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# **EXECUTIVE INTELLIGENCE REVIEW**

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# EXECUTIVE INTELLIGENCE REVIEW

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A **new peace initiative** by West Germany's SPD boss **Herbert Wehner**...backed up by Chancellor **Helmut Schmidt** and Britain's PM **James Callaghan**. For an account of Wehner's **MBFR proposals**...excerpts from Schmidt's press conference...see **International Report**.

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Europe and Japan are making their strongest statements ever **against** the Carter Administration's hyperinflationary **IMF bailout** plans...So New York bankers are threatening a total **credit cutoff** to Third World countries...“We don't need the **IMF**... We'll **squeeze 'em till the pips squeak**.” See **International Report** for these outspoken interviews.

If the **OECD countries** don't get a new monetary system to replace the dollar shambles...their economies **won't make it through 1977**...the second quarter is critical...Our **European Economic Survey** charts the coming catastrophe, country-by-country...

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National **energy policy** is shaping up as the make or break issue for **U.S. opposition** to Carter. Our **National Report** gives you a **strategic overview** of the battlefield...detailed pictures of the fight in **Congress**, the **state legislatures**, the **trade unions**, the **press**...

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**Nelson Rockefeller's** Commission on Critical Choices has issued its **blueprint** for **Latin America**...“**Violence** should then be **endemic**...” and the Nazi war machine of Brazil, acting “independently” of the U.S., will be called on to enforce **continental looting**. Commentary and excerpts from the complete **Critical Choices** study.

Who's responsible for polls showing 70 percent of the American people support Jimmy Carter? See our **Press** section for a special report on the methods and men used to manufacture "public opinion"...

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How **Chase Manhattan** and its friends have swindled the world to stave off bankruptcy...and why it won't work any longer. Read 'Why the New York Banks are Finished' in this week's **Economics** section.

\* \* \*

**Brzezinski**, the architect of the **SALT** proposals, has a new wrinkle...a "second front" against the **USSR** in **Asia**. Our **Asia** report analyzes the situation in **India** and **Indonesia**...two of the top targets on **Brzezinski's** hit list.

\* \* \*

Carter's electoral reform legislation ranks as the most lawless bid for power yet by a U.S. President...see **Law**.

INTER-NATIONAL
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PRESS

# Europeans And Congress Oppose IMF Bailout: Banks Announce Credit Cutoff

Virtually no chance exists under present political circumstances that the Carter Administration will be able to steer the April 28 meeting of the Interim Committee of the International Monetary Fund into support of a new deficit-financing facility. Although most leading newspapers, including the *New York Times*, the *Manchester Guardian*, and the *Neue Zuercher Zeitung*, continue to report that a \$12-20 billion IMF facility has won international support, no such support exists. West German finance ministry sources identify various "trial balloons" issued by Finance Minister Hans Apel and others in the direction of expanded IMF activity as a "diplomatic cover-up" for West German inaction. The same sources apply the term "cover-up" to the language in the communiqué of European heads of state at their Rome Summit meeting March 26, which spoke of a "common position on international financial issues."

Even more damaging, in the view of both the U.S. State Department and the New York City international lenders, who most want the IMF program to go through, is the view of Congress (see also EIR March 29, 1977). Although the liberal-controlled House Banking and Currency Committee, chaired by Rep. Henry Reuss (D-Wisc), gave initial support to a \$5.4 billion appropriation for international lending agencies, an EIR "head count" of House and Senate offices which must pass on the legislation indicates poor chances of ultimate clearance. The *London Times* March 29 claimed that OECD and OPEC countries meeting in Vienna had given support to a major World Bank-International Development Agency appropriation, of which \$5.4 billion was to come from the U.S. But West German Development Ministry sources say that negotiations are far from complete, and that the West Germans intend to stretch them out indefinitely.

Following last week's accusations from Congressman Hansen (R-Id) and others in subcommittee hearings that banks were trying to manipulate U.S. foreign policy to cover their bad debts in the Third World, the political atmosphere in Congress is overwhelmingly hostile to the banks. Seasoned Congressional observers say that part of the reason for the sudden line-up in the Senate against the Administration's proposed \$11 billion tax-rebate program is that the program is viewed as part of a bailout for the banks (in the indirect sense of raising money aggregates, commodity prices, and thence export-income of Third World primary producers).

The corker this week came from the Japanese, who until recently had given numerous indications of subservience to Carter Administration financial policy.

Japan's leading business daily *Nihon Keizai Shimbun* reported March 27 that the Japanese finance ministry would not sanction an IMF bailout for the banks. The article bore the headline, "New International Monetary Fund Capitalization Up in the Air; U.S. Banks Troubled by Unsound Credits." The article cited Ministry of Finance sources who said, "if it is for the purpose of bailout of the unsound credits of the U.S. banks, we cannot agree." The *Nihon* asked whether the IMF plan "isn't just for the sake of the U.S. banks who are in trouble due to their over-extension of loans to the less developed countries?" Rather than squeeze Japan into refinancing their debts, *Nihon* proposed, the banks should extend repayments periods on loans instead, which the banks are not in good shape to attempt.

High-level Japanese sources told EIR that "there is growing momentum in Japan against the IMF plan," and predicted that the Japanese would not accept it. Previously, West German press sources, e.g. *Die Welt's* Washington correspondent Siebert, noted that West Germany's capacity to resist Carter Administration pressure depended heavily on what Japan would do. The West German-Japanese consensus on the IMF plan is a virtual guarantee of its failure. And, as a senior State Department official noted in an interview, "The Germans and Japanese take one look at (opposition to the IMF plan in) Congress, and run in the other direction."

