign oil companies led by Exxon. At issue are new contracts and the controversial "management shares" clause of the government's Petroleum Development Authority Act; the shares would have given Petronas greater control of the oil companies' down stream development.

Employing the same tactics as in Indonesia, the oil companies stopped all their exploration and expansion programs, cut back production, and even withheld data on oil reserves. But the deliberate stalling of new contract agreements by Exxon brought enormous financial pressures to bear on Prime Minister Hussein Onn's government, which is already shouldering heavy payments on a new tanker fleet scheduled to come on stream early this year, a project dependent on the government's share of oil revenues.

The government was forced to amend the Petroleum Development Authority Act, deleting the "management shares" clause, but was able to secure a 70-30 split in the government's favor in the new production sharing contracts.

Despite this setback, Petronas recently announced that it will market its own share of the oil so as not to be dependent on the multis. They are therefore seeking state-to-state agreements along the same lines as recently negotiated Eruo-Arab deals. In addition the government plans to develop its own down-stream activities in refining and local distribution.

# Vietnam to Greatly Expand Relations with West

The sixth session of the Vietnamese national assembly opened Jan. 11, with the major topic of business the nation's Second Five year development plan (1976-80), approved by the Vietnamese Communist Party's fourth Party Congress last December. The key to realizing the plan will be a large expansion of foreign trade and other forms of economic cooperation with Western nations, particularly transfers of technology but even including foreign investments.

The Second Five Year Plan states that foreign trade will be "a crucial part" of Vietnam's efforts to transform its war-torn and predominantly rural economy into a

formidable industrial power in the region. "The aim of imports and exports," the report says "is to acquire for ourselves the modern techniques of the world and to bring higher economic results to production and labour in the country... Exports must be stepped up to counter-balance imports and create conditions for further expanding imports."

Even in the past year, Vietnam's trade with Western countries and Japan has for the six months of 1976 hit 1.6 million pounds, up from 513,000 pounds for the corresponding period last year. Trade with Japan doubled over the same period.

Just as significant as the expansion of trade has been the discussion of foreign participation, including direct private investment, in the newly united Vietnam. According to the Japanese daily, the *Asahi Evening News* Jan. 7, diplomatic sources report that Hanoi is about to release a foreign investment code, liberal and broad in scope and designed to facilitate a rapid transfer of technology and resources. The provisions call for:

1) Joint ventures in three categories including: (a) Mineral resources development, including oil, with capital and technology to be provided by Western partners under production sharing contracts. (b) Up to 49 per cent foreign participation in joint companies engaged in general areas of business including the agricultural and industrial sectors. (c) Capital shares in joint ventures for export purposes which will be fixed on a case by case basis with a possible approval of 100 per cent foreign ownership.

2) Guarantees that joint ventures will not be nationalized for at least ten to fifteen years and then only with adequate compensation. In addition, ventures in certain areas will be spared taxes or have reduced tax rates for a specified period of time. Remittance of profits would be allowed after taxes and internal reserves are taken out.

Though American corporations cannot invest in Vietnam because of the current trade embargo, Europeans and Japanese are moving rapidly to extend aid and negotiate private investments. This is most readily seen in the oil sector, where discussions and negotiations have been held with Britain, Japan, France, Italy, Norway, Canada, and even U.S. oil companies (on an unofficial basis). The French company *Compagnie Maritime d'Expertise* (Comex) has already signed a contract to provide technical advisors for an oil logistics base at Vung Tau, 90 miles outside of Ho Chi Minh City. The Norwegian state oil company has concluded a \$45 million service contract employing a Norwegian off shore rig to drill six wells, and is conducting seismic

investigations and technical training programs. The Japanese Kaiyo Oil company and the French state-owned Elf Aquitaine are also beginning negotiations with the Vietnamese. These companies had a joint concession under the U.S.-puppet Saigon regime in 1971:

The most dramatic intervention into the Vietnamese reconstruction effort has been that of Japan. This February, a delegation of the powerful Federation of Economic Organisations (Keidanren) will be arriving in Hanoi to discuss Japanese cooperation in development of agricultural and petrochemical industries. This follows nearly two years of broad discussions between the two countries on various levels. The Japanese government granted Vietnam over \$44.5 million in aid for 1976. A seven member Vietnamese oil mission headed by the chief of the Oil and Gas Directorate, Mr. Nguyen Van Bien, visited Japan last October to inspect off shore oil development projects and refining complexes. Japanese involvement in offshore oil developments in the Mekong were said to have been discussed.

Looking towards the future, the Vietnamese are eager for Japanese technical and capital assistance in state corn farms, including construction and farm machinery. Over the course of the second five year plan corn acreage is to increase threefold to five million tons of corn a year, most of it for export. (The Japanese now import 10 million tons, primarily from the United States).

In an effort to acquire a maximum amount of assistance, the Vietnamese have joined the World Bank and International Monetary Fund as well as the Asian Development Bank. The World Bank sent a five man mission to Vietnam this month as a first step towards an internationally financed program to help in reconstruction. The Asian Development Bank had earlier sent a seven-member mission in Dec. to discuss financing of various projects started under the previous regime. Most recently the IMF granted Vietnam a \$36 million loan to compensate for loss of export earnings due to war damage. Significantly the U.S., a member of all three institutions, did not vote against the loans.

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## South Korea: Still on the "Most Troubled Nation" List

This time last year the immediate danger of a default by South Korea on its international debts was an open secret in the world financial community. But as a result of a huge rise in exports during the last year — chiefly to the United States — South Korea "was pulled right out of the hole," in the words of one Wall Street analyst.

The problem facing South Korea, and other export-oriented countries that rely heavily on the United States as a market, is that in the coming year it will be very difficult to maintain last year's favorable terms of trade and prevent a deterioration in their international payments position. This is particularly a problem for South Korea, as the leading international banks have acknowledged by keeping that country on their "most troubled nations" list. A decline in South Korea's terms of trade this year could easily bring it to the brink of default that it hovered over throughout 1975.

The overall improvement in South Korea's economy

last year was based primarily on an increase in exports of manufactured goods (chiefly textiles and wood products) to the United States. Exports to the United States from January to July of 1976 came to \$1.41 billion, an amount just shy of the total of \$1.53 billion in exports sent to the U.S. during all of 1975. Of this \$1.41 billion, which is a full 33 per cent of South Korea's total exports for the period, the dominant commodities involved were textiles and wood products, together with small electronics machinery. Production of these and other consumer oriented products makes up the major portion of the South Korean economy.

