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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

"Bailing Out Our Banks Abroad"...the title of last week's **New York Times** editorial laying out as official Eastern Establishment policy a multibillion dollar **free ride**...for bankrupt **Chase Manhattan** and the biggest New York banks. We told you so before it happened...in the last issue of the EIR. See **Economics** for details on the bailout strategy...

* * *

Afro-Arab summit maintains Third World focus on development...**David Rockefeller** jets to the Middle East...**EEC Foreign Ministers meeting** caves in on common fund commodities swindle. Our **International Report** covers last week's round of diplomatic activity, assesses the timetable for **North-South negotiations on debt**...brings you a special report on the factional debate inside **Saudi Arabia** — invest petrodollars in European industry or play ball with lower Manhattan?

* * *

The **Carter Administration** is committed to highjacking the loot from **skyrocketing commodities prices** to "save the dollar" one more time. **Retaliation from Europe** is already underway with the "bear raid" on the London commodities exchange...see **International Report**.

* * *

Brezhnev tries to stuff transfer ruble back in the closet...fearing the consequences of a political fight for a new world monetary system. Our **Soviet Sector** report spells out the

consequences of his cowardice...and the necessary "interference in the USSR's internal affairs" which must follow.

* * *

U.S. Labor Party Chairman **Lyndon LaRouche** reports from **Europe**...on "**The Confusion in Italy**," the U.S. Administration's efforts to bring down European governments. Plus the complete text of **Il Fiorino's** front page article on the LaRouche phenomenon...warning that this "**Cassandra**" had better be listened to...

* * *

The siege of Washington, D.C.... a **pre-planned terror** scenario scheduled to end in mass butchery and a new "**Entebbe**" raid on Libya. Why was it aborted? Who was the terrorists' real leader? Which **Congressman's staffer** was up to his ears in the terror operation? Who wrote the **government report** "predicting" new terrorist acts only a week before? See **National Report** for the real story behind last week's page one headlines in the United States.

* * *

Congress is up in arms... The **immediate issue** is the Carter Administration's unilateral cancellation of vital **dam and irrigation projects**, but the **mood of defiance** on Capitol Hill may spread, producing a fight to restore cuts in the fusion energy budget...with **dangerous implications for Carter's entire energy program**. See our **National Report** for a news analysis. Plus the complete text of **Senator**

Strom Thurmond's hard-hitting speech in **defense of nuclear research**...South Dakota farmers demand **debt moratorium**...and more.

* * *

Is controlled thermonuclear **fusion possible by 1980**? Our **Science and Technology** section reports the latest fusion breakthroughs, together with powerful **Congressional testimony** by scientists from government and private industry in opposition to the nuclear phaseout...For a special report on **What the USSR is up to** with their latest **5-year fission plan**, see **Soviet Section**.

* * *

Exxon speaking...“If there's oil there we don't want to get into it...” **The fight to build the Alaska pipeline** has been a years-long battle to overcome such sabotage. The **Energy** report tells the story from the beginning...and explains why the \$7 billion project may yet fail to produce a single barrel of oil... of oil...

* * *

The outlook for the U.S. economy in the second quarter...a \$31 billion “overheating” courtesy of the economic wizards in Washington. A blunder? No, it's all part of the Carter game plan. Plus “Carter Administration Starts **42 New Lockheed Scandals**”...see **Economics**.

* * *

In this week's coverage of **Europe**...D.C. think-tankers' “**ungovernability**” scenario for **Italy**...the monetary “**pollution**” behind the **Concorde flap**...and **eyewitness report** from the West German **CDU party congress**...**Callaghan** walks a tightrope with the unions...the subtle shift underway in **Spain**...

Japan's “**resources faction**” has gone public again...in two articles in the Japanese press which spell more **trouble for Carter ally Fukuda**...see **Asia**.

* * *

Carter-Rabin...and an incredible “**eight-year-plan**” for a Mideast settlement...See **Middle East** for the story, and the initial Arab reactions to the plan. Plus continuation of our **Middle East Economic Survey** with reports on **Greece and Turkey**.

* * *

Behind Carter's “**human rights**” campaign in **Latin America**...a calculated attempt to **strengthen the Pinochet types** throughout the continent. It's documented...in a chronology of events and extensive excerpts from the international press.

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A **court case** against **FBI and Justice Department Cointelpro operations** has blown wide open...and it could provide the material for **Carter's Watergate**. For a full report on Federal Judge **Damon Keith's** decision forcing the Carter Administration to turn over **six years worth of FBI documents** on the U.S. Labor Party...see **Law**.

* * *

A **nineteenth century doctoral thesis** by Polish Marxist **Rosa Luxemburg** speaks directly to those seeking to forge an **industry-labor alliance** to maintain capitalist industrial growth today. EIR's Editor-in-Chief, **Nancy Spannaus**, reviews the **first English translation** of Luxemburg's “**Industrial Development of Poland**” in this week's **Books** section.

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BOOKS

African-Arab Summit In Cairo Sets Agenda For Peace And Development

A meeting of heads of state and representatives of 60 Arab and African countries and the Palestine Liberation Organization ended in Cairo this week with a resolution calling for intensive cooperation between the Arabs and Africa in agricultural and industrial development and for the establishment of an Arab-African Permanent Commission to coordinate political work.

The twin themes of the Cairo summit, according to Algerian reports, were the struggle for the new international economic order and for peace in southern Africa and the Middle East.

Although the final documents of the conference are not yet available, initial reports from Cairo indicate that the summit succeeded "beyond expectation." Traditional suspicions long festering between the Arabs and Africa were overcome, and the two sectors agreed to work together, especially in seeking political cooperation with Western Europe. Statements from the foreign ministers of Algeria and Tunisia, in particular, explicitly called on the Europeans to show more independence from the United States.

The meeting of Arabs and Africans in Cairo coincided with a Brussels meeting of the foreign ministers of the Common Market (EEC), called to discuss the issues of North-South and East-West economic relations. Despite urgent calls from Italy's Prime Minister Andreotti and others for a European endorsement of the Third World's negotiation position, the EEC ministers failed to take a stand, issuing instead a vaguely worded statement on the question of prices of raw materials and other commodities, the result of direct U.S. pressure to the EEC to accede to demands from Rockefeller and Co. for raising the prices of these commodities to bail out the New York banks.

Europe's forced endorsement of the phony Brookings Institution-UNCTAD plan for raising commodity prices along the model of the 1973 Great Oil Hoax — like the coffee price boom that has bailed out the huge Brazilian debt burden — is not the final word from Western Europe, however. The fight that is raging in the cabinet rooms in all Western Europe is best reflected in the debate in West Germany.

According to a spokesman for the West German Development Ministry, both Chancellor Helmut Schmidt and Maria Schlei, the minister of development, are resolved to support debt moratorium for the Third World. "Some members of the Cabinet are still afraid of a debt moratorium," said the spokesman, but Schmidt and his supporters "do not want West German loans to the Third World to be used simply to pay back its debt service to another industrialized country." The leading

opponent on this issue is Foreign Minister Hans-Dietrich Genscher, who told the EEC ministers today to await the position of the Carter Administration before making any decision, adding stupidly, "but we cannot have a slavish mentality."

Heavy-handed efforts by the Carter Administration to disrupt the working of the summit by exacerbating the numerous fissures in the Arab world and Africa — most recently the synthetic crisis in East Africa centering on Uganda's Idi Amin — failed to prevent the assembled leaders from singling out the crucial issues facing the Non-Aligned Movement and the developing sector. Perhaps the key event at the Cairo summit was the decision by Saudi Arabia and several other smaller Gulf

Algeria's Bouteflika On Arab Aid To Africa

The African countries are not upset by the polemics around the amount of aid, because they know that the Arab countries favor long-range economic cooperation with Africa... Like the Arab world, the African world is seeking cooperation with European countries, once past relations are cleared away in favor of cooperation based on the future... The Europeans and the Arabs are seeking through their dialogue direct formulas of cooperation, which would be used as a test of the industrialized world's willingness to cooperate with all other nations... The African world and the Arab one will be the core of the whole Third World. It is a homogeneous group which must be the privileged partner of Europe and the industrialized world.

-El Moudjahid, March 5

oil-exporting countries to provide \$1.5 billion in development assistance to Africa, most of which has been earmarked for specific development projects in Africa. According to *Le Monde*, the Saudi financial aid will not be used for making up the balance of payments deficits of poorer African states, but will be used almost entirely for real development. Among the projects named by the Saudis will be several ambitious road-building plans, including transport routes from Egypt to southern Africa and across West Africa from Senegal to Chad, and from Algeria to Nigeria.

The Saudis' decision to grant the aid to Africa, which came as a surprise, was viewed by African diplomats in Washington as a key indicator of a Saudi shift away from purely monetary dealings in support of the bankrupt Eurodollar market. In fact, the development demands of the African countries on the Saudis and other Arab states

with huge surplus revenues were an important factor in bolstering Saudi resistance to supplying the IMF and Chase Manhattan Bank with an estimated \$15 billion liquidity, as demanded by the New York Times and the Carter Administration.

North-South Talks Back On The Burner

The Phoenix of international diplomacy — the Conference on International Economic Cooperation (CIEC), otherwise known as the North-South talks — is due to rise once again. The final ministerial session of the talks was due to take place last December, concluding a year of fruitless "dialogue" between the representatives of 19 developing and oil producing countries and eight developed countries. But the U.S. and its allies seized upon the election of the Carter Administration as an excuse to postpone the talks, thereby avoiding a long delayed final confrontation on the key issue of general debt moratorium for the developing countries, the sticking point of the talks. Many in the Group of 19 developing countries were equally relieved to have the opportunity to avoid that crunch themselves and no doubt have spent the intervening months daydreaming about how much nicer Jimmy Carter and the Trilateral Commission will be to the poor countries of the world.

The Group of 19 will meet March 19 to issue an already agreed upon statement on the schedule for holding the final session. This follows discussion between the two co-chairman of the talks, Perez Guerrero from Venezuela and David MacEachen from Canada on the talks' resumption. As it now stands, the four commissions of CIEC — Finance, Energy, Raw Materials, and Development — will convene April 13 and hold negotiations until the end of the month. This will be followed by a weeklong session at a higher level of officialdom which will precede the ministerial session which is going to be held in the second week in May.

The timing of the ministerial session is of course crucial — it will follow just after the London summit of the big advanced capitalist nations (on May 7-8) which will undoubtedly be where Europe will have to decide whether to follow Jimmy Carter into the breach of confrontation with the developing and oil producing countries. The EEC Foreign Ministers themselves will meet on March 25 in Brussels to discuss their policy previous to the reopening of the talks, and no doubt to get a report on the talks between Callaghan and Carter on these issues.

The fact that Carter is committed to a confrontation

policy with the developing countries is now clear to everyone except the professionally blind diplomats of certain developing countries. The core of the Carter commitment, as David Rockefeller insists, is the inviolability of the Third World debt obligations and it is here that one inch will or can be yielded. The Carter Administration is willing of course to "talk" about such "complicated" issues but on debt their standing position will be: a general statement on the debt problem can be agreed to, within which debt problems must be handled "case by case." That is of course the old Kissinger policy which should not surprise anyone.

Carter will be making a speech before the United Nations next week where inside sources have it he will make his bid to be seen as the friend of the developing countries, the defender of their human rights. One reliable story on Carter's appearance is that this was actually the subject of his recent meeting with UN Secretary General Waldheim, not the Middle East as the press reported at the time. Carter insisted to Waldheim that he be able to speak, despite the fact that the UN General Assembly is not in session and there is no official forum convenient for him to appear at. Nonetheless, despite a Waldheim offer to arrange everything for the fall when the General Assembly does reopen, Carter insisted on a command performance, which is what will occur.

While there are plenty of credulous diplomats around at the UN, many know well what the Carter game is. One African diplomat, very close to the progress of the CIEC talks, told us: "For us, the crucial issue, in fact almost the only issue, is the question of debt. It is possible that the U.S. will try to avoid dealing with this issue, by making small concessions on such issues as commodity prices. But this will not be acceptable." Another Southeast Asian diplomat, who has participated in his country's CIEC delegation, told us that he was "pessimistic" about the possibility of a successful conclusion of the talks. He and others from the developing sector feel that the only hope lies in European willingness to break from the U.S. — that is where the real issue lies.

Saudis Split On Whether Or Not To Bail Out IMF

The Arab-African summit meeting that took place last week in Cairo poses the question: Will Saudi Arabia agree to use its vast wealth to bail out the International Monetary Fund, or will it instead move to finance development projects in the Third World and in the advanced sector as well?

On March 6, the *New York Times* issued an editorial call for Saudi Arabia to extend \$15 billion to the IMF, which is now virtually bankrupt as a result of the Third World's inability to service its debt to the Fund. Other OPEC countries, most notably Kuwait, as well as West Germany, the Netherlands, and Switzerland, are also being pressed to "contribute toward a substantial and rapid increase" in the flow of funds to the IMF. H. Johannes Witteveen, director of the IMF, traveled to Saudi Arabia last week to personally pressure the Saudis into propping up the Fund. Chase Manhattan Bank president David Rockefeller also went to Saudi Arabia in an effort to convince the Saudis to convert their short-term deposits at Chase into long-term accounts, for reasons of "stability." According to the *New York Times*, the Carter Administration is squarely behind the IMF's drive to maintain the current debt structure and to prevent the emergence of a new world monetary system. The IMF, said U.S. officials, is "an integral part of the Administration's economic strategy" and is necessary for "world stability."

But the Saudis — in particular the pro-development factions close to Oil Minister Zaki Yamani — are strongly resisting the bailout scheme. Leading Middle East analysts are skeptical that Saudi Arabia will have anything to do with the \$15 billion debt rollover plan (see excerpts below). Spokesmen for both New York's Chemical Bank and a Philadelphia think tank discounted reports that the Saudis will bail out the IMF, and a member of the Senate Foreign Relations Committee anxiously said, "If the Saudis don't come through, I'm not sure the IMF will survive." According to the London financial monthly *The Banker*, the Saudis are resisting pressure to have their aid to Egypt be funneled into debt servicing and instead prefer real economic development.

Yamani is leading the resistance, and has come into direct conflict with Prince Fahd, who reportedly favors removing Yamani from his powerful post and sending him out of the country as an ambassador. According to a former State Department official, Yamani is currently winning hegemony over the pro-IMF forces in Saudi Arabia, who insist that Saudi Arabia refrain from investing in development projects and instead deposit its money in banks or use it for treasury bonds. Yamani, on the other hand, is pushing for long-term Saudi investments in Western Europe and North America as well as for increased oil production. In an interview in the *Sunday Times* of London, Yamani reaffirmed his policy of keeping oil prices down, saying emphatically, "We're sticking to our guns," and stressing his intention to fight "through 1978" if necessary.

Yamani also linked the question of oil prices and Saudi

plans for increased oil production to Saudi investment overseas: "We want you to help us invest out reserves abroad at a fair rate of return." Yamani tied this entire package to the speedy resolution of the North-South talks and the rapid settlement of the Arab-Israeli crisis, stressing that the alternatives are a growing war threat and possible coups in Egypt, Syria, and Jordan. A spokesman for the Washington-based American Enterprise Institute has noted that if there is no substantial motion toward an overall settlement soon in the Middle East, the Saudis will be forced to consider the war option.

"You Have No Idea What Promises Carter Is Giving The Saudis"

A leading Midwestern banker who recently returned from a tour of the Gulf States had this assessment:

From what I know, April will be the month when the Saudis make up their minds whether to stick with Carter. Now there are enormous pressures coming from the IMF and from David Rockefeller. Yamani, it seems, has no power over the Saudi Arabian Monetary Agency — Fahd has the real power there. It appears that everything will depend on the political steps taken by the Carter Administration.

You have no idea what promises Carter has given the Saudis, and is still giving them. The Saudis are depending politically on the U.S. to consolidate Saudi power in the Persian Gulf. So if the Saudis get assurances from Carter and the U.S. that the U.S. will help them consolidate their Gulf power and if, secondly, they get a Geneva conference this year — the Saudis, you know, are terrified over the possible radicalization of the Mideast — then the Saudis will go with the IMF. If not...

But, you know, incredible secret promises have been made to the Saudis by Vance, I can't tell you the details but this is undoubtedly true. And, with these promises being given, it is not unlikely that Fahd will push Yamani into the post of ambassador to either London or Washington.

Opposition inside Saudi Arabia is described by the *Baltimore Sun* as "tougher than expected," but Yamani is reportedly gaining the upper hand. According to the British press, the Saudis have launched a "new policy" of offering "major industrial contracts" to the Third World, with subcontracts extended to European — mainly British — firms. An Indian consortium is currently negotiating several development contracts worth hundreds of millions of dollars, in what promises

to be a model of triangular cooperation among the underdeveloped and developed sectors with Saudi petrodollar financing.

Yamani:

"We Are Sticking To Our Guns"

These excerpts are drawn from Saudi Oil Minister Zaki Yamani's interview in the London Sunday Times of March 6:

On the possibilities of an OPEC pricing compromise:

So far I do not see any possibility of an agreement. We are sticking to our guns... The difference between us is still huge."

On Saudi production aims:

"We aim at an average of 10 million barrels a day for the first quarter of this year, and we will achieve that. Some days now we are lifting over 13 million barrels." Further production increases are an "open question... We wait and see. Nothing in our policy has changed."

On the relation of increases in production to deployment of Saudi monetary reserves:

"Either we reduce our production so as not to accumulate reserves, or you help us to invest our reserves abroad at a fair rate of return and with fair security and access to the markets. Your problem (in the industrial countries) is not the financial surplus, it's the availability of oil. If we produce more, it's a sacrifice on our part to help. But we are not going to deplete our oil reserves for you unless we have enough appreciation and incentive to do so."

On the necessity of reaching a compromise at the Paris North-South talks:

Saudi Arabia wants a "package, including trade, energy, and raw materials for the industrial countries, and transfer of technology, more financial aid to the developing countries... I will be unhappy if we can't reach such a package deal this year."

On the Arab-Israeli situation:

"If peace is not reached, the region will explode." Asked if the region faces the danger of "war or coups and revolution in the area or both": "Nobody can tell. But you can't keep the Arab-Israeli dispute in being. It must be solved."

**"Yamani Swings Saudi Arabia
Toward Industrial Policy"**

The following analysis of the situation inside Saudi Arabia comes from a former State Department official with extensive experience in the Middle East.

The situation in Saudi Arabia is not 50-50; in fact it's quite complex. There are several different tendencies, and each has substantial influence on the decision-

making by the regime, especially in regard to the investment policy of the country.

The first group is led by the Planning Minister, Hisham Nazer. His view is that there is no way that Saudi funds can be invested either domestically or abroad. He feels that if Saudi Arabia keeps up production, and thus continues to earn huge revenues, it will lead to waste and corruption unavoidably. Thus his view is that Saudi oil production should be reduced to 3 to 5 million barrels a day (from the current 9 million —ed.). He is exceptionally capable, and has got a lot of people around him.

There is a second group that believes production should be increased, that it is a god-given obligation to humanity. There are several divisions inside this group as to what to do with the income earned — whether to invest it in Saudi development, in the region, outside the region, leave it in the bank, or whatever. I'd say that Prince Fahd is the leader of this group.

And there is a third group, very backward and narrow-minded. This is now probably the prevailing faction, the dominant one. There are extremely cautious and afraid to take any chances. They play safe. You know, until now there have been no — absolutely no — foreign investments by Saudi Arabia. All their money is left lying in banks, or in certificates of deposit, or in U.S. Treasury bills.

But I've been told that in the last week this is changing. Oil minister Zaki Yamani is a strong believer in increasing production, but he wants to use the money for investments, especially in Western Europe and North America, but also in the Arab world, Africa, and so forth. He is opposed by the Finance Minister and the head of the central bank — but the logic of Yamani's argument is winning out.

**"Rockefeller Will Come Back
Disappointed"**

An interview this week with a university-based Middle East specialist focused on Chase Manhattan Bank president David Rockefeller's recent visit to Saudi Arabia:

Q: What do you think Rockefeller will ask from the Saudis?

A: The major issue which all the U.S. banks are faced with is the short-term deposits by the Arabs. Since 1975 the banks have been trying to convince the Arabs to convert their deposits into long-term deposits.

Q: Do you think Rockefeller will be able to get the Saudis to bail out the International Monetary Fund?

A: I think Rockefeller will come back disappointed; the Saudis will probably refuse to bail out the Fund. They have enough problems with Sadat and don't want to get involved in any deep crisis, especially involving their funds. You have to understand that Sadat is a real problem for King Khaled. Now the Saudis see that even the IMF can't do the job. The question is whether the Saudis will let Sadat go, or bail him out.

"I Doubt The Saudis Will Give The IMF \$15 Billion"

A Philadelphia-based Mideast analyst commented in an interview this week:

I doubt that the Saudis will fork out \$15 billion to the IMF. The only conceivable way that the Saudis would give that kind of money is if the IMF were to convince them that the large private banks that hold huge Saudi portfolios were in serious jeopardy as a result of being overextended in handling Third World debt. If these most seriously affected Third World countries were unable to

pay their debts to those banks, and the Saudis were made to realize the needs of refinancing the debt through the IMF, then they might come through with funds. But even then I would be surprised. I would say that if Saudi Arabia were to make that kind of contribution to the IMF, it would, more than anything else, indicate just how unstable the banks are.

Basically, the Saudis are very reluctant to internationalize their funds. There's so much risk involved. The recent riots in Cairo shook both Saudi Arabia and Kuwait hard enough to get them to hand over \$1 billion, but if they keep getting pressured to recycle more and more of their petrodollars for debt servicing, then the Saudis will have to let Sadat go.

N.Y. Banks Press For Commodity Price Hikes To Aid 3rd World Debt Repayment

The U.S. State Department and the Chase Manhattan group of international banks are engaged in a two-front operation to jack up international primary commodity prices to augment Third World nations' revenue for debt repayment. While the State Department is pressing for adoption of a \$6 billion "common fund" to finance raw materials buffer stocks at the current Geneva meetings of the United Nations Conference on Trade and Development (UNCTAD), the New York banks have financed a wave of speculative activity on the commodity markets, fueling a 6 percent increase during the first six months of 1977 in the U.S. index of sensitive raw materials (an annual inflation rate of 50 percent).

The Callaghan government of Great Britain has intervened to prick the speculative price bubble. On March 10, British officials raised the margin requirement for big speculators on the cocoa exchange more than twenty-fold, forcing a selling wave that spread to coffee futures and other commodity trading.

A Common Fund For Whom?

The UNCTAD meeting, on the other hand, has thus far left the door open to the common fund proposal. A March 8 conference of European Economic Community foreign ministers agreed to wait for the U.S. position on the buffer financing scheme, according to preliminary reports. West German Foreign Minister Hans-Dietrich Genscher urged that the EEC not "present the U.S. with any *faits accomplis*" in the direction of earlier EEC opposition to the plan, because this would deprive Europe of future influence on the Carter Administration. The West German cabinet had unequivocally opposed the UNCTAD proposal.

In turn, the U.S. State Department's official position had also been one of opposition; the *Wall Street Journal* reported March 11 that Washington is now grudgingly "prepared to participate in negotiations on a common fund." A confidential study prepared by Vance's department, however, actively promotes the plan.

By contrast, the Soviet Union's delegation, which had

previously supported the UNCTAD proposal, has announced that it will reject the program in current negotiations, on the ground that no one stands to benefit but "multinational companies."

The Soviet reference to multinational represents an oblique attack on UNCTAD proposals to use "buffer stock" funds to finance projects to "diversify" the economies of primary producers in the Third World. This aspect of the UNCTAD program could be a lead-in to a revival of Henry Kissinger's International Resources Bank (IRB) blueprint, rejected on all sides in 1976, for centralized investment in Third World extractive industries. UNCTAD, like the IRB, would borrow on international markets to invest in industrially regressive, labor-intensive projects.

The State Department-banking push in the commodities sphere began in earnest when European negotiations with the USSR on the international use of the transferable ruble bogged down two weeks ago due to fears in sections of the Soviet leadership of antagonizing Washington. With the pro-development, anti-dollar Western European factions apparently on the defensive and thus more open to being browbeaten into agreement on a plan that would gravely compound their existing oil-payments burden, the U.S. is expecting to use the price hike arrangement as a "concession" to the Third World in exchange for indefinite stonewalling on the debt question.

The UNCTAD proposal, one of several spinoffs of 1970s Brookings Institution scenarios for U.S. raw materials control, enjoys relative credibility as "pro-Third World," a point emphasized in the London *Economist's* recent endorsement of the plan. Even those Third World countries most oriented toward technological development can be manipulated on the bases that they need higher short-term commodity earnings to help that development take off, although in practice the earnings are slated to be creamed off to debt payment. In 1976, the International Monetary Fund already lent \$2.7 billion to

Third World Countries for commodity buffer financing — almost as much as the first installment of the UNCTAD plan.

The UNCTAD plan's total \$6 billion remains tiny in proportion both to the volume of world commodity trade and the level of what the March 6 *New York Times* referred to as "bailout" operations required to keep the multibillion-dollar Third World debt to New York banks rolled over. Yet, taken as a whole, the commodities offensive represents the essence of the Carter Administration's international economic approach. In the short run, the rise in raw materials prices facilitates debt servicing; in a March 8 feature on Brazil, the *New York Times* expressed "I told you so" triumph at the trebling of Brazil's coffee income to \$4 billion, more than the country pays for imports, and enough to avert a debt default, as quotations from relieved Citibank lending officers underline.

This short-term bailout of the banks at the expense of commodity consumers is, according to the Brookings scenario, supposed to be politically bolstered by the buffer-stock funds, which would throw a monkey wrench into ongoing negotiations between the oil producers, the other underdeveloped countries and Western European groups. Rather than exchanging raw materials for advanced technology and expanding the present trend toward joint "North-South" ventures in advanced methods of augmenting raw materials supplies (oil exploration, capital-intensive mining, and agricultural upgrading), European — and American — industry would be taxed first to fund the buffer stocks and then to pay increased commodity costs, cramping their investment ability.

The scenario's progression toward full-scale U.S. control of world resources, involving some version of the International Resources Bank, is presented *in parvo* by Agriculture Secretary Bob Bergland's proposal last week that the U.S. and Canada form a wheat "cartel" that could use its command of 75 percent of world wheat production against the food-importing OPEC countries, a proposal for food war identified and rejected as such by the Western European press across the board.

The Cocoa Bear Hug

Phase I of this Carter offensive — the speculative market increase in commodity prices financed, according to well-informed mining industry sources, by New York banks — has already touched off a counteroffensive, since its implications for shutting down industry and consumption on the model of the oil and coffee price rigs respectively are so plain.

Already on the agenda for British Prime Minister Callaghan's current visit to Washington were the Carter administration's attempts to sabotage Western European technological breakthroughs and technology transfers to the Third World, as in the case of the Concorde issue and the West German supply of nuclear technology to Brazil. After timely consultation between government authorities and cocoa exchange overseers, the margin increase was announced, with rumors of antispeculative action having already driven down cocoa prices March 9. "Margins" are the amount of good-faith money that large operators must put up in order to stay in the mar-

ket; the 1000 percent increase effective March 14 means that speculators holding more than 100 contracts, instead of paying a \$500 margin per 10-ton contract will have to pay £10,000."

The cocoa selloff in London spread, not only to New York, where March futures contracts dropped about 32 cents a pound, but to coffee futures, partly because of fears that similar action might be taken in the coffee exchange, and partly because traders who were unable to liquidate their cocoa holdings to finance the new margin levels had to liquidate their contracts in other commodities. London is the pace-setting market for coffee and cocoa. Grains and soybeans, as well as precious metals and copper, however, were also hit by a volatile downward price wave, which analysts related to the cocoa situation. This effect was described by Bache, Halsey Stuart as "cleaning up the market." The cocoa selloff was also originally aggravated by reports that London exchange officials were investigating the possibility that large speculative positions were being held by a few traders, viz. directly or indirectly by the Chase Manhattan group.

"The Commodities Boom Would Only Help Chase"

London Economist, March 5, "Finance For Commodities":

"...the betting in Geneva is now odds-on that a fund will emerge — and that it will include the Americans, and so doubtless the British and Germans... the other choices available — indiscriminate debt relief are the only ones that count — reek of economic nonsense. That is one side of the political equation. The other is that UNCTAD has finally learned, and applied, the first rule of a successful lobby: make a proposition that has something in it for both sides... the poor see a common fund as the key to advance.

...No buffer scheme will be easy to run. The one sort of scheme that can be guaranteed to fail would be one that can take life easily at first because it imagines it has an ever-flowing cornucopia of other people's dollars to finance it. If individual buffer schemes do not involve self-discipline, one day they will crash..."

Chief economist, one of world's leading metals mining enterprises; London; March 10: "The commodities boom would only help Chase if it stuck. The real question is whether supplies can be withheld. This is going on to some extent with coffee and tea, but less so with metals. There is also the question of whether the United Steel Workers will strike. We're very dubious about the chances for success of the UNCTAD plan. We hope everyone draws back in horror from Bergland's wheat cartel proposal."

Chief commodity trader, New York brokerage house, March 10: "The bull market is entirely a product of U.S. rumors. Last week's rise in the producer price of copper and lead also helped. But there's no shortage of metals in Third World countries. They all may want prices to go

up, but they're not getting any credit. So Zambia is selling copper at £150 per ton under the cost of production. The U.S. banks will never get the buffer stocks scheme off the ground. What they have to think about is, what happens when you sell?

Senior official, London merchant, London, March 10: "Your scenario (EIR's) makes sense — but it is entirely insane for the banks to attempt this. Ninety percent of new money coming into the market is speculative, and it's an extremely thin market. It's a highly dangerous bankers' game, and without final sales it won't work."

Commodities specialist, Ford Foundation, March 10:

"The common fund is a bailout for the banks, Christ, yes, that's all it is. If we're giving foreign aid we should do it straight... with a general recession in the wings, it looks bleak for big stockpiles and commodity futures in general."

Metal commodities specialist, Charles River Associates, Cambridge, Mass., March 10: "We have been deluged with calls from New York banks wanting information on commodities forecasts and future markets. Yes, this has something to do with the possibility of LDC (less-developed country) debt repayment in the second quarter if commodity prices rise, and also the banks are interested in speculation as a hedge for their money..."

'Common Fools' Prepare Way For World War III

by Lyndon H. LaRouche, Jr.

Of this week's so-called "Common Funds" negotiation in Geneva, it is best said that a man who flees from military service out of cowardice may, for reason of the same existentialist emotion, commit suicide in his flight from the consequent shame.

It would be impossible to find words to overstate the stupidity and cowardice of those governments which are seriously disposed to adopt the proposed \$3 billion introductory version of the Brookings Institution's Schachtian "International Resources Bank" swindle. Since we thus lack use of words monstrous enough to fully encompass the imbecilic cupidities of such governments, we must content ourselves with the milder epithet of "common fools."

There will be a conspicuous absence among the deluded ones seriously deliberating this proposal. The biggest fool of them all, the individual who has lately contributed the most to fostering the current showing of imbecilic cowardice among European and developing-sector governments, Leonid "Neville Chamberlain" Brezhnev, will not be represented. Certainly, if Brezhnev is as seriously committed to preventing war as he professes to be, he must be considered the greatest fool of 1977 to date. Indeed, he is competing with the 1938 Neville Chamberlain for the rank of the greatest ass in 20th century history.

In the wake of the Jan. 20 inauguration of Rockefeller-puppet Jimmy Carter and the present Trilateral U.S. Executive Branch, Brezhnev made a "secret" agreement with the Carter Administration. Under this agreement, Brezhnev agreed to sell out Western Europe and the developing sector in return for the Carter Administration's immediate agreement to a stripped-down, less-than-worthless version of "SALT II." As a result, moves toward a convertible transferable-ruble agreement, already at the point of implementation, were aborted by Brezhnev et al. An astonished Andreotti government in Italy, like many governments of the Third World, found itself abandoned to the Rockefeller wolves.

It is that imbecility by Brezhnev which has turned even moderately courageous Western European and develop-

ing-sector governments into sniveling cowards. It is that cowardice which makes possible the degraded spectacle now projected for Geneva around the "Common Fund."

Despite the lies published in Pravda and elsewhere by Rockefeller agent Georgii Arbatov and Arbatov's cronies, Brezhnev is operating on the knowledge that the Rockefeller puppet administration of Jimmy Carter is committed to an *operational* policy of escalating confrontation with the Soviet leadership itself. The gist of the Brezhnev policy of the moment is a misguided, frankly imbecilic, attempt to "buy time" for further Soviet military preparations by steps intended to placate the Rockefeller-Carter monster. (It should, by no means, be imagined, that the Soviet leadership believes the evaluation of Carter published in Pravda, Izvestia and so forth under the bylines of Arbatov et al.) Certain circles close to Brezhnev foolishly view the present Brezhnev tactic as analogous to the Hitler-Stalin pact. Brezhnev's conduct is not modeled upon Stalin, but, as we have already stated, the unfortunate Neville Chamberlain of 1938.

In the name of avoiding war, Brezhnev — like Neville Chamberlain before him — avoids those confrontations which are indispensable to prevent war. At many points in history, it has been such professed "pacifists" who have proven themselves the most effective promoters of avoidable wars. If Western Europe and the developing sector are forced to submit to Rockefeller's desperate monetary "reforms," that fact by itself creates the conditions which makes World War III inevitable — possibly even within 1977.

First, now, we summarize the essential background to the "Common Fund" swindle. That clarified, we then prove on that basis why Brezhnev deserves to be awarded *The Order of the Tattered Umbrella*.

The Legacy of Versailles

To make the direct connection a short one, it is no exaggeration to state that the Brookings Institution's schemes, the "International Resources Bank" and its introductory version, the "Common Fund," have been designed by exactly the same Wall Street, Rockefeller-headed factions which imposed Adolf Hitler upon Germany. Not only are the factional alignments of authorship identical, but the philosophy behind the Nazi regime

and the "Common Fund" proposal are identical.

The common historic origin of the Nazi regime and the "Common Fund" proposal is the Versailles Treaty imposed upon defeated Germany at the end of World War I. There were three features of that treaty which immediately set the stage for the Great Depression, World War II, and the present crisis-situation.

The first issue was that of the extent of war reparations to be paid by defeated Germany. One faction, the sane faction, proposed to delimit those reparations in such a way that German industrial recovery could occur — thus providing a basis for general world economic progress through trade and investment. The opposing faction, associated with the ultra-monetarist Rockefeller interests in the USA, proposed general looting of Germany in order to prop up British, French and other indebtedness to New York City-based financial institutions.

The second issue was the Versailles (and still continuing) commitment to destroy the young Soviet Republic in favor of a general "Eastern European" resolution modeled upon the notorious "Parvus Plan." The Parvus Plan, officially the proposal Parvus sold — for 1 million reichsmarks — to the Kaiser's intelligence services during World War I, was actually developed by Anglo-Dutch interests linked to those adjuncts of the British Foreign Office for which Parvus had been continuously an agent since at least 1893. Under this Rothschild-Dutch scheme, Eastern Europe was to be fragmented into a cluster of small, nominally independent puppet states. The Ukraine was to become directly a puppet-state of Anglo-Dutch and allied German financial interests (emphasizing looting of Ukrainian grain and petroleum). A stripped-down Russian "liberal" Republic was to become an independent, but essentially impotent entity to the north. Through Parvus and others, the British "sold" this package to the Kaiser's government as the projected basis for Anglo-German peace at the end of World War I. It was characteristic of World War I and immediately subsequent operations that Parvus operated his "northern route" activities on nominal behalf of the Kaiser's government in cooperation with British intelligence networks based in Scandinavia and Switzerland. At the end of the war, the same Parvus scheme was adopted by the Rockefeller interests as Anglo-American Eastern European policy — as the "secret" portion of the Versailles Treaty.

The third issue — which led to talk of a possible war between the USA and Great Britain during the immediate post-World War I period — was the form of Rockefeller-centered takeover of a dominant role from the formerly hegemonic British financial interests. The center of this feature of Versailles was the role of the private agency controlling U.S. intelligence — the Russell Sage Foundation — within variously Versailles negotiations, in the Berlin-centered Allied Armistice Commission, and in the role of Hamilton Fish Armstrong and others in coordinating U.S. subversion operations in Russia to the relative disadvantage of the British apparatus. It was the Russell Sage Foundation — a Rockefeller-controlled agency which created the Canaris machine in 1919, which founded Interpol, and so forth, which was also key in the formation of the Freikorps units out of which the Nazi movement emerged.

The Great Depression and Nazism would never have occurred but for those features of Versailles and the Rockefeller-centered forces' enforcement of those provisions. That is not merely past history.

The same Russell Sage Foundation, and its Interpol creation control and deploy today such things as:

(1) All major international terrorist activities, including the "Entebbe" skyjacking set up by Interpol in cooperation with Israeli intelligence;

(2) The Interpol network, under the direction of such avowed Nazis as Reinhard Heydrich, Kaltenbrunner and so forth, during the post-1938 period, and under Nazi direction from Vienna even before that, maintains the Rockefeller-controlled remnant of the Nazi networks nominally associated with the lately-deceased son-in-law of Hjalmar Schacht, Otto Skorzeny. Interpol networks use second-generation and older active Nazis of today in conjunction with Jacques Soustelle's Secret Army Organization (OAS), the fascist assassins operating under the broad cover of the "Opus Dei" smokescreen, and so forth, coordinating most of the evil done in the developing sector, North America, and Western Europe;

(3) The bulk of all international illegal arms and drug smuggling is done either directly through Interpol or by government agencies which directly cooperate with Interpol, using the "cover" of investigations to perpetrate the very crimes they purport to be investigating;

(4) In the USA itself, this arms, drug and terrorism network interfaces the U.S. Treasury Department. Its Alcohol, Tobacco and Firearms Division actually performs domestic and international gun and drug-running used to supply, inclusively, various terrorist organizations), the U.S. Department of Justice, and the "Glyn County"-centered operations run under the rubric of the "Law Enforcement Assistance Administration"!

Not only is the Russell Sage Foundation spawn, Interpol, the major criminal conspiracy in the world today — often mistaken for the U.S. Central Intelligence Agency by credulous people — but the Russell Sage Foundation itself, the centerpiece of the Rockefeller's private international intelligence network, is directly involved in coordinating the initiation of various kinds of such evil, linking together the "right-wing" Interpol drug-and-murder networks with the complementary "neo-Fabian" networks of the Institute for Policy Studies and its Amsterdam-based Transnational Institute shell-conduit. Indeed, the nastier side of the "Eurocommunist" operations of Zbigniew Brzezinski, as well as Brzezinski's assassinations and terrorism operations, are run, not through the U.S. Central Intelligence Agency — at least, not since James R. Schlesinger's "reorganization" of that agency — but through Interpol and Interpol-linked networks operating significantly outside the control of any government.

The mother for the Versailles Treaty was, predominantly the Rockefeller Foundation, a Rockefeller-influenced National Civic Federation, the Rockefeller-controlled Russell Sage Foundation, and allied institutions. Later, the founding of the Brookings Institution provided the new principal clearing-house for Rockefeller-faction global schemes — granting, of course, some occasional factional furores within the never-quite homogenous apparatus.

The Dawes and Young Plans imposed upon a reparations-wrecked German economy of the 1920s typify the continuation of the Rockefeller's Versailles policy during that decade into the 1930s. Then, as now, the structure of Lower Manhattan-centered international debt-holdings was rotten. Then, the chief point of vulnerability was a ruined German economy, as distinct from the emphasis upon Third World debt today. Then, as now, the Rockefellers' concern was to prevent the ruined debtor from repudiating unpayable debts — thus to save the Rockefeller financial empire from collapse. Then, the key Rockefeller agent of relevance was Germany's U.S.-born Hjalmar Horace Greeley Schacht, creator of the post-War German Liberal Party, a tiny party repeatedly used in operations aimed at destabilizing Weimar parliamentary government in the interests of some Rockefeller scheme. Today, the Schachts are represented *in part* by the Geneva-based professional staff of UNCTAD, a miserable collection of Brookings Institution agents, chiefly responsible for insinuating Schacht-modeled "Common Fund"-type schemes into the ranks of Non-Aligned Nations. The Rockefeller-inspired Dawes and Young Plans of the 1920s, the Nazi "Mefo Bill" swindle and the "Common Fund" are all products of an identical Rockefeller-imperialist doctrine, the doctrine otherwise behind the so-called "Morgenthau Plan" for ruralizing post-World War II Germany.

The OPEC Precedent

To understand the "Common Fund" more precisely, one should turn one's attention to the 1971-1973 period. Following the collapse of the Bretton Woods dollar in August 1971 and the loutish incompetence of Treasury Secretary John Connally, Europeans, Arabs and others were attempting to negotiate a new world economic order of sorts around the axis of the French Pompidou government. Although the schemes proposed lacked the technical competence represented uniquely by our own "International Development Bank" proposal, the desire of those nations was in the direction of an IDB-type new, gold-based monetary system to replace the bankrupt dollar system. Largely through failure of nerve on the part of Europeans and developing-sector forces, complicated by Soviet policy blunders on the key issues, Rockefeller forces were able to operate in part from the inside of OPEC and the Egyptian government to set up the 1973-1974 petroleum crisis and the October 1973 rigged Arab-Israeli war.

Because petroleum payments were dollar-denominated, the looting of the constant capital of both industrialized and developing-sector governments went preponderantly into the balances of New York-based international financial interests.

The result of 1973 was aggravated misery throughout the developing sector and an accelerating economic depression throughout the industrialized sector. Meanwhile, OPEC-linked inflation and reduced petroleum consumption soon left the presumably oil-rich exporting nations no better off in fact than before the price rise. Nonetheless, this ill-conceived arrangement did prop up the Rockefeller interests for an intermediate period, enabling Rockefeller to crush various Third World governments one by one and to aggravate the global monetary crisis beyond previous imagination.