#### A New Mandate

The overall rejection of the IMF plan puts the New York banks' chance of surviving the current year, and particularly the heavy amortization schedule for LDC debt during the second and third quarters, in extreme jeopardy. Response of their spokesmen, e.g., Leonard Silk in the *New York Times* of March 28, is straightforward: either the IMF receives a "new mandate...nothing less than rescuing the world monetary system and with it the world's commercial banks" — or something will have to "crack: the world monetary system, the patience of the industrial West, or peace itself." In the context of the breakdown of the U.S.-Soviet SALT negotiations this week, Silk's meaning requires no explanation.

In the short-term, the banks have been sharply reducing their rate of lending to the Third World, partly to force debtor countries to squeeze into trade equilibrium, partly to exert pressure on governments to provide bailout loans, and, not least, partly because they have difficulty funding additional loans to the Third World. According to figures released by Morgan

Guaranty Trust, the rate of publicly-announced lending to the Third World fell from \$4.6 billion during the fourth quarter of 1976 to only \$2.2 billion during the first quarter of 1977. U.S. regional banks and European banks, with few exceptions, will not touch new LDC paper, and the large New York banks who dominate the lending market are terrified of getting in deeper.

Even if the banks force countries to wipe out their trade deficits, as Chase Manhattan economist Robert Slighton and Manufacturers Hanover Trust economist Tilford Gaines proposed in interviews with EIR, the Third World will run a deficit on current account of at least \$35 billion due to debt service payments alone. The banks cannot make it through without governmental support. The next weeks will see an extreme aggravation of the world payments situation, probably no later than the end of the second quarter.

—David Goldman

### 'Cut Until The Pips Squeak'

*The following is an interview with Mr. Slighton, chief international economist at Chase Manhattan Bank:*

**Q:** Have the commercial banks reduced net lending for consumption and investment — real lending — to the Third World to light a fire under plans for a \$20 billion expansion of the International Monetary Fund?

**A:** The problem is Congress. They are dubious on the IMF; they insist it is just a bailout of the banks. We're going to show them that the banks can survive without the IMF expansion — it's the countries who will have problems. We will reduce lending and reduce the real proportion as the rollover proportion grows, and these countries will just have to honor the debts, cut growth, cut imports — until the pips squeak. We have to convince Congress that the banks' needs are no problem; it's these debtor countries they better worry about and focus on, and stop focusing on "bailing out the bloody banks." If they don't, they will never vote for the IMF. They have to decide what kind of world they want to live in.

**Q:** What about European, Japanese opposition to the IMF plan?

**A:** Sure, they would go along if we were together here. Japan is dragging its heels all right but they'll go along if Congress does. That's what really killed the safety net. Sure, the Germans are upset about Congress too. They could pass the IMF bill by June 1 and get plenty of money out there by the second half of the year.

### Our Responsibility Is To Stay In Business

*The following is an interview with Tilford Gains, chief economist at Manufacturers Hanover:*

**Q:** Have the commercial banks reduced net lending for consumption and investment to the Third World?

**A:** The banks have *had* to cut back; they have gone as far as they can go. Look at these huge figures. Zaire has no problem, but Brazil, Mexico, the Philippines together are situations for caution where we could reach the breaking

point. Our first responsibility is to stay in business. You are right: to the extent increase borrowing goes for debt service we are talking about consumption cuts....The Europeans, Germans, and OPEC countries are dragging their feet on the IMF extension proposal.

**Q:** Don't the Japanese and Germans feel it's a tax on their taxpayers which goes straight to the New York banks?

**A:** Yes. Especially the OPEC countries because they have been depleting their resources and they want to put their money into an investment which will be paid back...*this won't be.*

### Isn't Bailout Just For Banks?

*The following are excerpts from an article appearing in the March 27 Nihon Keizai Shinbun entitled "New IMF Capitulation Up in the Air: U.S. Banks Troubled by Unsound Credits; Japan, against Bailout, Proposes Own Plan":*

A recently proposed expansion of the capital of the International Monetary Fund to deal with the foreign debt problems of the less developed countries (LDCs) has the following opinion being circulated about it: "Isn't this just for the sake of the U.S. banks who are in trouble due to their over-extension of loans to the LDCs?"

It is not just the IMF, it seems, but the U.S. banking community which has lately been calling for the expansion of IMF capital.

...Japan's Ministry of Finance says "If it is for the purpose of bailing out the unsound credits of the U.S. banks, we cannot agree," and Japan is proposing its own plan for the advanced countries vis a vis the LDCs for the late April Interim Committee meeting of the IMF:

The main point is that.. the U.S. banking circles and Washington have started the LDC debt crisis talk along with the IMF's proposals. Morgan Guaranty has called for the IMF capital expansion, and Arthur Burns... warned the Senate last week... that the expansion of loans to the LDCs continues at this rate, he fears that some U.S. banks will be bankrupted, and this will cause a world depression, therefore he asks that the IMF rollover the debts of the U.S. banks.

Of course the LDC problem is a big one for Japan. If the international monetary system collapses, trade will collapse, too.

But the International Monetary Bureau of the Japanese Ministry of Finance says, "It is difficult to get the IMF into the picture. Regarding the bad credits of the U.S. banks, they must take care of it themselves by stretching out payment deadlines or some such. It is not the responsibility of the IMF, which is a cooperative organization of all nations, and of course it is unpleasant to be asked to make new contributions for this purpose."