These increased sales to the United States were the chief factor in the significant reduction during 1976 of South Korea's chronic trade deficit which during the previous two years had been running upwards of \$2 billion per year. With exports during the January through October, 1976 period at \$6.21 billion (total ex-

ports for 1975 were \$5.08 billion), the trade deficit for this period was only \$922 million.

#### *Concern Over Deficit*

There is growing evidence, however, that South Korea's major international creditors remain concerned about the level of the trade deficit, and are strongly suggesting that the government take definitive measures to further reduce it. Rumors of a devaluation of the South Korean won recently grew so insistent that Minister of Economic Planning Nam Duck-woo was forced to publically deny that his government was planning a devaluation to spur exports and reduce imports.

In the past, South Korean officials and businessmen have been known to strongly resist measures suggested by the International Monetary Fund and commercial creditors to moderate their vigorous industrial growth plans as a means of balancing the domestic budget and reducing payments deficits. These South Korean leaders fear that such austerity measures would exacerbate domestic recession. President Park seems to have renewed such resistance in his New Year's message to the country. Publicizing the country's Fourth Five Year Plan, Park's message stressed the need for the development of heavy industry and raising living standards of the South Korean population — measures which will necessitate heavy long-term investment from abroad.

The large increase in South Korea's sales abroad provided the basis for a big upturn in production, particularly of consumer-oriented manufactured products, which were up 30 per cent over 1975 levels during the first

half of 1976, while plywood was up 30.1 per cent and light industries (mainly electronics) were up 29 per cent.

#### *The Debt Picture*

The reduction of the trade and current account deficits last year partially relieved Korea of the pressure to borrow short-term very heavily on the international markets. Over the past two years Korea had fallen into severe debt trouble as a result of a tremendous fall in terms of trade it suffered and its huge increase in current account deficits. Last year, however, the combined current account deficits for the first two quarters was only \$292.4 million, a far smaller quarterly rate than that experienced in 1974 and 1975, when the yearly current account deficits were \$2.02 billion and \$1.88 billion respectively.

The increase in exports also helped the country increase its foreign exchange holdings, which stood at \$2.59 billion at the end of October. The total at the end of October 1975 was only \$1.36 billion.

As for the debt problem, the reduction of deficits and increase in foreign exchange holdings seems to have alleviated the danger of large-scale defaults on payments, at least for the present. While estimates on South Korea's total debt differ widely, the most reliable places it at \$12 billion — a considerable portion of which is short-term, high-interest debt used to finance the huge payments deficits of the last three years. Officially, Korea was to pay a 12.8 per cent debt service ratio last year. It is not known how much in combined principal and interest was actually paid, but one estimate placed the amount of total debt payments to be paid in 1976 at \$1.024 billion.

## Taiwan: A U.S. Dependent

Perhaps as much as any other country, Taiwan strongly benefitted from the reflationary upturn in the U.S. economy during 1976. Chiefly as a result of a nearly \$1 billion increase in exports to the U.S. during the first 11 months of 1976 over 1975 levels, this export-oriented nation reversed its trade deficit of the last two years and reattained a surplus in trade such as had characterized the economy before the "oil shock" of 1973-74. This strong recovery in exports enabled Taiwan to maintain a favorable payments position and easily meet its relatively small debt service payments.

However, 1976 showed Taiwan to be dangerously overdependent on the United States as a market for its exports — a dependence which will likely spell severe troubles for Taiwan in the coming year, since the consumer-oriented reflationary upturn that occurred in the United States during 1976 will almost surely not be repeated. Despite some attempts to diversify its export markets, a full 51 per cent of Taiwan's exports went to the United States and Japan last year, and now the markets of both countries for Taiwan's consumer-product dominated exports will significantly shrink. In addition, Taiwan's strong export recovery has recently provoked calls in several western countries, particularly the United States for protectionism against products from Taiwan (and other countries as well); the im-

position of import quotas in the West could further reduce what is already expected to be a shrunken market.

#### *Massive Increase in Exports*

The key to Taiwan's recovery last year was the massive increase in exports, textiles and small electrical machinery to the United States. During the January through November period, exports to the United States amounted to \$2,715 million, a full 37 per cent of Taiwan's total exports during the same period, and these two categories of products made up a significant portion of the sales. Together with plywood and furniture, textile and small electronics components dominate the economy of Taiwan, accounting for 54 per cent of all exports in 1976. The increased sales to the U.S. resulted in a trade surplus with the U.S. of \$1,113 million, up from the small 1975 total surplus of \$119 million. The surplus with the United States enabled Taiwan to register a surplus in total trade for the January-November period of \$481.2 million, a significant recovery from the 1975 deficit of \$570.2 million.

Spurred on by the sales abroad, the overall domestic production registered significant gains. Synthetic fibers production as of October was up an average of 27 per cent (measured in metric tons). Machinery and electrical



products, including sewing machines, air conditioners, washing machines, transistor radios, and television receivers were up an average of 42 per cent (measured in unit output). Production and transportation equipment, mainly bicycles and motorcycles, also rose sharply.

The recovery of exports and consequent trade surplus

led to a significant growth in Taiwan's foreign exchange reserves. As of September the reserves stood at \$2.55 billion, up from the September 1975 total of \$1.99 billion. With an estimated total debt of only \$3.2 billion and a debt service ratio for 1976 of only 6.5 per cent, Taiwan was easily able to meet its international payments.

## People's Republic of China: Oil Will Lead the Way

1976 was likely a bad year for the economy of the People's Republic of China in light of political developments and natural catastrophes. Quantitative figures for 1976 are much scarcer than for any recent year and highly unreliable, which is explained by the revelations that have been published since the anti-Maoist coup in October. Those have told of massive disruptions of industrial production in many sectors, stoppages in some factories that continued for most of the year, and substantial violence among groups of workers.

But despite the often cautious post-October Western evaluations of China's future economic course, it is now clear that China will be seeking to return to the program championed by Teng Hsiao-ping over a year ago — for crash foreign development of China's oil by the West in order to make possible billions of dollars of capital imports in the next several years. There are indications that in 1975, just before Teng's purge, a deal was under consideration involving U.S. technology and assistance for oil development, in the multi-billion dollar range, including an arrangement for China to receive much of it as long-term credit. Nothing has been heard since, but Teng's

imminent return to power may revive this plan.