Rockefeller forces are committed to a broader-based replay of the same swindle — with the aid of the scoundrels of UNCTAD's Geneva professional staff. The overall objective is set forth by the Brookings Institution's Schachtian-fascist "International Resources Bank" swindle. The proposed \$3 billion "Common Fund" is intended as the first step toward the full-scale "International Resources Bank" bailout of the currently bankrupt New York City-centered financial institutions and the Eurodollar market. If adopted, the arrangement will plunge Western Europe and Japan into conditions worse than those of the early 17th century and most of the developing sector into a genocidal horror of famine and epidemics.

Essentially, it has been UNCTAD-centered policy since early 1976 to substitute a "raw materials-centered" reform of the existing monetary system (e.g., IMF-World Bank and Eurodollar market) for the establishment of a new monetary system. In fact, any such reform is a genocidal swindle. As long as the raw materials-exporting nations and other participants in an "International Resources Bank"-modeled "Common Fund" are committed to current financial obligations to the Eurodollar market and related institutions, the following monetary scenario functions.

1. Balances of the "Common Fund" will go first to meet financial rollover obligations of the participating nations of the "Common Fund," and not for internal development.

2. Monopolistic pricing of commodities under these conditions of continued global depression mean an hyper-inflationary spiral in which indexes of demand for raw materials collapse, such that the total added revenues to the participating nations will be, in net, far less, and spiraling downward further, than before the "OPEC-modeled" cartels were created.

3. The fascist "labor-intensive" austerity schemes of the International Energy Agency (IEA) and related agencies will go into effect throughout the OECD and developing nations, directed to the Rockefeller-specified objectives of reducing the world's population (a "final solution" to the Third World population "problem") within an intermediate term. All pro-development governments will be crushed, including most of those governments imbecilic enough to support the "Common Fund" pact in favor of fascist, genocidal governments on the Chilean model.

4. The scheme will not stabilize the Rockefeller's monetary system, *but merely delay its collapse*. However, it will give the Rockefellers their long-desired "geopolitical" global correlation of forces for a decisive confrontation with the Soviet leadership. The monetary dynamics of the situation indicate that the Carter Administration (Rockefeller's puppet-regime) will be objectively obliged to make that confrontation most probably during 1977.

Third World Stupidities

The cowardice shown by Third World governments during recent years is principally caused by the stupidities of the Brezhnev leadership of the Soviet Union. We have witnessed, at close hand in many cases, Soviet pushing of Third World governments (e.g. winter of 1975-1976 for Peru) into suicidal capitulation to New

York banks at the very point those frightened governments had mustered their courage to defend their peoples' vital interests. The vacillations of the developing sector, and more recently Western European governments, are in that respect chiefly attributable to the "Eurocommunist" (e.g., Georgii Arbatov) elements contaminating the Brezhnev faction.

Therefore, if we are obliged to note that some of our Third World friends occasionally behave like cowardly imbeciles, we note the mitigating consideration of Brezhnev blunders in moral defense of our vacillating and capitulating friends.

However, the errors of the Third World are not entirely the work of Brezhnev's potentially-fatal vacillations. Too many leaders and representatives of Third World governments are either simply corrupted personally or have been victimized through miseducation received at such locations as the London School of Economics, Harvard, Cornell, or the University of California at Berkeley.

Let us be frank about the corruption. When a Third World delegation arrives in New York City for a UN session, baskets of flowers and fruit are not the only courtesies provided by the government of the host country. In the basket of fruit there is an envelope, in which the substantiality of the host government's good wishes is demonstrated by a generous sheaf of hundred-dollar bills. Foreign Ministers from Third World countries visiting New York, find that their trusted emissaries stationed there enjoyed a remarkable affluence of personal life. The sexual preferences of Third World representatives are not overlooked either. The individual who resists direct payment or exotic sexual

favors may be corrupted in other ways, including those generally classifiable under the heading of prestige.

Yes, this sort of corruption is a very significant part of the process of insinuating the "Common Fund" item onto the current UNCTAD and Non-Aligned agenda. High-level representatives of nations betray their nation's vital interests for the sake of a few dollars, a few sexual favors, a taste of the "good life" in general.

The documents, the formal discussions, and so forth have a certain significance in the pushing of the "Common Fund" proposal. But semi-secret meetings at Binsburg and other places, and direct personal corruption of nations' representatives in one form or another — according to the individual — are a major element in bringing such items as the "Common Fools" proposal onto the table.

The ignorance of professionals back home within the Third World governments is relevant as it accounts for the ability of corrupted UNCTAD delegates to sell out their nation's interest. There is, for example, actually a significant current of professionals in Third World governments who believe the imbecility of the Physiocratic parody to the effect that "natural resources" represent intrinsic wealth. Given, such an ignorant, miseducated official back in the Third World nation's capital, and the corrupted delegate in New York, Geneva and so forth, the people of the nation have a poor prospect for getting out of the present decade alive. Ignorance, combined with imbecilic cupidity and narrow national chauvinism among the professional strata of such governments are a significant background consideration in understanding how the fascist Rockefeller swindle, the "Common Fund," got onto the UNCTAD and other international agendas at this time.

Congress Must Investigate Justice Dept. Coverup Of Washington, D.C. Terror

Two scandals of unprecedented magnitude involving the Carter Administration have surfaced in the wake of the March 9-11 bloody siege of three public buildings in Washington, D.C. by members of the Hanafi Muslim sect.

First, for reasons that are yet to be aired publicly, the Justice Department is maintaining a blanket of silence around the 38 hour siege and the subsequent release without bail of Khalifa Mammam Abdul Khaalis, the leader of the killer sect. Judge Harold H. Greene of Washington D.C. Superior Court released the terrorist on direct orders from Attorney General Griffin Bell, who in turn acted in consultation with President Carter. The extraordinary circumstances surrounding the release of Khaalis — including the Justice Department blackout and the court order that the released terrorist make no statement on the March 9-11 events — in themselves constitute a basis for immediate inquiry by the appropriate congressional committees.

If such an investigation is not launched in the immediate days ahead, the consequences will be a renewed wave of terrorism that will almost assuredly include a nuclear terrorist incident somewhere in the world. The only steps sufficient to abort this terror plan are a pursuit and public airing of every crucial intelligence lead related to the March 9-11 events.

Such a rigorous public investigation by the U.S. Congress into the coordinated assaults against the B'nai B'rith building, the Islamic Center, and the Civic Center would in fact establish a chain of evidence admissible in court, leading directly back to the National Security Council, the Justice Department, Interpol, and the offices of Congressman Larry McDonald (D-Ga.) in the person of John Herbert Rees.

The evidence that the Carter Administration and its Lower Manhattan backers planned and executed the Washington D.C. siege can be divided into two broad categories.

(1) *The so-called roots of the Hanafi sect in the domestic strategic hamlet project of the late 1960s.* That was sponsored by the Ford Foundation and instituted by the Institute for Policy Studies. The principal feature of that project was the creation of a network of local paramilitary black nationalist and Maoist cults to serve as conduiting agencies for guns and drugs into "community-controlled" ghetto hamlets, and for the staging of racial confrontations and other disorders. "Operation Garden Plot," established through the Justice Department, the CIA, and the Pentagon under the Johnson Administration, was the "official" government input in

this project. The criminal element responsible for creating, protecting, and deploying that project now constitutes the Carter Administration's national security establishment.

(2) *The broad program of domestic and international terrorism for which the Washington, D.C. events were to serve as the trigger.* The domestic component of that planned wave of terrorist violence was officially issued as Carter Administration policy one week before the Washington, D.C. events in a 600-page Law Enforcement Assistance Administration terror and disorders report. The authors of that plan — including American University thinktanker H.H.A. Cooper, New Jersey Governor Brendon Byrne, and former D.C. police chief Jerry Wilson — have been prominently involved in several terrorist operations ordered by the National Security Council including the aborted July 1976 Bicentennial terror, the simultaneous Entebbe hoax, and the fall 1976 Croatian airplane hijacking and bomb-killing of a New York policeman.

Media accounts of the March 9-11 events in the *Christian Science Monitor* and the *New York Times* have identified thinktanker Cooper and several of his known colleagues in the State and Justice Departments as having played the crucial "negotiating" role in the hostage situation. It is a standard procedure that under the cover of "negotiating" or "conflict resolution," the same psychological warfare planners and controllers who activate the hostage scenarios are placed in a position of life-and-death control over the unfolding events.

This minute-by-minute control over the terrorists allowed the National Security Council controllers to decide to call off the bloody operation at the point that U.S. Labor Party and allied forces' exposure of the planned terror, along with the intervention of diplomats from the Muslim states of Iran, Egypt, and Pakistan, threatened to impose an unacceptable penalty upon the Carter Administration if the events proceeded the blood-bath phase. That such contingency plans were in place was confirmed by a *Christian Science Monitor* March 11 interview with Cooper in which he acknowledged that one "option" under serious consideration was the conduiting of the terrorists out of the country into Libya. Such a move would have constituted a virtual trigger of a break-away ally scenario for a Middle East confrontation.

Highly reliable sources in the intelligence community last week provided further confirmation that the Hanafi siege is part of a broader plan for kidnappings, assassinations, bombings, etc. A memorandum now circulating in the executive branch, the sources said, spells out plans

for a terrorist attack against a U.S. nuclear facility to be conducted by a team of domestic Interpol agents operating under the cover of the so-called National Revolutionary Army — a spinoff of the Minutemen. A high-profile, black propaganda effort has already been initiated under the sponsorship of the New Directions group, which is an offshoot of the Trilateral Commission, setting up the population with phony scare stories about the feasibility of successful nuclear terrorism. This feature of the overall terrorist deployment plans is intended by the Carter Administration and its Lower Manhattan sponsors to create the appropriate environment in which to shut down the entire nuclear energy industry worldwide.

*The Weak Link:
Rees and Interpol*

Sources close to the Administration have reported to NSIPS that the Hanafi siege was originally planned to take place in mid-May. The decision to launch the terror wave a full 60 days early was motivated by the fact of increasingly visible anti-Administration motion within and around the U.S. Congress — motion rapidly converging on an open political confrontation with Carter. The public surfacing of a political bloc in the United States against Carter's conservation and austerity and for growth and development would have the immediate effect of impelling European and Arab political machines toward an early conclusion of negotiations on a new monetary system to replace the dollar system. Therefore, the Carter Administration took drastic steps to curb that motion.

The operating principle behind every feature of the Carter Administration's current terrorist program is the creation of gang-countergang warfare to reinforce the currently discredited black versus white, Arabs versus Israelis, left versus right operations that have characterized every significant Wall Street counterinsurgency project of the past decade. It is precisely in this context that the role of John Herbert Rees in the Hanafi siege takes on the character of a unique evidenciary experiment as to how the Wall Street private intelligence networks (which now subsume the executive branch of the federal government) conduct terrorism.

John Rees is now the weak link in the Interpol chain of left-right butchery; Rees's indictment and conviction on charges of criminal conspiracy and treason are central to wielding an effective strategic blow against the Carter regime's terror capability.

Four years of ongoing investigation by the U.S. Labor Party and others, has produced evidence that implicates Rees in both the "left" and "right" sides of numerous terrorist operations of which the Hanafi Muslim siege represents one convenient case.

During the late 1960s Rees was directly responsible for the creation of a network of black paramilitary cults in Newark, N.J. and Harlem, N.Y. that included the Hanafi operation which was then run out of the "Black

Repertoire Company." In close collaboration with representatives of the Prudential Life Insurance Company, the Ford Foundation, and Kahmil Wadud, a Newark-based Sunni Muslim and intelligence operative, Rees shaped the degenerate beatnik poet, Leroi Jones, into Imamu Baraka, and the Congress of African Peoples, and lavishly supplied Baraka with funds.

The same John Rees is currently the staff director for the offices of the spurious "right-wing" Congressman Larry McDonald — a position in which his principal assignment is to conduit and launder disinformation and McCarthy-style red scare propaganda through available outlets like the Congressional Record. While this drive usually falls on deaf ears within Congress, the black propaganda laundered through the Congressional Record is picked up and disseminated through operatives of the Buckley family — such as Richard Viguerie — and this scare propaganda is used to contain conservative and industrialist layers by maintaining them in a scare environment.

A statement drafted by Rees and issued March 10 by McDonald cited the Hanafi incidents as the reason d'etre for imposing drastic internal security measures upon the U.S. population — measures echoed in the above-cited Law Enforcement Assistance Administration terror-counter terror report.

A battery of the appropriate questions directed at Rees before congressional hearings would shed an extraordinary light on the domestic activities of Lower Manhattan's joint public-private plumbers operation, Interpol.

The failure of honest law enforcement officials to date to comprehend the crucial role of Interpol in every incident of international and domestic terrorism and political destabilization has left that agency fundamentally intact, despite the significant exposure of its allied agency, the Institute for Policy Studies. Interpol is the intersection point of official government security agencies (currently housed in the Justice Department), private intelligence organizations, and corporations on both the domestic and international scale. As such it represents a well-documented conveyor belt through which all of Lower Manhattan's "soft" and "hard" terrorist programs are carried out.

It is no coincidence that Congressman McDonald's March 10 statement calls for the cutting off of funds to the Senate Internal Security Committee chaired by Senator Eastland and for its replacement by a reconstituted House Internal Security Committee under McDonald's direction. The Senate Internal Security Committee at this point has a congressional mandate to convene hearings on the Hanafi siege; and the subpoenaing of Rees and Attorney General Bell to account for their extraordinary behavior concerning those March 9-11 events represents the starting point for the dismantling of Interpol's left-right terror apparatus. Failure of Congress to act will be a mandate to the Carter forces to proceed with a massive wave of bloodshed.

Chronology Of Events Surrounding The Hanafi Terror Incident

Over the last month the U.S. Government and media have participated in a campaign to prepare the psychological climate in the U.S. for rapidly escalating terrorist incidents. Elaborate plans to launch every conceivable type of assault, from race rioting to hijackings and nuclear terrorism have been thrust out in headline stories which set the stage for a theater of terror and chaos produced by the Rockefeller Trilateral Commission and directed by the Carter Administration.

A featured production in this conditioning was the television series and book *Roots*, which is a central event in a contrived projection of race riots for the spring. Alex Haley, the author, has summed up his book as "opening up a boil in society and letting the pus flow out."

Numerous scares of the possibilities for nuclear terrorism have been planted in newspapers across the country, with government officials cited as agreeing that there is a danger. The stories include the false account of a homemade nuclear bomb designed by a Princeton student, and are accompanied with statements by those associated with last year's Glassboro Terrorism Conference, and environmentalists preaching the terrors and danger of nuclear energy.

A series of publicity events all involving hostages formed the proper climate for the Hanafi invasion:

***Feb. 10 Indianapolis — Three-day siege ends when Anton Kiritsis released a mortgage company official, who allegedly cheated him in a real estate deal.

***Feb. 11 Cincinnati — Jesse Coulter takes 8 hostages in a home for unwed mothers demanding the whereabouts of a child he had given for adoption 20 years ago.

***Feb. 14 New Rochelle — Nazi cultist Fred Cowan snaps and kills 5, wounds 5 others, and finally shoots himself.

***Feb. 25 Syracuse — Gunman Leroy Cotton kills one and finally releases a pregnant hostage after a 12 hour siege.

***March 9 Cleveland — Cory Moore released police chief after two days and Carter's nationally televised agreement to talk to Moore.

There were several other incidents in other countries which added an international air to the terrorism scenario being prepared. The last incident, in which the President of the United States went on national television and radio and acceded to the demand of the terrorist, was an important stepping stone to the idea that a *terrorist's demands can be met*. This set the stage for the Hanafi incident which began one hour later.

Hanafi attack: Events Day 1 Wednesday, March 9

9:00 Hamaas Abdul Khaalis leaves home and headquarters of the Hanafi sect with other sect members fully aware of Khaalis' plans. He assembles 11 others heavily armed in rented trucks and proceeds to downtown Washington, D.C.

11:30 In a coordinated assault at three locations the Hanafis move in at gunpoint and seize hostages at the B'nai B'rith headquarters and the Islamic Center and the District Building. At the District Building one reporter is shot to death, another and a security guard and a Washington City Council member are wounded by gunshots.

3:00 The initial demands of the terrorists are placed. The film "Mohammed — Messenger of God" is stopped minutes before its initial showing in New York, a \$750 contempt fine is returned to Khaalis and negotiations begin around the demand to deliver 12 Black Muslims, 4 prominent members and 8 already in jail for the murders of Khaalis' family in 1973 and Malcolm X in 1965, to Khaalis for revenge.

6:30 Three Arab ambassadors from Egypt, Iran, and Pakistan at their own initiative enter the negotiations, which had been from the outset controlled by Griffin Bell. The three Moslem diplomats were not brought in through Bell's initiative and their efforts are crucial in averting the Justice Department-Interpol planned bloodbath.

9:00 Khaalis conducts the second of a number of telephone interviews with the media, which emphasizes threats to decapitate hostages, and the determination of Khaalis to die for his religion.

Press coverage of Day 1

Both the afternoon press of Wednesday and the Thursday morning newspapers in New York, Washington and other major cities were completely dominated by the attack. Uniformly the Hanafis were portrayed as religious fanatics, with a history of violent clashes with Black Muslim rivals. Emphasis was placed on the death and the scores of injured, with Khaalis' threats forming the headlines of every major newspaper. Psychological controllers, and brainwashing experts from the FBI psychological unit, and the Dallas Aberant Behavior Center were widely quoted on the murderously psychotic danger of the Hanafis and the certainty that such assaults will become daily occurrences. All negotiating efforts were referenced as fruitless.

Events: Day 2 Thursday, March 10

Throughout the day as food and supplies were passed into the besieged buildings, no further shots were fired and some of the hostages with medical or other problems were released. The negotiators, who were National Security Council and Justice Department controllers, were in constant telephone contact with both the terrorists and Carter.

6:00 pm The NSC agrees to defuse the situation because of the intervention of the Arab diplomats and the international mobilization and press releases issued by the U.S. Labor Party which documented the connections between the Hanafis and the NSC.

8:00 pm Khaalis agrees to meet the negotiators for the first time. The three ambassadors, D.C. police chief Cullinane, and Griffin Bell representatives Peter Flaherty, and U.S. Attorney Earl Silbert enter the B'nai B'rith building.

11:00 pm After three hours in which the Arab ambassadors convinced Khaalis to surrender, all the remaining hostages are released.

Press coverage of Day 2

The morning press of Friday, which did not yet register the hostage release, was a total shift from the previous days coverage, reflecting the Justice Department decision to backoff from mass murder. The Hanafis are portrayed as peaceful, devout Moslems. Editorials

have shifted to calls for increased surveillance including extensive coverage of the story released by the complicit Rep. Larry McDonald that the Washington police files on the Hanafis were destroyed due to pressure from public criticism of surveillance of political groups.

Events Day 3 Friday, March 11

8.00 am Khaalis is set free without bail, while the 11 other Hanafis are held in jail. Griffin Bell is interviewed and boasts that Khaalis was released because of a promise made personally by Bell. The conditions for Khaalis' release was that he say nothing to anyone concerning the events or negotiations. The Justice Department simultaneously clamped a lid on all information.

The Creation Of An Agent Terrorist

No matter what you've read in the newspapers, Hammas Abdul Khaalis, so-called leader of the Hanafi sect employed in last week's terror siege of Washington, D.C., has never been a civil rights leader, a nationalist leader, a religious leader, a Moslem; for the better part of his adult life Khaalis has been no more than a victim of brainwashing by the Rockefeller family's private intelligence networks. The Hanafi sect he nominally heads is a pseudo-religious cult, one of a number of such deliberately created under the auspices of Ford Foundation psychologists and sociologists. The Hanafi's members, like Symbionese Liberation Army leader Donald DeFreeze, like would-be presidential assassin Sara Jane Moore, are burnt out shells of former human beings manipulated through their allegiance to a synthetic belief structure provided them by their agent controllers.

In the case of the Hanafi, three names stand out as the key string-pullers in the overall operation: Ford Foundation psychologist Kenneth Clark, former Washington, D.C. police chief Jerry Wilson, and John H. Rees, presently serving in the office of Congressman Larry McDonald (D-Ga).

To understand where the Hanafi come from, how they have been controlled, one must understand the milieu established and manipulated in selected urban black circles by Ford Foundation poverty projects and related operations during the 1960s.

Under conditions of precipitously declining employment opportunities and deteriorating living conditions for blacks and other minorities, despite the widely publicized civil rights movement, blacks seeking effective political remedies in increasing numbers, were told and retold by Ford Foundation-Office of Economic Opportunity personnel and similarly helpful "social worker" types and their allies in the mass media that it was precisely those most degrading features of their life situation that were the key to personal fulfillment (Can't make it in whitey's world? don't worry baby, you got soul — here, grab this dashiki). In the carefully cultivated atmosphere of "cultural nationalism," key agents were

inserted to peddle competing but essentially identical versions of the pseudo nationalist belief structure — under which the ghetto hustle, the violent ripoff were packaged as "revolutionary."

Kenneth Clark, for example, from his position in the federally funded Haryou Inc. poverty program in New York City, deployed the operations which were to produce the violent careers of notorious police agents Imamu Baraka (Leroi Jones), Charles 37X Kenyatta, Sonny Carson and Kamiel Waddud. Meanwhile, State Department "radical" Saul Alinsky assigned convicted west coast police informer and rapist Ron Karenga to retail the Seven Principles of Kawaida, a potpourri of "black magic" soon to turn up in variant form as Baraka's rallying cry in Newark and in 1974 popping up on the west coast again as the professed ideology of DeFreeze's Symbionese Liberation Army.

Haamas Abdul Khaalis traveled on this same circuit.

As early as 1942, Khaalis was completely profiled by the U.S. Army: spending some time in a military psychiatric hospital, and receiving a discharge for psychological instability. He immediately descended into the drug-filled New York jazz scene.

Khaalis' first affiliation with the Black Muslims in the early 1950s was as an agent disruptor. He was deployed into the group, in his own words, to factionalize and "recruit true believers of Islam." Khaalis finally left in the early 1960s when his antics were no longer tolerated.

Khaalis founded a new sect, the Hanafi, "after the name of an established sect of the Sunni Moslems," according to the New York Daily News. He moved into the emerging New York ghetto poverty apparatus under the tutelage of Kenneth Clark and Leroi Jones.

Clark had funded Jones with \$40,000 of federal money for the Black Arts Repertory Theater. Clark envisaged the theater as a magnet to pull Harlem's youth into his Haryou project, where they would be "immersed in a subculture possessing insignia, slogans, rituals, and esprit de corps" — like stormtroopers.

An accident blew the cover off the theater project in 1966: the shooting of Lawrence P. Neal, a black poet who refused to join the Jones outfit, by some of Jones' young Nazis-in-training. Police raided the Black Arts theater and found a large arsenal. This was the Hanafi weapons center kept by Khaalis.

Several of Khaalis's associates were arrested for possession of deadly weapons, including his son-in-law Abdul Azziz. The charges were mysteriously dismissed on grounds of "insufficient evidence."

Jones, under a cloud and under investigation by a Congressional committee, was dispatched to Newark, where he was transformed into Imamu Baraka following the 1967 riots there.

Khaalis moved into a \$15,000 a year assignment running a "street academy" for the Urban League; through this offspring of Clark's theater, Khaalis was responsible for developing several of the LEAA Harlem street gangs. Clark continued to serve as overall controller for both sides of the operation.

But it was in Newark, with Baraka, that the next key figure was to appear: John H. Rees. Announcing himself as the head of a corporation called New Goals, Inc. Rees arrived in Newark with the aid of the Newark Police Department and helped Baraka and Kamiel Waddud, leader of the city's Sunni Muslims and the immediate influence in the Jones-Baraka "born-again" transformation, plan the takeover of the anti-poverty apparatus. Waddud was also a close associate of Khaalis. Orchestrated black-white racial confrontations prominently featuring Baraka quickly followed.

During this period, Khaalis, still based in New York under Clark, was commuting to Baltimore and Washington. In D.C. he established the beginnings of the group responsible for the recent terrorism, the "Hanafi Rifle and Pistol Club" at Howard University.

In Baltimore Khaalis was arrested by the FBI for extortion and planning to rob a Baltimore bank. He was found legally sane, but "disturbed" by a court psychiatrist, and once again he was given protection and

the charges were dropped. During his commuting, Khaalis was still receiving \$15,000 per year from the New York Urban League, but when the "street academy" project went broke in 1970, Khaalis moved to Washington permanently to care for the fledgling terrorist unit which he continued to call the Hanafi.

In 1970, the third controller, Jerry Wilson, was serving as the police chief of Washington, D.C. During the period from 1970-72 his special agent was none other than the man-on-the spot when Baraka's new belief structure Kawaida appeared in Newark, John H. Rees.

Rees's tracks turn up all over the Rockefeller family networks. He has worked for the Church League of America and has published a sheet called "Information Digest" for law enforcement agencies. Rees's wife Sheila has been a member of the National Lawyers Guild (defends terrorists) and the Institute for Policy Studies (Japanese Red Army, Weathermen). John H. Rees is also employed on the staff of Congressman Larry McDonald (D-Ga.). On March 10, the first day of the D.C. terror siege McDonald's office put out a statement calling for immediate increase in police state "martial law" powers along the lines demanded by the LEAA task force headed up by Jerry Wilson in a report issued only the week before.

In an attempt to justify such measures, the McDonald office statement asserted that during the period from 1970-72 — the same period when Khaalis arrived in Washington and Rees worked as Wilson's special agent — the Hanafi sect had been heavily infiltrated by the D.C. police department. If only law enforcement reform guidelines had not forced Wilson to remove his men, McDonald's office mourned, they could have prevented the Hanafi kidnapping.

But in the face of the chain of circumstantial evidence from Clark to Baraka, Waddud, Khaalis, Rees and Wilson — who will believe that the Hanafi incident was anything but a stage-managed intelligence operation from start to finish?

Sunni Muslim Leader: Hanafi Terrorists "Are Correct"

The following is an interview with Kamiel Wadud, a Sunni Muslim leader in the Newark-Elizabeth area of New Jersey conducted at the time that the Washington terrorist action was at its height.

Q: What can you tell us about the background of the terrorists and their leader, Hammas Abdul Khaalis?

Wadud: First of all, I don't call this a terrorist action...these people are completely justified...White America is entirely racist...they wouldn't listen otherwise. These peoples' arguments are correct. The Hanafi are right about the movie ("Mohammed: Messenger of God" - ed.). I have documentation in my hand of the meeting of the World Muslim Organization that passed a resolution denouncing the movie on April 8, 1974...

Q: Who is their leader?

Wadud: It is clear who he is. He was national recording secretary of the Nation of Islam until 1963, when he left along with Malcolm X and became a Sunni (a generic term for all Muslims outside the Nation of Islam, of which the Hanafis are one sect - ed.). In 1973, his children were murdered. This is an eye for an eye...The people who killed his children haven't been executed.

Q: Mr. Wadud, what do you think can be done to resolve this situation?

Wadud: First you need his own people to go in there. I've been asked but I don't know if I'll go. If it were the Chinese, who would you send in to negotiate? He has to see his people. They've got Arab diplomats going in.

there. Who the hell are they? All these people are is — they spend two years in Washington getting laid and drinking, then they leave. Khaalis told you what they thought of them when they seized the Egyptian building. You can't settle this thing with them.

Q: Could you be more specific about a settlement?

Wadud: First, you need his people to go in there and like I said, I've been asked and I don't know if I will. I've been on the phone for 24 hours as a matter of fact, 24 hours straight. The authorities have asked me to come. You know what would help, if somebody could bring materials to substantiate the Hanafi position on the movie, the conference resolutions and things. He is prepared to die for his family, for what he believes and for what was done to his family. He'll die for what was done to his family. He has to be told that he will be leaving a nation of believers if he dies. But you know, he would lead them, his followers, into the gates of Hell if necessary.

Q: Well, if some settlement were reached somehow, and this thing ends, suppose the movie were to continue being shown. Would such incidents continue?

Wadud: You bet. He wouldn't leave his back unprotected. There may be back-up units...The authorities are nervous about that.

Q: Mr. Wadud, the logic of your view seems to be in the direction of utterly justifying what is now being done in Washington. The logic of your approach seems to be to encourage a bloodbath.

Wadud: Well, now, wait a minute. What I'm saying is if

we could give him sympathetic support he might consider not killing anybody.

Q: You think that just sympathetic support would induce him to forget his beliefs, his sect, or as you keep saying, his family?

Wadud: I've simply explained the power and strength of his motivations. Someone from his own people has to be the mediator and liaison in this. Not some phoney house nigger.

Q: Mr. Wadud, are you familiar with a man named John Rees?

Wadud: Who? Well, uh, let me see...uh, spell it...Oh Yeah! John Rees, the Englishman. Yes, he came into Newark with that money a few years back. They say he inherited the 'Peyton Place' fortune and lost it in a court fight or something...A real hustler. By the way, where did you hear of him?

Q: Well, he's mentioned in a book on the 1967 Newark race riots. It says that he was involved in negotiations with Imamu Baraka...and yourself.

Wadud: Yeah, well, he put something together.

Q: Would you say that he had a positive impact in Newark?

Wadud: Well, he did some right moves. Accidentally probably, in spite of other intentions probably.

Q: Where did his money come from? Do you know?

Wadud: Federal money. He had pull in Washington.

Profiling A Nuclear Terrorist

Copies of a confidential FBI report documenting the totally fabricated plan of a neo-Nazi group to launch nuclear attacks against U.S. cities have been circulated to the National Security Council, the U.S. Treasury Department's Bureau of Alcohol, Tobacco and Firearms (ATF), and the Nuclear Regulatory Commission (NRC) among other Capital Hill agencies. More importantly, this nuclear terrorist scenario was also forwarded to scientists at the Energy Research and Development Administration (ERDA) and congressmen on the McClellan Subcommittee on Domestic Terrorism — the primary targets of the FBI-Justice Department psychological warfare operation.

According to sources close to the Justice Department, the FBI report features plans — ostensibly recovered from the right-wing, paramilitary National Revolutionary Army (NRA) — on how to steal top-secret lasers, nuclear wastes, and classified research materials for making an atomic bomb. The report profiles NRA leader Frank Draeger, who is at present awaiting trial on gun- and drug-running charges in Trenton, N.J., as the prototypical nuclear terrorist.

The report is a hoax. The nuclear terrorist scenario set

out in its pages is not the brainchild of a small group of socio-pathic right wingers, but is the product of the FBI itself. As any qualified nuclear engineer knows, there is no way that an explosive nuclear device can be assembled in a basement. An engineering feat of this magnitude requires scientific capacities on a scale available to no more than half a dozen governments internationally. Agent Draeger, now being accused by his FBI controllers of issuing orders from prison to the NRA for a nuclear attack on a U.S. city, is merely a pawn of the Justice Department and FBI, the perpetrators of this scheme. While the scenario is totally faked, the National Security Council may still order FBI personnel to carry it out — providing NRAers or some other group of terrorist agents with a live bomb — at a cost of millions of American lives.

The Draeger nuclear terrorist scenario and others now in the works are part of an attempt by the Trilateral Commission to stampede Congress into passing the emergency police-state measures proposed by the Justice Department's Law Enforcement Assistance Administration (LEAA) and to force U.S. scientists to accept further restrictions in nuclear energy develop-

ment. On the basis of the FBI report, the Nuclear Regulatory Commission has already issued orders to tighten security measures on nuclear facilities across the country to heighten hysteria in government and scientific layers.

Roots of the Conspiracy

The FBI report was timed to take full advantage of an activation of right-wing agent terrorism following the television adaptation of Alex Haley's "Roots" race war provocation produced by the Carter-linked Warner Communications group.

Draeger was arrested on drug and gun-running charges in July 1976 in San Diego, where he was supposedly arranging his escape to Chile. Since that time he has been kept under tight security wraps. Despite the cloak of secrecy thrown over the case, NSIPS has learned that this trial was postponed until April following a closed hearing on Feb. 22 where Judge Clarkson S. Fischer ordered Draeger to undergo intensive "psychiatric evaluations" in the interim.

The original trial date had been set to begin immediately after neo-Nazi Frederick Cowan murdered five people in a "counter-Roots" terrorist rampage in New Rochelle, N.Y. that left five people dead. Draeger's defense attorneys successfully argued that he could not get a fair trial in the midst of the scare publicity given this murder spree.

Many of the "right-wing" paramilitary units used by the FBI in the year-long Cointelpro-type operation to transform neo-Nazi Cowan into a deadly armed terrorist were used again to frame Draeger. These include FBI operatives Robert DePugh, head of the Minutemen; William Sickles chief of the Adamic Knights and its "Korps of Konvict Killers;" and, Al Lentz of the Independent Knights of the Ku Klux Klan.

Available for Activation

Among the federal agents involved in the Draeger scenario are ATF Special Agents Sleman, Burkholder, and Decker, and FBI Special Agent Moffit of Trenton. As NSIPS has documented elsewhere, these agents, particularly Edward Sleman, are the coordinators of a sprawling drug- and gun-running network centered in the triangle of Trenton, Philadelphia, and Reading, Pa. The "informants network" directed by these federal agents constitutes the leadership of the Maoist Revolutionary Union (now rechristened the Revolutionary Communist Party) and of a host of Klan and Nazi groups, including Philip Merier, the second-in-command of Draeger's National Revolutionary Army.

NSIPS exposed this agent nexus in spring 1975, when members of the NRA, Sickles's Korps of Konvict Killers and other FBI-ATF "right-wing" gangs were deployed jointly with the Maoist Revolutionary Union in a series of attacks against U.S. Labor Party electoral campaign

workers. The attacks were carried out on the direct orders of Sleman, et al. NSIPS learned from former agents within this network that Sleman and his operatives were responsible for supplying the dynamite used by FBI-Klansmen in the Pontiac, Mich. bus bombings, for conducting weapons to the "Puerto Rican" terrorist FALN, and for providing both arms and personnel to a synthetic "Black September" terrorist group created by Interpol agents in Canada. The original NSIPS story was carried by CBS, the *Washington Star* and elsewhere. Despite the fact that the entire network has been exposed to the public eye for two years, and despite the fact that multiple criminal charges are outstanding against its principals, whose whereabouts are known, not a single arrest was made until the police "captured" Draeger, who was subsequently labeled a "nuclear terrorist." The network remains in place, ready for activation on a moment's notice.

Nazi Terrorists Get New Directions

In order to provide overall direction and publicity for nuclear terrorist scenarios like that involving neo-Nazi Draeger, the "Trilateral Commission has recently christened a fresh organization, "New Directions." Top-level New Directions personnel involved with the Draeger scenario include: Richard Barnet, head of the Washington, D.C.-based Institute for Policy Studies think tank, the center for Interpol-run left-cover terrorism; Trilateral Commissioner Paul Warnke, who has just been confirmed as Carter's Director of the Arms Control and Disarmament Agency and the Administration's SALT negotiator; John Gardner, the former head of Common Cause; Secretary of State Cyrus Vance; Kennedyite Sargent Shriver; Msgr. Gene Baroni, Carter's nominee as Assistant Secretary of Housing and Urban Development (HUD); as well as such Rockefeller financial allies as C. Douglas Dillon (of Dillon, Read and Co.) and Robert Roosa (of Brown, Brothers, Harriman).

A recent mass mail promotional for New Directions is titled "Build Your Own Atomic Bomb... Kits Available" and describes the full scope of potential nuclear terrorist scenarios which these Trilateraloid agents are contemplating: "For 30 years, we Americans have conditioned ourselves to live under the omnipresent shadow of a mushroom cloud, because we want to believe — to hope — that our government and the Russian and Chinese are sane enough not to use nuclear weapons. But can we have the same faith in... Idi Amin. Or, how about Chile's Pinochet? And... what if extremist groups, such as Black September, were able to buy or hijack plutonium? Or... what could terrorist groups such as the SLA extort from mayors?... Unless we immediately turn our country and the world away from a plutonium economy... 'it is inconceivable that the human race will avoid a world calamity...'"

The LEAA Report On Disorders And Terrorism

On March 2, the Law Enforcement Assistance Administration's (LEAA) National Advisory Committee on Criminal Justice Standards and Goals issued its "Report of the Task Force on Disorders and Terrorism." The report "predicted" increases in domestic terrorism, preceded by one week the recent terrorist siege in Washington, D.C.

The chief individuals responsible for the report are identified immediately below to present the reader with the "connectedness" of those individuals to the actual preparation and control of current terrorist atrocities.

***New Jersey Governor Brendan T. Byrne, Chairman of the National Advisory Committee on Criminal Justice Standards and Goals, keynoted the June 1976 Glassboro, N.J. terrorism planning conference which announced the Fourth of July Bicentennial terror scenario. This winter, Byrne appropriated "martial law" emergency powers during New Jersey's fuel crisis. During the 1967 Newark riots Byrne served as Essex County Prosecutor, and continued as a top law enforcement official during the subsequent period when black-white racial confrontation was manufactured through the creation of "black nationalist" Imamu Baraka.

***Jerry Vernon Wilson, Chairman of the LEAA Task Force on Disorders and Terrorism, coordinated the police side of the 1971 "May Day" demonstrations in Washington, D.C., run by the Institute for Policy Studies. As D.C.'s police chief, Wilson used and gave national prominence to the illegal mass-arrest-and-detention tactic. Wilson coordinated the writing of the Task Force report from his position at the Institute for Policy Studies-affiliated Institute for Advanced Studies in Justice at American University in Washington.

***H.H.A. Cooper, Staff Director of the Task Force and the author of numerous studies on the manipulation of negotiations over hostages, during the "Hanafi" incident was the chief proponent of "offering the terrorists safe passage to Libya." This option was to be employed to catapult the incident into an international crisis. Cooper is, like Wilson, at the Institute of Advanced Studies in Justice at American University. Cooper lectured at both the Glassboro, N.J. "Bicentennial" terror conference and the planning session for the "Entebbe" scenario at the Ralph Bunche Institute in New York City last year.

Aspects of the 661-page LEAA report identify clearly the report's actual intentions.

***Police should be given "mass-arrest-and-detention" powers and should be "provided with immunity" if they should happen "to break the law themselves."

***Emergency plans should include "citywide curfews, temporary suspension of some otherwise legal activities, court injunctions to block potentially violent demonstrations and the use of military forces..."

***State legislatures should enact laws to give city officials broad emergency powers to conduct "warrantless" search and seal operations of "persons and build-

ings" and to ban "inflammatory speeches" not normally permitted under law.

***Governors should have powers to demand that citizens "carry identification papers" which would be subject to inspection at any time.

The following are excerpts from the report which demonstrate the relationship of the report's "predictions" to the subsequent unfolding terrorist scenarios. Task Force Chairman Jerry Wilson's opening comments set the tone: "...the present quiescence...is a false calm, and we must see in the current social situation an accumulation of trouble for the future...the present tranquility is deceptive."

On Predicting Terrorism

"Although each disorder has its own general and specific origins — which must be detected and understood so as to permit proper response — civil disorders in general must be regarded as endemic to our society.

We cannot afford to ignore the underlying causes of civil disorders during this period of relative calm. The urban crisis is far from being resolved; in many ways, the state of the great cities is more desperate than it was during the most serious riots of the 1960s.

So far, the efforts of...(foreign-based) terrorists have not been directed at the United States or its interests, but this country ought properly to regard itself as the ultimate target of such groups.

Episodes of extreme violence have occurred with depressing regularity throughout the two-hundred-year history of the United States. The level of civil violence tolerated in the United States belies the stability of the country's social and political structures.

Ethnic and religious strife also have led to intense violence and today give the impression of unresolved tension lurking behind an apparent calm."

On Planning Terrorism

"Acts of terrorism are planned in advance, although their execution may be a matter of sudden opportunity. To be effective, terrorism requires a calculated manipulation of the community to which its message is addressed.

Terrorist activity can substantially lower the quality of life in a community, alter the habits of the people exposed to its dangers, and make normal functioning difficult or impossible. Terrorism can give rise to a siege mentality, especially among those directly threatened as targets, and can interfere substantially with the normal human contacts to which members of a free society are accustomed.

Fear of terrorist victimization is not great in the United States, and the incidence of terrorist attacks would have to rise substantially, even in selective fashion, to generate a climate of fear."

Moving Toward Mass Terrorism

"The potential for harm to the services and institutions that supply society with its basic needs is greater today than ever before; society can be victimized with relatively little expenditure of effort and ingenuity by individuals or by small groups.

The modern terrorist wields power far in excess of anything his predecessors could have imagined. Today, all

must pause before the awesome consequences of possible terrorist action. In former times, terrorist victims might have been counted in hundreds at most; now their numbers could reach to hundreds of thousands. New technologies have placed within easy reach of the modern terrorist, who has the weapons of mass destruction, the ability to create terrifying, uncontrollable, and irreversible situations."

Carter Blackmail Falters: Senate Votes Overwhelmingly To Restore Water Project Cuts

The Senate handed Jimmy Carter a stinging defeat yesterday by voting 65 to 24 to bar the President from cutting off federal funds for 19 water development projects.

"We've had government by the executive for too long around here and we have to remind the good President what the law of the land is," said Senator J. Bennett Johnston, Jr. (D-La), chief sponsor of the measure which was passed in the form of an amendment to a \$4 billion public works bill.

The *Baltimore Sun* called the Senate vote "the first setback that the heavily Democratic Congress has given the President."

The Johnston amendment, backed by 35 Democrats and 30 Republicans, passed only hours after Carter rebuffed a large Senate delegation at a White House meeting held to discuss the proposed water project cuts. Carter — with Interior Secretary Cecil Andrus and Office of Management and Budget Director Bert Lance also attending — refused to restore the projects which include the huge Central Arizona Project on the Colorado River, the Dickey-Lincoln Project in Maine and 17 others, mainly in the West.

"Surprise Amendment"

When the group returned to the Hill, Johnston drafted a "surprise amendment" to the jobs bill. Johnston's amendment not only bars the President from holding up any of the funds budgeted for the water projects in the current (1977) fiscal year, but also declares that if Congress votes funds for the projects in 1978 and Carter tries to rescind or defer the money, Congress will vote against that, too.