...It is clear that in the upcoming international conferences like the IMF meetings, the London economic summit, and the Paris Conference on International Economic Cooperation, the crisis of LDC debt will be a major question, but not only an issue between the developed and developing nations, but among the advanced nation allies themselves.

# Soviets Reject 'Unserious' SALT Package; Carter Seeks Confrontation Course

Within 24 hours after the collapse of the strategic arms limitation talks in Moscow, Soviet Foreign Minister Andrei Gromyko convened an extraordinary press conference to denounce the Carter Administration's SALT proposals as "false," "unrealistic," and designed to give unilateral advantage to the United States.

In unequivocal language, Gromyko repulsed the Carter Administration's efforts to seduce the USSR into transforming SALT negotiations into Rand Corporation-scripted psychological warfare games leading to superpower confrontation. "It seems to us," Gromyko said, "that in international affairs, including relations between the United States and the Soviet Union, it would be better to consider the problems on a more realistic and more honest basis. The more of a game you make of it, the more cunning, the more attempts you make to step on the foot of your partner, the greater the difficulties."

According to the pre-packaged National Security gameplan conceived in Washington before his departure, U.S. Secretary of State Cyrus Vance deliberately provoked a breakdown in the SALT talks last week in order to push the Soviets into a "hardline" posture, leading to "Cuban missile crisis" scenarios for confrontation. Gromyko accused the Carter Administration of mounting a self-serving propaganda campaign in the West by presenting publicly disarmament plans it knew Moscow could not accept, and then blaming Moscow for the failure of the negotiations. The Kremlin spokesman warned that the USSR would oppose anything that threatened either Soviet security or detente, rejecting Vance's Cold War initiative.

How the U.S. Congress and population respond to Gromyko's forthright reaction to Carter's provocations may very well determine whether the superpowers slide into an irrevocable collision course. Within hours after the SALT talks broke down, Carter began to mobilize a "powerful domestic aura of consensus" for confrontation, "explaining" that the Kremlin was "just testing" the new Administration.

At hearings of a Senate Appropriations subcommittee on Defense, March 31 a spokesman for the U.S. Labor-Party warned that Congressional complicity, silent or otherwise, in Carter's policy will lead to war. A member of the party's Research and Development Staff told the Committee that Carter's efforts to induce the Soviet leadership to freeze all technological development as the fundamental premise of a SALT agreement was the outcome of the Administration's decision to forfeit domestic capital investment in research and development in favor of a bailout policy for the New York banks. "Recent Soviet breakthroughs in electron and laser beam fusion research and in coherent particle beam production — all of which could have advanced weapons systems implications" leave the Carter Administration with little choice but to try to bluff its way through SALT negotiations, the spokesman charged. "Further and

more important, this committee must ask if the Administration's SALT negotiating posture is merely another means to end scientific progress, to deindustrialize this country."

At his Moscow press conference, a visibly angered Gromyko singled out the Carter Administration proposals for limits on the modernization of weaponry as "irresponsible and unserious." Knowledgeable observers concluded the Soviet leader was referring to the disclosures last year of Soviet fusion program director Rudakov, who informed his U.S. counterparts that Soviet fusion technology advances also provided the basis for a war-winning edge in strategic weaponry. Gromyko also attacked the U.S. demand for the elimination of "half the Soviet missiles that are called in the U.S. 'too heavy' as 'a dubious, if not a cheap, move.'" (A spokesman for the U.S. National Security Council today confirmed that the Carter Administration proposals were premised on ending technology development by the USSR.)

## *The Alternative*

The West German government, a traditional staunch ally of the U.S., rebuffed Carter's confrontationism and offered cooperation with the USSR on disarmament and economic issues. Chancellor Helmut Schmidt endorsed a proposal originally made by Social-Democratic leader Herbert Wehner on Wednesday for a leading West German role in European armed forces reduction talks. Wehner had called for Mutual Balanced Force Reduction talks in Vienna to move rapidly into the negotiating phase and include discussion of the Kremlin's longstanding proposals for pan-European cooperation in the fields of energy, transportation, and the environment. In addition, Wehner proposed negotiations on the Warsaw Pact's proposal to ban the first use of nuclear weapons.

The Carter Administration to date has studiously declined to recognize the West German proposals, which have yet to be reported in the U.S. media. Confirming his Administration's determination to pursue a confrontation course, Carter convened emergency meetings with Congressional leaders within hours of the SALT talks collapse in Moscow to declare he would "hang tough." Seeking a bi-partisan Congressional mandate for his Cold War posturing, Carter told the assembled legislators that the Soviet leadership was "testing" his Administration, and the Congress must rally round his leadership in the interests of national security.

On cue, both Senate Majority Leader Robert Byrd and Minority Leader Howard Baker issued statements in support of Carter. Byrd announced on the Senate floor that "it's common for the Soviet Union to test each new President ... I'm sure Carter can be firm and show his mettle.... the Soviets are now getting a taste of their own medicine."

At the same time, Carter boosts Sen. Henry Jackson



(D-Wash) and Jacob Javits (R-NY) were telling their colleagues that if they all "hang tough" the Soviets "will inch toward the U.S. position." Dorothy Fosdick, a longtime assistant to Jackson with close ties to the Rockefeller family, predicted in an interview that in time, Soviet Ambassador Dobrynin will start "sneaking into a side of the White House, asking Carter to resume negotiations on SALT."