Teng had also been negotiating with the Japanese for a long-term contract for the export of Chinese oil to Japan in return for steel and other capital goods during the fall of 1975. Reports circulating at the time speculated that China might export up to 50 million tons by 1980. The deal fell through in early 1976 when Maoist factional pressure forced Teng out.

The news that Nippon Steel's Inayama, and a representative from the Idemitsu oil company, will lead a major delegation to China in February makes it quite likely that some major deals will be concluded along the lines delineated over a year ago. The major question mark is the state of China's economy itself. Not only did economic growth in 1976 stall, but oil production, which had increased at 20 per cent per year from 1963-1975, fell to only 13 per cent in 1976. Any long-term agreement to provide Japan sizeable quantities of oil would probably require that China receive Western aid to develop its offshore fields rapidly. China's new leadership has made clear where its desires lie; the only question is its ability to rapidly fulfill them which has been placed in jeopardy by the damage done to the economy in recent years.

## Fukuda's 'Reflationary' Budget: Neither Fish Nor Fowl

The Carter Administration and its backers have been pressuring Japan to run a highly reflationary budget. They insist that Japan reduce its high 1976 trade surplus and use domestic public works as a substitute demand. As a result, according to the mythos, Japan should be able to increase its imports from the developing sector and thus help the U.S. and West Germany bring about a wondrous worldwide recovery.

In fact, officials at Treasury and Chase Manhattan Bank told NSIPS that, on a long term basis they want Japan to restructure itself fundamentally away from its postwar export orientation and to a domestic public works buildup and *longterm trade deficit financed by overseas borrowing*. Under such a policy, they believe the New York banks can shift loans from Third World and weak OECD countries to strong U.S., Japan and the BRD. The officials neglected to say how long Japan would remain "strong" under such a policy.

### *Fukuda's budget*

The new Prime Minister Takeo Fukuda personally supports the Carter Administration policy and has tried to the extent possible to implement it in his new budget. In fact, the real issue in Fukuda's year-long campaign to

oust predecessor Takeo Miki was Fukuda's support for the Rockefeller-Carter economic policy vs. Miki's support for the alternative approach of the pro-development wing of Japanese industrialists discussed below. However, simple reality — amplified by the business community's recognition of it — has severely crimped Fukuda's ability to carry out Rockefeller's intentions.

In terms of overall size Fukuda's budget is not really reflationary.

At \$95 billion, the proposed budget is 17.3 per cent above 1975 budget (which was 14 per cent above 1974). Public works projects are 20 per cent above 1975 at \$14 billion. At \$28 billion — with local bonds the total in 1977 will be \$44 billion — Fukuda has kept national bond issues to 30 per cent of budget, a little higher than 1975 ratio. Running such a huge deficit at this point is no longer additional stimulus but simply preservation of what has become the built-in norm necessary to sustain at least minimal levels of consumer spending. Only an increase in the ratio to 35-40 per cent would represent new stimulus. This Fukuda cannot do.

Within the new budget, according to Jan. 4 *Nikkei*, Fukuda has ordered the Finance Ministry to effect a shift away from social spending toward public works. Within

BREAKDOWN OF FUKUDA BUDGET FOR 1977 (In Billion Dollars)

ITEM	1977	INITIAL 1976 BUDGET	INCREASE	% INCREASE
A. REVENUE	\$95	\$81	\$14	17.2
Bonds	29	24	5	21
B. SPENDING	95	81	14	17.2
Social Welfare	19	16	3	18
Education and Science	11	10	1	10
<u>Debt Service</u>	8	5.5	2.5	45
Pensions	3.6	3.3	.3	10
Subsidies to Local Governments	16	13	3	25
Defense	5.5	5	.5	10
<u>Public Works</u>	14	11.7	2.3	20
Others	18	16	2	12

NOTE: Numbers rounded off, but percentages calculated from more precise figures. Total Revenue includes the amount raised from bonds. Notice the most significant increases are not for defense or public works, but for the government's own debt service and subsidies to localities which are necessary to cover their deficits.

the latter category, he has ordered a shift from housing toward highways and water conservation projects, etc. No magnitude of shift was available at press time.

In line with the International Monetary Fund cutoff of technology to the developing sector and the Soviet bloc, Fukuda's new Minister of International Trade and Industry, Tatsuo Tanaka, has ordered a review of MITI's traditional policy of stimulating plant export. Miki's MITI minister has proposed doubling Japan's exports of plant to \$20 billion in 1977, but Tanaka told newsmen that shipping technology to the developing sector and the Soviet bloc was "dangerous" and "too generous." Thus, the Export-Import Bank, which asked for a 40 per cent increase in funding to \$2.8 billion (against an 80 per cent increase in 1976) will probably only get a 10-20 per cent increase and funds for plant export will likely be restricted.

Defense spending increased only 10 per cent and actually will decrease as a portion of GNP slightly to 0.8 per cent from 0.9. This is, of course, the opposite of Carter Administration policy and Takeo Fukuda's desires.

Finally, Fukuda has at last word decided not to lower the discount rate beyond the 6.5 per cent level hit last autumn, a major industrial demand. Big opposition had been raised to the reduction in interest rates on deposits that would have resulted, since the rate is already so far below that of inflation. At one point, according to the

Japanese press, Fukuda had favored accompanying the discount rate with a cut in rates on deposits for private banks, but not in the postal savings system which funds public works. This would have still further shifted the economy from private capital formation to public works, along the lines of Hitler's finance minister Hjalmar Schacht. Latest word is that Fukuda will not cut the discount rate but will increase public works still further.

*The Pro-Development Alternative*

While some business leaders, notably Employers Association head Takeshi Sakkurada, (a political supporter of Fukuda) support the Carter-Fukuda line, most other top industrialists have counterposed a program based on high capital formation in Japan and development projects in the Third World. Many of these leaders, such as Business Federation (Keidanren) head Toshio Doko, Chamber of Commerce and Industry head Shigeo Nagano, and Industrial Bank of Japan Chairman Sohei Nakayama, were (with greater or lesser ardence) supporters of Miki in the recent power struggle. Specifically, they have called for tax cuts to stimulate consumer spending immediately, a cut in the discount rate, and for the long-term investment tax credits and promotion of *plant and machinery exports* to the developing sector, the East bloc and China, and to the Mideast.