"Congress meant what it said when it appropriated money for these projects," Johnston stated when he first proposed the amendment. Senator Edmund Muskie (D-Me) followed suit with the charge that Carter made his decision to eliminate the water projects on "the flimsiest kind of evidence."

Sen. Russell Long (D-La) declared that the water projects create far more jobs than many of the projects to be funded in the public works section of the bill and are better for the economy than the President's proposed \$50 tax rebate, which he said many people would use for harmful items like "whisky, cigarettes and maybe even marijuana."

A Deal

"Carter's planned cutback was unconstitutional," an aide to Johnston stated. Muskie also warned Carter against "sitting on the funds." It is your constitutional obligation, he told Carter, to openly challenge any disagreements between Congress and the Executive.

If the President foolishly decides to counter Congressional policy, he should impound the funds, Muskie stated, adding that this would insure an open debate. "However, Carter has no case for impoundment and would lose the fight."

The leaders of this emerging coalition against Carter purposefully picked the public works bill to ram home their message to the White House. The public works measure — a popular boondoggle which allocates funds to states and communities for hospitals, schools, sewers, bridges and other public works — allowed the anti-Carter conservative Republicans and Southern Democrats to "strike up a deal" with largely pro-public works urban-based Democrats. This deal gave the anti-Carter coalition the clout to soundly defeat Carter's water cuts with all but Carter's most loyal backers, like Senators Kennedy and Humphrey voting for full restoration.

Nuclear Energy

Carter's defeat on the water project cuts is expected to give a strong push to the anti-Carter coalition's fight for nuclear energy, according to high-ranking sources on Capitol Hill. "After seeing what the Senate did on the water cuts, I will back the (pro-nuclear energy) Chairman of the House Science and Technology subcommittee" a previously wavering congressman on Rep. Walter Flowers' (D-Ala) subcommittee on Fossil Fuels and Nuclear Research stated.

A number of Congressional spokesmen interviewed today realized that the preservation of the water projects, while politically important, will be meaningless unless accompanied by at least a full restoration of the nearly 20 percent cuts in the fast breeder reactor and fusion research and development. "Without vastly increasing the energy supply, we will lack energy needed for dam construction and other development projects," one Congressional aide stated. "A bi-partisan consensus on nuclear energy development is emerging," remarked an aide to the House Science and Technology subcommittee's ranking minority member, Rep. Gary

Myers (R-Pa). He reported that several subcommittee members will be voting for full restoration of the nuclear cuts. "A number of Democrats — including Rep. Mike McCormack — will go for full restoration of the cuts while Republicans — like Rep. Myers — will initially support only partial restorations," he said. "But when the Dems move openly to restore the cuts, the Republicans will back them."

Such wheeling and dealing — while in the right direction — leaves the anti-Carter coalition vulnerable to a Carter counterattack, an observer remarked. Earlier in the week, Congressional sources say, a number of members on the House Science and Technology subcommittee were subjected to heavy pressure tactics.

According to informed sources within the subcommittee, Carter has been wining and dining members

of the subcommittee and pressuring them to stop opposing his cuts in nuclear energy. One enraged source said that Carter offered a number of Congressmen "restoration of water projects in their districts if they supported him on the fusion cuts" — a weapon which the Senate has subsequently removed from Carter.

Concurrently, Carter succeeded in inducing the committee to postpone the markup on the ERDA budget, originally scheduled for yesterday until Tuesday. At that point, a number of previously outspoken proponents of nuclear energy began issuing leaks that the subcommittee would only partially restore the cutbacks. When asked why the Congressmen would not go for full restoration, a top-ranking aide said "to go that far would be like waving a red flag to that man in the White House."

'Nuclear Swords Into Nuclear Plowshares'

Statement by Senator Strom Thurmond (R-SC) on the Senate floor

Reference the need for emphasizing research and development of nuclear energy. March 3, 1977.

MR. PRESIDENT:

Over the last few weeks, our Nation has suffered the most serious energy shortage within memory. Unfortunately, many representatives of the media and even some members of the Administration have either misunderstood or misrepresented the underlying problem. By raising the spectre of greedy businessmen hoarding energy reserves to boost prices, they have encouraged the gullible to believe that the shortage is artificial.

Let us stop this charade once and for all. The problem is real and serious. Despite the world's most advanced energy technology, this Nation cannot keep its factories busy or its homes warm without expensive assistance from abroad. Even with this assistance, we have seen severe weather cause widespread national suffering. Unless we act now to develop alternative energy sources, we shall soon be utterly at the mercy of foreign governments and the elements. It would be hard to say which is more unreliable.

A small group of single-minded environmentalists has succeeded in blocking such development through litigation and scare tactics. I do not mean to belittle the environmentalist cause. There is good reason to be concerned about the conservation of natural resources and the preservation of wild life.

It is only common sense, however, to balance environmental goals against energy needs. The Hindus of India, as Congressman Poage has pointed out, let people starve rather than kill the rats that eat their grain. Some environmentalists seem to want us to let people freeze rather than exploit the energy resources that could provide heat.

Two of the many accomplishments of such shortsighted activists are a three-to-five year delay in construction of the Alaska pipeline, and a nearly total

blockage of off-shore oil and gas exploration. For instance, a couple of weeks ago, a Federal judge in New York nullified a contract of \$1.1 billion for the lease of oil and gas rights off the coast of New Jersey. He justified his action on the ground that there has been insufficient study of the environmental background. The paperwork on the subject runs to 4,043 pages.

Another trophy claimed by such environmentalists is the obstruction of a \$116 million TVA hydroelectric project on the Little Tennessee River. They protested that the project threatened a fish called the Tennessee snail darter.

Nuclear power is the energy source which has come under the most constant—and the most illogical—attack. Countless legal, emotional, and environmental arguments are made against nuclear development. Most of these, especially the frequent forecasts of doom, are the product of unthinking opposition to progress. Perhaps the most ridiculous charge is that energy-producing reactors could explode like nuclear bombs.

The true facts about nuclear energy should allay any such hysterical fears. Here they are:

1. Nuclear power is *safe*. No one has died in an accident involving nuclear generation at any plant in America. In fact, one university study indicates that an all-nuclear U.S. electrical power system, at worst, would be three times safer than a similar all-coal system.
2. Nuclear wastes can be stored safely in sub-surface salt deposits which are stable and virtually impenetrable. The entire process can be accomplished with little danger to man or the environment.
3. Nuclear plants produce only small amounts of waste. A large power plant in one year produces about two cubic yards of high-level waste. The current stock of nuclear waste in America would barely fill one small room and this quantity is not growing rapidly.
4. Nuclear fuel can be reprocessed for continuing use in nuclear energy generation. Facilities for such reprocessing have been completed in Barnwell, South Carolina, but environmental complaints have held up operation.

5. Nuclear energy is less expensive than fossil fuels. Due to the huge increases in the price of crude oil, it should continue to be so for the foreseeable future.
6. The people of the Nation want nuclear power—by a margin of two-to-one, according to a 1976 poll. Approximately that same percentage approved nuclear development in recent referenda in states from California to New Jersey.

These facts demonstrate that rapid development of nuclear power is both feasible and desirable. Now that shortages of fossil fuels have become chronic, such development is also necessary.

The production of nuclear energy, however, requires enormous capital investment. Before power companies will make this investment, our government must formulate a nuclear energy policy in which they can have confidence. Inconsistent and burdensome policy in the past has greatly depressed investor interest. With five-to-eight years of lag time between conceptualization and power production, any additional delay in encouraging investment will assure energy impoverishment in the 1980's.

There are some 58 nuclear energy electrical generating plants now in operation in the United States. Add 69 more under construction, 90 on order, and 11 soon to be ordered, and the total for the Country is 228. (This compares with a worldwide total of 450.) Nuclear power now provides seven to eight percent of our electrical power across the Nation, and over 20 percent in some particular areas.

Nuclear energy has proved to be invaluable during the recent energy crisis. A recent survey by the Atomic Industrial Forum, a trade association for the nuclear industry, estimates that nuclear power accounted for approximately 20 billion kilowatt-hours of electricity in January. Had this energy not been available, the following consequences would have ensued:

1. More than 257,000 additional lost jobs;
 2. Nearly \$230 million in lost wages;
 3. A reduction of some \$3.8 billion in the various goods and services that make up the Gross National Product.
- To make up the resultant energy shortage from other sources would have required the following:
1. 32 million barrels of oil, nearly 13 percent of current monthly domestic production; or
 2. 182 billion cubic feet of natural gas, more than 10 percent of current monthly production; or
 3. 9.6 million tons of coal, about 17 percent of current monthly production.

These figures give us some indication of the usefulness of nuclear energy. If some of the unnecessary bureaucratic red tape could be cut, several more nuclear plants could be quickly completed to add to the benefits. For example, the New Hampshire Public Service Company is trying to build two nuclear power plants to help meet the future energy needs of New England. \$140 million has already been spent on the Seabrook project, which the government originally approved but which the EPA is now delaying so it can investigate a possible danger to clam larvae. This problem arose four months ago. The delay costs Seabrook \$15 million per month.

Increasing energy demands will necessitate increasing

construction of electric plants as we approach the next century. How we run these plants will depend in large part on the outcome of the momentous research now being done on solar power, fusion, and other space-age technologies. At the present time, though, given the scarcity of oil and natural gas, the choice of fuel comes down to either nuclear material or coal.

President Carter seems to prefer coal. He has indicated that he would fall back on nuclear power only as a last resort. Without question, it is necessary to increase our use of coal. This precious resource is so abundant in the United States that the United States has been called the Saudi Arabia of coal. However, a substantial increase in coal mining and production would entail serious risks.

The National Academy of Science states that major expansion of coal production would bring with it "the expansion of one of our most hazardous occupations." The Academy also notes, "The hazards to the general public arising from the burning of coal are less obvious....But they become even more compelling because of the vast number of ramifications that air pollution has for rainfall, vegetation, and segments of our food chain."

Injured and diseased miners receive over a billion dollars a year in disability compensation, and the additional cost in suffering and sorrow cannot be given a monetary equivalent. Equally incalculable is the harm done to society at large by coal production and use. Considering the factors of safety and environmental effect, I believe it would be wise to place more emphasis on nuclear energy.

Mr. President, nuclear power bears an enduring stigma from the first terrible uses to which it was put. It has become associated, in the public mind, with bombs and destruction. It also has evoked the same fear and suspicion that seems to beset every technological advancement, potentially dangerous or not.

Looking back in history, we find that many people had misgivings about the airplane, the car, the telephone, the electric light, and all the inventions and discoveries on which modern society is based. Indeed, in writings from the dawn of recorded history, there was vocal opposition to the use of so essential a commodity as iron, which was then replacing softer metals. Early man was afraid that it would be used for more destructive weapons.

So it was. That which is capable of harm, however, is often equally capable of good. No one would propose that we do without valuable tools because they are liable to be abused. Technological advancement brings the high standard of living which, in the long run, is the only sure remedy for human discord.

In an age which is now long gone but in which war was just as abhorrent as it is today, men prayed for the day when their swords could be beaten into plowshares. As the sword was the symbol of war, so the plow was the symbol of peace and prosperity. Through the miracle of modern technology, we have beaten our nuclear sword into a nuclear plowshare. Such is the relation between the bomb and the reactor.

Yet no benefit comes to anyone from a plow that lies idle. It still remains to us to harness the plow and use it. Let us get on with the job, for our own betterment and that of all mankind.

St. Louis Globe-Democrat Blasts 'Damaging Nuclear Energy Cuts'

The following is the text of an editorial which appears in the March 1 issue of the St. Louis Globe-Democrat.

Damaging Nuclear Energy Cuts

President Carter's proposed cutbacks in the nation's development of the fast-breeder nuclear reactor and nuclear fusion power could slow these vital programs for a year or more.

And if cuts of this magnitude continue — \$199 million from the breeder reactor and \$80 million from nuclear fusion — the two programs could be crippled and pushed back indefinitely. This is the assessment of a well-informed source in the government fusion program.

What is so damaging about these cutbacks is that both programs have been showing excellent progress. The fast breeder reactor, which produces more atomic fuel than it consumes, has reached the stage where construction was due to begin on the first demonstration-size plant near Oak Ridge, Tenn., late this year.

This may be off now as the Carter Administration has called for a complete review of the program to determine if it is safe to continue. Environmentalists have contended that present technology can't safely handle the excess plutonium produced by the breeder reactor.

But, here again, these critics are laymen with virtually no expertise on the subject. Those who are developing the breeder reactor say that there are ways to handle the excess plutonium so that it won't become a threat to the environment.

From those in the best position to know, there is no valid reason for cutting back on development of these two successors to present nuclear fission energy. The breeder reactor is seen as the immediate successor of nuclear fission technology. Fusion power, however, is regarded as the "wonder fuel" of the 21st century.

This is because nuclear fusion has these advantages over other energy sources: Its energy yield far exceeds

the energy needed to make the fusion reaction take place; fuels required for fusion reactors are almost unlimited; the cost of these fuels is low; the process is much safer than nuclear fission, and it is 10 to 100 times cleaner than nuclear fission.

Although there has been little news on the subject, the development of fusion energy has been moving ahead at astounding speed. It was only a theory a few years ago but the Energy Research and Development Administration had scheduled the production of the first significant amounts of controlled thermonuclear fusion energy at the Tokamak fusion power reactor at Princeton University in 1981 until the proposed Carter cutback in funding was announced.

The \$80 million cutback will delay the historic demonstration by an estimated six to nine months. The ERDA program to generate electricity from fusion at a demonstration plant by 1986 or 1987 also may be out the window as a result of the budget reduction.

Instead of cutting back on fusion power, the Carter Administration should be going all out in developing this fantastic energy source as the Russians are. The Soviets today have 50 per cent more personnel working on developing fusion power than the United States and are reported to be at about the same stage of fusion development as the United States.

When the Carter Administration tosses around tens of billions of dollars for new make-work jobs and social welfare spending but cuts back on crucially important energy development programs it once again shows how confused its priorities are.

Fusion power is the energy of the future. It is foolish and costly to try to sit on it. A nation as short of energy as the United States desperately needs the tremendous energy that fusion power can bring. It is projected that fusion power will supply the United States with nearly all of its electricity in the 21st century.

It will, that is, if President Carter doesn't stop it.

A Deadly Deal With The Devil

Senator Russell Long (D-La.), the chairman of the powerful Senate Finance Committee, has struck up a dangerous bargain with the Carter Administration. Over the weekend of March 5, Sen. Long surprised political observers with an announcement that he now favors a tax on oil, gas and electricity — a wellhead tax — a position heretofore unheard of for conservatives from oil-producing states. While Long and everyone else from Louisiana and Texas favor deregulation of interstate natural gas prices, Long is keenly aware that deregulation could result in shortages of *intrastate* natural

gas through a rapid bidding up of prices, both of which would destroy Louisiana industry. In a clever move to get deregulation and higher prices on the interstate market while ameliorating its effects on intrastate gas and local industry, Long has apparently joined forces with Carter's Naderites to get an interstate tax. Couching his real intent in the language of conservation, he declared, "Tax the oil and gas and the hydropower that is being produced and is being wasted... I think the President will recommend something like that. He ought to."

To make matters worse, Long is even embracing his long-time rival on the Finance Committee, Sen. Edward Kennedy (D-Mass). To the amazement of the *Wall Street Journal* and business community, Kennedy has reversed his perennial opposition to industry investment tax credits and is now even advocating Long's position of investment tax credit refunds. Long is reported to have "greeted Kennedy like the prodigal son" — while he is endorsing Carter's and Kennedy's proposal for a labor-intensive investment tax credit.

Striking a deal with the devil, however, is not going to work. Deregulation with sharply rising taxes — leading

to a minimum five-fold increase in fuel prices — is precisely the Trilateral Commission policy to destroy U.S. industry. While Long plays games with the Carter camp, he is increasingly undermining his committee's and his own ability to block Carter's anti-industrial economic legislation.

There are indications, however, that other conservatives are not taking kindly to the Senator's machinations. A sampling of southern congressional offices showed shocked surprise and denials that they too were considering his proposals.

Farmers' Organizations Join For Debt Moratorium Call

The South Dakota Farmers Union (NFU) 5th District and the National Farmers Organization (NFO) 2nd District passed a joint resolution Feb. 26 calling for "the President of the United States to immediately declare a moratorium on all farm-ranch loan foreclosures and evictions." The resolution emphasizes that "the banks no longer make up the difference to agriculture in the form of extended credit between what the agriculture receives for its products in the marketplace and what is necessary to keep on producing the vital necessities of life."

The Kansas City Federal Reserve reports that over 65 percent of the farmers and ranchers in the drought-stricken Great Plains are seeking loan rescheduling. 711,000 acres of crop and range land have already lost precious topsoil in windstorms. An additional 7.8 million acres are so dry and overgrazed that a dust bowl condition is eminent. In California, the nation's largest producer of fruits and vegetables, over 40 percent of the crop may be lost.

The South Dakota farmers are in a confrontation with

both the Carter Administration and the hierarchy of the NFO and NFU represented by NFO Chairman Oren Lee Staley and ex-NFU official and present Secretary of Agriculture Robert Bergland. In this disaster situation the Carter Administration is advocating formation of a "water bank" which would militarily control diminishing supplies of water and eliminate 19 water development projects.

The resolution reprinted below from the March 2, *Sturgis Tribune*, is similar to one which was unanimously passed by 16,000 member NFO at the Dec. 1974 national conference in Memphis. That resolution was submitted by Malcolm "Bud" Cooper and Marvin Kammerer of Sturgis, S.D. Cooper is a founding member of the NFO and a member of the U.S. Labor Party. Immediately after the resolution was passed NFO President Staley began a successful expulsion action against Cooper because the debt moratorium resolution represented "communistic and fascist ideas" and was therefore in violation of the organization's constitution.

Farmers Union And NFO Ask For Stop To Farm Foreclosures

A RESOLUTION ADOPTED AT A JOINT MEETING OF THE FIFTH DISTRICT OF THE SOUTH DAKOTA FARMERS UNION AND THE SECOND DISTRICT OF THE NATIONAL FARM ORGANIZATION(NFO), February 26, 1977 at Box Elder, S.D. It is directed to President Carter and Governor Richard Knelp.

WHEREAS: agricultural producers now face a real danger of foreclosures and evictions because of long-time low farm prices and lack of further credit to make up the agricultural deficit (which is the difference between production costs and the price of the farmer's and rancher's products.

THEREFORE BE IT RESOLVED, that this joint meeting of members of the Farmers Union Fifth District and the NFO Second District for South Dakota ask the President of the United States to immediately declare a moratorium on all farm-ranch loan foreclosures and evictions, until such time as conditions prevail so that ranchers and farmers receive their fair return for what they produce, and,

BE IT FURTHER RESOLVED: that Governor

Richard Knelp to use his influence to get President Carter to enact the moratorium.

A RESOLUTION

This resolution, adopted at a joint meeting of the Farmers Union, Fifth District, and the National Farm Organization, Second District, is directed to the Legislature of the State of South Dakota, to memorialize Congress to enact the suggested legislation:

WHEREAS: The raw food materials produced on our farms and ranches are a vital necessity to human life; and

WHEREAS, for several years below cost of production prices for agricultural products in the marketplace has resulted in the elimination of over four million agricultural units and a farm debt of over \$100 billion; and

WHEREAS, the theories advanced in the past twenty years, that the so-called farm problem could be solved by the "elimination of the boys to save the men" has been smashed upon the rocks of reality, and

WHEREAS: the banks can no longer make up the difference to agriculture in the form of extended credit

between what agriculture receives for its products in the marketplace and what is necessary to keep on producing the vital necessities of life; and

WHEREAS: the present situation seriously threatens our national food supply, something that makes our farm problem a national, social problem.

NOW, THEREFORE BE IT RESOLVED by the Legislature of the State of South Dakota, that the Congress of the United States be memorialized to enact any legislation necessary to raise the income of farmers and ranchers to the point where the sale of their agricultural commodities will be sufficient to pay all operating costs, taxes, depreciation, labor, including family labor, management and interest on capital outlay, and in lieu of sufficient capital, low-interest, long-term loans be pro-

vided so farmers and ranchers of this country can keep on producing and not be compelled to quit business because there is no longer any way of making up the agricultural deficit.

*Yours truly
George Levin, President
South Dakota Farmers Union, Fifth
District, Hereford, S.D.*

*Irvin Evans, Chairman
National Farm Organization, Second
District, Hermosa, S.D.*

*Homer Ayres, Reporter
Sturgis, S.D.*

New York Banks Put Bail-Out Issue On The Table

BANKING

It is now widely admitted on Wall Street that the biggest problem facing the New York banks is how to enforce payment of the billions of dollars owed by the Third World and "weak" European countries, while "the likelihood of default intensifies." The banks would like to be more selective in their lending, but if they are, debt roll-overs would be greatly restricted, resulting in a shock wave of defaults.

The editorial in the March 6 *New York Times* unequivocally entitled "Bailing Out Our Banks Abroad" reveals how Chase Manhattan and related interests want to solve this problem: international institutions such as the International Monetary Fund (IMF) should intervene to back up the New York banks and bail them out through imposing "discipline, pressure and guidance" on the Third World.

The *Times* editorial, following a call made last week to the same effect by David Rockefeller, minced no words: "Normally a banker can tell his client to tighten up, and work with him to clear his debts. But the kind of strict corrective policy that would satisfy a banker could produce street riots in a poor country, and add political and diplomatic problems to those of economics. In any case, the worldwide problem is fast outrunning the private bankers' capacity to cope.... The developing countries owe a total of more than \$75 billion (more competent sources estimate their total debt at around \$180 billion — ed.) and they will have to spend 15 percent of their exports just in servicing their debts.... Few American banks have the social and political expertise to devise the proper stabilization policy for their debtors. Nor should they; that is dangerous ground, especially where nationalist passions run high. Egyptian crowds rioted when the subsidies for food and fuel were removed, and the prices on bread, rice and cigarettes shot up. That action, threatening the regime of President Sadat, was imposed by Egypt's creditors, the International Monetary Fund, the World Bank and creditor Arab states. If American banks had demanded such action, United States diplomacy in the Middle East could have been seriously impaired."

The *Times* further demanded that the international agencies take over the policing of the economies of the debt-ridden countries, not as a solution, but as "an indispensable beginning." Similar calls were issued this

week at the annual banking symposium of the Financial Analysts Federation in New York, where the banks were urged "to be more selective and lend primarily to those countries with an internal sense of discipline and a commitment to import substitution," as reported by the March 10 *Journal of Commerce*.

If such an intervention of "international institutions" to back up the banks is urgently demanded by New York, it is because the inflationary budget of the Carter Administration and Euro-Arab moves out of the dollar-denominated paper are pushing up the short-term interest rates in the U.S. This in turn dries up the source of cheap short-term money for the New York banks. Between \$50 and \$100 billion of defaulted LDC paper is now being refinanced by international banks. This huge overhang, which exceeds the capital of many of the banks involved, depends on interbank funding, usually through offshore branches. A significant rise in the cost of short-term money would jeopardize the entire operation. Without the prompt intervention of the so-called international institutions, the New York banks would be ruined.

The problem remains for Wall Street to catch Arab and European funds in the international institutions, and to compel the Third World to accept their intervention. An international memorandum is presently being circulated at the World Bank by Robert McNamara, calling for a spectacular increase in the capital of that institution (see interview below) which would greatly increase its lending ability. But such countries as France, Japan and Great Britain are strongly opposed to his proposals. Second, the World Bank operations would be linked to labor-intensive projects, which means that the World Bank cannot be used as a short-term bailing-out institution. Other ways must be urgently found to rescue the bankrupt New York banks.

The first available option is, of course, the IMF, which has been referred to both by Chase Manhattan's David Rockefeller, Federal Reserve Chairman Arthur Burns, and the *New York Times*, the latter demanding that the Arabs contribute two-thirds for a \$20 billion IMF fund "to bail out the banks." U.S. officials further disclosed March 9 that "wealthier countries," such as Saudi Arabia, Kuwait and West Germany are being pressed to contribute toward "a substantial and rapid increase in the lendable resources of the IMF." IMF managing director, Johannes Witteveen, is presently negotiating this proposed increase "with the support of the Carter Administration," according to the March 10 *New York Times*. IMF officials believe that an outline of the plan for a new

credit line will be ready for the next meeting of the IMF's governing Interim Committee of Finance Ministers, April 28 and 29, just before the May 7 U.S.-European summit in London. On March 9, Treasury Secretary Michael Blumenthal confirmed the plans of the Carter Administration when he told a Congressional subcommittee that the U.S. would contribute to "world stability" through its support for international institutions like the IMF and World Bank. Reportedly, U.S. officials want the new IMF credit line to be "substantial" and the figure \$12 billion has repeatedly cropped up.

This "IMF option" is nonetheless said to be a pill too bitter for Europeans to swallow. According to sources at the World Bank, the sums mobilized through the IMF would not be massive enough to solve the problem of the New York banks because of European and Arab foot-dragging. A leading bank analyst also stressed this point: "The problem is that the IMF and World Bank are seen by the rest of the world as too American-dominated.... What is needed is a new world agency along the lines of Kissinger's International Resources Bank (IRB)." He believes that "Arab and European countries would fall for this because they have got their own stake in avoiding a Third World collapse." As for the Third World sector, it will be lured into this IRB-type arrangement because they would "feel satisfied with an increase in the prices of their commodities."

Saving the New York banks, no matter how, will be the major subject this weekend in Washington at a secret meeting of high officials preparing the agenda for the industrial nations' summit, including representatives of the seven countries attending the summit, the U.S., France, Great Britain, West Germany, Italy, Canada and Japan. There is no doubt that the Carter Administration wants to rally the Western world under the banner of Chase Manhattan next May.

World Bank On Rockefeller Options

The following is an interview with a source well-informed on the activities of the World Bank:

Q: Is it confirmed that a capital increase is presently planned at the World Bank?

A: A decision to that effect has already been taken by the member countries last year. It will be a 15 percent to 20 percent increase in the present \$30 billion World Bank capital.

Nonetheless, there is something more. An internal memorandum is being circulated by Mr. McNamara (head of the World Bank — ed.) calling for a much more spectacular increase. The proposed figures for the new World Bank capital are \$60 or even \$90 billion — twice or three times more than today.

Q: What does this mean in terms of lending capacity?

A: This would mean a capacity to borrow multiplied by two or three, and if the World Bank manages to raise the money, its lending capacity would go up from \$5 to \$6

billion per year to \$10 to \$20 billion per year. These are of course approximate figures, but they give a fairly good idea of what Mr. McNamara is up to.

Q: Do you believe it will work?

A: I am pretty much convinced that it will not work. McNamara has lost political credibility. His proposal is strongly opposed by such countries as France and Japan. Moreover, the World Bank loans are to be linked to "projects in the Third World, as defined in the McNamara plan. Now, the World Bank is not an institution flexible enough to bail out the indebted Third World countries on the basis of short-term needs. I mean that the World Bank cannot be used as an intermediary to channel liquidities to the Third World countries for payment or roll-over of their debts to the New York banks.

Therefore, both for political and practical reasons, the McNamara proposal would not work as such and something else is needed to bail out the underdeveloped nations, and you know very well that this means nothing else than payment of the billions of dollars owed to the United States commercial banks.

Q: What are the other options?

A: First of all, I see the International Monetary Fund (IMF). Through the IMF, funds are directly lent to the Third World countries to help them pay their payments deficits. It would be the best practical way to solve the problem of the New York banks. The IMF structures are more flexible than those of the World Bank. But there is still a political problem. Both European and Third World nations see the IMF as too much U.S.-dominated. And the Arab countries prefer to keep their own funds under their control, they are reluctant vis-a-vis the IMF.

Q: What else do you see?

A: There is definitely the \$20 billion "safety net" within the framework of the Organization for Economic Cooperation and Development (OECD). This of course would only help the sick men of Europe, and something else would have to be worked out for the Third World. But as far as Western Europe is concerned, the OECD "safety net" is already accepted by such countries as France, Great Britain and Italy. The Europeans like this idea for two reasons. First, they would be happy to see their case separated from that of the Third World. Second, they think they would be able to have more control over the fund if set up within an OECD framework.

As for the U.S., you know that the Ford Administration was reluctant. But the soft Carter Administration is willing to go ahead with the safety net. Brzezinski is very favorable to this proposal, which he sees as the basis for "trilateralism." The Arabs could probably be lured into financing the safety net, notably the Saudis and Kuwaitis because they see in it a way to assist their industrial oil customers.

Q: What is your conclusion?

A: All options are still open. I see an OECD approach for the European countries (Great Britain, Italy, etc...) and some sort of new thing for the Third World, let's say something like a "new IMF."

Full Speed Ahead Toward Inflationary Bust

BUSINESS OUTLOOK

The Carter Administration's decision to throw \$31 billion of "economic stimulus" into the U.S. economy during the remainder of this fiscal year and next has set the U.S. on a disastrous inflationary course, which the Administration will move to "correct" with an incomes policy and a full-scale public works program later this year.

Immediately, the \$11 billion in tax rebates scheduled to find their way into the economy in late April are likely to precipitate a short-lived, inflationary bubble beginning in the second quarter.

It is now evident that after the effects of the September Ford auto strike wore off, the feeble economic recovery began to "pick up steam" in December. It continued to do so in early January, and, from preliminary indications, was resuming that course in February, after the worst of the cold wave and energy shortages had passed. In an economy as choked with debt as the U.S. presently is, it was taking an alarming 12 percent annual rate of growth of the broadly defined money supply to support the pick-up in economic activity. Add to that situation the tax rebates, growing deficit financing requirements, permanent food and fuel inflation, and widespread inflationary expectations, and all the makings of a monetary explosion exist.

Discussions on Wall Street and in Washington are centering on how Federal Reserve Chairman Burns will cope with the accelerated demand for credit and money that the simultaneous economic pick-up and government stimulus program will kick off. Burns, long-time supporter of incomes policies and below-minimum wage public works jobs, may just bend to the pressure of the Congress not to rein in the economic "growth" right away and say to hell with the dollar.

The chief indication that the economy is in for some "overheating" beginning in the second quarter is that revised figures for December show that the pick up at the end of the year was stronger than previously thought. From preliminary indications, that underlying trend continued through January and February, apart from the immediate period of the energy crisis. The "pause in the recovery" last fall was indeed due largely to the UAW strike and its ripple effects through the economy. The dip in the industrial production index in September and October, for example, was due almost entirely to auto and auto-related industries. That index began to climb again in November. In January the index fell 1 percent from the December level; however at 131.5 it was back where it stood in November.

Employment shows a similar pattern. February's 7.5 percent unemployment rate was not nearly as bad as economists had expected and continued the improvement which started after November's 8 percent. In the case of employment, the cold wave produced a sharp

temporary decline in the unemployment rate to 7.3 percent in January as the number of *people looking for work* dropped sharply. The labor force sprung back in February, but employment also increased by 400,000, raising total employment to 88,620,000. Additionally, in February the average length of the work week rose to December levels. More recently, new unemployment claims and the number of workers drawing benefits have both been declining.

What makes a continued pick up of production and employment likely at this time is the relatively low levels of inventories at the end of 1976 and the pick-up in final sales — supported by levels of consumer credit expansion not seen since the "boom" which preceded the 1974 recession. Of course the size of the new bubble will depend on businessmen's readiness to build up inventories. After an excessive build-up of inventories last spring, businessmen still mindful of the 1974 inventory bust cautiously ran down inventories until the inventories-to-sales ratio hit a low 1.48 at the end of December. The downward revision of the fourth quarter GNP figures showed a much lower rate of inventory accumulation in that quarter than anyone had estimated.

The 6.1 percent growth of factory orders in December, accelerating an uptrend which began in August, and preliminary estimates of February orders indicate that the process of inventory accumulation is preceding apace, but the extent of the future build up is a matter of speculation.

Unfilled orders increased for the fifth consecutive month in January, suggesting that there was room for production and shipments to grow, if not in February, beginning in March.

After operating at very low capacity and running down inventories in the final weeks of 1976 (and through the cold wave), the steel industry was operating at 76.8 percent capacity in the first week of March, the fourth consecutive weekly high for the year. Auto sales are continuing a gradual incline, registering a 9.1 percent annual rate in January and a 9.2 percent annual rate in February. Housing starts hit a 1.884 million annual rate in December, the highest level in nearly three years and are projected to reach 1.820 million units for the year by the Association of Home Builders. This situation is particularly fragile, though, in view of the specter of inflation and rising interest rates. Home mortgage rates continued to drop in February, reflecting large inflows to the savings banks; however, a pick-up in long-term interest rates could undermine the housing market very quickly. Another problem is that the average sales price of a new home is now \$51,000.

An important parameter of future economic expansion is "final demand" — the willingness of the consumer to go further into debt. In January consumer installment credit outstanding expanded by an adjusted \$1.92 billion, the fastest rate in nearly four years. In December the increase was a near \$1.82 billion. As interest rates go up, this level of consumer credit expansion will approach the breaking point.

Far from being a cause for rejoicing, a continued pick-up in the economy — suggested again by the 1.8 percent rise in February retail sales reported recently — is real cause for concern — given Carter's inflation package. A heated competition for credit between industry and the government trying to finance its burgeoning deficit may be postponed until the third quarter or even later given the Treasury's well-advertised "underspending," however, it is inevitable. On the inflation front, prices of raw materials are already rising at break-neck speed, fed by inflationary expectations and the commodity stockpiling schemes the Administration is pushing to support Third World debt repayments. The 0.9 percent increase in the Wholesale Price Index in February is not

likely to be a temporary aberration. The effects of the winter freeze, the drought, and Carter's energy conservation program will be a permanent rise in the prices of food and fuel.

Also contributing to inflation is the dramatic fall in productivity — output per manhour, as it is measured by the Labor Department — as a result of accelerating breakdowns of decrepit plant and equipment. According to revised figures, non-farm productivity *fell* at 1 percent annual rate in the fourth quarter of 1976, which resulted in a sharp increase in unit labor costs — a 7.9 percent increase on an annualized basis. Corporations will have to try to pass on these increased costs, fueling the inflationary build up further.

SEC, Carter Agencies Prepare 44 New 'Lockheed Scandals'

CORPORATE AFFAIRS

The Securities and Exchange Commission has prepared 44 corporate bribery cases "of Lockheed type potential," in the words of one SEC staffer. The cases will be used in a witchhunt against both domestic and foreign corporate leaders and allied pro-development political figures, as in the "Lockheed" scandals used to destabilize the Miki government in Japan and the Andreotti government in Italy.

The announcement of the SEC's new investigations coincides with the termination of more than 18 months of information-gathering by the commission's Enforcement Division on the methods of international corporate bribery. This "crash course" was facilitated by a deceptive program of so-called "voluntary disclosures." Under the program corporations were induced under promises of qualified immunity, to file 8-K Form supplements to the standard 10-K Forms required by the Securities Exchange Act of 1934 on which they detailed any "improper" dealings which they feared might become the target of subsequent Commission study.

The environment of terror under which the SEC was able to force these "confessions" has been carefully developed over the past several years through such synthetic operations against traditional anti-austerity industrial interests as the original Watergate scandal itself and the related Gulf Oil and Lockheed dirty tricks. Asked why the voluntary disclosure period was terminated, a member of the Enforcement Division replied, "We now have all the leads we need." He added that he had 12 cases himself involving U.S. and foreign nationals and that many more cases were expected.

The chief inquisitor for the Enforcement Division is Stanley Sporkin, a man whom the *New York Times*

recently described as having been encouraged by the original Watergate. With the 360 corporations which filed the Form 8-K disclosures, Sporkin will have sufficient information to target any industrial interest which attempts to resist the windmill society which Carter's Wall Street backers intend to impose on the world's population. One attorney familiar with the workings of the SEC said, "Sporkin's been on a witchhunt for years."

In addition to the SEC preparations the Trilateral cabal is actively preparing supplemental lines of attack. Prominent among these is the appointment of long-time Ralph Nader associate Mike Pertchuk to head the Federal Trade Commission. With authority under the Federal Trade Commission Act to investigate and prosecute whatever Pertchuk decides are "unfair or deceptive acts or practices in commerce," the appointment is a significant coup for the zero-growth forces in their fight to destroy the industrial base of the U.S.

A New York lawyer who defended General Motors against Nader's initial attack responded to news of the Pertchuk appointment and the direction the SEC and FTC intend to go in by saying, "My God, that's what Hitler did." He added, "I went to law school with Nader, it's hard to believe anyone listens to him, to know him is to hate him."

Backing up Pertchuk is the expected appointment of Senator Ted Kennedy to chair the Senate Judiciary Committee's Subcommittee on Anti-Trust. An aide to Kennedy admitted that the Senator has been working "very closely" with Nader associate Mark Green. Green previously headed Nader's Project on Corporate Accountability and will shortly leave to head up Nader's anti-corporate Capitol Hill lobbying gang, Congress Watch, when the present Congress Watch chief, Joan Claybrook moves on to head the Highway Department. James Ridgeway and Alexander Cockburn, in a recent *Village Voice* article, wrote that Kennedy has planned to launch a series of high visibility hearings

from his subcommittee which will be designed to coordinate with Green's lobbying activities, and will set the stage for a subsequent comprehensive "Watergating" of numerous corporations and their executives.

In addition, several new pieces of legislation are planned which will further strengthen Nader's minions.

1. The SEC is sponsoring a bill which will give them the authority to attach the assets of foreign corporations which refuse to answer SEC subpoenas demanding the appearance of foreign executives. An SEC staff member indicated he hoped that this authority could be used to force the appearance of foreign political figures as well.

2. Senator Ribicoff (D-Conn) is sponsoring a bill to establish an Agency for Consumer Advocacy, a super Watergating authority. The agency, which will bring Nader's brand of industrial sabotage into the government officially, will be authorized to intervene before any federal agency in the name of "the public interest" if the ACA chiefs decide that the agency is not fulfilling its mandated obligations. A similar proposal passed the House and Senate in differing forms last session, but the differences were never resolved in committee and the

proposal died. One prominent counterinsurgent attorney who has worked in the "consumer" field for many years has called the ACA "one of the most important pieces of legislation which will be introduced this Congress."

3. The Federal Trade Commission Improvements Act of 1977, sponsored by Congressmen Eckhart (D-Tex) and Koch (D-NY), on which hearings are presently in progress, will permit "consumers" to sue as a class for violations of FTC rules, with counsel fees to be paid for by the U.S. Government. This nasty bit of legislation will permit the FTC to draft various "environmentalist" and other zero-growth rules and then turn over the enforcement to the vast array of National Lawyers Guild attorneys who will be paid by the Government to pursue extended harassment law suits against industry in the name of "consumers."

4. Another proposal will reverse the Supreme Court's *Eisen* decision which limited the availability of class actions. This, coupled with the proposed doubling of the funding for the Legal Services Corporation, will provide radically increased leveraging capability to the "legal" dismantling of American technological and industrial capacity.

Gold Up But Weak Currencies Get Hit

FOREIGN EXCHANGE

Last week's foreign exchange markets continued to be characterized by extreme uncertainty, and the ultimate fate of the U.S. dollar is still hanging in the balance. Although the run into gold appears to have abated since Monday, when a new record of \$150 an ounce was reached in London, the prospect of double-digit inflation in the U.S. and the reported insolvency of several leading New York-based international banks continue to plague the dollar.

Over the past several weeks, the dollar has managed to retain an apparent stability as a result of Wall Street-inspired speculative operations against selected "weak" currencies; thus, only the run into gold has indicated the dollar's actual, overvalued position. A prime example is the collapse of the Canadian dollar to a seven-year low of \$0.9485 on March 10. Prior to the Quebec elections, the Canadian currency had stood at \$1.03.

According to Toronto Dominion Bank's foreign exchange department in New York, Canada was recently shut off the Eurodollar loan markets by the New York-based international banks, and this provoked the latest drop in the Canadian dollar. The reason given for the credit-cutoff is the threat which Quebec separatism poses to foreign investment in Canada. On closer analysis, therefore, the Canadian dollar's weakness proves to be part of a larger destabilization operation against the Canadian government and an attempt to force greater austerity.

The 1 percent decline of the Swiss franc — one of the world's strongest currencies — over the past two weeks is another phenomenon which cannot be entirely ex-

plained by objective economic factors. There have been numerous press reports that the Swiss National Bank is itself selling off Swiss francs for dollars in order to boost the country's export-competitiveness. Others attribute the Swiss franc drop to the run into gold and into high interest-bearing British gilts (government securities). A recent statement by Swiss National Bank head Leutwiler contradicts the thesis that Swiss central bank dumping is causing the currency's weakness. Leutwiler declared that while the Swiss franc is not overvalued, the dollar definitely *is*, citing the record U.S. trade deficit in January and flight into gold as evidence.

An Arab Dinar?

British and Italian negotiations with the Soviet Union concerning the use of the gold-backed transfer ruble as an international reserve currency appear to be temporarily stalled. But a spokesman for a leading British merchant revealed this week that the bank is playing a key role in formulating plans for a common gold-backed Arab dinar. The Kuwaiti oil sheiks, this source revealed, have been stockpiling gold and providing gold-collateralized loans to the Soviet Union for "special reasons" of their own.

According to the Yugoslav press, Soviet, Eastern European, British, French and Arab government officials met in Cairo March 1 to discuss the creation of an Arab bank and a common Arab dinar. In the meantime, rumors abound that the EEC countries plan to establishing a gold clearing system among themselves — a move which could destroy the credibility of the dollar.

EXCLUSIVE

The Fight to Build the Alaska Pipeline

This summer, the first of 600,000 barrels of oil per day is expected to come through the Alaska pipeline to the port city of Valdez, ready for supertanker shipment to consumers within the continental United States. These are the fruits of the labor of a consortium of oil companies led by British Petroleum (BP), Standard Oil of Ohio, and Atlantic-Richfield (ARCO), who will own three-quarters of the output, and who have worked for eight years to bring this Alaskan North Slope crude on line.