"This is Khrushchev and Kennedy all over again," commented one anonymous Congressional observer, a conclusion widely touted in the American press. The analogy is floated in the hopes that like Kennedy, Carter can successfully muzzle his opposition in conservative and military circles — opposed to his deindustrialization and energy policies — by playing the national anthem, and forcing them, according to profile, to jump to their feet and salute.

In his comments March 30, Wehner drew a more appropriate historical parallel: "I hope that President

Carter will spare us from what happened with his predecessor Kennedy in his discussions with Khrushchev in Vienna, and what occurred afterwards with the Cuban missile crisis, leading us to the brink of catastrophe," Wehner said.

Leading conservative spokesmen of both parties in Congress have maintained a discreet silence, with the single exception of House Minority Leader John Rhodes. In a speech in Jacksonville, Florida March 31, Rhodes attacked Carter's foreign policy, without specifically mentioning the aborted SALT negotiations.

"After just two months," the House Minority Leader said, "many of us in Congress are quite concerned about the spray-show foreign policy that already seems to have developed. Mr. Carter seems to believe that bombast, bluster and campaign-style rhetoric can be carried over into the intricacies of foreign policy....His actions to date have damaged, not helped, the cause of human rights around the globe."

## Schmidt Makes Wehner Proposal Official

The following are excerpted press reports on a press conference held March 30 by West German Chancellor Helmut Schmidt, centering on his approval of the two-week-old proposals by Social Democratic parliamentary leader Herbert Wehner for a rapid and mutually satisfactory conclusion of the Mutual and Balanced Force Reduction (MBFR) talks in Vienna, and further realization of the Helsinki accords.

*Frankfurter Allgemeine Zeitung, March 30* - Schmidt supported Mr. Wehner's proposal for the MBFR talks to finally be brought to the stage of political negotiations. He agreed that the formation of permanent commissions was worthy of consideration.

*Süddeutsche Zeitung, March 30* — Schmidt stated that the federal government is working on its own proposals for MBFR. Wehner's remarks on the Conference for Security and Cooperation in Europe (CSCE) might as well have come from him. MBFR must also be seen in connection with the Strategic Arms Limitation Talks (SALT). If SALT shifts onto a positive course, this would further improve the prospects for Vienna. In addition, Schmidt supported the formation of a "standing joint commission for energy and environmental policy." He demanded that "East European states should not only assume responsibility on energy and raw materials questions, but also should be drawn into the North-South dialogue between the industrial states and developing countries."

*Die Welt, March 30* — Schmidt agreed that the negotiations, which are currently on the level of experts, must be brought to a higher political level. Wehner's remarks on a "balanced reduction of troops" do not call into question the Atlantic Alliance's goal of "parity." At the London Summit meeting, Schmidt will discuss his

proposals with U.S. President Carter, and will do the same during the summer visit to West Germany of Soviet party leader Leonid Brezhnev.

*Die Welt, March 30, "Bonn Must Take Over a Leadership Role for Economic Growth"* — Schmidt wants to draw the East Bloc more strongly than ever before into taking international responsibility for world economic questions. He will motivate this at the May 7-8 London meeting. The federal government favors a "satisfactory employment policy," which is the precondition for constant growth and increases in investment. Internationally and nationally, trust must be created in future economic developments and the ability of governments to act effectively. Progress in price stability and payments balances are necessary. Countries with strong payments balances must assume a leadership role; the others must reduce inflation and their own deficits. The federal government counts the following points as the major tasks for the economic summit: (1) All trade restrictions are to be resolutely opposed; (2) Demands for countries with weak payments situations to pursue a restrictive course must not be exaggerated, since otherwise there would be a danger of social tensions and political-economic collapse; and (3) Countries with a strong payments situation must be prepared to provide assistance within the framework of monetary arrangements within reasonable bounds.

*Frankfurter Allgemeine Zeitung, March 30* — Concerning West Germany's nuclear technology deal with Brazil, Schmidt once again emphasized his government's unaltered position. The U.S.A., he noted, knows what West Germany thinks about this, and if they have other thoughts, he would prefer to hear it from the U.S. itself, and not from the press.

# NSC Never Thought Soviets Would Accept Proposals

*The following is the transcript of an interview with an aide to Zbigniew Brzezinski, Pres. Carter's National Security Advisor.*

**Q:** I understand that Mr. Brzezinski said today that part of the SALT proposal was a curb on technological development of new weapons systems. Is that true?

**A:** Yes. The U.S. is seeking agreement of parity with the Soviets: that neither side have an advantage over the other. The first proposal we offered is moving to a disarmament agreement that puts a freeze on levels, and then puts limits not only on systems, but on technological dynamics. The Salt agreement had both aspects. The U.S. believes this proposal leads to a more stable relationship between the U.S. and USSR. There was a whole package — civil defense, the Indian Ocean, etc.

**Q:** Do you mean that SALT was part of an entire take it or leave it package?

**A:** The agreement we want to have, is to agree to different kinds of agreements. The Salt agreement has two aspects — the number of weapons, and a halt, a taking account of the qualitative changes in weapons such as the modernization of ICBM's.

**Q:** Do you really think the Soviets would go along with limiting their technological advances; that they would capitulate to such demands?

**A:** Well the proposals are very complicated, you have to look at all the dimensions. You really have to get into the specifics of the package. There is flexibility, it is negotiable. What is going on now went on in the 60's with the ICBM issue. The Soviets refused to ban it, then realized that the ICBM's were destabilizing. Now we are in the early part of the education process.

**Q:** Chancellor Schmidt has endorsed the Mutual Balanced Force Reduction proposal of Herbert Wehner and told Vance that West Germany would not abrogate its nuclear deal with Brazil and would not reflate their economy. He was really slapping Carter and Carter's policy.