These industrialists do not control Fukuda. But they

are acting to prevent Fukuda from implementing Carter's policy, while striving to get as much of their program into effect as possible. Besides direct internal political pressure, the pro-development faction of the industrialists — often termed the "resource faction" within Japan — have launched an economic diplomacy drive to secure the trade deals and raw materials and energy supplies their program requires.

The keystone of the current business diplomatic efforts involves overtures to the Soviet-China-Vietnam sector and to the Mideast. Nagano, Nakayama and others will visit the Mideast in February to arrange major oil-for-technology deals, which may include opening a new oil site in Saudi Arabia with a 5 million barrel a day capacity. Nippon Steel President Inayama will visit China in February to discuss major trade upgrading; Mitsui Bank adviser Tatsuo Mizukami will lead a mission to Vietnam that same month; and Japan and the USSR have just signed an agreement on oil exploration in Sakhalin in which Japan will get half of oil discovered at 8 per cent below world prices.

As Japan prepares to arrange the oil-for-technology deals with the Mideast which the Europeans began a few months ago, and which began to free Europeans from grip of the dollar system, reports come in that the Arabs have greatly stepped up their inflow of money into the Tokyo markets. Arab investments rose to the \$2 billion level in 1976 from \$1.2 billion in 1975 and 1974 each. Moreover, the Arabs have begun to invest directly rather than through British or Swiss-managed investment trusts. Most important, there are indications that the investments may be long-term and stable, rather than mere speculative hot money flows. The evidence is that in November there was a \$100 million net outflow of foreign investments in Japanese stocks (all countries, not just Arabs) but a \$200 net inflow in bonds, which are longer terms. If the Japanese are able to secure Arab assurance that the money won't flow out at the next fluctuation of interest rates or yen parity, then we can expect to see a stream of triangular trade deals involving Japan-Arab cooperation in third countries in the developing sector.

# Right Celebrates 'War of Pacific'

## Chile and Peru Assert Mutual 'Preparedness' For Replay of 1879-81 Conflict

In a ceremony commemorating officers killed in two battles during the bloody 1879-81 "War of the Pacific" between Peru and Chile, the director of Chilean Military Intelligence, Hector Orozco, proclaimed: "If we are obliged to put down the spade and the plow to pick up the saber and rifle, let it be known right now that we will begin the march to the hour of combat and we will wage the war until the aggressor who dares disturb the peace of our Chile falls."

Orozco's Jan. 13 warning—the most bellicose declaration issued by a Chilean official during four months of rising tension in the southern cone—is unmistakably aimed at Peru, which is being portrayed as the "aggressor" in the Trilateral Commission's media campaign to provoke a second War of the Pacific. The latest scare story to ricochet across the continent was issued by the reactionary Cuban exile weekly *Zeta* in Venezuela, which alleged that the Chilean Navy three months ago sank a Peruvian submarine carrying Soviet and Cuban crew members!

### "Be Prepared"

The Peruvian Army answered Orozco two days later with a plethora of pledges that Peru would uphold its territorial integrity against any threat. During a Jan. 15 commemoration of the same 1879 war battles which marked Peru's definitive defeat and the Chilean occupation of Lima, military and civilian officials alike stressed the need to "be prepared" and "to be united around the national banner."

"We are not warhawks nor will we be aggressors," one civilian speaker declared, "but we are ready to defend the sacred interests of Peru, mixing our blood with the blood of the Peruvian soldiers (who lie) fallen in this Sanctuary of Heroism."

Similar rumblings, directed at Chile, are coming from the more chauvinistic Argentine press. The daily *Clarín* two days ago, responding in the fashion predicted by Rand Corporation computers, branded Chilean dictator Pinochet's trip to Antarctica to stake a claim as a challenge to Argentine claims on the south pole. "Given the tensions" between Chile and Peru—Argentina's traditional geopolitical ally against Chile-Brazil axis—the daily asserted, Pinochet's trip assumes a "strategic importance."

## Ecuadorian Rightists Feed War Scenario

The rightist Ecuadorian military junta used the occasion of the Jan. 13 anniversary of the overthrow of former nationalist president Gen. Rodriguez Lara to unveil new "national objectives" and a "national strategic concept" for that country. The five objectives include "tight internal security," "national defense," and "defense of territorial integrity," the latter an implicit reference to Ecuador's renewed territorial claims on Peruvian jungle territory.

The policy speeches by junta president Vice-Admiral Alfredo Poveda, and by the Foreign and Interior Ministers, cements the right-wing political turn from a commitment to social and economic progress — modelled in large part on the 1968 Peruvian Revolution — to establishment of a national security regime characterized by severe austerity, mounting internal repression, an "open door" to foreign investment, and territorial revanchism. As in Peru, the domestic economic and political "Chileanization" of Ecuador has occurred hand-in-glove with the rediscovery of ancient, Rand Corp. profiled "border hostilities."

"Everything dealing with National Security has had essential priority," Poveda declared, "we have not forgotten that an internally united State is internationally strong, and as a result, respected." He announced that the "armed forces are the guarantee of internal tranquility and external security...Therefore, we are strengthening them so that they can carry out their functions in the most adequate manner."

The Ecuadorian right wing has used the threat of war with Peru to deliver the final coup-de-grâce to its radical nationalist military opposition, whipping vacillating senior officers behind the junta's military purges. The Foreign Minister, and Poveda less explicitly, compared Ecuador's territorial claims to the longstanding Panama Canal Zone and Bolivian sea access disputes on the Latin American continent. The Ecuadorian decision to dispute territory has no legal basis whatsoever, having been settled 35 years ago after a short war and a treaty signed by both Peru and Ecuador.

The militant Ecuadorian Communist Party (PCE) charged in the latest edition of its weekly *El Pueblo* that the United States is fomenting military conflicts on the continent to destroy the potential for social and economic development. The U.S. is trying to set off a Peru-Chile war, the PCE paper stated, through constant media speculation "of imminent warfare" between the two nations. The party identified sabotage of any increase in relations between Latin American nations and the Soviet Union as an important additional aim of U.S. policy.