The project was built with an enormous expenditure of manpower and materials. Skilled construction laborers put in more than 60-hour weeks, and the pipelines total cost is now estimated at over \$7 billion. From its inception, the work faced bitter resistance from the Rockefeller oil and financial interests, led by Exxon and its then-chairman, John Kenneth Jamieson. The pipeline, which promises to make available new oil supplies in greater daily volume than the production of OPEC member Algeria, was completed despite challenges from Rockefeller-funded environmentalists, pro-Rockefeller government officials, and such Rockefeller legislators as Walter Mondale and Sen. Birch Bayh (D-Ind).

Delivery of the oil may still be delayed and the use of the pipeline may ultimately be blocked. Exxon sabotage of the project may yet achieve its desired goal.

The building of the Alaskan pipeline has been a small-scale war, unreported in the press except for occasional misleading headlines, but fought out on a global scale. At stake is the Rockefellers' hold on the world oil market and international energy supplies.

It is also an exemplary case history of the myriad attempts by Exxon Co., the Rockefellers' conglomerate in the field of oil and energy, to stymie oil production and exploration, the basis of its international policy since at least 1960 when Monroe Rathbone became chairman of the Exxon Board.

The fight over the pipeline became ferocious in the 1970's, when Exxon used State Department policy, environmentalists and such politicians as Sen. Walter Mondale and Rep. Les Aspin (D-Wis), to stage furor over the Alaskan project. At one point the fight threatened to spill over into lawsuit by British Petroleum, which charged Exxon with sabotage of the pipeline.

The fight continues today. On the "Face the Nation" TV show Feb. 6, Secretary of the Interior Cecil Andrus told the press that he may consider holding up the shipment of Alaskan oil if it is determined that the pipeline has faulty welding or other flaws which might permit leaks. Alaskan oil faces a stiff resistance from the Rockefellers' (environmentalist) challenges, which could become the means of blocking it.

Exxon's Strategy

Since 1960, Exxon has followed a policy of blocking world oil exploration. Since that time, Exxon has functioned only peripherally as an oil company; its actual role has been that of a holding company and political arm for Chase Manhattan Bank.

During the 1960s, of course Exxon's exploration zoomed upward. But Exxon's purpose in discovering oil was to prevent its exploitation, as Anthony Sampson reports in first-hand interviews in his book, *Seven Sisters*. Writes Sampson:

"Although Exxon was spending huge sums in new exploration, the last thing they wanted was new production. Howard Page (Exxon's Middle East chief) was once told by one of the Exxon geologists, who had just come back from Oman, 'I'm sure there's a ten billion oil field there.' Page replied, 'Well, then I'm absolutely sure that we don't want to get into it. I might put some money into it if I were sure that we weren't going to get oil, because we are liable to lose the Aramco concessions.'"

Sampson elaborates, "Page saw the market like a bulging balloon, 'push it in one place, it comes out in another...If we acceded to all those demands, all of us, we would get it in the neck.' The balloon was pressed harder with each new oil discovery. New sources of oil are opening up all along the gulf, in Qatar, in Oman, and most spectacularly in the small sheikdom of Abu Dhabi, which by 1970 was producing a million barrels of oil a day. And the most irresistible opportunity was in Libya, where Exxon was the leader. But the more they took from the new sources, the less they could take away from Iran or Saudi Arabia."

Here lay the rub. In the latter two countries, Exxon had reached agreement on how much oil would be produced, and any new production during the moderate market for oil in the 1960s had to eat into the market for the old, jeopardizing Exxon's control over the Shah of Iran and the Saudis.

When British Petroleum began exploration in the North Slope area of Alaska in the early 1960s, Exxon became worried. Here was an area where BP, acting with some independents, might discover oil and then, not bound by the magnitude of agreements Exxon had to protect in the Middle East, it might actually begin marketing the oil to the rest of the world. This posed a major threat to tight Exxon control over the size and price structures of the world energy market. More importantly, such newly discovered oil might go to OECD and Japanese markets, thus freeing them from their dependence on Exxon's supplies.

Realizing that it could not influence decisions by standing on the outside, Exxon bought into the Alaskan fields in 1968, shortly after Arco, one of the independents working with BP, discovered oil in the Prudhoe Bay in June 1968. Exxon used its financial muscle to exploit Arco's shortage of cash for exploration to acquire 20 percent rights to all oil discovered in Alaska by Arco.

British Petroleum's Role: Development

BP's need to find oil was acutely accentuated by the consequences of the 1954 Exxon-CIA coup against Mossadegh in Iran. In one blow, BP's holdings in the Iranian National Oil Company were reduced from 100 percent to 40 percent, and Exxon, Mobil, et. al. crashed into the coveted Iranian oil market.

BP, was no longer oil rich, and faced a need for new exploration and production.

In the late 1950s, it bought leases from the state of Alaska, but only turned up a welter of dry holes. But after ARCO discovered the North Slope in June 1968, BP also made discoveries.

Estimates by geologists placed the Prudhoe Bay field as the largest oil reserves in the U.S., a currently estimated 9.5 billion barrels. After initial pumping at 600,000 barrels per day, it is estimated that, after six months time, Prudhoe Bay production capacity will reach 1.2 million barrels per day. This represents one-seventh the volume of current U.S. oil production (8.1 million barrels per day), it is not much less than the daily production of Kuwait, and is larger than the daily production of Algeria.

'I'm sure there's a ten billion oil field there.'

— Exxon geologist

'Well then, I'm absolutely sure we don't want to get into it.'

— Howard Page, Exxon's Mideast oil chief

As the oil flow from Alaska seemed imminent BP began tying up marketing arrangements in the U.S. and Japan.

Buys In the Midwest

To secure a market in the U.S., BP began a complex process of buying into first East Coast and then midwest marketing outlets.

Most important of BP's purchases was a majority interest in Standard Oil of Ohio, the major marketing outlet in that state and still under considerable Rockefeller influence at the time.

Thus a second theme is introduced into the Alaskan pipeline story: Exxon's attempt to block BP's purchase

of controlling shares in Standard Oil of Ohio (Sohio).

In 1968, British Petroleum bought the marketing and refining assets of Sinclair Oil on the eastern seaboard and then in 1968 re-sold the northeastern Sinclair holdings to Sohio. In return, Sohio awarded BP a 25 percent share in Sohio stock, which became dividend bearing and voting on Jan. 1, 1970. BP was also awarded three members on Sohio's board of directors. This allowed BP to begin calling the shots at Sohio.

BP's purchase agreement had an even more important secondary clause. It provided that BP could increase its holdings to a maximum of 54 percent — a clear controlling interest — contingent on BP's ability to provide Sohio Oil with 600,000 barrels of Alaskan oil daily by the end of 1977.

The alarmed Rockefellers' first action against BP employed their retainers in the Justice Department, to block the Sohio purchase in the courts. Chief of these was Justice Department, anti-trust head Richard McLaren.

In 1968, McLaren began scrutinizing the BP purchase agreement with Sohio with a view to forestalling it. Anthony Sampson writes about the affair.

"...Richard McLaren, then in the first flush of his crusade against mergers,... tried to restrict it (the purchase). Protests followed from London with implied threats of reprisals against American companies, and BP's chairman, Eric Drake, complained to the Attorney General, John Mitchell. The merger went through, but BP with its huge hopes for expansion, was now to be a kind of hostage against any British action against American companies."

The first tactic of anti-trust action having failed, Exxon tried another. If the Alaskan oil delivery were stalled, and it could not deliver 600,000 barrels of oil per day to Sohio by 1977's year end, then BP would lose outright dominance over Sohio. BP would still retain its 25 percent holdings and strong influence, but this would leave them subject to countermoves and pressures from Exxon and the Rockefeller banks.

Exxon's Inside Job

In the winter of 1969, Exxon showed why it had bought into the Alaskan pipeline. Sampson writes, "Exxon, having found its Alaskan oil, was in no hurry to get it out, since they still had ample and far cheaper supplies from Arabia and Iran...ARCO and BP were desperate to push ahead fast; but Exxon was moving very slowly. They experimented with sending an ice-breaker, the SS Manhattan, to force its way through the Northwest Passage as a means of bringing the oil through the sea. But BP, though they had to collaborate to 'show they were good Americans,' suspected that it was basically a delaying tactic by Exxon to put off building a pipeline. Drake became so impatient that he threatened the chief executive of Exxon, Ken Jamieson, with bringing an anti-trust suit."

The SS Manhattan attempt to traverse the Northwest Passage was to go down in history as "Exxon's folly," as one lawyer put it. The ship emerged on the east coast, after months, as full of holes as a fully ripened swiss cheese. But no one was surprised, least of all Exxon. It had delayed planning of the pipeline for months. Exxon then shifted into covert operations, its chosen vehicle being the "environmentalists."

The Environmentalists

Beginning in 1970, the Environmental Defense Fund (EDF), the Natural Resources Defense Council (NRDC), and the Center for Law and Social Policy (CLSP), all Rockefeller family-funded groups, raised a bevy of environmental objections to the pipeline. In parallel action, Rockefeller stooges in Congress led by senators Walter Mondale (D-Minn) and Birch Bayh (D-Ind) and Representative Les Aspin (D-Wis) in the House conducted "investigations" into the pipeline and championed the less efficient, more costly and more time consuming Trans-Canadian route.

Between 1970 and 1973, this activity set up enough obstacles to prevent a single foot of steel pipe from being laid. By the mid-1970s, however Exxon's ability to block the building of a pipeline was fast diminishing. From the start, Exxon only had a minority interest in the Alaska project (Trans Alaska Pipeline (TAPS) renamed in 1975 the Alyeska Pipeline Co). Ownership control, which determined how much of each company's oil could traverse it, stood in 1970 as follows:

Company	Percent Ownership
Sohio Pipeline Co.	33.84%
BP Pipeline Co.	15.84
Arco Pipeline Co.	21.00
Phillips Petroleum Co.	1.66
Union Alaska Pipeline Co.	1.66
Amarada Hess Co.	<u>1.66</u>
Subtotal	75.00%
Exxon Pipeline Co.	20.00
Mobil Pipeline Co.	<u>5.00</u>
Total	100.00%

Sharing with Mobil only a small minority interest, Exxon launched a two-fold strategy: 1) to object to the pipeline on the grounds that it was environmentally unsound, and 2) propose an alternative pipeline, cutting through Canada, to be known as the Trans-Canadian Pipeline (TCP), which would prove more time-consuming to build, and by several estimates, more costly, and would actually reduce the amount of oil transported. But, it was alleged, the TCP was "environmentally sound." Through this backdoor, came the Rockefellers' whole zoo of environmentalists.

One of the oldest of the Rockefeller-Ford Foundation "Naderite" groups, Resources for the Future, prepared a brief on the various causes for environmental concern over the Alaska pipeline. In 1972, Charles Cicchetti, a Resources for the Future director released a book, "Alaskan Oil, Alternative Routes and Markets," which catalogued the different areas of alleged pipeline violation of the Environmental Protection Act.

*** Permafrost — "Heated oil could cause the permafrost to thaw progressively around or under the proposed pipeline, resulting in pipeline displacement."

*** Tundra — "A pipeline built from the North Slope to

Valdez would pass through tundra for a sizeable portion of its route and would certainly have some effect on the tundra vegetation." Tundra is a mat-like cover of grass, lichen, sedges, etc. It was claimed that the hot oil passing through the 48-inch diameter pipe would melt the tundra.

*** Caribou — Alaska is the home of 35,000 caribou who prefer lichen as a year-round food supply and depend on it as a major source of winter food. If the tundra went to bits, the starving caribou might perish, and in any case, they wouldn't like the pipeline blocking their path.

*** Earthquakes — The 800-mile pipeline would pass through several areas of potential earthquakes in its trek from the Prudhoe Bay fields in the North Slope of Alaska down to the Port of Valdez at the other end of the state. According to a report submitted to the Department of Interior, on Feb. 17, 1971, the lower 70 percent of the pipeline, "lies within 25 miles of a recorded epi-center." It was also alleged that the most frequently mentioned tanker routes to the U.S. West Coast also pass through an area with a sizeable concentration of recorded epi-centers.

*** "Native Americans' Rights" — Finally, it was alleged that the oil companies had no right to the leases of the Alaskan land on which the oil was found because such leasing violated the rights of Alaskan natives (Indians and Eskimos) under the Alaskan Statehood Act. It was alleged that this guaranteed the natives' use, occupancy, domain, and ownership of the land.

All of these various points were incorporated into lawsuits and were argued by the environmentalists, and between 1970 and 1973, the course of the Alaskan pipeline (TAPS) was held up while courts endlessly debated the finer points of each suit brought against the consortium of oil companies.

Especially pivotal is the way the environmentalists chose to argue the case: they claimed that the very fate and future viability of the enforcement provisions of the National Environmental Policy Act (NEPA) of 1969 hinged on the outcome of their court cases. Thus, the Alaskan case was the most momentous example of an attempt to use NEPA to shut down a vital part of U.S. industry that could contribute to the world economy.

The Nixon Counter-Coup

The Nixon Administration, was strongly representative of southwestern oil interests, finally broke the back of Exxon's game in a congressional showdown during the summer of 1973. While Arco mobilized its support for the pipeline from its friends within the continental United States, BP was applying pressure on the U.S. State and Justice Departments to have the pipeline built.

In mid-july 1973, Administration forces mobilized to cut off the whole spate of environmental challenges to the pipeline, which threatened to hold it up indefinitely. The issue was brought to a head by motion in the Senate to cut off all further litigation on the pipeline and to waive all specifics of NEPA as they applied to the pipeline, providing that TAPS directors showed themselves willing to reasonably answer some of the environmentalists' objections. This meant an override of NEPA and the environmentalists knew it. The Environmental Defense Fund carried headlines on its newsletter, "Will

This Be The End for NEPA?"

In the decisive vote in July 1973, Vice President Walter Mondale (then a senator) and Sen. Birch Bayh (D-Ind) introduced a resolution to kill TAPS. Instead, they proposed the building of the Trans-Canadian Pipeline (TCP) as an alternative. The vote on TCP showed only 29 Senators in favor. But the vote on TAPS resulted in a tie, with Administration, Republicans and oil-state senators for it, and "liberals" against it. Vice President Spiro Agnew, acting under his authority as President of the Senate, cast the tie-breaking vote in favor of the pipeline.

In the House, the opposition to the TAPS was led by Les Aspin (D-Wis), in 1971, Aspin issued an article for *Not Man Apart* magazine, which carried his message, "It's Not Too Late to Stop the Alaskan Pipeline." But the vote in the Senate worked to affect the vote on TAPS in the House and it passed the House by a comfortable margin. In November 1973, Nixon signed the Trans-Alaskan Pipeline Act into law.

Alliance With Japan

The Mondale forces were able to blunt the Nixon counter-coup to the extent of forcing into the pipeline act one significant clause: the oil developed from the Alaskan North Slope could not be sold to a foreign country. The one country Mondale et al. most had in mind when introducing this restriction was Japan.

The reason is obvious: Japan, without oil sources of its own, could, if it could lock up an important percentage of its oil needs from the oil consortium in Alaska, to that extent free itself from the control of the Rockefellers'.

There is evidence that there existed an understanding between BP and the Japanese to exchange British oil for Japanese steel to build the pipeline. This evidence is confirmed on two counts: first, according to a lawyer involved in the pipeline legal cases, the Japanese had already shipped steel to Alaska in 1972, even before Congress had cleared up the pipeline litigation mess caused by the environmentalists. Second, according to a high-level source for Japanese industry, the Japanese are *still* expecting Alaskan oil as their due.

Finally, after three years of delay, the construction of the Alaska pipeline began in March 1974. The pipeline is scheduled for completion in May or June 1977.

The cost of the pipeline was originally projected at \$900 million. But because of mysterious accidents and the like, the extreme cold, and the cost of meeting the specifications set by the environmentalists, the bill on the pipeline has zoomed to \$7 billion at last count.

This cost overrun must be paid by the consortium of pipeline companies that make up TAPS, now renamed Alyeska. Especially if the pipeline's delivery of oil is delayed by current environmentalist challenges, Sohio, whose share of pipeline costs is over \$2.5 billion, would be in an extreme financial squeeze, which would require a mobilization of BP's financial resources to rescue it from an immediate cash crisis.

Rockefeller's Last Fling

A spokesman for North American British Petroleum told a reporter Feb. 7 that he believed, given all that BP had been through in connection with Alaskan oil since 1968, that the end is at last in sight and that the pipeline

would be delivering oil in the summer of 1977. "At least that is my hope," he added.

Beginning in 1976, the Rockefellers' launched a round of attacks against the delivery of Alaskan oil to the continental U.S. as part of their emerging plans for a Carter Administration energy dictatorship in this country. The attack centered around a series of regulatory codes and government investigations instigated by Naderites in the states of Alaska, Washington and California, and in the federal government.

'British Petroleum, with its huge hopes for expansion was now to be a kind of hostage...'

The same crew that was behind the efforts to hold up the construction of the pipeline in 1970 is involved here. This time around, their effort centers on preventing *delivery* of substantial portions of the Alaskan oil to the continental U.S. or other countries. Summarized here are the most important instances that could prevent the oil from ever being used to meet industrial production needs:

*** Investigations into the pipeline's safety. On "Face The Nation" Feb. 6, Carter's Secretary of the Interior Cecil Andrus told the press that he may consider holding up shipment of Alaskan oil if it is determined that the pipeline had faulty welding or other possible leak points. The Congressional General Accounting Office, under the direction of former National Security Council member, Elmer Staats, is conducting its own investigation into the safety of the Alaskan pipeline.

*** Regulatory codes. The regulatory codes brought in by the Naderites in the states of California, Washington and Alaska, are intended to halt the oil's delivery at the few select geographical points that it can be unloaded. The points include ports sufficiently deep to accommodate supertankers, large enough to set up terminals where the tankers can unload, and having refineries and pipeline connections to other parts of the U.S. not far away.

The myria of threatening codes are;

*** Alaska: The state of Alaska passed a series of regulations giving oversight responsibility to the state for tanker passage in Williams Sound, off the coast of southern Alaska. These codes will regulate ships entering and leaving the port of Valdez, the end point for the pipeline and thus the pipeline's outlet to the rest of the world. Ships entering the port will be required to have double hulls, on-board safety equipment and be below a certain tonnage. If they do not meet these standards and should have a large spill, they are subject to liabilities of \$50-100 million. Of 31 ships currently traveling regularly, most could not meet these standards.

In similar situations recently, the Rockefellers are suspected of arranging "accidental" spills intended to further outright bans on ship traffic.

*** Washington: The state of Washington in May 1975 passed legislation similar to that of the state of Alaska.

The legislation features codes regulating Puget Sound, in the northwest part of the state. The Washington laws declared that tankers of more than 125,000 dead weight tons could not enter the sound. Arco, which has refineries near the Sound, challenged the ruling. It was declared unconstitutional by a three judge federal panel, presiding in Seattle, in Sept. 1976. The state of Washington has challenged the panel's ruling all the way to the Supreme Court, where the case is currently being heard. The Washington state law also requires tankers entering the port of Puget Sound to have a tanker escort, to meet certain ballast laws, and other nuisances.

***California: In California, there are a slew of Naderite regulations, and it is here that the largest volume of Alaskan oil has been destined for unloading.

At the key port of Long Beach, Naderites have launched a virtual armada of regulations and codes to prevent the North Slope oil from disbursement in the continental U.S. In many ways, Long Beach is the key to oil from the Alaskan pipeline finding successful refuge in the U.S. Long Beach is in the vicinity of some very large ports owned by SOCAL. Of equal importance, not far from Long Beach is an old abandoned natural gas pipeline owned by El Paso Natural Gas. The gas pipeline runs from Texas to California and BP has hoped to reconvert the gas pipeline, with El Paso's backing, to oil transportation running from California to Texas.

The various California regulations affecting the shipment of oil through California to Texas, where it can be refined for further shipment throughout all points in

the U.S., include:

a) The air cleanliness of the Port of Long Beach must be cleared by the California State Air Resources Board before BP is allowed to *begin* building a terminal for unloading Alaskan oil. The board must test tankers for spewing certain pollutants, such as oxidents, oxides of nitrogen, sulfates, etc. into the air. The studies of air pollution levels are still underway, and may not be completed for another year, according to a spokesman for the board.

b) The tankers BP employs must also meet the requirements of the California Coastal Act, which was only passed at the insistence of the Naderites — in 1976.

c) The proposed oil pipeline within the state of California must be approved by the California Utilities Commission, while the use of the California-to-Texas pipeline must be approved by the Rockefeller-run Federal Power Commission.

As the Naderite codes in the states of California and Washington cripple the plans for unloading oil via these states, there is an already decided-on short-term remedy for transporting the North Slope oil to the United States: going through the Panama Canal. But if small tankers must be used as a result of the Alaska restrictions on use of the Port of Valdez, then the cost of transport of oil through the Panama Canal will rise astronomically. At the same time, use of the Panama Canal is fraught with political problems, and the flow of Alaskan oil through the canal could be reduced to a trickle.

— Richard Freeman

Dramatic Fusion Breakthroughs

Clear Way For Fusion Energy In 1980's

The following reports on experimental breakthroughs in laser and electron beam fusion, together with excerpts from testimony before the House Science and Technology Subcommittee on Energy March 4, 1977 on laser fusion, clearly demonstrate that the potentially rapid development of unlimited, clean, safe, cheap energy from nuclear fusion reactions is being consciously sabotaged by the Carter Administration. The recent Alcator Tokamak experimental breakthrough at MIT, together with a broad front of similar magnetic confinement fusion research successes, has shown that there are virtually no scientific obstacles to the realization of this form of fusion power in the 1980's. These advances in inertial confinement fusion reported below represent a similar benchmark. Dr. Edwin Kint-

ner, the ERDA director of the Magnetic Fusion Energy Division, made this clear when he pointed out before the same committee that the only obstacles to harnessing fusion energy were *political* obstacles.

The simple fact that the Carter Administration is planning to delay the development of both electron beam and carbon dioxide lasers just as these systems are demonstrating that they are capable of being rapidly developed to full-scale power reactor and other applications for civilian energy is sufficient evidence of the sabotage. But the testimony by Dr. Robert Hofstadter and Dr. Henry J. Gomberg of KMS Fusion, especially when contrasted with that of the ERDA Laser Fusion Director C. Martin Stickley, makes this indisputable.

Testimony On Inertial Confinement Fusion Program

Statement by Dr. C. Martin Stickley, Director, Division of Laser Fusion on the Inertial Confinement Fusion Program before the House and Technology Committee Subcommittee on Fossil and Nuclear Energy Research, Development and Demonstration, March 4.

ERDA is requesting funding for inertial confinement fusion research — the application of laser, electron and ion beams to pellet fusion — of \$94 million in operating outlays and \$21 million for plant and capital equipment authority for Fiscal Year 1978. These funds would enable us to continue research directed toward impacting nuclear weapons technology development and toward determining the scientific feasibility of inertial confinement fusion as a virtually inexhaustible energy source for civilian power production.

Among other reasons, magnetic and inertial confinement differ fundamentally in that inertial confinement has near-term military applications. An inertial confinement fusion device would reproduce on a laboratory scale much of the fundamental physics and, if sufficiently large, many of the radiation effects of nuclear weapons. Laser and particle beam target experiments can provide data for weapons technology development; for example, late-time effects that cannot be measured in an underground test because of its destructive effects on diagnostic equipment can be analyzed on the basis of laboratory data.

Experience with nuclear weapons development

provided much of the impetus to inertial confinement fusion research and has contributed to the advanced pellet designs that appear at this time to have the best chance of attaining high energy gain implosions. In return, actual experimental results have begun to contribute to weapons technology development. This contribution is expected to grow to be a very significant one as we attain higher and higher thermonuclear yields from pellet implosion experiments.

It is our best judgement at this time that the advanced pellet designs will permit us to reach the fusion regime, in which pellet energy gains substantially exceed breakeven, by the early to mid-1980's. A relatively low-cost program to continue experimentation with unclassified pellet concepts appears to be warranted because of the eventual need to develop very low cost pellets for use in civilian inertial confinement fusion reactors.

High pellet energy gains, that is many times more energy from each pellet implosion than is deposited in the form of beam energy for driving the implosion, must be achieved before we think we would be justified in embarking on a major program to develop the reactor technology required for civilian energy applications. Furthermore, the weapons applications do not require high repetition rate operation. A few shots per week, which is well within present capability, are all that will be required for the weapons applications that we now foresee. Many weapons technology applications are

possible in the ERDA weapons laboratories before we have achieved high pellet gain implosions.

Other research efforts are directed toward meeting the long-term energy technology goals of inertial confinement fusion. These latter efforts are relatively small because the energy goals are more distant ones.

Based on the pertinence of the background experience of the ERDA weapons laboratories to inertial confinement fusion, the relevance of the early phases of this research to weapons technology design questions, and the relative ease of carrying out single pulse (one firing per day) experiments, the following program objectives have been established:

Near-Term

- ** demonstrate single-pulse inertial confinement fusion
- ** assist nuclear weapon development and testing

Long-Term

- ** develop the technology for energy and power plant (multiple pulse) applications

The Outlook for Inertial Confinement Fusion

The pursuit of major phases of this program towards significant civilian applications can be modular in that the task of scientific feasibility demonstration (that is, achieving high energy gain from pellets in single pulse experiments), can be addressed separately from the applications engineering tasks. These would follow upon a decision to proceed toward an experimental power reactor, for example. While there is as yet no discernible critical path to this major decision point, we believe that the program, as now structured, represents an orderly, low risk approach to feasibility demonstration.

Testimony Of KMS Fusion, Inc. On Laser Fusion

The following are excerpts from the testimony of KMS Fusion, Inc., on laser fusion by Dr. Robert Hofstadter and Dr. Henry J. Gomberg before the House Science and Technology Committee Subcommittee on Fossil and Nuclear Energy Research, Development and Demonstration on March 4.

Dr. Robert Hofstadter

For many years, I have been a consultant for the Harshaw Chemical Co. I cite this record to show experience in scientific matters and in industrial work. This background is appropriate since what I am going to say may be at variance with other testimony you may have heard or will hear. I want to assure this Committee that I have given much thought to how civil energy needs may be advanced in the shortest possible time.

I regard the future of laser fusion energy as much closer than most others — but only if the program of development in this field is given adequate financial support and scientific freedom of investigation. I want to see laser fusion energy production in my life time and I am 62 years old. If I felt otherwise I would work on other subjects.

On the whole, however, a civil energy laser fusion program is nonexistent. I think our national policy needs a severe prod in order to reverse its direction. I should point out that our national program is essentially oriented towards weapons development, weapons simulation and weapons design. But civil energy needs, I submit, are very different from weapon needs, and there are innumerable deviations in the two approaches. My interest and KMS Fusion's interests are in the civil energy department.

In the case of fission energy, which was developed in war time, alternate methods of separating uranium isotopes were investigated simultaneously and alternate designs of the ultimate bomb were also developed. One of the successful designs was based on the implosion phenomenon, an invention of Dr. Seth Neddermeyer, a close friend of mine.

It is essential, in my opinion, to have several different

groups working on the development of laser fusion energy and not to have the work directed exclusively from a single masterminding center.

It is to be noted that Russian competition has been a driving force in this field. In fact, the Russian scientist, Basov, is the inventor of the laser fusion concept.

The laser itself was developed in a private laboratory, namely the Bell Telephone Labs. by C. H. Townes, and Arthur Chawlow, who is now a colleague of mine at Stanford. Furthermore, the first laser, a ruby laser, was made by Theodore Maiman, a former Stanford graduate student who did his epoch-making work in an industrial laboratory.

Forty years of experience as a physicist have convinced me that several investigators, pursuing their own lines of thought, can make discoveries that no one can anticipate. Thus a single undirected weapons approach, such as the one now in effect in the United States, should be changed in my opinion. We need variety, freshness, and freedom of investigation.

Dr. Henry J. Gomberg

KMS Fusion appears before this Subcommittee because we believe that there is much to be done through science and technology in solving vital social and economic problems that should be addressed more aggressively.

In doing so we tread on dangerous ground. The existence of our company and our program in laser fusion is now dependent on government-funded programs. Yet we come to present views which differ from those prepared for presentation before this Subcommittee by the Division of Laser Fusion (DLF) which administers our contract.

We raise no questions as to the merit of the government-funded programs for the stated purposes. The weapons laboratories in which the vast bulk of the proposed DLF program is placed, are organizations of proven performance. But, in the past, individual groups have seen matters differently on problems of more limited scope than we address today. Difference, there-

fore, should be expected on the broad questions of new energy sources and their applications, and the priorities with which they are pursued.

The DLF program has been presented as one in which "accomplishment of the major program milestones will provide immediate benefits in weapons technology development, near-term future benefits in weapons effects simulation, and lay the groundwork for potential long-term benefits in civilian power technology development.

The program is structured so that the majority of the base program is in the weapons laboratories where weapons technology can be applied to fusion research while nuclear weapons concepts are protected...Within that program structure, the major role for industry will occur after success in the core program demonstrates the feasibility of Inertial Confinement Fusion.

The DLF program has been characterized as an "orderly low-risk approach to feasibility demonstration." We agree, and we believe that this program structure in the Division of Laser Fusion, under the Assistant Administrator for National Security, is ideally suited for the objectives as outlined.

KMS Fusion, has from its inception had a broader view of the short-, mid-, and long-term goals of laser fusion, and the resources that should be brought to bear on solving the problems. We feel that the current energy crisis, the potential of laser fusion for providing a viable solution for that crisis within our life time, as well as possible short-term benefits from applications other than weapons-related, all call for a more-aggressive, vigorous, higher-risk approach than is proposed.

And because we believe the national program should

be broader, with adequate emphasis on civilian applications, we believe the program should have an administrative base that reflects civilian interests. We suggest this without rancor. We raise the issue, however, because it is inevitable that the primary interests of the responsible administrative group will have great influence on the goals selected and priorities established.

The justification for the administration of the national laser fusion program as part of the weapons complex is the potential for early military application. There is, however, equally valid potential for early civilian application.

We foresee, in addition, other civilian uses arising from the exploration of new physical, chemical and biological phenomena that can be observed as neutron output rises. And finally, and more important, is the potential for production of inexpensive chemical fuels by conversion techniques using the laser-fusion driven sources.

We recognize the need for security, but this is hardly a new situation. There is ample experience. A strong collaborative and competitive effort is needed so that information can be transferred in ways that the whole effort benefits and moves forward.

KMS Industries has in the past brought industrial resources and financing into the laser-fusion field far in excess of any other private group in the country. We firmly believe that *if* the national laser-fusion program had a more clearly defined mission for the development of civil energy resources, along with the early development of other applications suitable for the civil economy, and *if* this civil mission had the firm support of the government, industry will join with the government to develop and commercialize laser fusion.

U.S. E-Beam Research In Breakthrough

While details are still being withheld under top secret classification wraps, testimony by officials of the federal Energy Research and Development Administration (ERDA) indicates that U.S. electron-beam pellet fusion researchers at Sandia Weapons Lab in New Mexico have duplicated what Soviet researchers, led by L.I. Rudakov accomplished one year ago: experimentally producing controlled thermonuclear fusion reactions, utilizing the electron-beam pellet approach.

Preliminary analysis, based on what scanty information has been released, points to the fact that the Sandia researchers utilized the same method which Rudakov revealed to U.S. scientists last year. With this new experimental breakthrough, U.S. electron-beam pellet fusion scientists can demonstrate the feasibility of this approach to harnessing the vast energies of nuclear fusion reactions with the completion of the construction of their next planned experimental facility by 1980.

In his testimony today before the House Science and Technology subcommittee on energy, Dr. C. Martin Stickley, the director of the ERDA Laser Fusion Division, reported that researchers at the Sandia

Laboratories "produce measurable numbers of thermonuclear neutrons...on Proto I." Furthermore, he went on, "the most important achievement has been the experimental and theoretical observation of enhanced electron beam energy deposition in thin shells over what had been predicted from simple models. This order-of-magnitude enhancement reduces the requirements on the design of targets and generators for electron beam fusion. New target designs are yielding evidence of thermonuclear neutron production." The success in enhancing the energy deposition in electron beam targets was also reported in an article in the Feb. 21 *Physical Review Letters* by the Sandia group.

Researchers at Sandia have also developed a new method of getting around the chief technological roadblock to realizing economic and reliable power reactors based on e-beam pellet fusion. Under normal conditions the diode which generates the electron beam must be within a few feet of the pellet. This would lead to its rapid deterioration in a power reactor in which up to 10 microexplosions per second must be obtained if significant power output is to be reached.

Sandia researchers recently demonstrated that if the electron beam is enclosed in a separately produced plasma, the electron beam can be transported over several meters (up to 10) and be kept stable and focused.

These developments, together with utilization of disposable plasma anodes in the electron beam diode, brings the technology needed for power reactors within the existing state of the art. A similar situation does not presently exist for laser fusion since the only existing high power laser systems are very inefficient. High power laser systems convert less than one percent of their input energy into the actual laser beam output, while electron beams convert up to 50 percent of the input energy into the output beam. Therefore much lower pellet gains can produce net energy output with e-beam systems.

At the present time inertial confinement research in general and e-beam work in particular is being hampered by top secret government classification of the research. This was most clearly demonstrated by the

Rudakov success and the hysterical reaction on the part of Rockefeller agents in ERDA to its unilateral disclosure last July. The most significant recent development, which is intimated in the Stickley testimony — especially by his emphasis on the short term weapons applications of inertial confinement for simulation of H-bombs — is the fact that the recent success at Livermore Lab in obtaining isentropic compression obviates the need for more underground H-bomb tests to check new weapon designs. This is why Carter has offered to unilaterally halt these costly underground tests — they can now be done in the laboratory. The object obviously is to get the Soviets to go along with the charade and thereby fall behind U.S. weapons development.

Ironically, the e-beam research, which lends itself to more rapid development of peaceful applications and reactor development, is being cut back, but at the same time provides the means for much better weapons simulation.

First CO₂ Laser Fusion Achieved At Los Alamos

Researchers at the U.S. Los Alamos Scientific Laboratory reported yesterday that they have obtained laser pellet fusion utilizing a carbon dioxide gas laser. The scientists stated that these experimental results indicate that as much as "ten to twenty years could be lopped off" previous projections for the time it would take to develop commercial laser fusion power plants. It is now expected that a proto-type fusion generator could be operating by the early 1980s. This significant breakthrough in harnessing the virtually infinite energy of nuclear fusion reactions is based both on major technological and frontier scientific advances. Like the hydrogen bomb, laser pellet fusion is based on inertial confinement. Laser beams can only compress and heat very small quantities of fusion fuel and therefore only produce microexplosions like those in a gasoline engine.

Until now the only high energy laser system capable of producing the conditions for inertial confinement fusion have been solid glass lasers. But these glass lasers do not appear to meet the minimal technological needs of actual power plants. First of all they are very inefficient. Furthermore, they must be cooled down after each "shot." For a power reactor the laser must be shot at least once a second. Also glass lasers, while developing sufficient power levels and total energy outputs for demonstrating the scientific feasibility of laser pellet fusion, cannot be straight-forwardly scaled up to the sizes needed for power plants.

Carbon dioxide gas lasers, on the other hand, have efficiencies of up to 5 percent, and very high repetition rates. According to scientists at Los Alamos, scaling carbon

dioxide lasers up to the sizes and shot rates needed for power plants is within existing "state of the art" technology. The main problem has been that carbon dioxide laser light has a wavelength (10 microns) 10 times that of glass lasers (1 micron). From the initial linear physics analysis it appeared that the long wavelength carbon dioxide could not be efficiently coupled into the pellet. But, more recent theoretical and experimental work had pointed to the fact that non-linear laser-plasma interaction led to efficient coupling of the laser beam into the pellet regardless of the wavelength.

In experiments beginning in Oct. 1976, scientists at Los Alamos demonstrated that these new non-linear theories were indeed correct. A two-beam, carbon dioxide laser system with a total energy of 200 joules delivered to the pellet in less than a billionth of a second produced up to 100,000 thermonuclear neutrons. This is 10,000 times less than the billion neutrons produced with glass laser systems at Lawrence Livermore Lab late last year, but these Los Alamos experiments do demonstrate efficient coupling of carbon dioxide lasers.

An eight-beam carbon dioxide laser system will begin operation at Los Alamos in 1978. With the recent Carter Administration cuts in the fusion research budget, the High Energy Laser System at Los Alamos — an upgrade of the eight-beam system which will reach break-even — has been set back several years beyond its originally scheduled start-up date of 1981, if it is authorized at all. With an expansion of the existing program demonstration commercial prototype laser fusion power reactors could be brought on line by the early 1980s.

The Cowardice Of Leonid Brezhnev

L.I. Brezhnev has become the laughing stock in the hallways and toilet rooms of the Center for Strategic and International Studies at Georgetown and Brzezinski's National Security Council for ordering the reversal of the policy to push through the transfer ruble to replace the bankrupt dollar in the Eurodollar market.

As a result of this blunder, the aging politician's public career cannot but soon end in one of three possible ways. Either he will somehow be removed from power by more rational and more determined forces in the USSR, probably under the nominal accusation of "harebrained scheming" in some, mercifully unrelated area of policy; or some new version of a public anti-personality cult campaign will clip his wings and force him, while staying in office, to comply with an aggressive policy of pursuing a transfer ruble offensive along with other features of the U.S. Labor Party's International Development Bank strategy.

The third alternative will be for Secretary Brezhnev to succeed in maintaining his present course and thus see the world go up in thermonuclear smoke, probably before this year is out. This is what will become of his pathetic pursuit of detente through capitulation.

The first signs of this capitulation began emerging during the latter part of January when the Carter team apparently wrung out of him the promise to reclassify the so-called "Rudakov disclosures" pertaining to major Soviet breakthroughs in plasma physics, and to consider a Salt III round of disarmament negotiations for banning research and development for qualitatively new weapons — the one area where the USSR maintains an identified marginal advantage.

That capitulation might have been construed at the time of its occurrence as a strategic deception maneuver, and it might have thus been sold to reluctant Soviet commanders. However, it lost its potential character of such a brilliant strategic bluff when it became known, from the second week of February onward, that the USSR Politburo's majority is forcefully pushing to reject the gold-backed transfer-ruble-based solution to the world monetary crisis, as that proposal was then being pushed by Hungarian, Czech, East German and other officials along with a large contingent of anti-Atlanticist Italian industrialists then visiting Moscow.

The more spectacular maneuvers in the push for the transfer-ruble included major statements by the head of the Hungarian Central Bank, moves by Soviet officials through the Moscow Narodny Bank to order implementation studies at London banking houses, and impressive press coverage in primarily the Italian and British press.

Even though many of these efforts are still alive, the momentum has been ordered to stop dead in its tracks.

However, the Monetary Commission of the COMECON has scheduled the transfer-ruble to be one of its top

agenda items in its sessions throughout the remainder of this year.

East European and Soviet political leaders will be making a fatal error if they credulously buy the rationalization that Soviet leaders such as Brezhnev oppose the transfer-ruble proposal for "ideological" or "economic" reasons. The reason that Brezhnev is backtracking is fear of provoking Wall Street's wrath — he has lost nerve at a moment when the pressure of responsibility has reached a peak and he preferred to beat a disastrous retreat.

Therefore, any remedy to the current Soviet leadership disaster must include, for Brezhnev, the usual kind of treatment reserved for commanders who have suffered a loss of nerve at critical turning points. Leonid I. Brezhnev has reacted to the demands of crisis in the typical way L.D. Trotsky was known to react: do nothing and hide behind self-righteous slogans. Hence we have the pathetic spectacle of third rate party flunkies, in vociferous tones denouncing the transfer-ruble proposal as "revisionist." This is accompanied by similar such posturing in Pravda and Ivestia where the hysterical refusal to single out the New York financiers and the Rockefeller family as the party of fascism and war is covered up by childish "tough" "analyses" designed to make the point that "all capitalists are war mongers," and "only softies distinguish between industrial and financial capitalist factions."

These are no Maoist shenanigans, nor is Brezhnev about to launch a fire-eating "Third Period" spectacle. He is simply trying to sidetrack the forces pushing for the transfer-ruble because he is afraid the United States will retaliate with all the horrible things needed to rest his detente strategy in ruins.

The Geopolitical Issue

This fear of a U.S. retaliation is unfounded, in the sense that it proceeds from a notorious inability of Secretary Brezhnev and his associates to conceptualize what political transformation would crystallize *in the West* as a result of a determined push of the transfer-ruble solution by the USSR.

In the context of economic-industrial correlation of forces operative at the present time, there exists no alternative to Lower Manhattan's hyper-inflated dollar and the institutions which keep it alive, other than the gold-backed transferable ruble around which international trade can be restored and launched out of the present depression depths. The reason for this have been identified on numerous occasions in U.S. Labor Party publications.

The Soviet Union's vigorous propagation of this solution would inevitably have the immediate effect of solidifying the Western European industrialist-based governments' presently strong tendency to break away from the dollar in favor of the only available alternate

world arrangement — the one based on the transfer-ruble. Such Western European motion, as has been repeatedly demonstrated in recent weeks, tends in turn to reinforce the Arab oil producers' propensity to break away from the Eurodollar financial bubble in favor of productive investment venture. This is especially the case in the developing sector and in those industries in the advanced sector whose output is indispensable for a worldwide technology-transfer policy in favor of the Third World. Concomitant with this Western European and Arab motion, is the tendency of developing nations' governments to break with the dollar by means of debt moratoria and outright repudiation of debt to New York banks.

This motion is presently threatened to collapse under the combined blows of a wide range of Brzezinski-Vance destabilization schemes in the West and the Soviets' treacherous retreat away from the transfer-ruble.