**A:** I have no reaction on that. I have not been briefed on how to respond on that.

**Q:** Then you are aware of it?

**A:** Yes.

**Q:** Aren't the Europeans rejecting Carter's policy. I have spoken to a number of Congressmen and have found that they reject it too.

**A:** That's your interpretation. The President met with the Congressional leaders and they said they support him.

**Q:** Congressman Rhodes did not. He made a speech last night attacking Carter's foreign policy approach.

**A:** Well Carter said at the press briefing on March 30 that he had unanimous agreement with the Joint Chiefs of Staff, the Secretary of State, the Secretary of Defense in support of his negotiating position. My interpretation is that he has a great deal of support, you have been around gathering material on this and its obvious it is not yours.

**Q:** What do you have to say about Mr. Gromyko's statements — he answered very clearly that the Soviets were no longer going along with their deal of scrapping technology to get a SALT agreement. It is clear that the Soviets are not going to back down.

**A:** Dr. Brzezinski addressed that in a press meeting. The general U.S. position and reaction is that the atmosphere at the talks is not unreceptive. The Soviets will consider the proposals between now and May. While they were not acceptable, we never thought they would be.

**Q:** You made proposals you knew would be rejected?

**A:** Well we did not think it would be accepted right out of hand, immediately, and Brezhnev is leaving the door open for talks.

**Q:** What you are doing is leaving the Soviets two options — they will not back down, that is clear. They will either go with a programmatic organizing, organize Europe and the Third World into a new monetary system using the T-ruble or they would go with early thermonuclear war. Brzezinski is playing games with nuclear war.

**A:** That is your interpretation. Brzezinski is not making policy. This is the White House.

**Q:** Yes, it is not just Brzezinski it is the entire Trilateral Commission which is making the policy.

**A:** That's not true, that's not true. I have to go.

# New Prospects Raised For Pan-European Talks, MBFR

With the collapse of U.S. Secretary of State Vance's talks in Moscow on SALT, attention has shifted to the potential of disarmament negotiations in Europe as a political lever for both East and West Europeans to defuse the Carter Administration's confrontation policy. For Moscow to have a successful peace policy now, it will have to move into openings which Europe has already provided for such collaboration.

Herbert Wehner, head of the Social Democratic Party (SPD) parliamentary grouping in West Germany (BRD), called in a March 29 radio interview for the long-stalled Vienna Mutual Balanced Force Reduction (MBFR) talks on armed forces reductions in Central Europe to move rapidly into "the stage of political negotiations." Wehner also asked that permanent pan-European commissions be established to institutionalize cooperation on the continent.

Wehner expressed "regret" that the two-year-old proposals of Soviet General Secretary Brezhnev, for pan-European conferences on transport, energy and the environment, have so far gone unanswered by Western Europe. Wehner's inclusion of Brezhnev's pan-European plan in the context of MBFR has a special irony, since in the period of his concentration on dealings with the U.S., prior to the SALT breakdown, Brezhnev has downplayed his own proposals and failed to mention them in his March 21 speech to a trade union conference. They were, however, featured in the March 26 communiqué signed by Soviet Prime Minister Kosygin and the President of Finland Urho Kekkonen, which anticipated discussion of "pan-European congresses on conferences among states" on these topics, including the late April meeting of the United Nations Economic Commission on Europe (ECE).

Moscow's immediate response to Wehner was a radio broadcast urging that his plans be presented as official policy, a condition which Chancellor Schmidt went a good way to meet at his March 30 press conference. Not only did Schmidt support the formation of "a standing joint commission for energy and environmental policy" and a report that BRD initiatives for MBFR were in preparation, but he declared that the Soviet Union and East Europe should be drawn into the North-South dialogue between the industrialized West and the Third World — that is, that this repeatedly sabotaged forum for reorganizing international economic relations be reconstituted with the crucial inclusion of the Soviet sector.

Wehner's call and Schmidt's support of it received front page coverage in the BRD as a major policy initiative. Chancellor Schmidt revealed that Brezhnev will be visiting Bonn this year; the *Sueddeutsche Zeitung* rumored that a quiet renewal of cooperation negotiations between the BRD and East German (DDR) was under way. Gerhard Stoltenberg, chief spokesman for the industrialist wing of the BRD's Christian Democracy,

recently returned from a trip to the DDR to advocate just such a renewed dialogue.

The matter of whether and how to respond to Western Europe's initiatives is one pivot of factionalization in the East. When Wehner raised a less dramatic version of his MBFR proposal two weeks ago, the Soviet party paper *Pravda* failed to report it and picked up instead a secondary remark by Wehner on the importance of Soviet-American SALT. Hopes for an early SALT agreement with Carter was used by Washington to lure Brezhnev away from allying with anti-Carter Western Europeans and, most particularly, to block the Soviets from pressing use of the socialist sector's transfer ruble as the reserve currency for restored world trade. With SALT on the rocks, the Soviets' block to this is more readily removable.

What may be called the "transfer ruble" faction in the East has continued to make itself known most palpably through DDR and Czechoslovak channels, which have transmitted a recognition of fundamental political realities in the West. Exemplary is the DDR political journal *IPW*, which this month raised the question of Rockefeller influence on U.S. foreign policy as far from a dead letter after the 1976 presidential elections (see excerpt, below).