# 'Depend on US for More Hunger'

The following are excerpts from a full page advertisement taken out in the Jan. 14 Wall Street Journal under the above headline by the Environmental Fund, a zero-growth lobbying group. The ad marks the public reemergence of William C. Paddock, as a prominent advocate of global genocide. Mr. Paddock, one of the Directors of the Fund, said in interviews in January 1975 and July 1976 that Mexico's population should be reduced by one-half. This requires the death of over 30 million people, which Paddock declared could be carried out by "sealing the border" against all Mexicans who might hope to escape "famine, war and pestilence."

Other Directors of the Fund include Garrett Hardin, author of several books advocating "triage" and the adoption of the "lifeboat ethic," and Justin Blackwelder, the founder and director of a number of Rockefeller family-funded population control organizations.

Increased famine in the developing world in Asia, Africa and Latin America is inevitable because:

1. Food production cannot keep pace with runaway growth in population, and
2. Population growth in those areas is out of control. It cannot, and will not be stopped in the foreseeable future, using conventional methods now being practiced or contemplated by our foreign aid establishment....

Indeed, how can Americans ameliorate the impending tragedy?

First, we must understand that we are being misled into believing that the United States has no problem with excessive population growth.

Second, we are being misled into thinking that many poor nations of Asia, Africa and Latin America are successfully coping with their runaway population growth....

## *The Adverse Effects of Food Aid*

Consider what food aid does.

Each piece of land has a specific carrying capacity. That capacity can be altered by fertilizer, improved management, and superior crop varieties. But there are still definite limits to how many people a given unit of land can support. Food aid violates the carrying capacity principle by *artificially* allowing more people to live on the land than can live *from* it.

Today, in order to provide large amounts of food aid, the donor country must overcultivate its own land, farming marginal acres, destroying the topsoil, and reducing its future ability to produce. When a 10,000 ton freighter loaded to the scuppers with U.S. wheat sails forth, it carries with it 200 tons of nitrogen, 41 tons of phosphorus, and 50 tons of potassium—all lost forever from the fertility of our soils....

## *What Americans Can Do at Home and Abroad*

In order to help anyone at all—at home or abroad—Americans must learn to distinguish fact (the carrying capacity of the land) from fancy ("We can feed the world, if we really want to"). We must learn to distinguish pride in our achievements from the vanity of our ambitions. American cannot *control* the world, but perhaps we can influence policy. We can do it better and more honestly if the United States first puts its own house in order—which means facing the American population problem (our own growth rate will double our population in 47 years).

To put our own house in order, the United States should:

- A. Enact a national population stabilization program
- B. Encourage smaller families
- C. Stop illegal immigration, which now doubles our annual growth rate
- D. Balance legal immigration with emigration

All of these are necessary steps for our own benefit; in addition, they will also enable us to face our overpopulated neighbors with a clearer conscience and increased credibility.

Obviously, our most direct opportunity to deal with the population problem abroad is in the area of foreign policy, and there we should:

- E. Stop any U.S. foreign aid program which encourages population growth

One way of doing this would be for the Congress to enact a Resolution along these lines:

**WHEREAS** we are aware, and are rightly fearful, of the ominous consequences of the growing world food-population crisis; and

**WHEREAS** the consequence of continued population growth will be increased human misery; and

**WHEREAS** increasing food production and-or availability, which lowers the death rate without influencing the birth rate, accelerates population growth; and

**WHEREAS** agricultural production cannot keep pace with a world population growth rate that would double our numbers every twenty-five years;

**NOW THEREFORE BE IT RESOLVED** that it is the sense of Congress that a moratorium be declared on all U.S. food aid and technical assistance to any country if:

1. its population growth rate is above the world average, unless
2. it officially acknowledges that its national birth rate must be lowered and unless it adopts stringent measures to control population growth, which measures must be judged adequate by the United States as the donor nation.

# Congress Told Mexico 'Part of U.S. Economy,'

## U.S. Troops are Ready

On the eve of Jimmy Carter's Presidential inauguration, U.S. policy towards Mexico has been made explicit in a series of Congressional hearings. The central aspects of this policy were presented on Jan. 17 by the Joint Economic Subcommittee on InterAmerican Economic Relations.

In testimony before the subcommittee, Clark Reynolds, an expert on the Mexican economy from Stanford University, called for the formation of a "permanent Mexico-U.S. Commission" which would "present solutions to Mexico's pressing economic problems." Further testimony by Redvers Opie, a business consultant and ex-head of the U.S. Chamber of Commerce in Mexico, made it clear that the formation of said Commission — originally proposed two months ago by ex-State Department official John Parkes Young in the *Los Angeles Times* to renegotiate Mexico's \$35 billion foreign debt — would directly oversee other aspects of Mexican economic and social policy. Opie testified that the Lopez Portillo government must urgently carry out the following policies: "moderate demographic growth, encourage the confidence of the private sector and improve the conditions for foreign private investment."

Opie also declared that Mexico should be viewed "as part of the U.S. economy."

During the same hearings James Wilkie, an expert on Mexico from the University of California at Los Angeles (UCLA) revealed that the U.S. military has "drawn up contingency plans for deploying troops to Mexico." Wilkie, who taught at the U.S. War College from 1973-74 noted that these plans were prepared "for national security reasons" while Echeverria was President of Mexico. The plans were prompted, Wilkie added, by fear that Echeverria would become "leader and conscience" of the Third World.

A second aspect of Carter's Mexico policy was presented in hearings on Jan. 12 by the Senate Subcommittee on Investigations, chaired by Senator Sam Nunn (D-Ga.) on illegal arms smuggling from the U.S. to Mexico. The open and closed hearings promoted the need to tighten controls on the border — allegedly to stop "massive gun smuggling," — a proposal which Carter's nominee for Secretary of Labor, F. Ray Marshall had presented one

month ago ostensibly to stop the entry of "illegal aliens" into the U.S.

In his first 60 days in office President Jose Lopez Portillo has already gone a long way in meeting the economic demands placed on Mexico by the International Monetary Fund and New York banking creditors. In addition to the unusually low 10 per cent increase in the minimum wage declared at the end of December, an effective cut in real wages, Lopez Portillo asserted this week that no further subsidies will be given to the large state sector.