Indeed, as of the failed Italian industrialists' visit to Moscow in late February, the world situation has been deteriorating by leaps and bounds in the direction opposite to the transfer-ruble based New World Economic Order. Two historic editorials in the New York Times on March 5 and 6, entitled "Bailing Out Our Banks Abroad" and "Old Soldier Keynes," outlined with brutal lucidity the Trilateral Commission's immediate perspective: every single solitary government in the non-socialist sector of the world economy is to be transformed into a debt collecting agency for the New York banks *with no other administrative task than this*. Any government, however otherwise friendly and obedient, is to get axed the very minute it threatens to pursue anything but debt collection. The "human rights" campaign is geared up by the very personnel that conducted the Vietnam war, for use as a destabilization device for such occasions — the treatment of the Brazilian junta since its insistence on building nuclear power reactors is exemplary of this Lower Manhattan technique. Simultaneously, the Securities and Exchange Commission has announced plans to launch forty-four simultaneous "Lockheed scandal" type investigations of U.S. companies "bribing" foreign governments, for use in destabilizations against developed-sector governments.

The short-term strategic result of this is the encirclement of the socialist community by an undifferentiated sea of Lower Manhattan-controlled fascist regimes throughout the developing and advanced capitalist sector at approximately the time that available loot in that sector runs out to thus fuel a renewed *Drang Nach Osten*. As the New York Times "Old Soldier Keynes" editorial proclaimed, the era of economics in world relations is over — what counts now is political, covert-operations and outright military warfare.

What Is To Be Done?

The cause for this deterioration in world affairs is Leonid Brezhnev's retreat from the responsibility of shaping the world market into an environment favorable to the further growth of the socialist community's economies, via the internationalization of the transfer-ruble.

However, increasingly since 1973, leading forces and spokesmen have emerged throughout the Socialist bloc

who have systematically developed the perspective that any future growth of the socialist economies must necessarily be part of a deliberately guided effort to transform the world division of labor and thus the rates of productivity growth of the world economy as a whole. This is a cogent perspective first developed by what we can label the science-and-technology tendency in the bloc, composed mostly of statesmen and politicians who have developed an adequate grasp of the needs of the advanced-technology, capital-intensive sector of Soviet and East European industry. This is also the group which was first to grasp the unique necessity of the transfer-ruble as a political instrument to transform the present mess in the world market into an environment that fosters high growth rates and expanded world trade turnover.

The Brezhnev tendency, having abandoned this responsibility toward the world's productive economy, has fallen back into an introvert-paranoid orientation of "hard line" national defense: We won't lift a finger to clean up your mess in the capitalist world and as soon as fascism takes over, we hope it leaves us alone in our home, or else we'll blow you up. The Politburo majority at the present time is following the path toward war through capitulation.

There is evidence that it took a lot of arm-twisting to get strategic thinkers in the Soviet military establishment to succumb to Mr. Brezhnev's Munich policy. Omitting the cumbersome details of how this was done during February, with articles of the Party's supremacy over the Armed Forces and what not, the important conclusion for anti-Atlanticist forces in the capitalist sector is that there exists, however subdued at this time, a powerful and maturing political tendency in the Socialist bloc which could take up that sector's responsibilities toward the world economy, including the fight to impose the transfer-ruble over the U.S. dollar in settling world trade imbalances.

Working-class and industrialist forces in the west, inclusive of the developing sector, have hardly any choices in this matter. They are, at present, being kept hostages for intense economic looting which will end at the time the Soviet strategic missiles will begin pouring in. Therefore, the only course left to them is action, singlemindedly pursuing two objectives: 1. Immediately bankrupt the New York banking faction by means of unilateral debt moratoria and 2. Strengthen the hand of the pro-transfer-ruble tendencies in the socialist camp itself.

If these forces, both inside and out of governments, find their courage inadequate for such a course of action, they might be helped by the thought that "Towards starve" and then get incinerated. A display of courage and statesmanship on their part, however, would go a long way in remedying the damage that Leonid Brezhnev's cowardice has already caused. The world has a legitimate interest and right to intervene in the internal political affairs of the Soviet Union in this fashion.

Once such an object is accomplished, Secretary Brezhnev's other more amiable qualities may be reconsidered in a friendlier light. His peaceable grandfather image could indeed be an asset to a world which will have successfully left behind it the present dramatic problems of war and peace.

—by Criton Zoakos

Soviet Fossil Fuel Production Up Despite Bottlenecks

What one Italian industrialist has called the complementarity of the Soviet and Western European economies is apparent in the USSR's programs and problems in energy development. In the immediate term, the most accessible route to expansion of trade between these two sectors is that of further deals of the "resources for technology" variety, such as the natural gas for wide diameter pipe projects which have sprung up between the USSR and individual EEC members in the last decade. These enable the depressed Western European steel industry to produce and in turn help widen bottlenecks in Soviet energy infrastructure.

Incremental expansion of these East-West energy technology deals is occurring through barter arrangements, such as the late 1976 agreement for the USSR to supply 10 billion cubic meters of natural gas to Italy over a four-year period in return for shipments of steel pipe. But as the meager yield of last month's 180-man delegation of Italian industry representatives to Moscow attests, want of financing blocks a far greater volume of trade. With gold-backed transfer ruble accounting under international agreements, a breakthrough which Moscow had broached but is not pushing hard at this moment, technology transfers would become possible on a scale sufficient to revolutionize the Soviet economy, chiefly by the mechanization of agriculture for higher yields and release of most of the 30 percent of the Soviet work force tied up in that sector. In that context, Western European, Japanese, and U.S. participation in rapid exploitation and exhaustion of Soviet fossil fuels would follow during international efforts to shift the world economy

onto first nuclear fission power and subsequently controlled thermonuclear fusion.

In the meantime, Soviet fuel exports contribute an important margin to Western Europe and selected Third World nations.

Leading Soviet officials, including State Science and Technology Committee Chairman V. Kirillin, have put their commitment to fusion breakeven and then commercial fusion power on record, and the Soviet advances in this field are well known. In the tenth five-year plan of 1976-80, however, fusion figures only in the R and D category. The plan features rapid growth of nuclear fission electroenergy production and exploitation of the vast fossil fuel and hydroelectric resources of the Siberian frontier. Here we review 1976 results in the context of this five year plan (5YP). (See Chart 1.)

Oil and Gas

The growth of oil and natural gas production during the 10th 5YP is inseparable from Siberian development. The older fields of both, located in the European part of the country, have peaked or will begin to decline soon. The entire 149 million ton increase in annual oil production targeted for 1980 is to come from Siberian wells, primarily in the Western Siberian region known as Tyumen' which is just east of the Ural Mountains above 58° north latitude. The giant Samotlor field on the Ob River there, with reserves estimated at one and a half times those of the Alaska North Slope, produced 111 million tons in 1976 (61 per cent of Western Siberia's output) and has not peaked yet. Although no field discovered since Samotlor

Chart 1—USSR 10th Five-Year Plan Energy Goals and 1976 Fulfillment

	1975 (ACTUAL)	1976 (ACTUAL)	1976 PERCENTAGE GROWTH	1980 (PLAN)	1976-1980 PERCENTAGE GROWTH (PLAN)
OIL (MILLIONS OF TONS)	491	520	6	640	30
NATURAL GAS (BILLIONS OF CUBIC METERS)	289	321	11	435	50
COAL (MILLIONS OF TONS)	701	711	1.5	805	15
ELECTROENERGY (BILLIONS OF KILOWATT HOURS)	1,038	1,111	7	1,380	33

SOURCE: EKONOMICHESKAYA GAZETA

began production in 1969 has equalled it in reserves, seven smaller Tyumen' fields were started up last year.

Anticipating the pattern of the entire 10th 5YP, Western Siberia's oil production grew faster in 1976 than the national total, rising 22 percent while the total was up 6 percent. As the Volga-Ural fields, which in 1960 produced 60 percent of Soviet oil but are now contributing under half continue to decline, Siberia must rise. Oil Industry Minister Shashin has forecast that an average 100 million tons per year new oil-extracting capacity must be put on production during the 10th 5 Year Plan, two-thirds of which will compensate declines elsewhere. Western Siberia is to rise from 30 percent of total production in 1975, to nearly 50 percent in 1980. Last year it reached 185 million tons, 35 percent of total.

The shift to Siberia was visible in 1976 natural gas production, where the plan-exceeding 11 percent growth was chiefly from four Western Siberian fields and the Orenburg field at the lower end of the Urals ridge (see Chart 2). The Orenburg field, which is the starting point for a major pipeline under construction as a joint Council for Mutual Economic Assistance project to carry natural gas to Eastern Europe, increased production 59 percent. The West Siberian fields and Turkmen Republic in the south were up, while the older Ukrainian fields showed no increase. The drop-off in Uzbek natural gas production in 1976 was due to a severe earthquake in the summer with its epicenter in the middle of the gas fields there.

Natural gas is the most rapidly developing extractive industry in the Soviet Union: its use in the Soviet steel industry doubled between 1966 and 1975 and tripled in chemicals, and it now fuels 40, 60 and even 80 percent of plants in various branches of these industries. Because the sources of this priority fuel are increasingly to the East and North, the pipeline and related transport re-

quirements are great. This is where a bottleneck has tightened already in the 10th 5YP. Gas pipeline construction was 5,500 kilometers last year whereas the average 10th 5YP year's increase should be in the vicinity of 7,300 kilometers to approach the 1980 target level (see chart 3). The 1977 year plan calls for playing catch-up, and the 1977 oil pipeline target represents a similar recouplement after a construction drop, although in that case the 1976 figure has not been officially declared a shortfall. Gas compressor and storage facility quotas were also missed in 1976.

In the wake of the 1976 pipeline shortfalls, the first months of this year have seen a lively debate aired over whether it is preferable to push ahead with maximum pipeline construction to the gas fields near or above the Arctic Circle or if it is better to build more industry in the far north to consume the gas there. A special team sent to Tyumen' last month by the party paper *Pravda* wrote a stinging criticism of "opponents" of the second argument, and urged the Gosplan and the Ministry of Energy to back the construction of methanol and ammonia plants and thermal power stations in the center of the Tyumen Region. The construction requirements of such industry in the north would be phenomenal, even by the measures of Siberian development, in which whole cities are going up around the hydroelectric power stations, industries and railroad in the more temperate parts of Siberia to the southeast.

The level of national mobilization for getting the utmost out of Soviet oil and gas deposits was also highlighted this month in remarks by the President of the Academy of Sciences, Anatolii P. Aleksandrov. Addressing a meeting of the Academy presidium, Aleksandrov made special reference to research in pressurization techniques to make possible fullest production from wells on the decline. Half of Aleksandrov's presentation

Chart 2—Natural Gas Production Shifts East

(BILLIONS OF CUBIC METERS)

	1975		1976		GROWTH (%)
	OUTPUT	% TOTAL	OUTPUT	% TOTAL	
UKRAINIAN SSR	68.7	24	68.7	21	--
TURKMEN SSR	51.7	18	62.6	19	21
TYUMEN' (W. SIBERIA)	35.7	12	47.8	15	34
UZBEK SSR	37.1	13	36.0	11	- 3
ORENBURG REGION (URALS)	20.0	7	31.8	10	59
KOMI ASSR (NORTH, WEST SIDE OF URALS)	18.5	6.4	19.6	6.1	6

SOURCE: EKONOMICHESKAYA GAZETA

Chart 3 — USSR Oil and Gas Pipeline Construction

(THOUSANDS OF KILOMETERS)

	8TH 5 (YEARLY AVE.)	9TH 5YP (YEARLY AVE.)	1975	1976	1977 (PLAN)	10TH 5YP (YEARLY AVE. -PLAN)
OIL & OIL PRODUCTS MAIN LINES	2.0	4.5	4.8	2.7	4.0	
GAS MAIN LINES AND BRANCHES	5.0	6.5	7.3	5.5	6.5	7.3

Sources: SSSR v tisfrakh 1975
Izvestia, Jan. 23, 1977
Ekonomicheskaya Gazeta

was devoted to the tasks of scientists in energy development.

Coal Industry Meets Construction Problems

Although the share of coal in Soviet energy production will decline during the 10th 5YP to approximately one quarter of the total in 1980, the planned 22 million ton increase in production for 1977 is the greatest in the past decade. While the growth of coal exploitation is to be more moderate than that of the other fossil fuels — ranging between last year's low 1.5 percent and 3.8 percent annual rises during the 5YP — the 1976-80 coal quotas include coal for an increasing portion of electroenergy generation, where coal and coal-oil mixes will take over from oil and gas in many power plants. This means more oil available for export.

While the overall coal production plan was met in 1976

by the skin of the teeth, 28 percent of the mines were under. More productive mines balanced them out. More troublesome for the prospects of reaching planned growth levels in the next few years was the government's report that in the *majority* of coal mining areas the plan for capital construction for the coal industry was missed. The 1977 target has been set at new capacity to produce over 20 million tons of coal, which compares with the 1976 12.6 million tons new capacity, and 24.4 million tons in 1975, the last year of the 9th 5YP which averaged new capacity for 22.8 million tons each year.

The 1977 coal increase is assigned chiefly to Siberian regions such as the Kuznetsk basin (assigned 3.5 percent increase) and the new Kansk-Achinsk fields in Eastern Siberia (to rise 9.5 percent). Coal production in January 1977 was 61.8 million tons, or 8 percent of the year's goal.

— Rachel Berthoff

Reactors Without Naderites And Dams Without Snail-Darters

The most rapidly expanding sector of the Soviet energy industry is primary electrical power production, from nuclear and hydroelectric power stations. Together comprising two-fifths of new power capacity to be built in the 10th 5YP (see chart 4), nuclear fission and hydroelectric plants are to be producing 277 billion kilowatt-hours in 1980, an increase of 90 percent from the 1975 level. Their share in Soviet electricity generation will then be 20 percent, compared with 14 percent today (see graph 1).

Whatever shortfalls may occur in meeting these goals, they will not be due to controlled environmentalists'

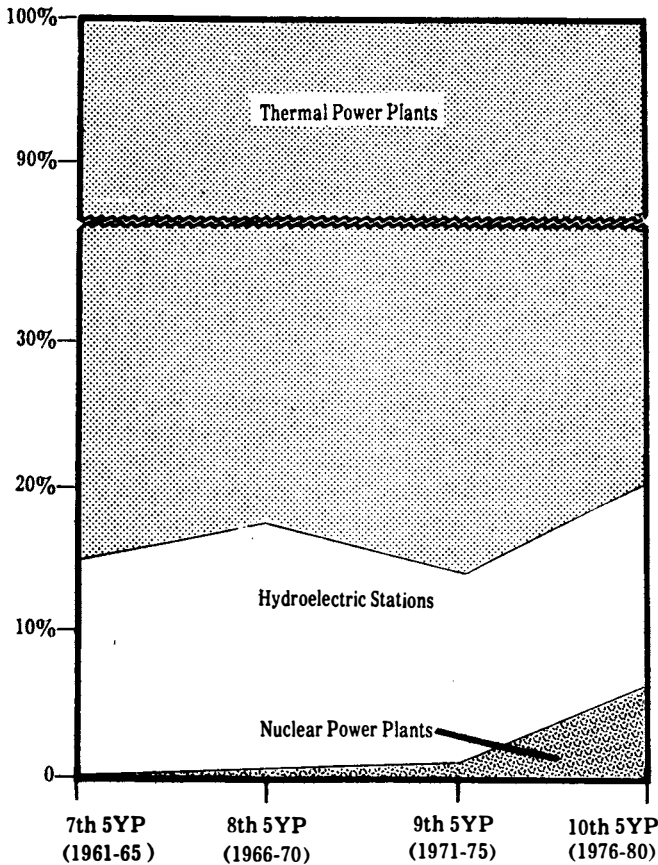
demands such as those which have crippled United States fission power projects. For the USSR, these power sources are in the development plan to stay.

Fission for the European Section of the USSR

The oil-rich Soviet Union was slower than the U.S. to build nuclear reactors for electrical power during the 1960s, although it had one 600 mWe station operating in the Ural mountains already in 1958. Now there is a second plant in the Urals, three in the European part of the country (including the 2,000 mWe Leningrad giant), one in Armenia, and one on the Caspian Sea which runs

Graph I

Growth of Soviet Hydro and Nuclear Electric Power Production as Portion of Total Electric Power Produced



desalinization facilities. The three plants due to come on line during the 10th 5YP are in the European sections of the country, in the old industrial districts of Russia and the Ukraine. Other plants under construction and sites projected for the next decade are also in the western sections, except for one at Sverdlovsk in the Urals.

The 1976-80 planned take-off in fission power generation (from 1 percent to 6 percent of electricity) was motivated by the increasing cost of fossil fuel production from deposits farther to the north and east. The safely constructed nuclear plants are best located in the heavily settled western districts where industrial energy consumption is highest. The Soviets select un-fertile land for construction sites, so as not to limit potential agricultural expansion.

The USSR has assisted in building nuclear power plants in Bulgaria, Czechoslovakia and the German Democratic Republic, and construction on a plant in Poland is slated to begin in this 5YP (Poland anticipates depletion of its vast coal reserves in the coming

decades). By 1980 production from these plants will be nearly one-third the total USSR and Eastern European output.

Special developments for nuclear power in the 10th 5YP include completion of "Atomash", a factory for serial production of fission reactors and commissioning of a special university, the Institute of Atomic Power. The new school will be organized in Obninsk, a town south of Moscow where the Soviet Union's first laboratory for nuclear reactor development was established over two decades ago by Academician I.V. Kurchatov, the father of the Soviet program for peaceful utilization of nuclear fission as well as instigator of the country's controlled thermonuclear fusion research program. It will build on the Obninsk branch of the Moscow Physics and Engineering Institute, raising that institution's student body from 1200 to 3500.

Siberian Hydroelectric Power

The expansion of hydroelectric plants in the current 5YP is concentrated on the powerful Siberian River system of the Yenisei and its tributary Angara. Here, where there are already three producing power dams, five more are on the way during the 10th 5YP or the 1980s. Spaced at intervals along the Himalayan-fed rivers, these dams are the focal points of the giant industrial complex of Eastern Siberian development which encompasses several new cities and the Baikal-Amur railroad to the Pacific Ocean. This comprehensive project, rather than a narrow specialization on the power resources of the area, is the distinguishing characteristic of the USSR's Siberian development perspective. Sayany, for example, a comparatively small area on the southern Yenisei River will house the Sayano-Shushensk hydroelectric station, the largest in the world. Around that center, timber, iron ore, non-ferrous metals, alumina, coal, asbestos, and phosphate will be exploited. When the project is completed 15 years from now, the industrial complex outside the central city of Abakan will have 120 enterprises including a turbo-generator plant, high-voltage equipment factories, power transformer and cable manufacturing, a foundry, an electrical engineering institute with nine departments, and welding, stamping, and metal works to service the hydroelectric plant and other power facilities in Siberia. A primary difficulty will be finding workers to fill all the complex's jobs.

Chart 4 Introduction of New Electric Energy Generating Capacity (MWe)

	7th 5YP (1961-65)	8th 5YP (1966-70)	9th 5YP (1971-75)	1975	1976	10th 5YP (1976-80) (plan)
Total new capacity	48,000	54,800	58,000			71,000
Yearly average (1975, 1976 shown exactly)	9,600	10,900	11,600	13,000	11,900	14,200
Atomic power stations			3,800			15,000
Hydroelectric stations			9,100			13,000

Sources: SSSR v tsifrakh, Izvestia, Ekonomicheskaya Gazeta

Gardner, Carter Advisors Plot To Topple Italian Gov't

ITALY

A prominent Milan industrialist known to the U.S. and European Labor Parties has informed the U.S. Labor Party that the U.S. Embassy in Rome had threatened him that unless he ceased all contacts with the USLP, the United States would cancel all orders with his company. This open threat of economic warfare, exactly like the Cold War tactics used against Italian industry in the 1950s, came one day after the Labor Party had testified in Washington before the Senate Foreign Relations Committee against Richard Gardner's confirmation as U.S. Ambassador to Italy.

At the hearings, Gardner emphasized that the major issue for Italy is the country's economic bankruptcy and the ability of the government to cut wages and take severe energy conservation measures to pay the debts. The Senate hearings made it clear that Gardner had been tapped for — and accepted — his new role as the lower Manhattan bankers overseer to guarantee debt collection. "Italy's other problem is financial," Gardner remarked, "and I hope the IMF (International Monetary Fund) can take care of the situation."

Gardner, a member of David Rockefeller's Trilateral Commission and co-author of several Trilateral reports on "reorganizing" the world under the rule of the New York banks, has been entrusted with overthrowing the pro-industrial government of Prime Minister Giulio Andreotti and establishing the U.S. Embassy as the de facto seat of the Italian government. Italy has been singled out because of the leading role of the Andreotti government in European and Third World efforts to bring about a new world monetary system and thus to destroy the Rockefellers' dollar empire.

To carry out his assignment, Gardner will make use of massive funding and mobilization of agent networks within the Italian political spectrum — the method first used by the CIA in Italy itself in 1947-48 and raised to bloody perfection with the coup d'état against Chile's Allende government in 1973.

Fittingly, Senator Jacob Javits, himself a lifetime Rockefeller retainer, likened Gardner during yesterday's hearings to "the last great American Ambassador to Italy, Mr. Zellerbach" — the postwar envoy who destroyed the governmental alliance between the Communist-organized labor movement and development-oriented industrialists which had emerged from

the anti-fascist Resistance struggle of World War II.

Now, as two separate sources from the Rockefeller-created Center for Strategic International Studies at Georgetown University leaked to a friendly Washington reporter this week, the U.S. scenario calls for South American "ungovernability" to bring down the Andreotti government by late spring.

Walter Laqueur, Research Director of CSIS, and Michael Ludine, a CSIS resident expert who recently returned from a 10-year stint in Italy, volunteered that "Italy is a new Argentina, Italy is ungovernable." They cited the current truckers' strike and parliamentary debate of the Lockheed scandals as the kind of "secondary" issue which could fatally destabilize the Andreotti government. "By late spring," both predicted, "the government may fall."

Preparatory to Gardner's confirmation, the lower Manhattan banks have deployed their top trade-union agents to Italy with the object of undermining the enormous Italian Communist Party (PCI), whose support is well known to be the mainstay of Andreotti's minority government. Carter's leading slave-labor advisor Eli Ginzberg, identified in the Italian press as a Gardner intimate, will return to Italy in March for his second trip in two months. Meanwhile, the top aide to AFL-CIO Secretary-Treasurer (and Trilateral Commission member) Lane Kirkland is on "extended leave" in Italy.

Organizing for Slavery

Ginzberg has a clear Carter mandate to disrupt Italy's trade unions. Ginzberg's attention is centered on the largest and politically most powerful union, the Italian Metalworkers Federation (FLM), which he intends to provoke into actions against Andreotti's government. In January, immediately after Ginzberg's Rome meetings with then FLM head Georgio Benvenuto, wildcats erupted at the Fiat plants in Turin. The Fiat workers confessed that they had no reason to go out on the wildcat, since negotiations with the company were not to begin until February, but that orders had "come from the top" to go out on strike.

Ginzberg's January visit to Italy, according to the Feb. 2 and Feb. 23 issues of the national weekly *Il Mondo*, concentrated on leading intellectuals in the Italian Socialist Party (PSI). Under the explicit mandate of the U.S. Embassy, and escorted by U.S. Embassy cultural attaché Richard Arndt, Ginzberg met with the PSI's economic experts, Paolo Sylos Labini and Claudi Signorile, as well as with Benvenuto, until recently the

leader of the FLM and now a national secretary of the UIL confederation.

Now Benvenuto has obediently gone public with an endorsement of Ginzberg's specialty — slave labor. At his March 8 "Conference on Youth Employment" in Milan, Benvenuto praised "the revival of manual labor" for youth and called for an end to compulsory education, to solve the "problem of educational elitism." So drastic was Benvenuto's deschooling proposal that even the hatcher of the terrorist Red Brigades, brainwasher Francesco Alberoni, came to education's defense.

The next day in Florence, a national metalworkers' conference — the first to allow students to participate — took up youth manual labor as a solution to youth unemployment. The meeting turned immediately into a brainwashing confrontation between the 1,200 official FLM delegates and the "autonomous Maoist students." Up went the call for the "involvement of youth in the workplace" as a centerpiece in the industrial recon-

version bill, a bill presently pending in the parliament which would provide 2 trillion lire for state industries in new capital formation for trade. Insertion of a slave-labor clause would postpone the approval of the bill by another three months at least.

The FLM conference also officially endorsed slave labor over productive employment as the focus of trade union struggle, an argument stressed particularly by the Altanticist agents in the Italian Communist Party (PCI) centered around Giovanni Berlinguer (brother of the PCI's General Secretary) and Giorgio Amendola. Berlinguer announced that the PCI youth would now initiate its own push for slave labor. "We have fought for a long time for productive employment," he said, "now we will push for any kind of work."

And finally, the FLM sanctioned a general strike on March 18 aimed explicitly against the Andreotti government.

Senators Ask Gardner: 'Is Italy Going To Make It?'

At a series of hearings of the Senate Foreign Relations Committee March 7 on a series of Carter Administration appointments to the State Department, Senators Javits (R-NY) and Percy (R-ILL) heard testimony by Richard Gardner, named U.S. Ambassador to Italy.

In their questioning of Gardner and related comments, Javits and Percy assumed that Gardner was to be no mere Ambassador — a point widely acknowledged in Senate circles who observed yesterday that as one of Carter's earliest supporters, Gardner would only settle for an ambassadorial appointment if "there were a very, very important job to do."

Javits led off the discussion on Gardner's confirmation by commenting: "Mr. Gardner's appointment reminds me of one of the last great American Ambassadors to Italy, Mr. Zellerbach (of the Crown-Zellerbach family —ed.) during Italy's troubled postwar period (a period of extensive documented CIA covert operations in Italy —ed.). Here, in Mr. Gardner, we have someone of comparable stature and Italy is in comparable trouble." Javits bluntly inquired: "Is Italy going to make it?"

Gardner replied: "The major problem for Italy is the question of energy and oil imports. The U.S. must ensure there is greater energy conservation throughout Europe. Italy's other major problem is financial and I hope the IMF can take care of the situation."

Sen. Percy drew a parallel between Italy's financial crisis and that of New York City, observing: "Much as we have learned in New York City, when someone asks a banker for money, he should expect to receive friendly, but firm, advice from his banker. The advice for Italy should be of the following nature: the problem in Italy is inflation due to wage increases. There are no incentives for productivity. Don't you think wage increases must be slowed?"

"Yes, the problem has been that the trade unions have been reluctant to accept any substantial modifications in the cost of living agreement. We do have to slow inflation because labor costs have risen by 17.5 per year — wage inflation is the main problem. (Prime Minister) Andreotti has been courageously attacking this, but it's only a beginning — he must be more aggressive."

Sens. Percy and Javits praised Italian curbs on energy imports, prompting Gardner to exclaim, "Isn't it wonderful, the Italians pay \$2 a gallon for gas."

Javits concluded the questioning by remarking, "I hope you can come back in two to three months and report on whether Italy will make it."

A U.S. Labor Party spokesman presented testimony against Gardner's confirmation, citing Italian statements protesting Gardner's appointment and predicting he would play an on-the-spot coordinating role for Carter destabilizations of the Andreotti government. The committee had no questions, and adjourned.

D.C. Think Tank Explains Italy Scenario

The following are two interviews with staff members at the Center for Strategic and International Studies that were conducted by a Washington-based reporter and passed on to EIR. The first interview is with a high-ranking official at the Center.

Q: Do the scandals surrounding the Schmidt government in West Germany threaten to bring down his government?

A: Schmidt is not in trouble. The only thing that happened is that a girl friend of a nuclear scientist arranged meetings between the scientist and a terrorist, and the government surveilled him. None of the criticism is really hostile, it has not challenged the government's wiretapping procedure... These are not Schmidt's problems.

Q: What are his problems?

A: Number one, his setbacks with his coalition partners — the Free Democrats, and number two — the economic situation, the slowdown in the economy over the past two years...

Q: What about the charges that his party used government funds for financing their election campaigns?

A: There is nothing new about this. All three major parties have been implicated in this kind of thing, individuals in all three have been charged with this over the past two years.

Q: What about Carstens' call for new elections?

A: I didn't know about that, but it means nothing. Carstens will always call for new elections every chance he gets. If new elections were held now, he would probably win. His party lost by only half a percent last time, and now Schmidt is weaker.

Q: Will there be new elections?

A: No, no. His call for elections means nothing right now.

Q: What about the situation in Italy? I thought the two countries were experiencing similar challenges?

A: No, no. Italy is different. There is no government crisis there now, but who knows...it may happen. But no one wants to bring it (the government—ed.) down right now. No one is ready, but probably by the late spring the PCI will be ready. ...You should talk to my assistant, our expert on Italy.

Interview with assistant.

Q: Will the truckers strike or Lockheed scandal that have emerged in the past week effect the governability of Italy under the present Andreotti government?

A: Ha! The country is ungovernable anyway... Look, this is very complicated. This is what is going on: The Italian Communists (PCI) have emerged as a force for law and

order. But the PCI has created a Frankenstein monster... its mass base will not go along with its support of the government. So, Italy is the new Argentina (a reference to Argentinian situation before the 1976 military coup—ed.). Before the Communist Party (CP) was the opposition, but now they are so strong that they are responsible for everything. As a result they are for law and order. For example, the Christian Democrats (DC) and the PCI have made a deal on the Lockheed investigations. Up until a few weeks ago *Unita* was calling for more and more investigations, now they have stopped. The CP today is in its most comfortable position. They are not in the cabinet, so they are not responsible for the government, but in fact they are responsible for everything. The Italian government can't do anything without the CP's support. But despite their comfort with this, the situation continues to go from bad to worse and the government with the CP's support enacts an austerity program. This situation encourages the far left to act against the government and make the trade unions restless, both breaking from the CP's policy of support for Andreotti.

Q: Why did your colleague suggest the late spring as the time when the Andreotti government may fall?

A: Probably because crises usually happen then, early enough so elections can be held before the August vacation period.

Q: Doesn't the country and the CP gain stability through trade deals with the Soviets?

A: No. They make money, but they don't gain stability. Togliattigrad was bad for Italy. The jobs went to Russian workers, not Italian. It is now immediately apparent that the Italian government will fall over the Lockheed scandal — itself a secondary issue — but will do so because of the primary issues.

Q: What are the primary issues?

A: The primary issue is bankruptcy. The country is bankrupt. It can't pay its debts, it can't provide social services. Unemployment is massive. There are kidnappings every day. Judges are shot in the streets in broad daylight, but it is unlikely that any of *these* issues will topple the government... Remember, a committee of the U.S. Senate produced a governmental crisis in Italy without any hard evidence at all. As usual, there is no hard evidence to the present charges. In fact, I believe that Gui and Rumor are innocent, but that will not matter....

Q: You said earlier that the Andreotti government is not pushing East-West trade any more than any previous government, in fact less so. But it is the Italians in the past six months that have been pushing the transfer ruble proposal more than anyone else in Western Europe. This shows that they are also more pan-European in orientation than previous governments.

A: No, no. The Soviets didn't author the idea of using the transfer ruble in Europe. The Italians proposed a negotiable credit instrument in the form of the transfer ruble — what I've heard called the "Euro-ruble" — when the Russians asked to buy more Italian goods. This is the transfer ruble, but the Russians rejected it.

AFL-CIO Plays "Dumb"

The following are excerpts from an interview with a staff member at the AFL-CIO International Affairs Department.

Q: How do you think the scandals around surveillance of a nuclear physicist and the improper use of funds by the West German SPD affect the viability of the Schmidt coalition government?

A: All I know is what I read in the newspaper. ... Why are you calling us anyway? We don't know anything about these things, we really don't.

Q: Aren't you sympathetic to the SPD?

A: Of course, but that doesn't mean anything. Why Mr. Meany met with Willy Brandt this morning, but that doesn't mean we support everything the SPD government does, or that they talked about it.

Q: Well, let me ask you about a similar situation in another country. I wanted to talk to you about...

A: (Interrupting) ... Italy!

Q: Why, yes, Italy ...

A: (Interrupting) We don't know anything about it... although I can understand why you would think we would.

TWO REPORTS FROM LYNDON H. LAROCHE IN EUROPE

Carter Subverts Western European Governments

WIESBADEN, BRD March 4 (NSIPS) — The past week's escalation of two hypocritical "destabilization" campaigns against the government of BRD Chancellor Helmut Schmidt rounds out a pattern of current Carter Administration efforts to bring down every pro-development government in Western Europe.

The first of these current attacks against Schmidt came in the original form of an attack against BRD Interior Minister Werner Maihofer, launched by the Feb. 28 issue of the magazine *Der Spiegel*. The second is the coordinated attack on Schmidt himself, charging use of state funds for political propaganda. If there were any reason to doubt the intentional connection between the two "destabilization" press tactics, the sponsors of the attacks themselves have connected the two issues as the purported front end of a "Watergate" campaign against Schmidt.

Although there are in fact some unresolved implications for the Dr. Klaus Traube affair, the overall quality of the attack on Schmidt is, as *Der Spiegel* publisher Rudolf Augstein would say, "ganz klar." At the very best, Schmidt's critics are exhibiting shameless hypocrisy.

In the Traube affair, Maihofer is accused of maintaining Bundesverfassungsschutz (BfV — West Germany's "FBI") surveillance of an Interatom physicist and suspected nuclear terrorists and related circles. If Maihofer's office in fact limited itself to such surveillance, which is all the *Der Spiegel* so far alleges, then Mr. Augstein and his associates are behaving as monstrous hypocrites.

In the second item, the use of government resources to aid a ruling party's political campaign, Schmidt's critics must certainly know that such practices have been common to virtually every government. One might say on this matter, "Who is morally qualified to cast the first stone?" — presuming that the charges have a basis.

Although the operations against the Callaghan, Andreotti and Schmidt governments are partially conducted through "dark networks," the bulk of the campaign is scarcely covert. The entire world's leading political forces, in every nation — including the Warsaw Pact nations — are openly divided between anti-Rockefeller and pro-Rockefeller forces. These international factional alignments cut across formal party lines in every nation.

For example, the Christian Democracy and Social-Democracy in the BRD itself, which are potentially split internally on supporting or opposing the policies of the Rockefeller's Carter administration, and the German Communist Party, whose "Euro-Communist" leadership is openly pro-Rockefeller on all the leading issues in the BRD today. *Der Spiegel* publisher Augstein is quite shamelessly supporting the Rockefeller faction, as are the U.S.-linked "environmentalist" forces within the SPD. Although the pro-Rockefeller factions do not yet identify themselves by wearing Mickey Mouse Club hats with built-in windmills, such identifications are superfluous. Symbolically, all of Schmidt's current critics are wearing windmills screwed into their skullcaps.

The political profile of the Carterites is well-established. a Brzezinski ally (or dupe) is

1. In opposition to fission power plants and fusion research;
2. A supporter of the Brzezinski-coordinated Eastern European dissidents campaign;
3. A supporter of labor-intensive "Arbeitsdienst" programs of employment for the unemployed;
4. A supporter of "solar energy" and "windmill" development efforts, together with demands for "energy conservation" at the expense of industry and maintenance of basic social services;

There are other elements in the profiles of included ele-

ments of the pro-Rockefeller forces. These generally include;

1. Efforts to bring down governments, — such as those of Andreotti, Schmidt, and Callaghan — and to weaken other forces — such as the Gaullists — which oppose Rockefeller's inflation, deindustrialization and "dissident" provocations policies.
2. Promoting a showdown between the nominal "left" and "right" political forces of Europe as a way of breaking up actual and potential alliances among pro-development industrialist and trade-union forces.

Although covert operations of various sorts intersect the overall Carter Administration operations, the bulk of the campaigns are conducted openly by coalitions of pro-Rockefeller forces cutting across self-styled conservative, liberal and "left" party lines. The basic mode of operation of the Carter forces is "Watergate" tactics.

Prognosis

Although Vance-Brzezinski operations are forcing a Soviet shift toward a hard anti-Carter line, without a strong Soviet countermeasure to aid Western European pro-development forces, it is unfortunately all too probable that those Western European governments will fall. If that occurs, then the OECD nations as a whole will come under the almost monolithic control of the Rockefeller forces, meaning fascist austerity for Western Europe, Japan and most of the developing sector, and irreversible conditions leading toward an early general war.

Although there has been some healthy, tough, anti-Carter posture among leading West German figures, in the main Western European pro-development forces have behaved with what is in effect downright cowardice under strong Rockefeller faction pressures. While, on the one side, the Rockefeller forces proceed from firm commitment to a definite, operational confrontationist and fascist-austerity policy, their opponents have so far failed to mobilize around a clear and consistent counter-policy. In this pattern, Soviet vacillations and blunders have played a crucial role in weakening Western Europeans and developing-sector forces. However, Soviet leadership blunders themselves have been partly caused by the vacillation among Western European and developing-sector forces — with the result that key Eastern European leading circles have little basis for confidence in these forces, and thus hesitate to commit Soviet and Comecon resources to aid those forces.

The principal blunder leading Western Europe toward

a possible early crushing defeat is Western European leaders' fear to naming their opponent by his proper name, Rockefeller. This refusal to name names and to rally forces around a clear designation of the opponent prevents a clear understanding and coherent mobilization of the mass social base forces of the trade unions and other on which stable Western European and developing-sector pro-development governments absolutely depend. The failure to name the name "Rockefeller," is the crucial cowardly trait which permits the Rockefellers to mobilize even trade-union and other mass-base forces in duped support of the kinds of criminal "destabilization" efforts now afoot in Italy, the BRD and elsewhere.

It must be conceded, in mitigation of such errors by Western European leaders, that the Soviet leadership itself is a past master in such cowardice. We are accustomed to read Soviet press references to mysterious "dark forces" in the West, to mysterious "revanchist" forces, to "forces of monopoly capitalism," and so forth. Such language — in the Soviet press or anywhere else — is pure, unscientific gobbledegook which implicitly lumps the pro-industrial development forces (which desire peace and economic cooperation) with the war-oriented monetarist forces grouped around the Rockefeller brothers.

Such Soviet gobbledegook, replicated in the ranks of pro-development Western European circles, commits the potentially tragic blunder of approaching politics solely in the byzantine terms of reference of parliamentary and diplomatic horse-trading — effectively ignoring the real politics of the class bases, the pro-development industrialists and the trade-union-centered working-class forces.

Either the ranks of the two classes — industrial capitalists and workers — are mobilized to support pro-development governments, or those governments can not endure the kinds of destabilization operations now being coordinated world-wide by the Carter Administration. Instead of mobilizing mass forces to a life-or-death struggle, leading circles are limiting their efforts to the "polite" methods appropriate to parliamentary log-rolling around some third-rate piece of legislation.

Either Europeans (and others) muster the courage to mention the enemy's proper name — Rockefeller — or every pro-development will fall very soon, and the world will then have been irreversibly committed to a spectrum of alternative scenarios all converging upon early World War III. If the Schmidt government were to fall as a result of the efforts associated with Der Spiegel, one rightly trembles for the fate of humanity as a whole.

The Confusion In Italy

WIESBADEN, March 5 (NSIPS) — Overall, the past two weeks news from Italy is bad. Under the cover of various rationalizations, every leading pro-development current in Italy is retreating disgracefully under massive pressure from the Rockefeller machine. Concealed behind customary poses of “bella figura,” the leading forces of the Italian parties and industries are just plain terrified, and on the verge of an indecent rout.

While this overall character is clear, the details are a chaotic medley of contradictory and simply skew moves and countermoves. The confusion that appears to the observer is not a matter of inadequate behind-the-scenes information; the confusion that appears to the observer is essentially the panic and hysteria flowing from the minds of the principal political and industrialist figures on the scene.

The central feature of the situation is the currently scheduled ten-day parliamentary marathon around the so-called “Lockheed scandals.” The parliament of a major nation has subjected itself to the kind of “marathon around-the-clock” brainwashing session we are accustomed to witness in New York City trade union negotiations.

The parliamentary Lockheed scandals prosecution of former cabinet members Gui and Tanassi is a fraud — as every leading political figure knows. It is well-known to all leading Italian political circles that the so-called “Lockheed scandal” is a hoax manufactured with the aid of the U.S. Senate’s Church Committee. Yet, there are proceeding with this disgusting charade.

It is also known that the object of the “Lockheed scandal” debate is to bring down the Andreotti government in favor of either a new Moro government or a state of governmental chaos characterized by a general, insane confrontation between the “left” and “right.” Yet, the Socialist Party (PSI) and the Communist Party (PCI) are collaborating with the Radical Party in carrying out the pre-arranged scenario, knowing that such antics are intended to bring Italy under either an International Monetary Fund austerity dictatorship or a not-too-distant “Chilean solution.”

Yet, this suicidal scenario is being acted-out, while the miserable business of the IMF loan is moving simultaneously toward the opening of official negotiations. It is known that the planned scenario is for a collapse of the Andreotti government by approximately Easter, and an ensuing period of chaos — to Rockefeller advantage thereafter. Yet, the suicidal games proceed under lemming-like compulsion.

Otherwise, the present turmoil in the state-industry sector — with the Montedison reshuffling currently most prominent — has many angles, some of which may be obscure, some ostensibly irrelevant to the present crisis-situation. Whatever the ins and outs of the reshufflings in detail, the mood among the top state-industry strata is fear and even outright terror.

There is also real terror among some top Italian political and industrial circles concerning the Labor

Party and this reporter. We have been directly, if confidentially, informed by high-level circles of the U.S.-linked pressures threatening Italians concerning any close consultations with or support of Labor Party efforts.

However, it is not all so one-sided. There are positive developments afoot, which could become significant if the Soviet leadership and Comecon become sufficiently enraged by Carter Administration shenanigans. If Italy’s strategic political-economic situation is improved by developments outside Italy, the present rout could be quickly superseded by a counterattack. Any monetary and economic agreements which favorably shift Italy’s 1977 perspectives would mean a most probable resumption of the positive role the Andreotti government was playing prior to Carter’s inauguration.