In Prague, the party paper *Rude Pravo* came close to calling for a Gaullist Europe, in its coverage of the French municipal elections. *Rude Pravo* attributed the losses by bourgeois parties to the absence of political and economic program as well as courage typical of General DeGaulle's rule.

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## Rockefellers Have Decisive Role In U.S. Policy

*The following excerpts are from a review of Ferdinand Lundberg's book The Rockefeller Syndrome appearing in the magazine of the DDR political economy institute IPW. The reviewer is Werner Hintzke.*

Not philanthropy, but hard-boiled egoism, shady currency transactions, tax evasion and a notorious political practice not stopping short of professional murders, are characteristic for Nelson A. Rockefeller....It suffices to think of the pernicious influence of the latter on U.S. foreign policy, e.g. U.S. policy in Latin America particularly Chile. Here it was not just a case of "professional murder."

While the CIA was mounting the Chilean adventure, Nelson Rockefeller was a member of the Foreign Intelligence Advisory Board, organ supposed to oversee CIA work. He held a strategically favorable position and it cannot be denied that he was an interested party.

But this means nothing less than that the almighty

Nelson A. Rockefeller bears heavy responsibility for the inhuman oppression of the Chilean people and the murder of Chilean patriots...Lundberg shrinks from this conclusion, in this treatment of the question...

The Rockefeller family, he says, already before Nelson's tenure as Vice-President of the U.S., exerted a considerable influence on official U.S. policy....The author comes to the significant conclusion that Rockefeller, even without being president or Vice-President of the U.S., will participate in U.S. politics in a decisive fashion: "One thing is certain: nothing will occur in American politics, including after the 1976 election, without Nelson Rockefeller..."

The book considers how and by what means the Rockefeller class controls its "financial nexus" and hundreds of enterprises, and states: "Capitalism operating through such cartels (as theirs) is known as finance capitalism in contrast to pure industrial capitalism...."

Lundberg observes that it is regrettable that the average U.S. citizen is totally uninformed about the significance of all this and about "its consequences for danger to world peace, the economic burdens of the working masses, etc..."

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### Red Star On The Disastrous 'Inexpediency' Of Limited Nuclear War

*The following is an excerpt from an article in the Soviet military newspaper Red Star, which issues an attack on the Schlesinger Doctrine of limited nuclear warfare. The article appeared March 26, under the title, "Take Into Account the Realities of the Nuclear Age," and was written by L. Semeiko, Sector Head in the U.S.A. and Canada Institute, Candidate of Military Sciences.*

We are attentively following the reaction in various countries to the proposal of the Warsaw Pact on non-first use of nuclear weapons by all states who were participants in the all-European conference," stated comrade L.I. Brezhnev at the XVI Congress of Trade Unions of the USSR. "We would like all state leaders of the western countries — and primarily NATO members — to think over very well the meaning of this important proposal, and would renounce the thoughtless, mechanistic approach according to which, if a proposal comes from the other side, it is dangerous and must be rejected."

Indeed, the significance of this proposal for the security of the peoples of Europe and the whole world is difficult to overestimate. At issue is the real possibility for making a serious step towards strengthening political détente, supplementing it with military détente. The efforts of the Soviet Union, and other socialist countries, are directed at preventing any kind of war, including nuclear. Such an approach is aimed, furthermore, at eliminating the fear of the imagined inevitability of nuclear catastrophe.

But as it turns out, there is another approach. In the headquarters of NATO talk continues about the possibility and even the "expediency" of launching, "under certain circumstances," a first nuclear strike.

The same thing can also be heard in Washington. Two years ago, the Defense Minister at the time, J. Schlesinger, speaking in Congress, stated: "It should not be excluded that NATO would be the first to use nuclear weapons in the theater of military actions.... The attack must be sufficiently sudden and decisive...." Such a conception is in one way or another supported also by the present political leadership of the U.S.A.

It must be said that such a position is completely unsound; it patently ignores the military-political realities of the modern world. And it is not just that a firm political détente is unthinkable under the Sword of Damocles of nuclear threats. The stated conception of the U.S.A. and NATO concerning first use of nuclear weapons is adventuristic in its very essence.

On the political plane, avoiding a businesslike consideration of the proposal of the Warsaw Pact member states, speaks of the traditional imperialist support for force, for the use of nuclear weapons — including also the surprise use — for the achievement of political goals. They place their stakes on this even now, when, by the admission of the same American leaders, the so-called U.S. "strategic nuclear superiority" has become a thing of the past.

Proof is hardly needed that a nuclear conflict in Europe could be the beginning of a nuclear world war with all its devastating consequences. To whom is it not obvious that the calculations of western strategists are completely untenable, that a nuclear conflict, once begun, would be obliged to stay within its original bounds throughout its duration?! To whom is the untenability of the goal, announced by western strategists, of using nuclear weapons first, also not obvious?! This goal, in their own words, is to end a war (implying a war using only conventional weapons) on conditions "acceptable" for the U.S.A. and its allies.

In the West it is generally recognized what a colossal risk is involved in such attempts to halt military actions or even to achieve victory. Indicative of this, in particular, is the recent report of the Congressional Budget Office of the U.S., which expresses disagreement with the conception of first use of nuclear weapons by NATO countries. Use of such weapons, the authors of the report note, in no way insures "turning defeat into victory," but "more likely can evoke a massive retaliatory strike by the powerful Soviet nuclear forces ... against targets both in the U.S.A. and in Europe."

But what then does the report propose instead of the Pentagon's envisaged modernization of nuclear weapons and first use of them in crisis situations? Increasing allocations for conventional forces. And as in the past, preservation of American nuclear supplies in Western Europe. Why? "Nuclear weapons are an important symbol of American obligations in Europe." That's their answer.