Events in Mexico have made it evident that these policies will be implemented in a situation of staged chaos and violence followed by increased militarization of the country. Lopez Portillo declared Jan. 17 that his austerity policies will bring "difficult times because the social, and above all economic adjustments being carried out will cause violent disturbances in certain areas of the country."

Lopez's statement came in the midst of a wave of terrorist violence.

On Jan. 16, fifteen terrorists from the 23rd of September League stormed a low-income supermarket in Mexico City killing five people. In the past year the League has been widely exposed as a CIA-controlled terrorist grouping. In response to the attack the Mayor of Mexico City announced that 30,000 Mexico City police will be trained in "anti-Guerrilla" techniques and equipped accordingly.

A major student strike, directed by ultra-leftist groups in the Southern state of Oaxaca was similarly used this past week to establish what the Mexican press described as a "virtual state of siege." The press has warned that the student uprising, and mass student "support mobilizations" in universities throughout the country may build to a situation similar to that of 1968 when student revolts, which shook all of Mexico, were bloodily repressed by the military.

The "violent disturbances" are paving the way for a direct U.S. military intervention. Carter advisor Daniel Bell two months ago mooted this possibility when he warned that "an explosion could occur on our southern border which would force Carter to pull back certain units from Europe.

# Peruvian Interior Ministry Rejects NSIPS Director's Protest Letters As 'Inadmissible'

*The following letter, written by Colonel Carlos Arrisueño on behalf of the Peruvian Minister of the Interior Luis Cisneros, was sent to Nancy Spannaus, editor of New Solidarity International Press Service (NSIPS), in response to her letters of Nov. 17 and 23, 1976 protesting the month-long detention without charges of Lima NSIPS director, Luis Vásquez Medina, and the illegal closure of NSIPS offices in Lima. In her letters, Mrs. Spannaus demanded immediate attention by the*

*Interior Minister "to these irregularities which blemish the name of the Peruvian Revolution, and we further demand a prompt resolution in favor of liberty of the press and of individual guarantees." Vásquez Medina was released on Dec. 28, 1976 on "provisional liberty" pending trial before a military tribunal. He and other NSIPS staffers have since been subject to continual police harassment, and are vulnerable to arrest at any moment. The NSIPS office remains closed.*

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Ministry of the Interior; Intelligence Headquarters.  
Lima, December 31, 1976  
Communication No. 1890 EAM-0.900

Mrs. Nancy SPANNAUS, Director of NEW  
SOLIDARITY INTERNATIONAL PRESS SERVICE;  
Box 1972, New York, N.Y. 10001; NSIPS

Subject: Return communications for being inadmissible.

By order of the Peruvian Army Brigadier General (Luis Cisneros) Minister of the Interior, I am writing you to return your communications, dated 17 and 23 of November of this year, in relation to the present situation of citizen Luis VASQUEZ MEDINA, Peruvian Director of New Solidarity International Press Service, which are considered inadmissible.

In respect to this I inform you that the terms of these communications are not acceptable, since the freedom of expression existing in this country cannot be confused with the expressions you used in writing to a Minister. And consequently, far from facilitating a respectful dialogue, the only thing they show is a lack of civic consciousness, good breeding, maturity, and respect for the institutions of a sovereign State.

On the other hand, we reiterate that the Peruvian Revolution has been and will continue to be made by and for Peruvians, and it defines itself as independent, and thus rejects all attempts at foreign interference from whichever of the political systems the Revolution rejects.

God be with you,  
(signature and seal of Col. Carlos Arrisueño Escudero,  
General Director of the Ministry of the Interior)

# Carter Justice Department Preparing Attempted Witch-hunt Against the U.S. Labor Party

The following article, written by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr. is reprinted from *New Solidarity*.

We have been informed through sources of the highest degree of reliability, that the U.S. Department of Justice is presently engaged, in collaboration with the incoming James E. Carter Administration, in preparation of a three-fold, massive attack against the U.S. Labor Party.

This attack is presently scheduled to include, first, attempted frameups on fraudulent espionage charges, second, the use of the Internal Revenue Service for unlawful harrasing actions, and, third, the deployment of "radical" groups associated with the Marcus Raskin and William Buckley factions of the intelligence establishment in coordinated harrasing actions against the Labor Party.

In view of my Party's emerging importance in national and global developments, such actions by the Carter Administration would not only represent an act of public urination upon the U.S. Constitution, but would represent a source of major and dangerous complications for the fundamental interests and well-being of the United States as a whole. It is my obvious obligation to expose this filthy business of the Carter forces before it is put into full-scale operation.

I shall limit myself, for the moment, to the implications of the properly-ludicrous, projected "espionage" hoax.

The present military-technological situation of the Warsaw Pact vis-à-vis NATO is exemplified by the events unleashed by the recent visit of Soviet physicist L. Rudakov. In short, the Rudakov case illustrates the point that the Soviets are now operating at a qualitative advantage to the USA in matters pertaining to the scientific research aspects of military technology, whereas the USA retains a compensating advantage in the development of our electronics-aerospace capability — the latter the very capability which Carter Naderite energy and deindustrialization schemes is presently determined to gut as rapidly as possible.

As leading professionals in this nation and abroad are already informed, my Party has a special sort of authoritative competence in important aspects of this issue. As an outgrowth of my own original applications of the work of the physicist Riemann and the mathematician Cantor to problems of economic analysis, mathematicians and

physicists associated with the Party developed advantages of competence in aspects of scientific research generally associated nowadays with the name "non-linear effects." This special competence, together with our energetic work in support of accelerated plasma physics research on behalf of fusion energy development, has situated the Party in a most advantageous position of overview for those recent and current Soviet advances in relevant areas, including our estimates of the military-strategic potentialities of Soviet electron beam and other developments.

In consequence of this knowledge, we are qualified to state that insofar as any party stands to gain military benefits from knowledge of the other's basic scientific research, at this point it is only U.S. intelligence espionage around Soviet targets which has any general net relevance.