The “Rockheed Scandal”

The basic Carter Administration tactic for attempted subversion of the Italian government centers around a sharp left-right confrontation. This is intended to rally all the forces of the nominal parliamentary and extra-parliamentary “left” in a mindless confrontation with the Christian Democracy as a whole. This includes an alternative scenario, in which forces around the PSI, PCI and the Radical Party bring down the Andreotti government in favor of a short-term Moro government. The scenario and its variants depend upon complicit forces within the Christian Democracy.

The current parliamentary “impeachment” proceedings against social democrat Tanassi and Christian Democrat Gui represent a key part of this scenario. Both are being attacked on the pretext of the fraudulent “Lockheed” disclosures identified with the U.S. Senate Church Committee. The “impeachment” actions against Tanassi and Gui are to be a precedent, to be broadened for a general “Watergate”-type destabilization of all the pro-development forces in Italy, and a general disruption of the Christian Democratic Party and state industries.

No one cares much about Gui in this affair. Moro and others commit the Christian Democracy to a “hard-line” defense of Gui, and if the PSI and PCI maintain a hard-line bloc with the Radical Party on the same issue, Rockefeller will have gained the “left”-“right” showdown the scenario demands. The Andreotti government’s efforts to make programmatic agreements with the trade unions and municipalities will sail out the window, and chaos will be introduced.

The key to this Carter internal intervention into the Italian government is the fact that the Andreotti government is based on an implicit alliance between pro-development capitalist and trade-union forces. The latter social forces are represented by the Mancinian and other currents within the PSI and by the tacit support of the major trade union confederation (CGIL) and the trade-union-linked forces of the Communist Party. Without the support of sections of the PCI and PSI, Andreotti is forced back upon his parliamentary minority

base represented by his combined supporters and enemies in the Christian Democracy. An Andreotti government imprisoned within the DC fraction must fall quickly.

In other words, the essential fact of Italy is that the Andreotti government is actually based on class forces, rather than party forces. The Christian Democracy is divided between pro-Rockefeller and pro-development forces. The PSI is also divided between pro- and anti-Rockefeller forces, as is the Communist Party. Hence, it is impossible to base a stable government of Italy upon the parties; only a combination of the pro-development factions of the DC, PSI and PCI can provide Italy the stable "emergency transitional" government the nation desperately requires for this moment of global crisis.

Therefore, the Rockefeller tactic for Italy is obvious; force a political showdown in the parliament along party lines between "left" and "right" and Italy falls into Rockefeller hands.

The key agents making such a Rockefeller tactic possible are old agent Riccardo Lombardi of the PSI, the Amendolas, Segres and Berlinguers of the PCI, and the Rockefeller-allied forces within the DC — plus, of course, the perennial Ugo LaMalfa, old crony of Lombardi and Amendola from the days of their close joint collaboration under Allen Dulles' direction. Add such ingredients as the fascist student "autonomistic" and the propaganda forces centered around the magazine *Expresso* and the daily rag *La Repubblica*, and throw in the rag-tag Radical Party together with the rest of the extra-

parliamentary "left," and one has the Rockefeller combination.

Thus, the current antics in the Italian parliament around the "Lockheed scandal" become the principal current feature of the Rockefeller-Carter effort to bring down the Andreotti government and subject Italy to a fascist-modeled austerity program.

Psychological Manipulation

We must concede that Zbigniew Brzezinski and others are targeting the proper psychological weak-points of the various Italian political and industrial leaders.

When Italian political and industrial leaders are sufficiently frightened, they retreat from any overview of the total reality toward obsessive preoccupation with localized and private issues. By focussing upon such localized issues, they are induced to react to external pressures by more energetic preoccupation with petty affairs. Isolated details, isolated facts, isolated issues of "bella figura," settling old private feuds, and so forth tend to predominate. That is precisely the mood prevailing around the parliament this past week, and precisely the mood prevailing among industrial circles during the comparable recent period.

Unless one knew that major turns in the global situation were under way at this time, one would mistakenly conclude that Italy was doomed. It is not, but the performance of Italy's leading forces during this past week or so would tend to suggest such a wretched 60 days ahead.

Il Fiorino Interviews LaRouche, Leader Of The U.S. Labor Party

The following article by Giorgio Vitangeli appeared under the above headline on the front-page of the Italian daily Il Fiorino Mar. 6.

"The problem is the real economy, not the monetary system. Italy needs to increase its industrial production by 50-60 percent. Italy's problems are insoluble at present production levels." The speaker is Lyndon LaRouche, an enigmatic, disconcerting American politician. LaRouche is the leader of the Labor Party, a small political formation formed some years ago in the United States. He was a candidate in the last presidential elections, obviously obtaining modest results. But after the elections his party launched a rapid fire series of accusations of fraud, and for a moment it seemed that top level spokesmen of the Republican Party and Ford's entourage were ready to support such a campaign, to the point where they actually joined (the Labor Party) in vote recounts in a number of states.

So far the portrait we have painted of LaRouche might seem to be that of an "outsider" or a "madman," one of the many more or less picturesque American politicians who from time to time vainly dream the dream of creating a third force which could succeed in inserting itself between the Republicans and Democrats, thereby breaking the bipartisan equilibrium. But LaRouche's

activities are not limited to the United States. To describe his activities, even schematically, means in fact jumping from one country to the next, from one continent to the next. Delving into LaRouche's past is also not without surprises. He changes his name. First he was called Lyn Marcus, and with this pseudonym he worked in Trotskyite groups of the Second International and generally within the area of the extreme left.

But let us return to the present organization. In the United States, as we have seen, he operates under the rubric of the U.S. Labor Party. In Canada (the organization) is present as the North American Labor Party, with activist nuclei in Vancouver, Ottawa, and Montreal. In South America there is the Latin American Labor Committees, and in Mexico the Mexican Labor Party. Finally in Europe the organization has bases in Italy, France, West Germany, Sweden, and Denmark. In Italy it is called the Partito Operaio Europeo and has offices in Milan, Rome and Turin. It certainly cannot call itself a mass organization, but for some time now there has been no press conference or meeting of an economic character where (LaRouche's) activists have not stood out. In France there exists a Parti Ouvrier Européen which for the moment seems to have only one base, in Paris. In Sweden there is the Europeiske Arbetet Partet with nuclei of activists in Stockholm and Malmoe. The

same for Denmark, while in West Germany the Europäische Arbeiter Partei has offices in Bremen, Dortmund, Duesseldorf and various other cities. Wiesbaden, West Germany is also the location of the central information and organizational office for Europe.

Parallel to this political structure the organization also operates another press and political and economic information structure. At the center of this lies the New Solidarity International Press Service. The weekly New Solidarity is published in various countries, in English, Spanish, Italian, French, German, Swedish and even in Turkish. Until some time ago they were even publishing a bulletin in Japanese. Together with the weekly, there is an entire series of single-issue publications in various languages. For some weeks now they have been publishing a new weekly in English, the Executive Intelligence Review which, according to its publicity pamphlet, "provides absolutely unique information unavailable from other sources, and above all a global strategic picture from which the individual can recognize and understand world events." The information, the publicity pamphlet continues, "comes from all continents, where on a daily basis the qualified personnel of the scientific intelligence staff of the U.S. Labor Party and the Fusion Energy Foundation evaluate every international press organ and collect information directly from the political, government, industrial and scientific strata with which they are in contact. This information is then centralized by the New Solidarity International Press Service in New York as it arrives on a 24-hour basis from Latin America, five European countries, twenty-four American states, and three Canadian provinces." This is an international information network and, it must be added, a publication network which deals almost exclusively with economic and strategic problems. The language is often provocative, sometimes grotesque to the point of delirium. But it is also true that New Solidarity began to speak about the Euro ruble long before the Financial Times became aware of the issue and that, to give another example, the same newspaper denounced the about-face of Assad much earlier than it was clear to anyone else that the Syrian leader had changed lines.

As one can see, there is more than enough here to justify all the rumors and deductions which LaRouche's activities have solicited. These are rumors which, in the final analysis, reduce to two hypotheses: those who say that his organization is tied to the CIA, and those who say instead that it is tied to the Russian KGB. If I were to express my own idea, I would say that LaRouche seems rather to be an autonomous point of contact, a sort of piazza which is the meeting ground of many different roads of all categories: international, national and even local. One thing is certain: speaking at length with him one is assailed by the gnawing doubt that there may indeed be more things between heaven and earth than are dreamed of in our daily philosophy. The situation is grave in that it is almost impossible to know who LaRouche really is. We can at least clarify what he says. Like all Manichean visions of the world and of history, he separates out the pro-development forces who push for the intensification of the industrialization process on the basis of a search for new energy sources (from atomic to

nuclear fusion energy), for a massive mechanization of agriculture, in order to overcome the present crisis. On the other side he places the reactionary forces, and in particular those banking circles tied to Rockefeller which are on the verge of bankruptcy and, after having conducted the destruction of the international monetary system and the economy of the West, are trying to restore a reequilibrium through a dramatic world recession. This is all conducted through obscure plots, through moves and countermoves across all the five continents. The actors are the superpowers, and the cast consists of all the other countries.

"The situation is very serious," warns LaRouche, turning to us in the Rome offices of his organization. March 10 could be an important day given the visit to the United States of British Prime Minister Callaghan. "If he gives Carter a hard-line response on the questions of energy, the monetary system, and Mediterranean security; that is, if he demonstrates that (Europe) has had enough, such an attitude could be contagious and give strength to the other European and American forces who are opposed to Carter's policies. The problem is that until now in America they have been waiting for the first step to come from the Europeans, while in Europe they wait for American circles to move first. In substance, it's a problem of general schlemielism. In the Soviet Union and Eastern Europe," LaRouche laments, "they don't have a very clear view on how to go about building a new monetary and economic system. The same thing is true with many people in Western Europe and the United States."

In sum, to listen to LaRouche one would think that only he has clear ideas. And he says this himself with a disconcerting candor which is completely free of humor. "At this moment my role is fundamental. The Carter opposition has no other leaders outside of myself."

This is a leadership, to tell the truth, which is anything but universally recognized. But LaRouche, as we have said, makes this an issue of schlemielism: "This species of politicians and industrialists who refuse to talk (to me) for fear of who knows what..." and he gives the example of a major Italian industrialist who at the last minute cancelled a meeting, and he alludes laughingly to the telephone bills of the American Embassy which go up precipitously every time he travels. "Brezhnev," says LaRouche, "possibly doesn't believe in the effectiveness of disarmament. But he thinks he is gaining time. The fact is that there are 'Eurocommunists' inside the Kremlin itself who are proposing a pact with Carter. And it would seem that after January 22 — that is, after the Moscow visit of ex-Ambassador Harriman — a secret agreement was set up. If this is true it means that Brezhnev has already betrayed Europe. This business of the Italian loan to the USSR, for example, is already a farce. The Russians know very well, and they have written as much in theoretical economic studies, that the Italian economic system is not in a position to generate a mass of credit sufficient to finance foreign trade. For some time now they have been studying the means to extend the monetary role of the Euro-ruble and use it as the basis for the construction of a credit system which could be used in trade with the West. They have even entrusted studies to this end to Hambros in London and to

Scandinavian institutions. But after the Carter-Brezhnev agreement on the SALT negotiations, everything was frozen on the Euroruble question, and the Soviets have returned to insisting on credits."

LaRouche says furthermore that he is in a position to explain, at least in broad outline, the terms of the agreement: the USSR withdraws from all areas of direct friction with the U.S. They agree furthermore not to publicize the results reached by scientists in Novosibirsk on matters of fusion energy, lasers, etc, and not attempt to disturb the role of the international monetary role of the dollar. This is a policy of moderation which, according to LaRouche, is dictated by the terror which the Soviets feel about nuclear confrontation and which has met with notable opposition from among certain Eastern countries as well as circles in the Soviet Union itself.

LaRouche's conversation is a sort of flood of lucid monomania which leaves very little room for the listener. There is no choice but to listen to what he has to say. "The only solution," he affirms, "is an alliance between the working class and industrialists in order to neutralize this problem of the 'lazzaroni'." (He says precisely that, using the Italian word, and by "lazzaroni" he means both the groupuscules as well as the rising

mass of lumpenproletariat and unemployed which constitutes, and not merely in Italy, an explosive mix).

"We have furthermore to force the USSR to make a monetary agreement. Brezhnev (LaRouche calmly gives advice to Brezhnev himself...) has to allow SALT to be lost" (the agreement for missile reduction) "and move with the MBFR" (agreement for mutual balanced force reduction). "Europe ought to demand of the Soviet Union that at the Belgrade conference there be included an economic agreement on the world monetary system and a reduction of the forces in Central Europe. My view," LaRouche underlines, "is coherent with that of the Gaullists, that of a Europe from the Atlantic to the Urals." Certainly, he concludes, all this would generate an immediate and definitive monetary crisis in the West. But, he adds, it would neutralize the risk of thermonuclear war.

In sum, we must jump from the frying pan of the monetary crisis in order to avoid finishing up in the thermonuclear fire. One almost wants to say: let the astrologer burn instead. But an annoying doubt remains: that at bottom, freed from all instrumental and contingent exhortations, rather than an astrologer LaRouche is a Cassandra.

Concorde A Sore Point In Europe's Relations With Carter

SPECIAL REPORT

Casting aside the environmental flap surrounding the issue of New York City landing-rights for the supersonic jetliner Concorde, France and Britain have identified Wall Street's attempts to impose its bankrupt economic policies on Western Europe at the expense of technological development as the real issue involved. The most explicit denunciation in a March 8 editorial in *Le Monde*, following the decision by the board of the Port Authority of New York and New Jersey, known to be closely identified with former New York Governor Nelson Rockefeller, to delay its judgment on the application for landing rights for the Concorde until after the close of British Prime Minister James Callaghan's visit to Washington this week. Said *Le Monde*: "How easy it is to take refuge behind the protection of the environment if one wants to defend the interests of U.S. companies. But what then should be said about the monetary pollution spread around the world by Washington which receives petrodollars and, instead of recycling them into investments, uses them to flood the short-term market."

This is precisely the alternative offered the Europeans by Wall Street, and the point could not have been made more explicitly. The *New York Post* and French finan-

cial daily *Les Echos* of March 8 both reported that French authorities have been informed that New York may reconsider its decision if France buys \$500 million worth of worthless long-term New York City bonds to help bail out the Rockefeller banks! As if this request were not enough of an insult to the intelligence of European leaders, the *New York Times* weighed in with a lead editorial March 9 which said that the SST is good only for "ego trips." The *Times* accused the French and British governments of "appalling ignorance of the American federal system and a revealing cynicism about environmental concerns." French and British threats of retaliation against U.S. airlines and commerce are "disgraceful," the *Times* huffed.

The Concorde battle has emerged as a leading edge of the confrontation taking shape between Western Europe and the Carter Administration on other major issues which will be stressed by Callaghan, including the financial shakiness of New York banks weighed down by Third World debt, Carter's confrontation policies with the Soviet Union over "human rights" — which have been denounced as "agent provocateur" by British Foreign Minister David Owen — and the daily escalating war tensions in southern Africa. Callaghan will give Carter "an undiluted dose of the area's mounting uneasiness about almost everything," in the words of the *Wall Street Journal*, and is expected to be more blunt with Carter behind closed doors than he has been so far in public.

France's Gaullists are giving Callaghan lots of encouragement. Former Minister of Foreign Affairs Michel Jobert has called on France to pull out of the Atlantic Alliance in retaliation for continued U.S. efforts to ensure technological domination over Western Europe. French Prime Minister Raymond Barre first stated politely that "we do not understand how an advanced achievement by European technology does not find on the overseas market the same access which Europe reserves for U. S. equipment," but then went on to warn that "if the Concorde is denied landing rights in New York, no one should doubt that the relations between our two countries will suffer from it."

Trade unions in both Britain and France are warning

that if the Concorde is banned from New York's John F. Kennedy Airport, they will refuse to refuel or service American planes landing in Paris and London, while highly placed French officials are threatening to refuse Pan American and TWA jets landing altogether.

The Europeans took their appeal straight to the American people's belief in progress when Jean-Claude Decaux, a leading spokesman for the French aerospace industry, purchased a full page ad in the *New York Times* to explain that "The French People cannot understand why the leading country on the path to free enterprise, the country that gave the world Charles Lindbergh and fantastic space achievements, would bar the fastest bird in the world, Concorde, from landing in New York."

Why The U.S. Does Not Have An SST

Following the Soviet launching of the first Sputnik in 1957 and other Russian advances in space technology, tremendous pressure was applied upon first the Eisenhower and then Kennedy Administrations by lobbying groups representing the advanced sectors of U.S. industry, to begin large-scale funding of a Supersonic Transport program. It was as a result of massive pressure and scare tactics deployed by the Rockefellers and environmental groups — similar to those used today against the development of the nuclear energy industry — that that effort was finally killed completely in 1971. The French and the British however, who signed the Concorde agreement in late 1962, successfully carried through their effort with tremendous spin-off effects in advanced techniques like electron beam welding, electrochemical and numerical control machining and others.

In 1963, Senator William Proxmire (D-Wisc), now Rockefeller's faithful head of the Senate Banking Committee — mounted the first challenge against Federal funding of the SST. Using the argument that such funding went contrary to the "capitalist ethic," Proxmire oversaw the sabotage effort until the project was finally killed.

President Nixon inadvertently gave the go-ahead for the Rockefellers to move in for the kill after his election when he set up an ad hoc committee to

review the status of the already floundering Boeing SST program. The committee's March 1969 report warned that the SST would never become enough of a commercial success to repay large government investment, that the technological fallout from the program would not be as great as that predicted, and added that if the U.S. was to abandon its program, the joint French-British project could not possibly be allowed to go through. The tactic now being used to prevent Concorde's landing at JFK was suggested: "U.S. noise standards could conceivably bar Concorde from access to the principal U.S. airports which would undoubtedly doom the Concorde program." The report claimed that pregnant women should not fly in the SST, that flights "could cause fractures in unrestrained persons(!)" and that the jet may have catastrophic effects on the weather and herald in another Ice Age.

Meanwhile, the Nader-like "Citizens' League Against the Sonic Boom" founded by Harvard Professor William Shurcliffe in 1967, in conjunction with the *New York Times*, were orchestrating the anti-SST campaign on the public opinion level, using completely irresponsible and unestablished reports of major catastrophies which would be unleashed by the jet's sonic boom.

President Nixon threw his full personal weight behind the SST in the final stages of the lobbying in 1971 and when the Senate, led by Proxmire, voted against SST funds 49 to 47, he warned that this "could be taken as a reversal of America's tradition of staying in the vanguard of technological advance."

The Christian Democratic Party Congress

WEST GERMANY

Spokesmen in the West German Christian Democratic Union (CDU) led by Federal Parliament President Karl Carstens attempted to manipulate a special party congress on "Germany Policy" held in Duesseldorf this week into a cold war circus in support of U.S. President Carter's international "human rights campaign." Carstens' chief supporters in this endeavor were the Westfalen-Lippe regional organization, which constitutes one wing of the large North Rhine Westfalia state organization, and is presently under the control of former party General Secretary Kurt Biedenkopf.

Opposition to the "human rights campaign" was led by Gerhard Stoltenberg, CDU Prime Minister of the province of Schleswig-Holstein and spokesman for industrial leaders in West Germany. On March 10 Stoltenberg rose from the floor to demand that the CDU begin a national campaign on the subject of economic growth, built around a series of expert congresses on the subject of energy production. Stoltenberg emphasized that these congresses would also be a competent forum for discussion of environmental protection, whose prerequisite is economic growth.

The congress delegates did not participate in the debate between Stoltenberg and the "human rights" defenders. More concerned with local political problems, and swept up by the attacks on the socialist bloc, many of which centered on the controversial subject of East

Scandals Heaped On Western Europe

Hard on the heels of last week's double-barreled scandal salvo against the West German government and the intensification of the Lockheed affair in Italy, a new array of scandals has suddenly broken open in both countries, and threatens to hit Sweden as well. The sheer number of these affairs suggests to even the most skeptical observer that there must be a method to this madness.

This week's incidents:

— An alleged East German spy has been discovered working in the office of Rainer Barzel, former chairman of the Christian Democratic Union.

— *Der Spiegel* magazine has accused the Militarische Abschirmsdienst (MAD, West Germany's Military Intelligence Service) of illegalities in the agency's investigation of an Air Force pilot killed last year in a plane crash, who was under suspicion of working for a foreign intelligence agency.

— Swedish state radio, an outspokenly pro-Carter outfit, has predicted the fall of the Swedish government around a fission energy report to be issued next week.

— An independent truckers' union in Italy has struck the Milan-Turin region, forcing the shutdown of several major automobile plants. A leading official of the regional Italian Communist Party has publicly linked this action with the disruption of the government caused by the Lockheed affair.

Several reliable sources close to U.S. intelligence circles have raised the possibility of an early

collapse of the Italian government of Giulio Andreotti; in West Germany, however, the maximum effect of the scandals would be to create a "Watergate" atmosphere of confusion and lack of trust in the government. But if West German prospects change, one of last week's scandals could do the trick: the Federal Supreme Court has declared that a number of advertisements placed by the government in newspapers during last year's election campaign constitute a violation of funding regulations. Karl Carstens, President of the Bundestag and a prominent figure in the Christian Democratic opposition, has already formed a committee to investigate whether the elections could be declared null and void, thereby forcing re-elections.

Their damaging effects notwithstanding, most of these scandals are patently 90 percent hot air. For example, in the West German "bugging scandal," which has drawn so many calls for the resignation of Interior Minister Werner Maihofer, the original *Der Spiegel* exposé described the bugging victim, Dr. Klaus Traube, as one of West Germany's three top physicists working on fast-breeder reactor technology. In addition, the *Frankfurter Rundschau* reported that Dr. Traube now wants to work on the joint European JET fusion project. This week, however, Dr. Traube stated in an interview with *Der Spiegel* that he is not a physicist at all, but merely a skilled mechanical engineer! And in a telephone interview with this press service, Traube denied any desire or intention of working on JET.

Germany, the delegates did not take particular note of the fact that Stoltenberg was fully supported by CDU Federal Chairman Helmut Kohl, who immediately endorsed the proposal for a federal campaign.

The Congress demonstrated that regional party leaders are not mobilizing in coordinated fashion for a public fight to assert economic growth policies against zero-growth attacks. The delegates thoughtlessly applauded both Stoltenberg's endeavors and the human rights propaganda, failing to make the connection that Carter's provocations against the Soviet Union are designed to render peaceful global expansion of

economic resources impossible.

Nevertheless, it would be wrong to conclude from the proceedings that support for the Carter policy in the CDU party machine has a firm foundation. It is most revealing that the presentations on foreign policy were made by three academic speakers, who were brought in by Biedenkopf and Carstens to create an environment in which political discussion could not occur, creating an appearance of unified support behind Carter's policies. In sum, the congress demonstrated that the factional battles which led, for example, to Kohl's support for Stoltenberg's proposal, are still occurring, largely in private.

Callaghan Walks Tightrope On Social Contract Negotiations

BRITAIN

Having successfully weathered the recent Parliamentary challenges to his government around Devolution (home rule for Scotland and Wales) and the rationalization of the shipbuilding and aerospace industries, British Prime Minister James Callaghan now faces what could prove to be the most dangerous threat to his government's continuation: the negotiations for a Phase III of the "social contract" between the government and trade unions. Callaghan himself has stressed on numerous occasions that success of the economic strategy is *the* critical issue for judging the success or failure of his government, and the government's relation with the trade unions is one of the most critical aspects of this policy.

For the last two years, the Labour government has succeeded in balancing low wage raises across-the-board with the promise of increased industrial investment, and eventual recovery of the economy. Ironically, just as most major economic forecasters, both public and private, are admitting that the government will very likely be able to virtually halve inflation and spark an export-oriented economic recovery by the end of this year, the strict controls of the past two years have caused such unrest within the trade union rank-and-file that the possibility of a third round of wage controls is in serious jeopardy.

At the same time, large sections of industry are complaining about the price controls that have accompanied wage restraint, claiming that it is impossible for industry to recoup costs and make investments in line with the government's strategy. A delegation from the TUC (Trades Union Congress) has already warned the government, however, that continued price controls are one of the rock-bottom demands for continuation of the social contract, since any explosion in prices, especially

food, would make it impossible for them to get their members to agree to continued wage depression.

Despite this apparent basic contradiction, negotiation does appear feasible. The stringent controls applied on government spending earlier in the year led to an overestimation of the Public Sector Borrowing Requirement, and Chancellor of the Exchequer Denis Healey has promised that up to £1 billion can be released into the economy in the March budget. Under pressure from both the TUC and the employers' association, the Confederation of British Industry (CBI), Healey has promised some form of tax cuts, although their exact form is not known. In addition, Callaghan made clear that the government is ready to support the re-introduction of differentials between skilled and unskilled workers as part of a third round of wage controls, to complement flat rate increases, as called for by both the CBI and TUC.

However, the negotiations are open to destabilization. The current strike of skilled machinists at the British Leyland Auto Company neatly encapsulates the range of problems the government is facing.

In 1974, the newly created National Enterprise Board took over 95 percent control of British-Leyland, and its chairman, Lord Ryder, drew up a 10 year investment strategy for the company aimed at retooling backward technology (investment per worker as a full one-sixth of that in Ford, U.S.A. and expanding production through increased exports of both auto and heavier vehicles.

As part of the plan, Ryder insisted that £1.5 billion of the £2.5 billion to be invested into the company during that period must come from internal capital generation of the company — a stiff demand for a company which had been registering continuous losses. Since the NEB takeover, the monstrosity large auto subsidiary has continued to show a loss despite the fact that for several weeks this year production in the auto sector maintained levels of 20,000 vehicles a week, the number needed for profitable operation, before disrupted by strikes in

British Leyland and component-supplying firms. The expansion of the truck and bus, and export-oriented heavy vehicle manufacturing units have offset this loss, so that Leyland is expected to show a profit of around £200 million this year.

Despite this marked turn-around in the operation of the company since government takeover, the current strike, now nearing its fourth week, has opened a Pandora's Box for the economically pressed government. While acknowledging the validity of the strikers' claim for restoration of pay differentials between them and assembly line workers (who, because of the social contract in some plants, now earn wages exceeding these of the skilled machinists) the government has remained hard on strikers, even threatening to cut off further investment grants if the strike continues. Speaking bluntly, Callaghan warned the strikers during a speech in Parliament two weeks ago that unemployment was "the biggest differential of all."

Like the TUC leadership, the government has been loathe to make the strike official, since it would open up further demands from other disgruntled workers, and make implementation of Phase III impossible. On the other hand, too hard a line against the strikers could have the effect of the 1974 Miners strike on the Heath Conservative government: to completely destroy its credibility as a viable governing force within the trade union movement.

Opponents of the Callaghan strategy have not missed their opportunity to play up the government's weakness over the Leyland strike as proof of incompetence of the government's entire industrial strategy. Tory Party leader Margaret Thatcher has called for the break-up of British Leyland into separate (de-nationalized) companies, which would negate the entire industrial strategy. Further, the Tories, as well as right-wing press sources, are using the prolongation of the strike to blast the social contract, calling it useless if the unions are unable to police themselves.

Spain Couples Democratization With Economic Growth

SPAIN

During the past month, the Spanish government led by Premier Adolfo Suarez has made significant steps toward linking its "democratization" program to a domestic and foreign policy based on economic progress.

On Feb. 9, the Spanish government reestablished full diplomatic relations with the Soviet Union, culminating a brief diplomatic offensive which has led to the restoration of relations with virtually all of the socialist sector. A Spanish statement released at the time expressed hope that the renewal of relations with the USSR "will facilitate greater development of cooperation in the political, commercial, economic and cultural fields." Ecstatic reactions to the event from Spanish industrialists linked to the export sector confirmed a report in the Soviet paper *Isvestia* of Jan. 11 that "the more farsighted" Spanish businessmen have great doubts about a "one-sided orientation," i.e. solely toward the U.S. or the EEC, and support a "foreign economic policy based on developing trade on an equal basis with all nations, including the socialist countries."

In a similar move to diversify relations, Spain's Industry Minister Perez de Bricio completed a tour of Venezuela and the Andean Pact countries, where he signed a number of deals for joint development projects in shipbuilding, mining, transportation, nuclear energy and other fields. Due to the growing export orientation of Spanish industry, one of the first economic measures taken by the Suarez government when it took power in

July of last year was to create a "Fund for Development Aid" with a \$200 million annual budget to promote the export of Spanish industrial goods to underdeveloped countries. During a five-day visit in February to Iraq, Syria and Egypt, Spanish Foreign Minister Oreja paved the way for a trip to the Arab countries this month by King Juan Carlos and a high level government delegation. Large-scale Arab oil for Spanish technology deals are expected to be signed at that time.

Finance Minister Carriles announced the general outlines of an economic plan on Feb. 22, calling for increased public spending, aiming for a 3.5 percent GNP increase this year compared to 1.5 percent in 1976, liberalizing interest rates, maintaining price controls on essential consumer goods and moving toward legalizing the trade union movement. Distressed over Spain's intentions, the *New York Times* complained that the plan "announced no concrete measures apart from allocating \$773 million more to invest in industry and increase production." The *Wall Street Journal* expressed disappointment over the manner in which a devaluation was not made and complained "the plan didn't contribute to holding down wage increases."

The Suarez government continues to move ahead with a program of nuclear energy development ranking third among European countries. The Industry Minister has affirmed that "to turn our back on it would be to renounce progress for our country and for our standard of living." Spanish officials were reported by the Madrid paper *El Pais* to be irritated over the Carter cabinet's refusal to allow Spain's nuclear waste material to be reprocessed in the U.S. The Soviet paper *Pravda* has since hinted that Spain should take advantage of a huge nuclear reprocessing plant just opening in Hungary.

Due to the close ties of the Suarez government to some of Spain's largest banks (Banesto) as well as to the National Industrial Institute (INI), the huge state-owned monopoly which dominates shipbuilding, energy, steel and other heavy industry, it is necessarily opposed to the "social pact" scheme being promoted by the Spanish Communist Party head Santiago Carrillo with the public and covert aid of the New York banks. The "social pact" is in effect a blueprint for Spain's deindustrialization. Although Carrillo asks for the "reestablishment of democratic liberties," the finer print in his modest proposal demands a "national salvation" government, which would hold a referendum to approve Spain's entrance into NATO, restrict wage increases to less than their current levels and divert investment from INI's ("right-wing") heavy industry into what a recent Financial Times economic survey termed Spain's "labor-intensive factories in the coastal areas." It would also remove the ban on the operation of foreign banks in the country — in which respect, the Rockefellers' Chase Manhattan and Citibank head the waiting list.

A policy statement released after a Feb. 5 meeting of the board of directors of the Banco Guipuzcoano, including Foreign Minister Oreja, affirmed that "at the present time one of those drastic so-called stabilization plans should not be applied nor should there be talk of the famous Social Pact, in which the increase in salaries is less than the increase in the cost of living." The statement calls for "reaching a recovery, started by an increase in private consumption; followed by public consumption and investment and by an increase in inventories, and finally with an increase in investment, an objective which is difficult to obtain, but which must be pur-

sued with energy and enthusiasm, assuring success."

It is precisely such an awareness of the need for expanded production that causes the sane Spanish bankers and industrialists (who form the backbone of the Suarez cabinet) to promote Spain's current pro-development policies and reject the Carrillo-Wall Street "social pact" scheme. It is the same awareness of the idea of progress which prompted Suarez to respond to a journalist's question whether he supported the use of the Basque language in the universities by saying "Show me a teacher who can teach nuclear physics in Basque... Let's be sensible."

Not coincidentally, Suarez received a death threat on Feb. 25 from the Spanish "Apostolic Anti-Communist Alliance" (AAA), an ultrarightist group linked to the Rockefeller "Die Spinne" international terrorist network. Corresponding to death threats and assassination attempts recently made against other progressive heads of state including Italy's Giulio Andreotti and Venezuela's Carlos Andres Perez, the Suarez threat came right after the government announced that four top terrorist leaders, among them the head of the "Guerrillas of Christ the King" and three Italian neo-fascists, will be denied bail and tried for their crimes.

Suarez, compared by the New York Times' C. L. Sulzberger to the French Gaullist leader Debré when he came to power last year, has been acting to wipe out both "ultraleft" and "ultraright" terrorist groups in Spain to allow a peaceful transition toward its first legislative elections in four decades this spring. The cleanup involves the difficult and dangerous task of restructuring the highly corrupt intelligence agencies established during the dictatorship of the late Francisco Franco.

Carter Offers Rabin 'Eight-Year Plan' For Mideast Settlement

One day after the departure of Israel's Premier Yitzhak Rabin from the United States, President Jimmy Carter went to unusual lengths to up-end the Arab states' negotiating position to derail recent momentum toward an overall Arab-Israeli peace accord. Carter announced to reporters at his March 9 press conference that he foresaw a "step-by-step process" of negotiations that could take as long as eight years! As the final settlement took shape, Carter insisted, "defense lines may or may not conform...to legal borders," and there "may be extensions of Israeli defense capability beyond the permanent and recognized borders." This was Carter's unsubtle re-statement of the so-called Allon Plan proposed by Israel's current Foreign Minister, under which Israel's defense forces would control the West Bank even after it had passed under Jordanian legal control. Carter never once mentioned any impending U.S. initiative on the volatile Palestinian question.

While reporters at the conference remarked that the President seemed unfocused and curiously rambling in his Mideast remarks, his statements nonetheless conformed to a definite Administration policy turn backing up intransigent Israeli demands and slapping down matter-of-factly the Arab states' diplomatic offensive of the past four months. On March 7, with Rabin at his side, Carter publicly endorsed the right of Israel to have "defensible borders," a formulation heretofore used only by Israeli leaders. Although the State Department hurriedly issued disclaimers that U.S. policy had changed in any way, Carter's statement, the *Baltimore Sun's* Washington bureau stressed, backed up the "assumption in Washington that the 1967 borders never will be restored, despite Arab insistence that they must be."

Carter's mouthings have been accompanied by ominous signs from Washington that the Administration has backed off from earlier pro forma statements of support for a solution to the question of Palestinian Arab self-determination. According to *Daily News* reporter Joseph Fried March 10, the Carter Administration has "dropped its initial sympathy for the concept of an independent Palestinian state and adopted Kissinger's rejection of it." Fried — and other sources close to the Administration — report that National Security Council head Zbigniew Brzezinski and Secretary of State Cyrus Vance have, in "private conversations," supported Israel's call for a Jordan-West Bank federation minus the Palestine Liberation Organization. The head of the American Jewish Congress, Rabbi Arthur Hertzberg, has informed interviewers that the growing sentiment in official Washington circles is to "get the PLO off our

backs" and to "bring the era of the PLO to an end."

Rabin Caves In To Hard-Liners' Pressure

Carter's ramblings in themselves would likely be sufficient to alienate pro-U.S. Arab regimes like Egypt and Saudi Arabia, perhaps triggering a dramatic reversal of Rockefeller family fortunes in the Middle East, but in the meantime increasing Arab-Israeli tensions. Matters have been made far worse by Rabin's capitulation to the Carter camp and Israeli warhawk factions during his trip to the U.S.

Last month, Rabin narrowly squeaked by Defense Minister Shimon Peres and captured the ruling Labour Party's nomination for the premiership. His victory was widely regarded by the majority of mainstream Israelis as a rejection of the confrontation policies of Peres and as a mandate for a Rabin peace offensive. This was viewed as Rabin's sole hope of building an independent power base within the sorely divided and scandal-battered Labour Party. Nonetheless, on his U.S. trip, Rabin spouted the hardest possible line.

The Israeli Premier explicitly rejected any role for the PLO at a reconvened Geneva peace conference. Additionally, he claimed that Israel's desired final boundaries "do not coincide in any way with the kind of boundaries which existed before the (June, 1967) war," thereby curtly rebuffing Arab insistence that Israel make major territorial concessions during the coming months. Rabin also labelled Arab peace demands as "fake solutions" and identified the "hopeful signs" in the Mideast as growing Israeli military strength and U.S. presence in the Mideast, declining Soviet influence, and the deepening "burdens" of Arab states. It need hardly be said what effect such statements are calculated to have on the Arabs, Soviets, and Europe.

The Washington Post March 9 noted that Rabin was "more than happy" with his official reception in Washington and the "greater-than-expected warmth and support" he received from Carter.

While the Carter Administration has been dishing out the smiles, since the Labour Party convention Rabin has come under heavy pressure from Peres backers in Israel to give them a fifty-fifty share in appointments to Administration posts and in all major policy decisions. This campaign has secured the 100 percent involvement of erstwhile dove Abba Eban and a coterie of like-minded peaceniks who have campaigned under the Peres banner in order to gain "strong leadership" for Israel.

Rabin's position is also being undermined by the two key opposition parties, the fanatical Likud and the proto-fascist Democratic Movement for Change, led by

mystical archaeologist Gen. Yigal Yadin and a group of former Israeli intelligence chiefs. Likud leader Menachem Begin warned Rabin before the Premier's departure that "you have no authority to make any promises regarding the future of Israel." In the U.S. Yadin and company have been insisting that they be included at the top levels of the new government formed after the May 17 elections, and have been getting significant percentages in recently released polls used to throw Rabin on the defensive. New expansionist settlement moves into the West Bank by the Gush Emunim religious group have added to his trouble.

Rabin has dealt weakly with all these destabilizations.

He has yet to make a final decision about removing Peres from the Defense Ministry, despite early rumors to that effect. He has, according to this week's *Newsweek*, countermanded subordinates' demands that he go on the offensive against Yadin. Nor has he ordered the forceful removal of the Gush group from their illegal Kaddoum encampment in the West Bank.

Not surprisingly, Rabin was greeted upon arrival in the U.S. by extended features in the *Washington Post* and the *Baltimore Sun* stressing that he could not make a peace initiative because his internal situation was too "unstable."

The Arab Reaction To Carter

A determining question over the next days will be how the Arab states react to the Carter provocation. The pattern of Arab reaction will determine whether the Mideast will be plunged toward early war or whether the Arabs will become a prime motivating force for a definitive break with the dollar.

Saudi Arabia is apparently committed to giving the Carter Administration another month before definitively deciding on a potential policy change (see International Report).

According to the March 10 *Washington Post*, *Egyptian* officials are "disturbed" by Carter's statements, labelling them "naive," "impetuous," and "troublesome." One cited official charged that "it sounds as if he has swallowed at least some aspects of the old Allon plan." The Egyptians in Washington have as well demanded clarification from Vance on Carter's support of Israeli "defensible borders" and have joined the rest of the Arab ambassadorial pool in requesting a special meeting with Vance to insist on clarification of the Carter statements.

The pro-U.S. Arab regimes are under intensive pressure on the Carter-Rabin issue from the Palestinians and the Arab left. *Palestinian Liberation Organization (PLO)* spokesman Abu Maizer, in Cairo March 9, attacked Carter's "peace plan" as an "Israeli idea in U.S. language," especially since Carter totally ignored the Palestinians' national rights in his press conference. Abu Maizer summed up Carter's pronouncements as an "unjust policy."

In Lebanon, the *Lebanese Communist Party* paper *An-Nida* March 10 attacked Carter for opposing Israeli territorial withdrawals and for attempting to destroy Arab unity.

A series of meetings in the Arab sector over the coming days will reveal more profoundly the overall Arab response. On March 12, the Palestinian "parliament," the *Palestine National Council*, will meet in Cairo, and observers expect that the PNC will not make any shifts in its national covenant that does not recognize Israel's right to exist. This adamant stand on the PNC's part is widely attributed to the ultra-hard-line emanating out of Tel Aviv and Washington towards the Palestinians. The

PNC is likely, however, to vote in favor of the formation of a government-in-exile, and further coordination on policy with the neighboring Arab states has been presaged by the meeting earlier this week in Cairo between PLO chief Yasser Arafat and Jordan's King Hussein, bitter enemies since the September, 1970 massacre of Palestinians by Jordanian armed forces.

This weekend a summit meeting will be held of the Arab heads of state, following closely on the heels of the recently concluded Afro-Arab summit in Cairo. Next month, in Damascus the leaders of the Arab states neighboring Israel and the PLO will meet to discuss coordination of strategy.

The dangers of instability in the region are twofold from the Arab perspective. Regimes like Egypt's have taken the profound gamble of aligning with the U.S. in order to win political and economic advantages, especially in the confrontation with Israel. In Egypt, high-level army factions are known to be giving Egyptian President Anwar Sadat a very short time period to demonstrate that he has not been "had" by the Americans. If, in the next 1-2 months, they become convinced that this is in fact the case, Sadat is likely finished as Egypt's ruler. The devastating economic situations in Egypt, Syria and the Sudan makes this instability factor an inherent, not incidental, one.

Second, it is increasingly possible that Rockefeller intelligence networks will set loose a terrorist wave, attributed to "Palestinian extremists" angered at Arafat's "sell-out" to the Americans. This wave could target Arafat and any number of other Arab leaders for assassination attempts, thereby plunging the Middle East region into a dangerously chaotic state.

The Israel Breakaway

Finally, Carter's statements are also bound to trigger an intense reaction from the Israeli rightwing factions, angered by Carter's public support for eventual Israeli withdrawals from Arab territories. Already the Likud is calling Rabin's trip a "failure" and is calling for a parliamentary censure motion to be brought against him upon his return. This faction is the classic "breakaway" group that will use "U.S. pressure" as a pretext to bring Israel into an open war policy.

Turkey Moves East In The Face Of Economic Collapse

TURKEY

Turkish Foreign Minister Ihsan Sabri Caglayangil is scheduled to visit Moscow this month to conclude a Friendship and Cooperation Agreement with the Soviet Union — a step short of a non-aggression pact. At the same time the Soviets are reportedly studying a list of basic industrial projects totaling \$7 billion for which Turkey seeks foreign financing.

In early December 1976, Turkey and the Soviet Union signed an economic cooperation agreement in which the Soviets agreed to extend \$1.2 billion to Turkey for six major industrial and power projects. There have been also a series of substantial economic and technical cooperation agreements with other socialist countries such as Iraq, Rumania, Bulgaria as well as Yugoslavia and the German Democratic Republic (DDR), during the past six months.