And so some realistic considerations being mentioned on Capitol Hill, including a Presidential call for decreasing dependence of politics on nuclear weapons, are mixed with the previous approach — with threats of first use of these weapons. The proposals that have been advanced are now also taking on new variations: in order to decrease political dependence on nuclear weapons, it is supposedly necessary to increase support for con-

ventional armed forces.

Such military-political zig-zags can hardly be evaluated as a contribution to détente. They are occurring during a period when negotiations are being conducted on reduction of armed forces in Central Europe, including conventional forces. Washington and NATO headquarters evidently do not want to take into account the positive quality of the proposals on non-first use of nuclear weapons for the Vienna negotiations. It can hardly be disputed that the acceptance of this proposal would create a totally new atmosphere at these negotiations — an atmosphere of “nuclear détente” — also facilitating détente — also facilitating détente in the opposition of conventional forces.

The U.S.A. and NATO frequently approach this

question one-sidedly. For example, the director (now former director) of the Agency for Arms Control and Disarmament, F. Ikle, proposed that the United States, “guided by moral considerations,” should renounce the launching of first nuclear strikes against cities. Only against cities! That means that to launch first “selective” strikes against military objectives would be completely respectable from the moral point of view? This proposal reveals the contradictory nature of American military-political thought — the obviousness of the attempts to “observe morality” by giving up strikes against cities and the simultaneous striving to use nuclear weapons first against military targets, which cannot be evaluated as other than trampling on the elementary principles, not only of morality, but of rational military conduct.

## Soviets Will Not Conform To Carter Administration Psychological Profile

Beginning with President Jimmy Carter’s highly provocative “Brezhnev sneezes” earlier this past week, the spokesmen for David Rockefeller’s Carter Administration have successively outdone themselves in hysterical gloating over expected capitulations and panic within the Soviet Politburo. The wildest variant of this pre-coverage of Secretary of State Cyrus Vance’s Moscow visit is that reported in the *New York Post*, which leaked the obvious psychological warfare pressure on the Soviets, that the Soviet Politburo had better come to agreement with Carter, or face an upsurge of the “first strike” faction in the USA.

### *Internal Soviet Considerations*

Two principal things are clear concerning the build-up for the Vance Moscow visit. First, the bankruptcy of the Eurodollar market and the imperiled financial position of a growing number of New York City-centered U.S. banking institutions has impelled the Carter Administration and its puppet-masters into an hysterical, manic fit of obsessive self-delusion concerning pre-profiled Soviet responses. Second, although these U.S. circles do have Leonid Brezhnev’s “Henry Kissinger,” Georgii Arbatov, in their pocket, and although the Arbatov doctrine is currently operational Soviet policy, the “destabilization” of the “SALT II” package-agreement previously sold to Brezhnev will result in a new “geometry” of Soviet policy, entirely unlike that predicted by manic Rockefeller public relations spigots feeding the press.

The Arbatov Doctrine’s temporary adoption by a majority of the Politburo represented a conscious choice among two strategic options. The first option, which tended to become operational prior to the end of January, was to align in political and economic strategies with key Western European and developing-sector factions against the Rockefellers and the puppet Carter Administration. Oblomovism momentarily won out, to the effect that the Arbatov Doctrine was adopted, betraying West-

ern Europe, Japan, and the developing sector nations in favor of an effort to conciliate David Rockefeller et al.

The present confrontationist policies of Carter et al. leave the Soviets with two choices. Either they follow an essentially Oblomovist path of policy evolutions, and thus move rapidly into “Mother Russia’s” preparations for early general war, or they — in their view — risk the alternative strategy of seeking to prevent general war through strategic cooperation with Europeans and developing sector forces against the Rockefeller interests.

Collateral to this deliberative process within the Soviet leadership: they know the truth about the assassination of President John F. Kennedy, whereas only a handful of leading U.S. circles do. The inclusion of a simulated assassination threat to Jimmy Carter reminds the Soviets of the planned-to-be simulated assassination attempt on Kennedy. That earlier simulation was to provide a pretext for a fresh confrontation with Cuba and the Soviet leadership. Although the responsible persons for the redirection of the simulation into an operational killing of Kennedy are not yet known to us, it is known that forces operating inside the Kennedy Administration’s simulation deployment did the redirecting. (Hence the coverup of the affair.)

The inclusion of the “Garden Plot” scenario within the Carter Administration’s overall, present crisis-management operations against the population of the USA signals clearly to the Soviet leadership’s relevant agencies that the Carter Administration is committed to a presently operational policy of successive confrontations leading into a thermonuclear showdown qualitatively beyond the implications of Kennedy’s 1962 “missile crisis.” Furthermore, the past week’s public and related conduct by puppet Carter is a direct parody of Kennedy’s confrontationist posturings toward N.S. Khrushchev during the earlier period.

Whether or not the U.S. press and general public wish to perpetually regurgitate and credulously swallow once again the popularized myths concerning the Kennedy Administration, certain leading forces in the world's governments know the truth and operate on the basis of that knowledge. Excepting Georgii Arbatov and his accomplices, who are admittedly in David Rockefeller's pocket, the Soviet policy will be premised on the truth about the Kennedy Administration precedents for the current crises, and not the delusions popularized in the U.S. press.