The nature of the "espionage" problem was most clearly underlined by the cited Rudakov affair. During the relevant 1976 visit to the USA, Soviet physicist Rudakov found occasion to formally declassify secret Soviet research for a significant group of U.S. specialists. During the same visit, Rudakov proposed to contract production of a Soviet-developed, advanced electron-beam device to U.S. firms. The howling folly associated with the Rudakov visit was the efforts of ERDA circles variously to deny, deprecate, and then wrap a security classification around Rudakov's disclosures! *From precisely whom did ERDA propose to conceal such Soviet disclosures?*

Granted, since Nov. 2, 1976, a number of curious things have occurred. There has occurred an unprecedented rash of sinkings and related mishaps to petroleum freighters along the coasts and rivers of the United States, coinciding with sabotage of major natural gas storage facilities — a package of "accidents" which represents a statistical impossibility according to all extant actuarial tables, but which not-so-mysteriously coincides with the Carter Administration's projected deindustrialization policies. Somewhat less spectacular, the national press has subjected us to a rash of Soviet-spy stories.

Are any of those alleged spies guilty? One can not be certain either way, especially under circumstances of an incoming Carter Administration. It is, of course, a matter of general knowledge that the United States and Soviet governments have formerly regularized, placing



a certain amount of routine spying activities on variously a legal or semi-legal basis, under the titles of scientific and technological exchanges and other arrangements. It follows that by merely planting some additional "goodies" into the routine information-exchanges effected through such arrangements, the FBI can at any time generate an impressive spy-scare pattern by closing down some small part of such informal arrangements. No informed and serious person takes such developments as of any importance in themselves. One says, rather, "I wonder what someone in Justice is up to with this caper?"

The practical implications of the recent mini-scare - concerning alleged Soviet industrial spies are all too obvious. As the FBI turns on the faucet generating spy-scare stories for the edification of our national press, the Soviet and other Eastern European officials respond by closing down a comparable number of courtesy arrangements in that region of the world. "They have their spies; we have our spies," both the Soviet and U.S. intelligence agencies observe with an urbane shrug of the shoulders. "If they annoy our spies, we will annoy their spies."

So, as the FBI turns on its spy-scare faucet here, the Soviets react predictably by reducing the number of U.S. agents in place around their premises. How does the Trilateral Commission then react to the obvious, predictable Soviet response in this amusing little game? We hear great howls about "human rights." As if a large number of NATO intelligence-community agents within the Warsaw Pact nations were not variously Dubcekites, pro-Zionists and what-not.

In general, the dull espionage business in itself is of little shock potential to any informed person. On the contrary, over the recent decades, it has become a cynical, professional game, in which the counter-intelligence specialist on each side avoids unduly reducing the number of adversary agents kept "in place." After all, such adversary agents are an indispensable, institutionalized part of the overall counterintelligence game!

Hence, whenever anyone makes a loud noise about spies, one smells something foul afoot - having nothing to do with espionage proper.

Insofar as the specific aspect of the matter is concerned, all of us with a competent overview know that the current scaling-up of spy stories is primarily intended as part of a series of provocations and related operations in Eastern Europe, and, secondarily, an effort to whip up acquiescence to international confrontation politics within the USA itself. The Trilateral policies to this effect are hardly secret; only an imbecile would disagree with our judgment on this aspect of the matter.

In any case, without a witch-hunt hysteria situation in the USA itself, any Justice Department frauds against the Labor Party on this account would simply sharpen the cleavage between the United States and Western Europe - whose governments would be thereby more fully convinced of the essential dishonesty and despicable character of the Carter Administration overall.

However, the gist of the Carter Administration's projected "espionage" hoax has a more serious, more substantial aspect. The recent Comecon policy statement concerning convertibility of the transferable ruble, and

the associated major policy statement published in the Jan. 1 issue of the Soviet publication, *International Affairs*, has Chase Manhattan Bank and certain mice over at Treasury in a state of panic.

It is not the Soviet monetary and economic policy as such which affrights these debt-overhung gentlemen. The significance of the Soviet and Comecon policies for the transferable ruble is that the size of the Soviet economy gives effective substance to Western European and Arab nations currently accelerating drive to establish a new, gold-reserve-based monetary system outside the International Monetary Fund and dollar-reserve institutions generally. The current process of pegging Western European, Arab and Comecon gold reserves to the current market price of the metal compares with the English Tudors' successful 16th century operations against the Fuggers and Antwerp bankers, and the attempted similar operations of French minister Colbert during the last half of the 16th century.

At first glance, the emerging new monetary system, like the Non-Aligned resolution adopted at Colombo, Sri Lanka last mid-August, appear to be direct imitations of the U.S. Labor Party's widely-circulated proposal for an International Development Bank. In fact, as representatives of the U.S. State Department and other leading public and private institutions have emphasized to us over the past sixteen months, the U.S. Labor Party's efforts have contributed directly and substantially to the drive among developing-sector and European nations toward a new monetary system modeled upon our International Development Bank proposal. The wide circulation and influence of our proposals have in fact tended to mold the intellectual environment to the effect of creating a climate of selective acceptance for those proposals which coincide with the International Development Bank (IDB) conception.

It should not be said that we have directly caused the current European, Arab and Comecon steps toward a system essentially identical with the IDB. Rather, the influence of our ideas has had a powerful catalytic influence in shaping the intellectual environment in which heads of state and similar leading forces have evolved agreement to this effect.

At the same time, beginning early 1974, the U.S. Labor Party developed exceptional expertise on matters of current strategic policies and alternatives. This was first prominently set forth in our Fall 1974 strategic studies' paper, *Rockefeller's "Fascism With A Democratic Face,"* and led to our emergence as a policy-studies agency of widespread accreditation in certain leading USA and Western European circles of relevance, beginning during the Spring 1975 public debate concerning the Schlesingerian MC 14-4 NATO nuclear-posture policy. Subsequently, our studies have enjoyed growing influence in many parts of the world, and are today a significant collateral aspect of the U.S. forces opposing the kinds of strategic insanity proposed by the Schlesingerian Committee on the Present Danger and other adjuncts of the Carter Trilateral cabal.

Although it would be incorrect to imagine that we have directly prescribed the strategic postures of opposition to the Carter Trilateral cabal emerging in Western Europe and elsewhere, as in the case of the IDB, our growing in-

fluence as a credible leading part of the world's strategic policy-studies community has influenced the intellectual environment in which others arrive at judgments independently of us.