Turkey's turn to the East for economic aid to meet its development needs has been prompted by an economic collapse which has reached its worst dimensions in the past six months. Viewed in light of newly emerging active cooperation among socialist sector, Third World, and Western European countries towards a new monetary system, Turkey's reorientation gains more significance.

Economy Is Threatened With Collapse

According to the latest reports in the Turkish press, massive cutbacks on imports have now forced production in many vital sectors of the economy to a point of total shut down. Because of the severe foreign currency shortage the government simply is not able to make necessary imports of raw materials and goods that are crucial for the maintenance of production. It is also reported that during the last couple of months even the imports for defense needs have been cut except those considered an emergency.

This situation has been the result of a contradictory economic and foreign policy on the part of the Turkish government, which, while trying to keep up with an ambitious development program and unwilling to impose genocidal austerity on the population, has been reluctant to make necessary political decisions to reduce its vulnerability to economic pressures of the International Monetary Fund and Wall Street banks which have cut all credit to Turkey for over a year now, demanding intolerable austerity measures on the population of Turkey.

A study, released in November, by the Organization for Economic Cooperation and Development (OECD), the economic organization of the Western industrialized nations, calls for austerity measures which if carried out would lead to a concentration camp economy. The study states that Turks should abandon their goal of accelerated industrial and agricultural growth and should instead devote themselves to "reorientation of the growth process" toward labor-intensive industrial projects. The OECD is also demanding that Turkey cut its "excess imports" and implement "firm measures . . . to restrict the further growth of domestic demand for consumption-type expenditures." Such "firm measures," says the report, include across-the-board wage restrictions, introduction of income ceilings, and dismantling the "unprofitable" state sector enterprises.

Thus, Turkey has lived over a year now on a day to day basis, and while resisting the imposition of "official" austerity, the government's provisional defensive measures have created conditions that are almost as devastating as the International Monetary Fund (IMF) would like to impose.

One of these measures, the so-called Convertible Turkish Lira deposit accounts, has been solely responsible for much of the chaos. Opened in May 1975, these deposits allowed foreigners inside and outside Turkey to deposit foreign currency at a commercial bank, reclaimable after a fixed term, mostly between six months to a year, at extremely favorable rates of interest — officially 1.75 percent above the market rate, going as high as 8-9 percent above. Then the Central Bank buys the foreign currency from the commercial banks in return for Turkish Lira. Through this system, the Central Bank essentially borrows foreign currency for a short term at extremely high interest rates, also guaranteeing to make good any devaluation in the Turkish currency.

At the beginning of 1976 some \$1 billion had been deposited in these accounts. But the critical point came during April 1976, when foreign currency reserves stood at around \$1 billion, just about equal to the amount of foreign currency deposited in the Convertible Lira accounts. At that point there was a risk that all the money in these accounts would be reclaimed overnight. Taking into account this possibility, the Central Bank began, even at the beginning of 1976, to drastically slow down the transfer of foreign currency by the bank to pay for imports. The Central Bank drew up a list of priority imports including defense needs, crude oil, raw materials and industrial machinery, and the imports of everything else were then delayed between four and six months. The government also started an "export mobilization" in

the first part of 1976, by exporting all the stocks of agricultural products from the previous years. This alone caused a considerable rise in food prices in the country.

All this was done in order to secure enough foreign currency reserves against a possible risk of default over these deposits. The measures have stayed in effect and continue to be extended into many other areas.

The Central Bank also attempted to establish another scheme with the collaboration of the West German Dresdner Bank to funnel savings of Turkish gastarbeiter from Germany to Turkey. But the scheme failed. Despite favorable conditions the workers still felt that their money was safer in German banks. The government also fixed a special exchange rate for workers living abroad, but this measure too did not solve the problem; instead it brought the Lira to a step short of actual devaluation.

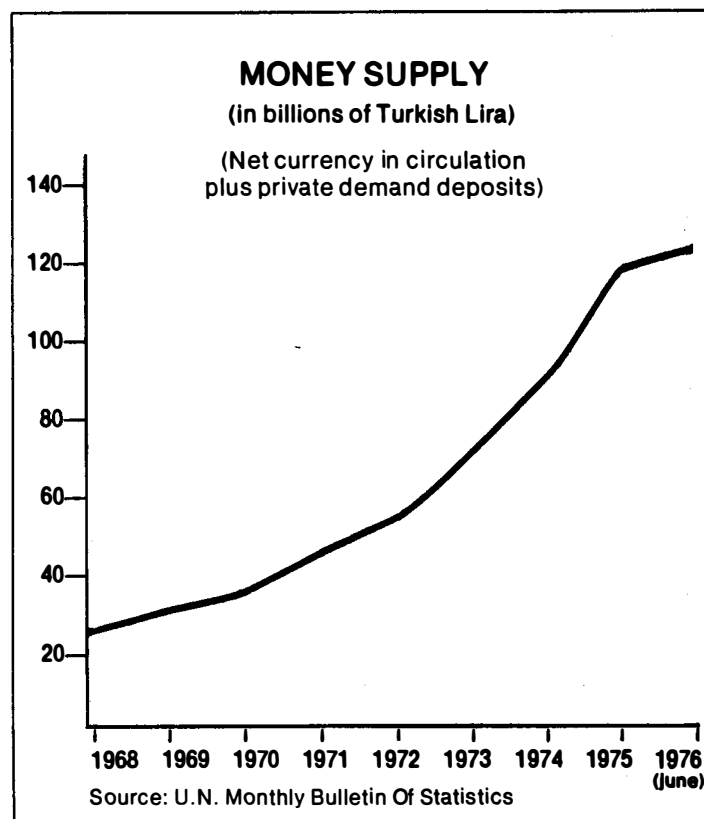
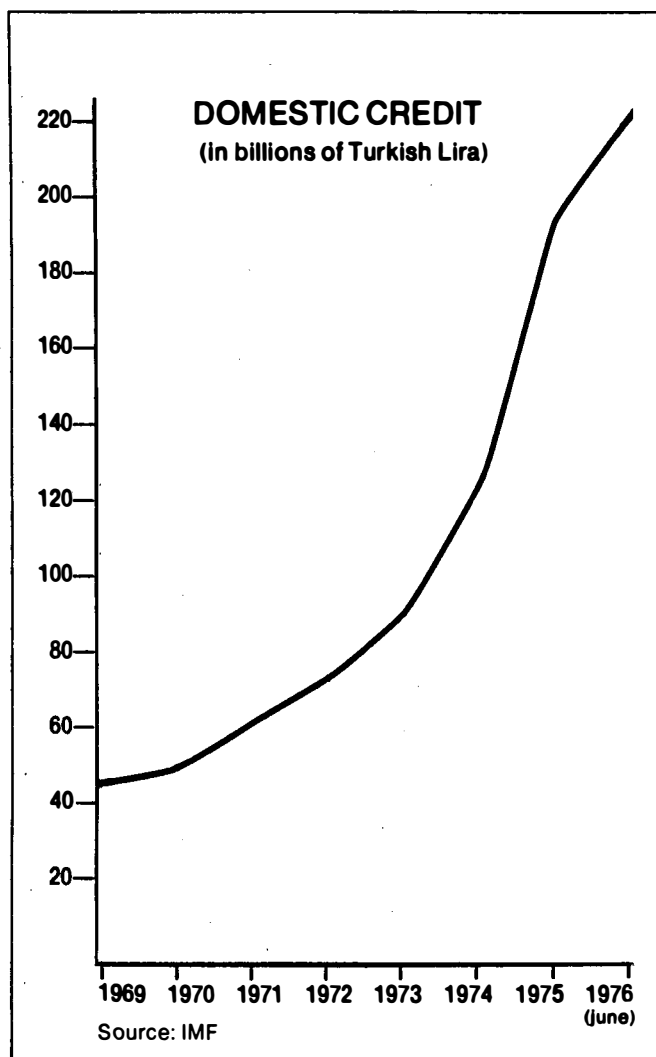
Despite all the restrictions on imports, at the end of 1976 Turkey's trade deficit was \$3.1 billion, and the foreign currency reserves were under \$900 million. The official unemployment rate is about 13 percent, but in actuality it is recognized to be over 20 percent. Inflation has been rising at an annual rate of between 20-30 percent, with the government printing press working overtime. It is reported that the government has printed more money in less than two years than all the money printed in the last 12 years.

Turkey: Total Reserves

(END OF PERIOD)

1970		431
1971		701
1972		1,290
1973		1,757
1974		1,520
1975		909
1976	OCT	736
	NOV	739
	DEC	967
1977	JAN.	857
	FEB	944

(17.5 TURKISH LIRA= \$1.00)



Turkey's Turn To The East

The rate of increase in consumer prices in Turkey is the third highest among the OECD countries. It is reported that during the months of July and August inflation of retail food prices was 35 percent. Just as an example, an average worker must spend a day's salary to purchase 1 kilogram of meat. All other animal products are virtually inaccessible for most of the population. Waiting lines stretching many blocks to purchase such products as meat, gas, margarine, butane gas, rice, coal for home heating and so on, have not been uncommon throughout the year 1976.

The deteriorating conditions of the urban centers is another alarming threat. In the largest cities the social services are completely eliminated, with garbage piling up on the streets, and the municipalities are not even able to pay the salaries of their employees before at least a three months delay. One of the main factors responsible for this situation is the inability of the government to aid cities. While unemployment is increasing rapidly, internal migration from the countryside to the urban centers has begun to pose a threat of serious social explosion. It is a dangerous fact that 60 percent of the population of Turkey's largest city and industrial center, Istanbul, are squatters.

To summarize the situation, the Turkish economy and national development have been dependent on heavy borrowing and foreign investments, and on remittances from the Turkish workers in Europe from about 1973. As a result of the economic crisis in Europe, the workers' remittances began to drop in 1976. This had a multiple effect on Turkey. Prospects for sending additional workers outside were shattered, and with it a major source of foreign currency. Large numbers of workers have begun to return to Turkey, adding to the soaring unemployment. With the cut off of credits from the New York banks, Turkey had no choice, after a certain point, but to turn somewhere else for assistance in its indispensable development drive.

Worker Remittances	
Millions of Dollars	
1971	471.4
1972	740.2
1973	1,183.3
1974	1,426.3
1975	1,312.3
1976	1,110.0

The assistance of the socialist sector in the development of Turkey has been primarily in the heavy industry and energy sectors. The expansion of cooperation with the Arab sector, particularly in providing Turkey's oil supply, is viewed as being closely related and complementary to this assistance.

Last December, the Soviet Union agreed to extend a \$1.2 billion credit to Turkey for six major projects. This agreement has been a landmark in the growing economic cooperation between the two countries. According to the agreement the Soviet Union provides credit for the expansion of the gigantic steel plant in Iskenderun, on the southern coast of Turkey. The plant was initially built by Soviet financing. In addition Turkey will get credit for two major thermal power plants, and two plants for manufacturing turbines, generators, and heavy duty electric engines.

The Soviets are also assisting in doubling the production of a Soviet-built aluminum plant and are studying 20 more projects whose combined cost is \$7 billion. The projects include refinery building and expansion, dams and hydroelectricity plants, coal and ore mining and processing. A dam has already been completed at the Turkish-Soviet border with Soviet financing. The Soviets are also lending Turkey electric power across the border.

Turkey buys electricity from Bulgaria, and similar deals are underway with Iraq, Syria, and Iran to fill the power shortage in the industrialization drive. Talks are also in progress for construction of 7 other power projects — including one to be built by Czechoslovakia, one by Poland, and 3 by Japan.

One of the most significant projects has been the 981 kilometer pipeline stretching from Iraq's Kirkuk oil fields to Iskenderun. Inaugurated last month, the pipeline will pump 35 million tons of crude annually to the Mediterranean. Built by German-Italian cooperation at a total cost of \$600 million, the pipeline will provide Turkey up to \$110 million in transport fees annually. Turkey also will be able to buy 35 percent of the oil pumped, meeting a large portion of its crude consumption need. During the visit of Iraqi Prime Minister Saddam Hussein to Turkey, the construction of a large-capacity refinery in Iskenderun, and another pipeline from Kirkuk to Iskenderun to transfer natural gas were discussed.

The importance of the Iraqi-Turkish pipeline became even more obvious when in October Turkish Prime Minister Suleyman Demirel presided at the groundbreaking ceremony for the construction of a large-capacity refinery near the capital, Ankara. The refinery, called the Central Anatolian Project, is being built by Rumania, and it will receive its crude through a pipeline from the Kirkuk-Iskenderun line.

In the context of the recently signed Economic and Technical Cooperation Agreement between Turkey and Rumania, Rumania will also conduct coal surveys in several parts of Turkey. Technical assistance will be given to determine the exact potential of Ankara coal beds and the Ankara and Thracian lignite reserves. Rumania will supply Turkey with drilling machinery for coal as well as oil.

There are studies for the construction of a refinery at the Black Sea coast of Turkey with Soviet aid, and this is believed to be closely connected to the off-shore oil surveys conducted jointly by the Soviet Union and Rumania in the Black Sea.

During recent months, there has also been a rapid improvement of relations over economic cooperation with the other socialist countries.

At the end of last year, a delegation headed by Deputy Prime Minister Necmettin Erbakan visited the German Democratic Republic to work out the details of a Technical and economic cooperation agreement. A DDR trade delegation has also been to Turkey. Trade between Turkey and Poland has increased 85 percent in 1976, and an agricultural cooperation agreement has been signed with Yugoslavia.

Turkey has been simultaneously engaged in negotiations for a series of deals with Japan and Italy. This, too, has a definite relationship to the other engagements with the socialist and Arab countries. For example, it has been rumored in Ankara that Soviet Premier Kosygin encouraged Demirel to contract with Japan for a steel plant project. In fact, a consortium led by Japan's Nippon Kokan and Nippon Steel has been contracted recently for the steel complex in eastern

Anatolia. Two other Japanese companies, Mitsubishi and Mitsui, have also made deals to handle units of a petrochemical complex of the Turkish State Petrochemical Corporation.

In December, another delegation led by Erbakan visited Italy and an economic cooperation agreement was signed. The Italians have agreed to extend assistance to Turkey for its fourth Five Year Plan, including cooperation in chemical, machinery, and electronics industries.

Turkish Oil Supplies Set

The supply of oil is not a major problem for Turkey. Most of its oil is imported from the Arab countries through bilateral deals. Turkey's own crude production totalled 3 million tons last year, and it imported an additional 11 million tons. Libya has a standing agreement with Turkey to supply 3 million tons annually. With the opening of the Iraqi-Turkish pipeline, Turkey has solved a substantial portion of its crude consumption needs, since it will be able to buy over 11 million tons crude annually from the pipeline.

Greece: Military Budget, Political Pressure Hamper Greek Drive For Expanded Trade

GREECE

At the present time, the quite considerable industrial and agricultural development potentials of Greece are not yet certain to be realized. Greek Premier Constantine Karamanlis has devised the appropriate development policies, and Greece's Comecon and Third World trading partners have offered all the opportunities needed for their fruition. But Greek development hinges on the settlement of political questions inside the nation as much as on the campaign for a new world economic order.

Since Karamanlis came to power in the summer of 1974, he has sought to foster and expand state-owned industrial enterprises, spread mechanization in the country's dominant agricultural sector, exert government influence and, on occasion, outright control over private-sector investment and employment decisions, and generally undo the work of the 1967-74 military junta which subjected Greece to the effects of enormous profit repatriation by monetarist raw-material multinationals who continue to account for over 40 percent of investment in the country. In an economy largely dependent on agricultural exports but rich in mineral resources, Karamanlis has strengthened development

ties to both Third World and socialist bloc nations, on whose trade and cooperation the actual development of the country's resources will most immediately depend.

In pursuing such policies, however, he has faced both heavy-handed foreign manipulation and a powerful opposition among right-wing business factions and their allies within his own government. These elements worked closely with the former military junta in auctioning off the country's productive capacities to foreign raw materials' interests with no objective of national development. Karamanlis, while committed to that objective, has actually strengthened his opponents in bloated military expenditure and in a quest for full membership in the European Economic Community rather than forthrightly aligning his nation with the policies of the developing sector.

Trade and Cooperation

Since 1975, Karamanlis has been actively seeking to expand trade ties to the neighboring Balkan socialist countries. It was Karamanlis who initiated the first Balkan Conference on Economic Cooperation and Security, in which Bulgaria, Rumania and Yugoslavia participated. A second Balkan Conference, after extensive diplomatic efforts by Yugoslavian President Tito, will be convened this year in Istanbul with Turkey a significant new participant.

A Chamber of Commerce delegation toured Arab countries in late 1976, after which the government announced a new policy of "openings" toward the Arab world. At the end of February, the Greek press announced the establishment of a Greek-Arab bank in Athens which would finance industrial projects in Greece, the Middle East, and North Africa. Libya, Kuwait and Bahrain will provide 60 percent of the capital. Karamanlis plans an official visit to Libya, Saudi Arabia, Syria and Tunisia this year to broaden cooperation.

Already, the Middle East and North Africa have become major markets for Greek exports, which were only \$43 million in 1970 but are now approaching \$400 million. Greek exports to this region have increased from 6.7 percent to 18.3 percent during the 1970-75 period, raising the Middle East and Africa from fifth to second place among importers of Greek goods, with Libya importing one third of these.

Another boost to trade is expected as a result of the Greek-Syrian agreement signed last month which provides for the first direct, regular ferry route between Greece and the Middle East. The ferry will operate between the harbors of Volos in Greece, and Latakia or Tartus in Syria and will be used extensively by European countries as well. A complementary land transport plan was agreed upon by the two nations and similar agreements are expected with Iraq and Iran.

As part of this effort the Karamanlis government is establishing an Arab-Greek Mediterranean Studies Center, to develop "traditional cultural ties" between the Arabs and the Greeks.

The Comecon sector has exhibited a similar potential regarding the future of the Greek economy. When Greek Socialist leader Andreas Papandreou returned from a recent visit to Bulgaria, he delivered a message to Karamanlis from Bulgarian President Zhivkov proposing that Bulgaria absorb 50 percent of Greek agricultural exports. Other offers from the socialist bloc include proposed joint enterprises for industrial development: joint energy development projects with Bulgaria, expanded sales of industrial equipment and farm machinery by Rumania, joint electricity and transportation ventures with Yugoslavia and many others.

In December 1976 an agreement was signed between the Greek Public Power Corporation, the Soviets and a West German consortium for an electric power project which will be constructed in Ptolemais. The Soviets will provide investment and industrial equipment, and West Germany the technology. Approximately 80 percent of the Soviet investment is to be paid for by Greek agricultural exports to the USSR.

Late last year, the Soviet Union also made a proposal for a joint aluminum plant, including Bulgarian participation. To have been built in Greece, the plant's cost was put at \$250 million, with Greece providing the bauxite, the Soviets financing and equipment, and Bulgaria cheap electrical energy.

The deal's failure is instructive of Karamanlis problems. While the Hellenic Bank for Industrial Development was in negotiations with the Soviets, David Rockefeller's Chase Manhattan bank intervened to pressure for cancellation of the deal. Karamanlis did cancel, by announcing that Chase had made an offer for a similar plant at \$200 million. In reality, the plant has not and will not be built. Recent government reports now say that Chase Manhattan's revised cost estimates have risen to \$310 million, while the price of aluminum on the world market has fallen.

Such sabotage by the Rockefellers and the like is neither isolated nor always so direct. Related domestic business interests which benefitted from their alliance with the defunct military junta but have not benefitted from Karamanlis' policies, have attacked his overtures toward the Soviet bloc as "socialistic" and "radical." They apply the same terms to his domestic policies.

Government Intervention and Opposition

In 1975, the Karamanlis government introduced an amendment to the Greek constitution whereby certain domestic and foreign economic contracts arranged by the military junta could be disregarded as "running counter to the constitution and the laws" or "detrimental to the interest of the state, the consumers, or the national economy." The provision gave the government the power to exert direct control over foreign business to prevent profit repatriation.

The same powers were levelled at domestic corporations. Accusing right-wing businesses of violating Greek monetary or other regulations as a part of contracts signed with the military junta, the Karamanlis government began to intervene against the speculative

Trade				
(US \$ MILLION)				
	1974	1975	1976	
I.				
BALANCE OF TRADE	-2,888	-3,050	-3,224	
IMPORTS	4,691	5,070	5,552	
EXPORTS	1,802	2,029	2,227	
II.				
BALANCE OF INVISIBLES	1,676	1,972	2,261	
INVISIBLE RECEIPTS	2,360	2,650	3,030	
III.				
BALANCE OF CURRENT A/C	-1,211	-1,077	-1,063	
IV.				
NET MOVEMENT OF CAPITAL	1,068	1,330	1,147	
V.				
FOREIGN EXCHANGE RESERVES	749	762	787*	
TOTAL RESERVES	936	931	954	

*OCTOBER

corporate empires of Greece, most notoriously, the interests of Stratis Andreadis. Andreadis' commercial bank was placed under a government-appointed management which, as the nation's second largest bank, also brought control over four smaller banks, the second largest Greek shipyard in Eleusis, four insurance companies, a fertilizer plant, a plastics plant and others.

A similar policy was adopted toward petroleum magnate and shipowner Niarchos. At the end of 1976, the government nationalized the nation's biggest oil refinery in Aspropyrgos, two thirds of which was owned by Niarchos (one third by the state). Niarchos, under a treaty with the junta, had had the exclusive right to buy and market the majority of Greek crude oil imports — an exercise he operated on behalf of the Rockefeller-dominated "SevenSisters" cartel. Karamanlis put an end to this, forcing Niarchos to sell his share in the Aspropyrgos facility for \$12 million. The nationalization was followed by an announcement that the government would henceforth be regulating the price of all petroleum products and restricting the domestic pricing power of the "Seven Sisters."

The government has not only nationalized but founded new state-sector industries and corporations. In 1975 the state-owned Public Petroleum Enterprises (PPE) was established to explore for oil in Greece. Its success has been such as to permit government promises that Greece will be self-sufficient in oil by 1980. The government has also created a banking consortium to finance the deve-

lopment of mining, minerals, hydrocarbons, and chemicals — those sectors which, according to Karamanlis' "mixed economy" formula, are not adequately covered by the private sector. The banking consortium initiated by Minister of Planning and Coordination P. Papaligouras, was modeled on the Italian state IRI consortium, with the name Hellenic Industrial and Mining Investment Company and a principal shareholder in the National Bank of Greece, which now controls 60 percent of the country's banking activity.

The potential in such state consortiums is enormous. Greece has significant stores of valuable minerals, the most important of which is lignite, critical to electric power production. There is also a vast amount of bauxite, 50 percent of whose 3 million ton annual output is exported with the remainder employed for alumina and aluminum. There are also iron ores, pyrites, magnesites, manganese ores, sulphur, and others. "Eighty percent of the Greek sub-soil has not been explored," according to the governor of the Bank of Greece, and what has been explored in private sector ventures has led only to fast extraction for export as cheap, unprocessed raw materials. The object of the state-sector ventures in this field will be to turn an increasing portion of extracted mineral wealth to the benefit of developing domestic processing industries, with bauxite a primary target.

Bauxite deposits in Greece are estimated at between 120 and 150 million tons, which would last 40 years at present rates of exploitation. Government officials have pointed out that the current 1.5 million tons annually

Greece: Gross Domestic Product And National Income

(AT CONSTANT 1970 PRICES)

(BIL. DRACHMAI)

BRANCHES	1973	1974	1975	%
MANUFACTURING	69.3	67.3	70.2	20.4
AGRICULTURE	49.5	55.1	56.8	16.5
TRADE	41.7	40.8	50.2	14.6
PUBLIC ADMINISTRATION/ DEFENSE	25.7	28.5	29.3	8.5
HOUSING	26.3	27.9	28.9	8.4
TRANSPORTS-COMMUNICATION	27.0	27.0	28.4	8.3
CONSTRUCTION	31.9	22.1	23.0	6.7
HEALTH-EDUCATION	13.8	14.5	15.0	4.4
MINING	5.1	4.8	4.9	1.4
ELECTRICITY-GAS	7.9	7.6	8.0	2.3
MISCELLANEOUS SERVICES	21.5	20.0	21.5	6.3
A. GDP	327.4	324.2	336.2	
B. NET INCOME FROM ABROAD	9.8	8.8	7.7	2.2
C. GROSS NATIONAL INCOME	337.2	333.1	344.0	
D. DEPRECIATIONS (-)	22.4	23.8	26.5	
E. NET NATIONAL INCOME	314.8	309.2	317.5	

exported would be sufficient to feed domestic processing industries capable of turning out 680,000 tons of alumina per year (over and above current production of alumina at 460,000 tons annually), or alternatively, 340 tons of aluminum. Either development option would lead to returns well in excess of the 444 million drachmas realized annually from the export of raw bauxite. The equivalent amounts of alumina exported would realize 1 billion drachmas, aluminum 2.6 billion drachmas.

Other state-sector efforts include the "Hellenic Shipyards" in Skaramagas, which are now being expanded to reach 500,000 tons DW capacity. The additional units will make the yards one of the major shipbuilding and dry-dock facilities in the world.

The state-owned Hellenic Industrial Development Bank announced last month that its bank will take investment initiatives to create an asbestos plant, a chromite processing industry, a metals industry, a fish processing plant and a canning unit. The bank's plans for 1977 include the development of 11 industrial parks and expansion of ammonia and pharmaceuticals industries. The bank's ambitious plans were explained by its governor as necessary because of the reluctance of private enterprise to invest in these essential industries. In the first ten months of 1976, private industrial and mining investment fell drastically. Over 40 percent of private investment went into the essentially speculative construction of luxury apartment houses and office buildings.

Yet, the expansion of state involvement in the economy has brought the cry "radical" down on Karamanlis head from the business community. The Association of Greek Industrialists issued a memorandum calling the government's economic policy "socialistic" in March 1976. Such public statements are only the tip of the iceberg regarding private sector opposition and effective blocking of much Karamanlis would otherwise choose to do, an obstructionism in which they have enjoyed the support of the U.S. financial community and related intelligence agencies.

Last month, socialist leader Papandreou warned the government that a significant faction of Greek businessmen are collaborating with remnants of the junta and old royalist forces in a plan to topple Karamanlis. Papandreou highlighted the predicament faced by the premier: "He is bound to either submit to these forces or be toppled, because of his inability to dismantle the right-wing invisible government," because those forces have "historically been part of the same political and social structure that Karamanlis is based on."

Such domestic pressures combined with foreign manipulation have succeeded in waylaying or stymying much of the government's program. Two induced policy errors stand out. The first is the product of intervention by the U.S. Carter cabinet directly: the Cyprus and Aegean crises, and the included "threat" of war with Turkey. Since Cyrus Vance, the current U.S. Secretary of State, managed to create the first Cyprus crisis, the Greek government has consistently given first priority to military expenditures and military industry, an enor-

mous drain on its relatively undeveloped economy in the best interests of NATO. The recently announced national budget for fiscal year 1977 allocated 50 billion drachmas for defense, nearly 25 percent of total expenditures, 7 billion drachmas higher than total state investments, and twice the amount allocated for social services. Similarly, in 1975, nearly three quarters of the 17.4 percent increase in Greek capital goods imports was consumed by the military, largely transportation and related equipment.

The second induced policy-error is the government's commitment to make Greece a full EEC member by 1980. In return, Greece is to receive a \$247 million loan from the European Investment Bank and \$63 million in aid from the EEC fund for its agricultural sector. But for a relatively labor-intensive farm sector, EEC-imposed tariffs on Greek agricultural exports — a condition for accepting the country as a full member — are extraordinarily high, and have already caused thousands of tons of oil, fruits, and significant amounts of the main Greek agricultural export, tobacco to be destroyed. This further aggravated the trade deficit with the EEC countries which had reached \$1.5 billion by 1975. The disastrous effects in the agricultural sector, which accounts for approximately 36 percent of the entire workforce and provides 38 percent of the country's total exports, are shown in figures which reduced its share in the GNP from 25 percent in 1965 to 16 percent in 1975.

Both the EEC deficit (which can only increase) and the drain represented by military expenditures gravitate powerfully against the single most urgent measure for Greece's material development — the mechanization of its agriculture.

As Papandreou and the mass-based Greek Communist Party have not hesitated to point out, relations to the EEC have no more to do with the economy per se than do military expenditures induced by State Department Aegean and Cyprus manipulations. Papandreou has forcefully pointed out that the EEC has demonstrated no commitment to Greek development, but is most interested in Greece's strategic position in the Eastern Mediterranean. One formal demand on Greece in the event that it becomes an EEC member is that it rejoin NATO's military command structure, from which Greece withdrew after the Turkish invasion of Cyprus in 1974. The negotiations with the EEC have also heard demands for the restoration and maintenance of U.S. nuclear missile bases on the peninsula. With extraordinary popular support for their position, both the socialists and communists therefore argue that national development depends on dropping negotiations with the EEC in favor of alignment with the socialist bloc nations and the Arab leaders of the Third World.

The Special Report on the Israel Economy has been delayed, owing to difficulties in assembling adequately comprehensive economic data for evaluation. The report will appear in a future issue of Executive Intelligence Review.

Will U.S. Troops Soon Be Backing Smith In Africa?

The U.S. Ambassador to the UN Andrew Young told reporters March 8 that he would favor sending U.S. troops into Rhodesia as part of a UN "peacekeeping force" to "pick up the pieces" after an outbreak of war.

Young's announcement comes right at the point that new economic deals between Tanzania, Mozambique, Zambia, and Angola are successfully countering the recent destabilizations in East Africa, and at the point that all-African efforts have greatly stabilized the situation in Uganda. The arrival soon in Africa of Soviet President Nikolai Podgorny is expected to both increase Soviet economic aid to the front-line states and advance the peace effort.

The onus of any outbreak of war, therefore, would seem to fall upon the minority regimes of South Africa and Rhodesia with the not-so implicit backing of the Carter Administration.

In this regard, the Yugoslavian daily *Vjesnik* reported March 4 that the U.S. Defense Department may be considering opening a naval base in South Africa. The article cited the U.S. magazine *Military Review*. There is no obstacle to a military base on the Indian Ocean, the *Review* comments, to guard against "communist penetration from Angola to Mozambique." The *Review* suggests that the South African Bantustan republic of the Transkei is a prime location for such a base.

In his March 8 interview, Young also gave hearty endorsement of the new aggression into Angola by guerrilla movements operating from Zaire and South Africa's Namibia. Remarking that the Cuban presence in Angola would turn into Castro's "South Vietnam," Young continued: "It's a huge country. The Cubans don't have the forces to stabilize it."

Syndicated columnist Carl Rowan, Trilateral commission member, echoed Young's statements with a call for an aggressive U.S. intervention into Africa. "We dare not regard southern Africa as a potential new Vietnam from which the U.S. must stay aloof..." Rowan warned not only against "communist" intervention in Africa, but also against the possibility of that European-African trade deals might shut out the U.S. "It would be semi-insanity for U.S. officials to assume for a single day that the Russians, Cubans, Chinese — or West Europeans for that matter — have lost their appetite for intervention in Africa. The Soviets particularly have slavered for years over the prospect of establishing Communist beachheads in black Africa. Their achievements so far in Angola and Mozambique are not likely to satisfy them."

Rhodesian Foreign Minister Pieter van der Byl March 9 announced that his government intends to hold a "referendum among that country's black population to choose representatives for Prime Minister Ian Smith's universally rejected internal negotiations for majority rule. Van der Byl announced that a few international observers would legitimize the vote and indicated his foreknowledge of the results by rejecting out of hand, in an interview with the British *Daily Telegraph*, any possibility of negotiation with the Patriotic Front coalition of Rhodesian nationalists, generally recognized as the representatives of the Rhodesian nationalist organizations.

Smith this week also organized a War Council consisting of the newly appointed Defense Minister, and three newly created posts, the coordinator of military manpower, the Supreme Commander of the Armed Forces and the Combined Operations Minister.

Japan's Resources Faction Has Come To The Fore Again

JAPAN

We reprint below sections of two articles from Japan's second largest newspaper Yomiuri outlining the crisis Japan's resources faction members (the 'shigenha') are facing in the quest for resources outside the control of the Rockefeller's multinational corporations.

The articles reflect discussions in Japan's top business circles to join the Europeans and Arabs in a break with the dollar monetary system. In the last month, the Japanese have sent major business missions to the Third World, in particular Latin America. Recently Toshio Kimura, Tanaka's former finance minister met with Venezuelan President Carlos Andrés Pérez in Caracas to work out agreements for increased export of Venezuelan crude oil to Japan, free of multinational marketing networks. Japan's Prime Minister Takeo Fukuda is under intense pressure from the shigenha, a fact which should make Fukuda's Washington visit later this month a very interesting affair.

"Energy Policy 'Envoys' Become Active Again"

*Yomiuri, March 7
by Yoshiya Sato*

The group of economic leaders known as the 'shigenha' (resources development advocates) has become active again after two years of silence, reflecting the business world's sense of crisis over the stagnancy of Japan's energy policy.... The business leaders dubbed 'shigenha' are those who have made a great point of securing stable supplies of natural resources from abroad. Especially during the Tanaka government, they would hop actively around the world to facilitate import of resources development projects between Japan and resources-rich countries.

Rated among the most influential members of the 'shigenha' group are Sohei Nakayama, counselor of the Industrial Bank of Japan, who successfully established the Japan Oil Development Company after securing drilling rights in Abu Dhabi; Hiroli Imasato, Chairman of the Board of Nippon Seiko, who represented Japan in the negotiations with the Soviet Union on Siberia's Tyumen

oil field development project; and Hiroshi Anzai, Chairman of the Board of Tokyo Gas Company, who has dealt with the problem of developing and importing natural gas in Sakhalin.

Others include Soichi Matsune and Yoshiro Inayama, Chairman of the Board of Alaska Petroleum Company and Nippon Steel Corporation respectively....

Their retreat during the period of the Miki government had a great deal to do with the stance that government took toward them.

It was simply because they had been authorized by the Tanaka administration to act on behalf of the government that the 'shigenha' businessmen were able to conclude agreements with foreign governments and companies on resources development projects.

In advance of their departure for resources-rich countries, they would always have prior consultations with the government, so that they were empowered to make such promises that Japan would give the foreign countries concerned special government loans or low-interest financing by the Export-Import Bank of Japan if they agreed with the proposed resources development.

Should they have gone abroad empty-handed without any official mandate, no foreign government would ever have regarded them as prospective partners in large-scale resources development projects.

Since the Tanaka government made much of furthering Japan's investment and development projects overseas, the 'shigenha' businessmen were able to have a lively time of it.... Not that Miki himself paid no heed to the problem of securing natural resources, but he was under the pressure of dealings with the domestic political imbroglio caused by the Lockheed scandal and hardly able to promote resources policies.... What was lost because of the two year's absence of an energy policy, however, is great indeed. According to government estimates, Japan will be in need of 500 million kiloliters of petroleum a year in and after 1985, that is twice as much as the present consumption. But measures to secure supplies of such a huge amount of petroleum have yet to be worked out.

Meanwhile, prospects are extremely slim for achieving the government-set target of expanding the nation's atomic power generation capability to the level of 49 million kilowatt-hours by 1985.

With these circumstances as the backdrop, it can be said the 'shigenha' businessmen have come to the fore again....

“Saudi Mission Worries Gov’t., Business Leaders”

Yomiuri, March 7
by Mitsuo Kono

Business and government leaders have rapidly become very much concerned about Saudi Arabia since a recent visit to Middle East nations by an influential economic mission composed of business leaders and headed by Shigeo Nagano, president of the Japan Chamber of Commerce and Industry and honorary president of Nippon Steel Corporation....

Business leaders had taken it for granted that Saudi Arabian people would respond favorably to the visit of such an influential Japanese economic mission.

True, Oil Minister Yamani received the mission with a sunny smile, but Planning Minister Nasser, leader of the nation’s industrialization projects, it is said, took an attitude quite alien to international friendship toward the mission. He received only limited members of the

mission and made time for only less than 20 minutes of talks.... Many members of the mission actually felt the distrust the Saudi Arabians have of the Japanese only after they were treated in a cold way by Planning Minister Nasser....

Concern about Saudi Arabia has arisen from this humiliating experience. More accurately, this experience has given rise to national consciousness of the crucial need to secure a stabilized supply of oil.

A member of the mission said: “Japan depends upon Saudi Arabia for one-third of its imported oil, while nearly all of the U.S. oil imports come from Saudi Arabia. Hence, there is a possibility of a struggle for oil taking place between Japan and the U.S. in the near future.

“Japan will be completely defeated in the struggle since the Japanese have made little contribution to industrialization efforts in Saudi Arabia, whereas the U.S. is on intimate terms with Saudi Arabia.

“Where shall we be if Saudi Arabia hesitates to supply oil to Japan in an emergency? I spend sleepless nights out of anxiety.”

Carter's Latin American 'Breakaway Ally' Scenario

Jimmy Carter's recent dramatic gestures on "human rights" in Latin America have not resulted in any reduction in levels of repression — nor were they ever intended to. There is ample evidence, reflected even in pro-Carter newspapers, that the blunt U.S. diplomatic provocations, designed by the Trilateral Commission and its satellites, have given the mantle of "patriotic defenders of sovereignty" to the subcontinent's traditionally pro-American torturers and death squad operators, while making those who fight for human rights appear as "traitors" and "American agents."

Equally important, by provoking a public spat with America's fascist allies, the Carter Administration seeks to absolve itself for the increasingly repressive policies which these bankrupt countries will have to use against their populations in order to continue payment of their bloated debts. The one link with the United States which no one in the Southern Cone of Latin America has yet discussed breaking is the crucial debt tie. (In fact, David Rockefeller, Arthur Burns, and last week's report of the Joint Economic Committee's Sub-Committee on Inter-American Affairs have all mandated debt payments with moratoria or renegotiation.)

In Argentina, Carter has effectively aided the "Pinochetista" army factions and the Navy in their intense efforts to destabilize the more centrist President Videla. Videla is now caught in a vise between escalating

pressures for civil liberties, on the one hand, and military hard-liners seeking to dump him and impose even harsher repressive policies against the working class, on the other. And in Brazil, the political moderates who have long fought for democratization are once again running for cover from an expected "backlash by military hard-liners" provoked by Carter, according to the *New York Times*.

A brief review of the chronology of the Carter diplomacy and of the Southern Cone response makes it clear that Carter has indeed activated a deliberate "breakaway ally" scenario for the area — purposefully provoking a hysterical response that could lead into full scale continental war. There are even growing indications that Carter is achieving the long-sought unity of the fascist governments of the Southern Cone, now united in a hysterical reaction-formation against human rights. It is only a small step from the creation of such an alliance to its deployment to squash the strong anti-Rockefeller resistance now being seen in Colombia and Venezuela.

Yet the game of provoking a united "anti-American" shock force of fascist regimes can also backfire — if these governments act like genuine nationalists and break their debt dependency ties to the United States, and quickly expand trade and other relations with Europe and the Socialist Bloc countries.

Chronology Of Carter's Confrontation With The Southern Cone

- Feb. 24 U.S. Secretary of State Cyrus Vance tells Congress that 1977-78 military sales credits for Argentina, Uruguay, and Ethiopia would be reduced because of "human rights" violations. The cut was a clear political act, since none of the Southern Cone dictatorships actually received more than \$2 million of such credits in 1976.
- Feb. 28 Argentine Foreign Minister Vice Admiral Guzzetti denounces Vance's aid cuts as "interference in the internal affairs of our country and ignorance of Argentine reality."
- Feb. 27 An 8-member U.S. delegation, headed by Under Secretary of State Warren Christopher, a member of the Trilateral Commission, visits Brazil. Christopher is unceremoniously sent flying home after only 5 hours of talks with Brazilian officials in which he fails to pressure them into abandoning their nuclear fuel program. They reject his repeated demands that Brazil depend on uncertain U.S. supplies of enriched uranium and permit international control over fuel reprocessing.
- Mar. 2 Argentine Defense Minister Jose Maria Klix rejects Vance's proposed \$15 million sales credits, following a military consensus on the question. The Uruguayan Government withdraws all U.S. aid requests. (Total affected, \$11.5 million).
- Mar. 2 Vance reiterates to Congress his intent to use "human rights" against the East Bloc and rightist military dictatorships. Vance refuses to answer question by Rep. Long (D.-Md.) on why military aid is not also cut from Brazil and Chile for their human rights violations. On leaving Congress, however, Vance lies to reporters by stating that the State Department is *not* studying the Brazilian human rights question.
- Mar. 3 Brazil dramatically renounces 1952 covenant under which the U.S. loaned Brazil military surplus.
- Mar. 3 Larry Birns of the Council on Hemispheric Relations announces campaign to persuade Congress to cut the flow of private, as well as public, loans to the southern cone countries.
- Mar. 4 U.S. Ambassador John Crimmins delivers the Brazilian Government a State Department report to

U.S. Congress on human rights in Brazil, and a memo on U.S. aid to Brazil.

Mar. 5 Brazilian Foreign Minister da Silveira meets with President Geisel and military leaders. He then returns both documents to Crimins with an angry note rejecting "in advance any military assistance that depends directly or indirectly on prior examination by organs of a foreign government of matters that by their nature are the exclusive competence of the Brazilian government." Brazilian military figures immediately assure that Brazil is now almost self-sufficient in weaponry, and will mobilize its shipbuilding industry to achieve complete self-sufficiency. They applaud Silveira's "defense of national sovereignty."

Mar. 5 Peruvian Interior Minister Cisneros airily denounces United States' traditional power, "over that of the nations themselves, to decide which arms each nation should have. We think this affects our sovereignty." He defends Peruvian purchases of Soviet weapons as needed to prevent Peru from being unprepared in a second war with Chile. "We won't tolerate a second Arica."

Mar. 6 Brazilian opposition party (MDB) supports military government against Carter's interference. Moderates fear Carter campaign will incite a repressive backlash from the hard-liners.

Mar. 6 Argentine, Uruguayan, and Paraguayan ambassadors in Brasilia express support for Brazilian rejection of aid.

Mar. 7 Brazilian presidential press secretary Col Camargo describes Carter's human rights operation as a "chess game" in which the next move is up to Washington. Brazilian press warns that publication of the rights report would provoke Brazil to reduce or break diplomatic relations. Christopher assures that report will be published within two weeks.

Mar. 8 Brady Tyson, a U.S. delegate to the UN Human Rights Commission, strongly denounces the Pinochet government and apologizes for Nixon Administration role in creating it. Tyson's apologies are disavowed by Vance and Carter's press secretary, but reported in Latin American press as expression of Carter Administration views.

Mar. 8 Argentina President Videla announces he will visit Brazil in May. "The international circumstances (U.S. attacks on nuclear development plans and human rights), which surround us have the beneficial effect of bringing the two nations closer together."

Mar. 9 The entire Chilean cabinet resigns. The Pinochet regime is expected to emerge with a slightly different face.

Press Reports Hardliners In Ascendance

Die Welt, March 8

"Carter's Admonitions Enrage South American Regimes," by Heinz Barth (from Rio de Janeiro).

It's as though Jimmy Carter had set out to drive all of Latin America up a wall. In only a few weeks he managed to get the countries of the Southern Hemisphere to rise up against his pointed finger and his Administration...Jornal do Brasil wrote 'The result of Carter's Foreign Policy is the strengthening of the nationalist and anti-American sentiment as well as the stronger rooting of military regimes: exactly the opposite of what Washington says it wants.'...In his televised program 'Call the President', he counselled Americans to combat rising Brazilian coffee prices by drinking tea; he has already joined the tea-drinkers. Apparently he couldn't think of anything better at the moment to make himself hated by Brazil.

Washington Post, Mar. 5

"Latins React to Rights Move: Official Anger, Private Hope," by Joanne Omang (from Buenos Aires)

A flood of habeas corpus writs pouring into Argentine courts is one of the repercussions of this military-dominated continent to President Carter's initiatives on human rights.

...It is known that Carter's move has sharpened debate between the Argentine armed forces 'hard' and 'soft'

factions to the point where a planned visit by Chilean President Augusto Pinochet is expected to be reconsidered.

The soft-liners, of whom Gen. Videla is said to be one, are expected to argue that the visit might best be postponed or at least downplayed. The hard-liners have taken the view that what they regarded as admirable restraint up to now in their treatment of suspected terrorists has gotten them a slap in the face and as a result they should be given a free hand. They are expected to argue for maximum fanfare for Gen. Pinochet.

New York Times, March 6

"Brazil's Opposition Joins Protest to U.S. over Human Rights Report," by Jonathan Kandell (from Rio de Janeiro)

Leaders of the center-left opposition party today joined the right-wing military Government of Brazil in protesting a report by the Carter Administration that criticized the human rights situation here.

"We carry out opposition to the Government, not to the nation," said Mr. Ramalho, whose party (Brazilian Democratic Movement) has protested violations of human rights here in the past.

The opposition party, which is dominated by moderates, is worried that the incident with the United States could lead to a backlash against Government opponents by military hard-liners.

"Argentina and Uruguay React Sharply to Washington's Reduction of Military Aid," by Jean-Pierre Clerc:

Considering the nature of their regimes, these two countries can't afford to promote their quarrel with Washington. The hyper-liberal political economy which prevails on both sides of the Rio de la Plata necessitates good relations with the US, the main master of private investments and of the credit of international financing organisms. The reaction of Uruguay where the economic crisis is very deep is even less credible from this point of view.

...Washington knows the eternal and present limits of the latinos.

Carter Will No Longer Be Blamed For Southern Cone Repression

The following excerpts are from an interview with an American historian specializing in Brazilian military history.

Q: Doesn't Carter's move strengthen the right wing in Latin America, instead of promoting democracy?

A: The present strengthening of the right-wing should be viewed as part of a transitional situation of hysterical right-wing reaction to the United States. But they won't be able to say any more that they are being supported by the United States...

Q: There appears to be coalescing an alliance of the Southern Cone governments against the United States. Is there any chance that they could be provoked so much as to break with US economic hegemony?

A: Yes, Brazil and Argentina are coming closer together against the United States. But it can't last. Besides, if the United States doesn't finance them, who will? Are they gonna get support from the Soviets? No, they can't. They're anti-communists.

Brazil Does Not Fear U.S. Economic Pressure

In the conservative daily O Estado de Sao Paulo Feb. 25, well-informed columnist Carlos Chagas quotes at length from an interview he had with "one of the most important presidential aides on the ministerial level." The following statements from that interview are probably from Foreign Minister da Silveira or his immediate circle.

Brazil doesn't believe, but most importantly, doesn't fear whatever economic or financial pressures the United States might generate to try to change our position on the nuclear question...Before 1964, despite all the leftist and anti-American postures of the Brazilian government, we did not have the slightest real capacity to confront pressures. We were completely vulnerable. Today, things have changed, even though as members of the Western and capitalist system, we do not intend to get into fights with our neighbors in North America. We are now, however, in condition to protect our sovereignty and fight for our interests. The time for blind obedience has ended.

...the Brazilian government does not believe that the U.S. would start playing with economic pressures, which would be harmful not only to the relation between the two countries, but also for the entire Western community.

...In any case, the government does not fear attempts to freeze our credit or impede our financing from international credit institutions. It just happens that the World Bank, for example...does not do us any favors. They give us credit because we religiously meet our commitments to repay fully interest and principle. Therefore, why would financial entities associated with the World Bank want to get rid of such a good partner?

...The same reasoning applies to the Inter-American Development Bank (IDB). The majority of its operations are with Brazil, one of the only countries on the continent in condition to contract large loans and repay them properly. To suspend operations with Brazil would result in the IDB's stagnation and even endanger it.

Mass Strike Challenges World Bank Rule In Colombia

COLOMBIA

Colombia, long touted as one of the few remaining "democracies" in Latin America, is today rapidly heading toward full-scale militarization, Chile-style. In the past days, the Colombian government has assumed a deliberately intransigent position in the face of working class demands for wage increases and an end to inflation, thus forcing a mass strike wave which it intends to meet head on with full military force. The govern-

ment's deliberate confrontation strategy marks the launching of Phase Two of Finance Minister Espinosa's announced plans for the imposition of a world Bank-dictated "war economy:" i.e., *political* war against the working class.

The government's provocative offer earlier this month of an 18 percent wage increase, in the face of an officially acknowledged two-year cost of living increase of 60 percent, has predictably touched off waves of protest in all sectors of the working class. A 100,000-strong protest march in the capital city of Bogota last week registered the rage of 7,000 oil workers from the state company Ecopetrol, over 200,000 teachers, 60,000 health workers, con-

struction and judicial workers, and a coalition of 60 state sector unions representing another 200,000 workers. In addition to a call for a 50 percent hike in the minimum wage, the demonstration demanded an end to the two-year state of siege and a solution to the soaring cost of living.

The first to walk off the job this week were 60,000 hospital workers demanding several months of unpaid wages due them. They were immediately followed by the 200,000 workers grouped in CITE, the Interunion Committee of State Employees. CITE has charged the government with deliberately attempting to destroy the union movement by doing away with the right to strike and to collective bargaining under the anti-labor "public employees code." Teachers in several departments around the country are also out demanding back wages and a wage increase to keep pace with the 30 percent yearly inflation rate. Steel, oil telecommunications, construction, judicial and other sectors are all poised to strike as well.

The economic crunch behind these workers' protests is emphasized in a report published last month in the Colombian journal *Sintesis Economica*, which said that one kilo of meat in Colombia now costs the equivalent of eight hours of labor, and a kilo of bread at least four hours! The government's decision to allow meat prices to rise 12-15 percent this week was taken by the angry workers as the ultimate provocation.

The same deliberate government provocation was evident in the public declarations this week of the director of Ecopetrol, the huge state-owned oil and petrochemical company. Despite weeks of open concern expressed in the press and elsewhere over the anticipated effects of a national oil workers' strike, Ecopetrol's director blithely declared that such a strike, were it to occur, "would not be very serious." He went on to assert that the leadership of the oil workers' union had been

seized by communist extremists who had forced a commitment to strike upon an unwilling rank-and-file. His implications were clear: any workers who go out on strike will automatically be considered communists, and treated to the same repressive measures currently meted out to communists in the rural areas of the country — brutal Chilean-style persecution, torture and assassination.

In preparation for the provoked strike confrontation, the government has ordered a full-scale military occupation of the city of Barrancabermeja, including stocking up on sufficient food, clothing and medicines to supply a strike-breaking force for 75 days. Maoist countergangs and agent provocateurs have heavily infiltrated the oil workers' union to insure the kind of anarchist provocations required to "justify" the planned military crack-down.

The government's "non-negotiable" stand on labor has already been demonstrated with the striking hospital workers. In several instances, combined assaults of security police and marines were ordered by the government to dislodge workers from hospitals they were occupying. Numerous arrests and extensive damage to the hospitals were all part of the violent scenario.

The government's undisguised strategy of full-scale war measures to impose a full-scale war economy is rapidly alienating the workers who constitute the base of the pro-government UTC and CTC labor confederation. In particular, the UTC and CTC leaderships fear a massive flight of their membership to the Communist Party-led CSTC, which has demonstrated both its capacity and willingness to fight against the austerity conditions. The UTC has already been threatened with a revolt from a majority opposition faction within its ranks which denounced the UTC executive committee for endorsing a political candidate who had "absolutely nothing to say about labor's concerns."

U.S. Reporters Find Cubans 'Outraged' By Carter Remarks On Human Rights

CUBA

Despite lip-service on the part of the Carter Administration to the idea of rapprochement with Cuba, every knowledgeable source indicates that Carter's Cuba diplomacy is working in exactly the opposite direction.

Benjamin Bradlee, a senior editor of the *Washington Post*, reported this week after returning from Cuba that President Castro and Cuban diplomats generally are "appalled" and "outraged" by President Carter's remarks about human rights and the presence of Cuban troops in Angola. In several hours of talks, President

Castro made it quite clear to Bradlee that Cuba feels it has nothing to learn about human rights from the country which perpetrated the Vietnam war and planned the Bay of Pigs invasion of Cuba.

President Castro was "steaming," Bradlee reports, about last month's provocative meeting between U.S. Secretary of State Cyrus Vance and several prominent anti-Castro Cuban exiles, including the commander of the Central Intelligence Agency's Bay of Pigs invasion. Castro emphasized to Bradlee that these individuals represent to Cubans everything that was corrupt about pre-revolutionary Cuba. Bradlee reported: "Castro said he could not imagine the names of three Americans whose consultations with the Cuban minister of foreign affairs would be comparably absurd."

Bradlee's report corroborates the estimate made two weeks ago by *Newsday* publisher William Attwood, who, after talking to Fidel, noted that if Carter continued to make statements on Cuba's internal or international policy, Fidel would make an "emotional response" which would likely end the possibility of further negotiations.

Cuba's refusal to tolerate Carter's overtures much longer should come as no surprise. It has been clear since the policy was first laid out in the Linowitz Report last December (written by the Committee on U.S. Latin American relations and the basis of Carter's policy for Latin America) that the strategy will only lead to confrontation with Cuba and as a result, a confrontation with the Soviet Union. Cuba will never agree to terms which amount to abrogating their revolution. The reactions of the Cubans have already exploded the fiction created by the Linowitz Report and its more recent "left" version, "The Southern Connection" published by the Institute for Policy Studies, that rapprochement with Cuba will be rapidly forthcoming. The March 7 *U.S. News and World Report* features an article entitled "Why It Won't Be Easy to Strike a U.S.-Cuba Deal," accurately describing Cuba's refusal to bargain on most of the issues Carter has laid out as preconditions.

The London-based *Latin America Political Report* published Feb. 25 one of the most explicit recognitions to date that the Carter policy is not what it appears to be. According to *Latin America*, Carter is following "a new policy option" designed by the U.S. "to improve its image" and "maintain its political and economic influence" in the region "without making any real concession." What *Latin America* fails to point out is that the results will not merely mean disappointing the strong lobby in the business community in favor of trade with Cuba — but inevitable war.

Recent statements from the Carter Administration have become increasingly provocative, disregarding the Cuban reaction. President Carter clarified to the nation in his radio talk show last weekend the apparent contradiction between his and Vance's previous statements on preconditions to relations with Cuba. He made clear that there are no preconditions to talking with Cuba, but there absolutely are preconditions to acting on the normalization of relations. "Before any full normalization of relations can take place," Carter said, "Cuba would have to make some fairly substantial changes in their attitude." He emphasized that he will "insist, for instance, that they not interfere in the internal affairs of countries in this hemisphere and that they decrease their military involvement in Africa and that they reinforce a commitment to human rights by releasing political prisoners..."

U.S. Ambassador to the United Nations Andrew Young has been falling over his feet keeping up with Carter policy statements on Cuba and Angola. Earlier this week he reversed a statement he made in late January that Cuba was a stabilizing factor in Angola. In an effort to elaborate the Administration's allegation that Cuba is an aggressor in Angola, he asserted in an interview with the *Washington Post* that Angola is Cuba's "South Vietnam." Young claimed, "A dozen or so bodies are going back to Cuba every week — maybe more — and people are asking 'What are we doing, dying over there?'"

Young's accusation came after President Castro had already rejected the U.S. position on Cuban troops in Angola, indicating that Carter's Feb. 16 assertion that Cuba would remove its troops from Angola was groundless. According to Bradlee, President Castro stated categorically that Cuban troops are in Angola "pursuant to a treaty at the request of the government, in exactly the same way that U.S. troops are in other countries, such as West Germany, the Phillipines, South Korea, Japan, and so on.

Federal Judge Orders FBI To Disclose Harassment Of U.S. Labor Party

Federal Judge Damon J. Keith has ordered the Justice Department to produce by March 28 all documents relating to FBI "investigation" of the U.S. Labor Party and the National Caucus of Labor Committees from 1968-1974. The Judge issued his order during a pre-trial conference here March 8 in *Gandhi v. Detroit Police and FBI*.

In granting the party's request for documents, Keith ignored a 1973 Fifth Circuit Court decision by Judge Griffin Bell, now U.S. Attorney General, cited by the Justice Department against the request. The Justice Department then revealed, in seeking protection for present and past informants within the party during the hearing, that the Carter Administration intends to in-

clude under the heading "human rights", defense of its domestic intelligence operations. Following the ruling, the FBI sought and received a protective order from Keith barring publication of the documents in the "New York Times or New Solidarity" because such publication would be "prejudicial to the defendants in this case."

The Labor Party contends that full and honest production of documents under Judge Keith's order on March 28 will show a four-year Cointelpro program for the destruction of the party under the "legal" rubric of "FBI investigation" by the Trilateral Commission and associated Lower Manhattan banking interests.

Warren Hamerman of the NCLC Executive Committee commented in New York last night that "the

NSC Declares Financial War

Authoritative sources have revealed that the National Security Council has embarked on coordinated action to strangle the U.S. Labor Party by cutting off its financial support. The NSC has clearly been spurred to move at this time by significant opposition to Carter Administration policy both here and abroad. The NSC apparently believes that the continued existence of the Labor Party is vital to the success of this opposition.

Financial warfare was proposed as the only feasible strategy, our sources report. Past experience with overt political attacks on the Labor Party had convinced Carter operatives that such efforts only provoked international mobilizations that rapidly increased the party's influence and credibility. Past experience had also convinced Carter's Labor Party watchers that the Federal Election Commission's denial of \$110,000 in presidential primary matching funds would cause the financial collapse of the organization in January, 1977.

The current financial squeeze is coordinated through the FBI, Federal Election Commission, Securities and Exchange Commission, and Internal Revenue Service, and draws upon portions of the Rockefeller private intelligence networks. Two teams in New York City, one under FBI control, are deployed to monitor party finances and determine the crucial pressure points. In addition, the Rockefeller and Trilateral Commission-connected law firm of Sherman and Sterling has been retained in what is ostensibly a collection case, to seek full dis-

closure of the Labor Party's financial structure through court ordered deposition, and to win a judgment of \$90,000.

The National Security Council has projected a 60-day plan, beginning at the end of February, to "phase out" party activities. Within the first 21 days, they expect to force a cut off of party communications with Europe and Mexico, and shortly thereafter, to reduce the publication of the party's twice weekly newspaper *New Solidarity*, first to once a week, then to once every two weeks. The Carter operatives are counting on creating enough dissension on financial questions inside the Labor Party to force USLP chairman Lyndon H. LaRouche to return prematurely from his European consultations.

The assault is planned to proceed on two fronts. First, to apply pressure to Labor Party creditors to seek full payment on their accounts, and to interdict contributions from supporters. The second, through financial constraint to halt the party's legal initiatives, which are directed at exposing the NSC private intelligence networks planning the financial warfare.

Such financial warfare is, of course, strictly illegal under federal codes. The Labor Party will respond, in part, by filing a million dollar civil rights and damages suit against the Federal Election Commission for its harassment of contributors to the campaign of 1976 Labor Party presidential candidate LaRouche.

revelations about to occur in the *Ghandhi* case create the context for the watering of Jimmy Carter.”

Judge Keith's decision brings to an end over two years of joint FBI-Detroit Police Department efforts to thwart discovery and full litigation of the *Ghandhi* case. The suit charges the FBI with violating the civil rights of the U.S. Labor Party and NCLC in its infiltration of explosives expert Vernon M. Higgins into the party and Higgins' subsequent role as a 1974 USLP candidate in Michigan while still employed by the FBI. The Labor Party and NCLC are seeking a permanent injunction against future FBI infiltration as well as damages.

According to the limited discovery taken in the case, Higgins, who previously worked with the Michigan Ku Klux Klan in the Justice Department-run Pontiac Bus Bombings and as an operative in the Bay of Pigs invasion, was sent into the USLP to provide the FBI with

detailed information on “how explosives could be planted and how assassinations could take place.”

Judge Keith was singularly unimpressed by the Griffin Bell pedigree on the Fifth Circuit decision which FBI attorney Elizabeth Whittaker used to fight her case. Keith rebutted, “This is not the Fifth Circuit, this is my Circuit.”

The Labor Party will move from the production of documents immediately into a full schedule of depositions of the defendants in the case, the party's attorney David Wenger informed Keith yesterday. Vernon M. Higgins has been noticed for a deposition March 28 by the party's attorneys. Judge Keith also took under advisement yesterday a motion for summary judgment filed against the Detroit Police Department. The motion charges that the Detroit police have tailgated the FBI in defending themselves in the case and have yet to respond to a single discovery request.

History Of The Detroit FBI Case

July 3, 1974 — Complaint filed by 14 members of the National Caucus of Labor Committees and the U.S. Labor Party individually and as members of the NCLC-U.S. Labor Party against the Detroit Police Department, Phillip Tannian, Commissioner of the Police, 10 individual Detroit Police Department officers who participated on a police raid on the Detroit USLP offices and Attorney General William Saxbe, FBI Director Clarence Kelley, 8 individual agents of the FBI and Vernon M. Higgins. Complaint includes motion for preliminary injunction and-or temporary restraining order.

July 24, 1974 — Motion for preliminary injunction and TRO denied by Judge Damon Keith.

October 9, 1974-March 11, 1975 — FBI files motion to dismiss, Detroit Police Department files motion to dismiss. Judge Keith grants motion to dismiss for FBI on basis of sovereign immunity, refuses to dismiss all individual Federal defendants including Kelley and Saxbe and refuses to dismiss complaint against Detroit Police Department.

March 11, 1975-October 15, 1975 — FBI files two motions for reconsideration on Keith order and a motion for rehearing — all of which require extensive responses by plaintiffs. Keith denies these attempts to stall the litigation. Clarence Kelley files an affidavit saying that Vernon Higgins has not been served properly. Detroit Police file protective orders against discovery arguing that all information on the NCLC is privileged.

October 15, 1975-March 22, 1976 — Plaintiffs attempt discovery, including interrogatories and request for production of documents to Detroit Police and FBI. FBI answers by refusing to answer any and all substantial questions and by serving separate sets of interrogatories numbering 40 pages each on each of the plaintiffs. FBI files second motion to dismiss when plaintiffs cannot answer on time. Detroit police refuse to answer any questions. Defendant Higgins

shoots at process servers as they attempt to serve him with complaint; Higgins pleads guilty to “reckless discharge of a weapon,” in subsequent court hearing.

March 22, 1976-July 20, 1976 — Depositions taken of FBI Agents Ball, Mercado, Fayette, Robinson. On instructions from Assistant General Richard Thornburgh, FBI agents refuse to answer any questions about the NCLC or U.S. Labor Party, any questions covering a time span beyond April 1974- August 1974, and any questions about the activities of the FBI. Deposition of Detroit Police Agent Tidderington. Tidderington adopts the same tactics as the FBI. FBI files third motion to dismiss the lawsuit. FBI files objection to plaintiffs' request to produce documents. FBI and Justice Department decide to defend Vernon M. Higgins. Higgins answers original complaint, 2 years after complaint is served.

July 20, 1976-November 9, 1976 — Plaintiffs file extensive motion to compel answers by the FBI to all questions in depositions and discovery and similar motion against Detroit Police Department. FBI takes depositions of 7 individual NCLC plaintiffs in collaboration with Detroit Police Department.

November 9, 1976-December 7, 1976 — Judge Keith grants plaintiffs' discovery motions in all substantial parts. Judge Keith remonstrates the FBI and Detroit Police at subsequent pretrial conference for “dilatory tactics” in the case and threatens to call the “Attorney General” when FBI counsel again objects to request on production of documents. Depositions completed by FBI and Detroit Police Department of all NCLC plaintiffs. FBI files another motion to dismiss and a motion for reconsideration of Judge Keith's November 9, 1976 order. Keith denies both motions.

December 17, 1976-February 1, 1977 — FBI begins responding to first set of discovery interrogatories by plaintiffs. FBI serves motion to compel answers

on production of documents asked of plaintiffs. NCLC serves subpoena duces tecum for production of all documents from 1968-1974 on NCLC and USLP as granted in Judge Keith's November 9, 1976 order. FBI files motion to quash subpoena. Detroit Police file motion to quash subpoena.

March 7, 1977 — Judge Keith in pretrial conference orders substantial production of documents by FBI.

Plaintiffs notify Vernon Higgins for deposition on March 28; FBI asks for protective order on production of documents to prevent disclosure to "the New York Times or New Solidarity." Plaintiffs file motion for court sanctions against Detroit Police Department who have not answered any discovery requests and have not even answered the original complaint in the suit.

FBI Discovery Questions to NCLC

The following are 7 of 107 FBI interrogatories to the NCLC:

Interrogatory No. 101. Describe all publications, local, state or national, which the Party disseminates, either by subscription fee or free of charge, which discuss Party platforms, issues, goals, objectives or aims.

Interrogatory No. 102. Describe the Michigan Party organization, including names of the state leadership.

Interrogatory No. 103. Describe the National Party organization, including names of the National leadership.

Interrogatory No. 104. State whether the Party advocates the violent overthrow of the United States Government.

Interrogatory No. 105. Give a physical description of each "Unknown Agent of the Federal Bureau of Investigation" you allege to have been involved in this litigation and the actions which he took for which you claim injury or damage.

Interrogatory No. 106. State whether the United States Labor or the National Caucus of Labor Committees has initiated any campaign(s) intended to harass or intimidate the Federal Bureau of Investigation or made any other efforts to interfere with the performance of its lawful duties.

Interrogatory No. 107. State the names of all lawsuits presently pending in which the United State Labor Party or the National Caucus of Labor Committees is a plaintiff and the Federal Bureau of Investigation or one of its Special Agents is a defendant. Describe the nature of each such lawsuit.

Respectfully submitted,

RICHARD L. THORNBURGH

Assistant Attorney General

Judge Keith's Discovery Decision

The following is an excerpt of Judge Damon Keith's discovery decision ordering the FBI to produce all documents relating to its investigation of the U.S. Labor Party and the NCLC from 1968-74:

IT IS HEREBY ORDERED that defendants Clarence Kelly and William Saxbe respond to the best of their

knowledge to those questions in plaintiffs' interrogatories concerning investigations of the plaintiffs, the National Caucus of Labor Committees, and the United States Labor Party from 1968 to June 20, 1974, or for a more limited time period if such is specified in the question, and

IT IS FURTHER ORDERED that defendants Phillip Mercado, Edward Ball, Thomas J. Robinson, John Minogue, and Jerry Fayette respond to the plaintiffs' request for documents and respond to the best of their knowledge to questions put to them by the plaintiffs at depositions or in interrogatories concerning their investigation of the National Caucus of Labor Committees and the United States Labor Party, and their work with Vernon Michael Higgins concerning the above organizations from 1968 to June 20, 1974, or for a more limited time period if such is specified in the question, including those question already propounded to them about their squad assignments and activities; about the informant policy of the Federal Bureau of Investigation regarding the National Caucus of Labor Committees and the United States Labor Party; about conversations had with, or directions received from, their supervisors as to the National Caucus of Labor Committees and the United State Labor Party; and about the interaction between the Federal Bureau of Investigation and the Police Department of the City of Detroit concerning the plaintiffs, the National Caucus of Labor Committees, and the United States Labor Party. This order does not extend to questions concerning the Federal Bureau of Investigation's chain of command, nor does it extend to questions about congressional findings concerning Federal Bureau of Investigation practices unless they specifically relate to plaintiffs, the National Caucus of Labor Committees, or the United States Labor Party, nor does it extend to the production of documents which are within the exclusive possession, custody, or control of the Federal Bureau of Investigation absent service of a valid *subpoena duces tecum* for the production of said documents, and

IT IS FURTHER ORDERED that the parties shall appear before this Court on Tuesday, December 7, 1976, at 4:45 P.M., to give a Status Report as to the discovery completed up to that time.

List of Materials Subpoenaed From FBI

1. All files, documents, and other materials relating to the U.S. Labor Party and the National Caucus of Labor Committees from 1968 to June 20, 1974.

2. All files, documents, and other materials relating to the following individuals:

- (a) Khushro Ghandhi
- (b) Peter Signorelli
- (c) Barbara Gettle
- (d) Randolph Wedler
- (e) Matthew Moriarty
- (f) Elizabeth Moriarty
- (g) Stuart Elliot Bernsen
- (h) Richard S. Magraw
- (i) Steven Romm
- (j) Donaphin Mullins
- (k) Jackquiline Cotton
- (l) Kenneth J. Dalto
- (m) Christopher Martinson
- (n) Andrew Rotstein

3. Any and all recordings made, photographs taken, and documents and materials taken by the Federal Bureau of Investigation, by agents and-or employees of the Federal Bureau of Investigation, or individuals otherwise working on behalf of or in conjunction with the Federal Bureau of Investigation, taken during a search of the offices of the U. S. Labor Party and the National Caucus of Labor Committees at 8242 Woodward Avenue in the City of Detroit, Michigan, on June 20, 1974.

4. All reports filed by informants of the Federal Bureau of Investigation relating to the U.S. Labor Party, the National Caucus of Labor Committees, their members, contacts and supporters from 1968 to June 20, 1974.

5. All documents, lists, written and-or published materials and all other materials taken from the offices, homes, public and-or private meetings, of the U.S. Labor Party the National Caucus of Labor Committees, their members, supporters and contacts from 1968 to June 20, 1974.

6. All reports and other materials filed by employees of the Federal Bureau of Investigation relating to the U.S. Labor Party, the National Caucus of Labor Committees, their members, contacts and supporters from 1968 to June 20, 1974.

7. All communications, whether written, electronically transcribed, or otherwise, between the Federal Bureau of Investigation and the Police Department of the City of Detroit, Michigan relating to the U.S. Labor Party, the National Caucus of Labor Committees, their members, contacts and supporters, from 1968 to June 20, 1974

8. All communications, whether written, electronically transcribed, or otherwise, between the Federal Bureau of Investigation and the Police Department of the City of Pontiac, Michigan relating to the U.S. Labor Party, the National Caucus of Labor Committees, their members, contacts and supporters, from 1968 to June 20, 1974.

9. Any and all policy statements, directives and memoranda by the Federal Bureau of Investigation rela-

ting to informants relating to the U.S. Labor Party, the National Caucus of Labor Committees, their members, contacts and supporters from 1968 to June 20, 1974.

10. With respect to the February 24, 1976 Report to the House Committee on the Judiciary, by the Comptroller General of the United States (Elmer Staats) and the Government Accounting Offices, on *FBI Domestic Intelligence Operations*, all documents, reports, records, and materials produced by the FBI or used in any way in the preparation of said report, relating to the U.S. Labor Party, the National Caucus of Labor Committees, their members, contacts and supporters.

11. All Federal Bureau of Investigation directives, guidelines, and other memoranda relating to investigative techniques and methods used in relation to the electoral campaigns of the U.S. Labor Party, the National Caucus of Labor Committees, their candidates and electoral Campaigns from 1968 to June 20, 1974.

12. Any and all documents relating the planning, arrangements, and travel of Vernon Higgins to New York in May, 1974 to attend the national conference of the National Caucus of Labor Committees.

13. Any and all guidelines and policy statements relating to the classification by the Federal Bureau of Investigation of the National Caucus of Labor Committees as a "subversive group", from 1968 to June 20, 1974.

14. Any and all files, documents and other materials relating to Vernon Higgins and relating to the U.S. Labor Party, the National Caucus of Labor Committees, their members, contacts and supporters from 1968 to June 20, 1974.

15. All communications, documents, memoranda and other materials obtained from or transmitted to William Saxbe and the office of the U.S. Attorney General, relating to the activities of the U.S. Labor Party, the National Caucus of Labor Committees, their members, from 1968 to June 20, 1974.

16. All reports filed by Special Agents Mercado, Ball, Fayette, Minogue, and Robinson relating to the U.S. Labor Party, the National Caucus of Labor Committees, their members, contacts and supporters, from 1968 to June 20, 1974.

17. All reports, records and documents relating to meetings between employees of the Federal Bureau of Investigation and Vernon Higgins, wherein the subject of the discussion referred or related to the U.S. Labor Party, the National Caucus of Labor Committees, their members, contacts and supporters from 1968 to June 20, 1974.

18. Any and all directives, guidelines, policy statements, memoranda, etc. relating to members of the National Caucus of Labor Committees, the U.S. Labor Party, their members, contacts and supporters from 1968 to June 20, 1974.

NCLC Can Sue FBI's Kelley and Saxbe

The following is Judge Damon Keith's April 11, 1975 decision denying the FBI motion to dismiss the Ghandhi v. Detroit Police and FBI:

According to the facts as alleged in the original complaint, defendant Higgins, as part of a prearranged plan, informed the Federal Bureau of Investigation that plaintiffs were holding him against his will. A search warrant, a copy of which is attached to both plaintiffs' complaint as well as to defendant Police Officers' brief, was allegedly obtained for the purpose of seizing defendant Higgins at the Detroit offices of the USLP. The complaint further states that on June 20, 1974, a number of the defendants (both Detroit policepersons and F.B.I. agents) appeared at the USLP offices, but contrary to the scope and purpose of the warrant, the defendants seized numerous items which were neither contraband, evidence of a crime, or listed in the warrant. Plaintiffs allege that these acts were committed with direct or constructive knowledge of other defendants and pursuant to a conspiracy.

In their motion to dismiss or for summary judgment, defendant Police Officers, et al., admit they assisted in the search of the USLP Headquarters but claim that what they did was on the authority of a search warrant. Defendants, as the moving party, bear the burden of showing the absence of any genuine issue as to all material facts. In that defendants have failed to submit any affidavits supporting their contention that their activities were lawful and within the scope of a valid warrant, they have done nothing to rebut the allegations in plaintiffs' complaint. Whether defendants seized property belong-

ing to the plaintiffs, or whether defendants were at all times acting within the scope of a valid search warrant are both questions to which each side appears to assert different answers. Defendants, therefore, have failed to convince this Court that there is no genuine issue of material fact and that, as a matter of law, they should prevail simply on the basis of the information presently before the Court.

Similarly, with regard to the motion on behalf of defendant Saxbe, et al., the defendants have failed to meet their burden of showing that the acts complained of were committed in good faith and within the scope of their authority. *Sparrow v. Goodman*, 361 F. Supp. 566, 585-587 (W.D.N.C. 1973). It would, therefore, be premature for this Court to rule on the question of immunity for the actions of either the individual F.B.I. agents or of the other government officials named as defendants. Nevertheless, this Court of the opinion that plaintiffs' suit against the Federal Bureau of Investigation is barred under the doctrine of sovereign immunity. The Court is, therefore, prepared to grant defendants' motion to dismiss or in the alternative for summary judgment with regard to this one defendant.

It is hereby ordered that the motion of defendant Police Officer, et al., be denied and that the motion of defendant Saxbe, et al., be denied in part and granted as to the defendant FBI in accordance with this Memorandum Opinion.

Damon J. Keith
District Judge

DATED: April 11, 1975

Motions for Sanctions

The following is excerpted from the affidavit by the lawyer for the plaintiffs (Ghandi et al.) submitted in February, 1977, for consolidated discovery and for sanctions against the Detroit Police Department:

DAVID K. WENGER, being duly sworn, deposes and says:

1. I am attorney for plaintiffs in the above-captioned action and submit this affidavit in support of plaintiffs motion for consolidated discovery and-or for sanctions.

2. As demonstrated below, I have been totally frustrated in my efforts to obtain discovery from the state defendants. On numerous occasions, plaintiffs have attempted discovery of the state defendants through interrogatories, requests to produce, subpoena duces tecum, deposition, by letter and telephone communication. Despite these attempts, and despite the clear directions of this Court by its Memorandum, Opinion and Order of November 9, 1976 and statements at the Status Report of December 7, 1976 the state defendants have

continued to fail to produce and respond to any and all of plaintiffs discovery requests.

3. This motion is brought on by the receipt of the state defendants' Status Letter of February 10, 1977, in which counsel for the state defendants only states, "The City of Detroit and related defendants represented by this office have completed their discovery."

4. Prior to this Status Letter, by their "Response and Objections to Subpoena for Production of Documents" dated January 31, 1977, the state defendants had refused to comply with the plaintiffs' latest attempt to obtain discovery.

On January 17, 1977 plaintiffs had served the state defendants with a Subpoena duces tecum carefully drawn to comply with this Court's Order of November 9, 1977. (See Exhibit A).

By their response of January 31, 1977, the state defendants provided a sweeping and general denial to the subpoena which did not address any particulars and which exhibited a total lack of awareness of the present status of this case and of the recent Order and statements of this Court.

Toward A Capitalist-Marxist Alliance For Industrial Growth

Luxemburg, Rosa. *The Industrial Development of Poland*. The first English translation, translated by Tessa DeCarlo, with an introduction by Lyndon H. LaRouche, Jr. Campaigner Publications, University Editions, New York, 1977.

It was Rosa Luxemburg, the Polish leader of the International Social Democracy, who first pointed out in her *Accumulation of Capital* (1913) that only a scientific Marxist could competently understand the development of a capitalist economy. Often quoted with amusement by bourgeois scholars and with unknowing pomposity by members of the so-called Marxist movement, Rosa Luxemburg's observation today takes on the quality of a directive for collaboration upon whose consummation depends the very existence of the human race.

It is the criminal incompetence of political science and popular "horse sense" that has prevented the political alliance of the Marxist-led workers' movement with industrial capital for technological progress — up to the point where every sector of the world economy *but* that controlled by socialist governments is being deindustrialized toward the grave — which has prompted Campaigner Publications to issue the first English translation of Rosa Luxemburg's doctoral thesis *The Industrial Development of Poland* (1898) as its first book.

Lyndon H. LaRouche, Jr., chairman of the U.S. Labor Party and the only political economist to have both predicted and proposed the programmatic solution for the current world economy breakdown crisis, identifies the crucial issue in his introduction, and publisher's note:

"Political science is currently seized by a devastating crisis...the prevailing, almost-axiomatic presumptions of political science concerning the gradations of political "right" to "left" have been irreparably discredited.

"A new principled conception of the *primary* basis for political factional alignments and differentiations has surfaced under present conditions of an aggravated general monetary crisis. The primary division is clearly not between "right" and "left." The forces sharing commitment to technological progress through industrial and agricultural expansion, and, on the other side, those who propose or tolerate neo-Malthusian and kindred rationalizations for a form of monetarists' austerity involving general deindustrialization. Consequently, the old forms of political science doctrines have lost the capability of providing even a credible description of the main issues in current affairs."

Luxemburg's *The Industrial Development of Poland* and LaRouche's introduction, *Rosa Luxemburg and the Crisis in Political Science*, both document with utmost

clarity that the socialist movement which traces itself from Marx and Luxemburg, understood clearly that the workers' movement found its first, and most essential, task *in expanding capitalist development*. LaRouche cites the critical inflection point in Marx's own development of the working class' role in this struggle to the 1848 revolution in Germany, when the nascent bourgeoisie behaved like gutless, blithering idiots before their opportunity to make a nationalist, capitalist revolution. At that time Marx discovered that the political "class for itself" — a "collection" of working-class forces organized and self-conscious of their common interest as a class-as-a-whole — "represented a consciously world-historical force for realizing the economic objectives of capitalist industrial development." "At the point that the capitalist political forces failed to continue capitalist forms of economic development at some critical juncture, the political class-for-itself must take over the capitalists' former such leading-role."

Marx's intensive role in fostering the victory of the Northern industrial capitalists over the South in the American Civil War demonstrated that such a *capitalist* mobilization, with support from international working-class forces, could triumph.

Luxemburg's concluding chapters to her thesis describe the lawfulness of the same transition *through working-class support for capitalist development* to the necessary establishment of socialist internationalist political forms, a transition she worked tirelessly to create until her death under the hand of British Intelligence in 1919:

"We believe that the Russian government, the Polish bourgeoisie, and the Polish nationalists have all equally been struck with blindness, and that the capitalist fusion process between Poland and Russia also has an important dialectical side that they have completely overlooked. This process is bringing to fruition in its own womb the moment when the development of capitalism in Russia will be thrown into contradiction with the absolute form of government, and when Czarist rule will be brought down by its own works. Sooner or later, the hour will strike when the same Polish and Russian bourgeoisie which is today pampered by the Czarist government will become weary of their political attorney — Absolutism — and will checkmate the king. Moreover, this capitalist process is moving with impetuous haste toward the moment when the development of the productive forces in the Russian Empire becomes irreconcilable with the rule of capital and when, in the place of private commodity economy, a new social order based on planned, co-operative production will appear. The Polish and

Russian bourgeoisies are hastening this moment with their combined forces: they cannot make one step forward without increasing and pushing forward the Polish and Russian working classes. The capitalist fusion of Poland and Russia is engendering as its end result that which has been overlooked to the same degree by the Russian government, the Polish bourgeoisie, and the Polish nationalists; the union of Polish and Russian proletariats as the future receiver in the bankruptcy of first the rule of Russian Czarism, and then the rule of Polish-Russian capital."

DeCarlo's *Translator's Preface* lays out how Luxemburg, like all humanists, a *voluntarist*, organized against overwhelming odds and ridicule within the Social Democracy for the victory of such industrial progress.

Defining Capitalist Expanded Reproduction

In tearing apart the pseudo-boundaries erected by the socialists and capitalists of her day, in particular the so-called conflict of interest between Russian capital ("Moscow Calico kings") and Polish capital ("Lodz Fustian Barons"), Luxemburg defines the crucial qualities which characterize capitalist advancement. More important to us today than her conclusion that it was "poor oppressed" Poland that outstripped central Russian industry in essential productive qualities, are the criteria which Luxemburg lays out for judging the *process* of capitalist expanded reproduction. These are the criteria which join the interests of *scientific* currents in the workers' and capitalist circles against the "individual greed" quackery of socialist or monetarist "utopians."

Energy Source. Luxemburg begins her comparison between the Russian and Polish economies by describing the superior *efficiency* and cheapness per unit of output of the coal which fueled Polish industry, over Moscow's nominally cheaper fuel source, wood.

Labor Power. Polish capitalists get more from their labor than the Russians because they invest more in the quality of their labor force, concludes Luxemburg. Higher wages, shorter work days, private lodgings, and more education allow Polish labor to work more intensively and productively, Luxemburg demonstrates. In other words, sufficient investment in increasing labor

power is the indispensable mediation for higher total social product.

Composition of Capital. Here Luxemburg rips apart those economists who would take the dollar, or any other currency, figure as representation of the value of capital investment. So-called capitalization in primitive or over-priced plant and equipment does not increase the productivity of labor, but drags it down.

Turnover of Capital, Concentration of Production, and Technology of Production. Under these three categories, Luxemburg locates the progressive quality of capitalist reproduction in the maximum realization (reinvestment) of surplus production in new industrial production at higher technological levels. Linking these concepts with her previous discussion, Luxemburg comes to a unified notion of *social productivity*, the potential for social advance as defined by per capita capital investment and the level of household incomes.

No Time To Lose

Luxemburg's and Marx's criteria for social progress have been ignored by the bulk of the so-called socialist movement — not to mention the industrialists — for more than half a century now. Indeed it is not without reason that agents of British Intelligence placed in the German Social Democracy and the Comintern perpetrated a determined campaign to extirpate the "virus of Luxemburgism." The consequence of the assured avoidance of Luxemburg has been the crippling of capitalist development itself, to the point where the socialist sector now represents the most healthy approximation of industrial capitalism, and the sole hope for the establishment of a new, expanding world monetary system. The seeds planted by the Renaissance humanists, and turned toward the fostering of political economy first by Thomas Gresham in Tudor England, have blossomed in the West, only to be threatened with extinction by modern-day looters like the Rockefellers.

Now, before the Rockefellers impose their choice for the world to be dead rather than "red," the working class-industrialist alliance for industrial progress must be revived in the U.S., as it already has been in Italy under the Andreotti government. DeCarlo's translation of Luxemburg's *The Industrial Development of Poland* is indispensable reading for those who would lead, join, or even fully understand that historic step.

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