It is difficult to assess the exact degree to which such kinds of developments might have occurred had we not existed. Nonetheless, it is established in the minds of the Trilateroids and others that the Labor Party has directly contributed to fostering such developments, developments which portend the doom of Rockefeller power over the U.S. government, nation, and the world. To the Carterite Trilateroids, the Labor Party represents a novel, dangerous force of undetermined upper potential for influencing the course of events. At the moment, they view the Labor Party as a potentially decisive catalyst for unifying a new opposition composed of conservative Republicans and Democrats allied with large portions of the trade-union and black-minority electorate. On the basis of our electoral campaign, our fight against the massive vote fraud of the Carter forces, and our present efforts to mobilize for an anti-Naderite, pro-industrial energy policy for this nation, the Carterites consider us sufficiently dangerous to their special interests to undertake the foulest sort of subversion of the Constitution in an effort to crush us.

There is only one effective political remedy open to us for dealing with such Carterite subversion of the U.S. Constitution. Granted, there are nominal, formal remedies through the courts, and so forth. However, contrary to the mythical assertion that ours is a nation of laws, the law does not function unless powerful forces are acting to give strength of independence to judges and other relevant agencies—a strength of independence in behalf of the Constitution which was conspicuously wanting at crucial points in the court proceedings around the proven fraudulent election of James E. Carter. The effective approach to such problems is the exploitation of factitious advantage — a technique in which we fortunately enjoy some developed expertise. In the context of Western Europe's growing willingness to bring down the U.S. dollar, and given the present status of the U.S. Labor Party in the eyes of forces abroad, we are determined to make any foul action by the Carter White House an effective means for causing Mr. Carter and his Trilateroids to be ushered from government with greater expediency and the appropriate far more profound humiliation than President Nixon experienced.

In this view, we announce our estimation of the current strategic correlation of forces.

Given the correlation between the vital national self-interests of Western European nations and the emerging new monetary system, the U.S. dollar is on the verge of collapse. The touch of \$130 monetary gold of the new European monetary system will deflate the international reserve dollar like a pin puncturing an overblown balloon.

That will not represent a disaster for our nation. Quite the opposite. The figurative burning of mountains of inflated paper in One Chase Manhattan Plaza in lower Manhattan will potentially free the U.S. government to generate well over a hundred billions of credit for the purpose of real capital formation in industry and agriculture. Under such circumstances, the industrial

power of the United States will show itself the most potent single element in the greatest global industrial boom in history to date.

The collapse of the monetary dollar — or, in other words, the collapse of Chase Manhattan and associated institutions — will not in itself represent either a disaster or bonanza for our nation. It will represent a time of unavoidable fundamental choices, between two alternatives. Either we elect to join Western Europe in scrapping a cancerous debt-overhang — in which case we leap into a new era of prosperity, or we dig in along lines pioneered by the Nazis under Hjalmar Schacht, turning the USA into a fascist, "labor intensive" state irrevocably committed to early thermonuclear confrontation.

The question before us — the only really important question now before us — is the way in which key anti-Carter forces in the USA view the existing and emergent global correlation of forces. In fact, we have a favorable correlation of forces in favor of the right decision at the crucial crisis-point rather immediately ahead of us.

The significant present disadvantage of the USA vis-a-vis the Warsaw Pact in respect of actual ABC war-fighting capabilities reflects not only determined Soviet build-up of its own such capabilities and deployments, but the almost wilful erosion of U.S. scientific and industrial capabilities over the period since the Eisenhower Administration. (Although such trends did not become predominant until about 1966, 1966 is properly seen as a point of intersection of two trends in developments emergent from the beginning of the Kennedy Administration.) During the 1960s and afterward, the net real capital formation rates in the USA and development of employed scientific and engineering cadres *have been negative* when measured against the rate of growth which would have represented equilibrium. In consequence of this rotting of U.S. industrial power at its essential basis, the rotting of the commitment to the Idea of Progress, the political and economic power of the United States has been spiraling along a downward trajectory relative to the Soviet Union. The military strategic capabilities of the USA have merely lagged in following the general underlying development.

The "aura of power" of the United States during this recent decade-and-half of decline has been maintained chiefly through the Bretton Woods system and its vestiges, the monetary claims of the dollar against global production. At whatever point, therefore, the outer world resolved not to sustain the monetary position of the dollar's debt-overhang in the old way, the dismal, cumulative reality of the U.S. situation must assert itself. This is precisely the present case, the key to the global weakness of the USA.

However, because of the higher modal level of material culture and education of our population, and because of American habits of productive development, as seen even in the rusting vestiges of our industrial and agricultural capacities, we are still at the point that a turnaround from monetarist to industrialist policy would immediately transform the USA into the most powerful nation on earth. Not merely in military terms, but in economic power and political influence. Not as a com-

petitor to the rest of the world, but as the principal source of that outflow of technology on which every other nation's self-interest actively depended.

The active question, the practical question, is a subjective one, a political question. Does there exist the combination of political forces abroad and in this nation to effect such a transformation?

Do Western Europeans have the courage to bring down lower Manhattan? The recent turn of France's President Giscard against the Trilateroid's Interpol Abu Daoud hoax-scenario, the massive scale of projected export credits of the Callaghan government of the United Kingdom, the ongoing role of the Andreotti government of Italy, and active Soviet support for European independence measures portends the answer: they most probably do.

Do we, in the United States, have the potential correlation of forces, groupable around forces in Congress, through which to push through the proper decisions at the moment of crisis: potentially, we do.

Let us speak the simple truth in defiance of edifying contrary opinion. James E. Carter's election was effected through probably not less than five millions fraudulent votes, and probably more. He never enjoyed

the support of a majority of the qualified electorate. He has far less support today than he had on November 2, 1976. At any point a significant section of the trade-union movement and black minority forces establish working cooperation with a bloc of conservative Republican and Democratic congressional and state forces, Carter's political base falls to between 20 and 30 per cent of the population, a base principally concentrated in urban liberal circles. With factories closing, households sniffing and shivering with the latest energy hoax, the bulk of the American people would respond favorably with almost a single voice of support for any credible leadership moving to get the nation's industrial and agricultural machine under way once again.

I will conclude by telling you something. Your initial reaction, one of incredulity, should only illustrate to you your need to improve your understanding of real politics. It is not impossible that I might be in the White House by sometime during 1978, or, at the least that the White House have a new incumbent, not Carter, who will collaborate closely with me to the point of getting the nation out of its present mess. What happened to President Nixon could happen again; it is my firm perception that such a perspective is most appropriate at this juncture.

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