#### *Internal Soviet Considerations*

The Soviet leadership overall is stupid on only one crucial point. That stupidity is this: because of their nationalist-Oblomovist tendencies, for lack of any competently sensuous grasp of the "outside world's" internal social-political life, and because of wishful, almost obsessive illusions concerning Communist organizations in the OECD and developing nations, the Soviet leadership is methodologically incompetent in matters concerning internal political processes in those "outside world" nations. In practical matters otherwise, in matters of military strategies and statecraft, they are well informed and capable.

Internally, within the Soviet Union and the Warsaw Pact nations, the principal political problems are two.

Within the Soviet Union and CPSU itself, the most glaring problem is Soviet agriculture's backwardness. This is partly a technical-economic problem of adequate mechanization and so forth, but is also a reflection of pervasive political administrative incompetence by those sections of the state apparatus and party which have ongoing, historic responsibility for such administrative incompetence and its results.

Secondly, with respect to the bloc, since Soviet primitive accumulation against Eastern European countries at the end of World War II, in the effort thus to reconstruct the war-shattered Soviet economy, subsequent political-economic relations within the bloc have involved a struggle to dump the irrational cooperation in *parallel national-economic* development policies of the 1950s and so forth, and to move toward bloc-wide centralized planning, thus enhancing the overall division of labor in especially capital goods production. This involves a problem for Poland, because of its internal agricultural and related political problems of underdevelopment, and the irrational autarchical tendencies to be overcome in Rumania. This is also an internal problem for the Soviet leadership, because of implied Soviet political and economic concessions to the bloc overall in institutionalizing

such centralized economic planning bloc-wide.

These problems are most relevant as key background considerations in the composition and balance of CPSU tendencies on all issues, and are very weighty matters respecting the intermediate-term and longer-term implications of CMEA's transfer-ruble role as a gold-based currency in the forming of a new monetary system. The CMEA countries have a more than adequate growth-potential under such new monetary agreements, but that growth depends upon success in accelerating the per-hectare and per-man-hour productivities of agriculture, and upon centralized bloc-wide planning in the capital goods sector.

For related reasons, the underlying determinants of Soviet factional and related policy configurations are not competently understood in even those OECD circles which have the relevant facts at their disposal. Chiefly, understanding the Soviet and CMEA problems requires a method of political-economic analysis which most "Western" monetarist circles would not wish to see applied to the capitalist sector.

#### *Possible Soviet Reactions*

In the case in which the Arbatov Doctrine is dumped by the Soviet leadership, there are, as we have indicated, two overall "scenarios" which will alternatively predominate in the Politburo. The first would be an embittered retreat from the hateful "outside world" to "Mother Russia." Under conditions of current Carter policy, that "scenario" leads to an early general war, in which one may be absolutely assured the Soviet military will destroy the United States with a total commitment of all available strategic strike forces within the first hour (e.g., the death of 160-180 millions of the U.S. population). The second would be a reversal of outward-focused strategic options from Carter pacts to commitments to Western European and developing forces.

Under the second variant, the Soviet leadership would not permit Carter provocations to determine the timing and subject of Soviet counteraction. They would, instead, go for vulnerable flanks of their choosing against the Rockefeller interests. Their included option, in this case, for minimizing the danger of early confrontation with Carter would be to launch an international campaign emphasizing the fact of Carter's mental imbalance — sympathizing with the plight of the otherwise Soviet-beloved U.S. nation, which is obliged to temporarily suffer the pains of having a certifiable lunatic and Rockefeller puppet as President.

— Lyndon H. LaRouche, Jr.

## Georgii Arbatov: Rockefeller's Man In Moscow

Recent cross-checking of information from high-level sources in several nations has established as fact that Soviet Communist Party Central Committee member Georgii Arbatov is not only the Rockefeller brothers' agent in Moscow, but is significantly part of a New York City-based apparatus going back to at least the 1938 period of British intelligence executive Colonel William

Stephenson's Rockefeller Center-based operations. This element in current global relations must be exposed and removed as the single most probable contributing factor in causing an early thermonuclear war.

Although our recent findings to this effect depend significantly on crucial pieces of information supplied to us by high-level sources, our ability to solve the puzzle in-

volved with the aid of these pieces of information dates back to 1973. The relevant lines of continuing researches by our organization's executive and security agencies involve three overlapping topical areas of ongoing research.

The first line of investigations centered about an apparent collaboration by Soviet and USA-NATO intelligence networks in February 1973 to January 1974 disruption operations against the USLP, including the February 1973—August 1, 1973 developments around the drugging of Konstantin George, and the December 1973—January 1974 events, including the drugging of Christopher White by a joint MI-5—U.S. intelligence team, and the aborted assassination project against LaRouche involving the leadership of the Communist Party USA (as confirmed by FOIA-released FBI documents). By the middle of the first week of January we had adduced from facts of the White case that the disruption operation was essentially controlled by U.S.-based intelligence organizations using their controlled "laundering" covers within East Berlin and various Communist parties. That conclusion concerning the apparent "CIA-KGB" joint-operation was essentially correct but, as subsequent events proved, involved a certain ingenuousness on our part at that time concerning the differentiated structure of the U.S.-based intelligence community.

The second line of investigation centers about the case of Alexander Helphand-Parvus, and the connected case of Admiral Wilhelm Canaris. This investigation exposed the hidden truths concerning the modern history of the socialist movement, as well as the most crucial background facts concerning the causes for the outbreak and course of two world wars.

The third line of investigation involved a re-study of the 1940 assassination of L.D. Trotsky. This was provoked by our Fall, 1973 receipt from Mexican sources of the (unused) report of the investigation made in preparation for the film which featured Richard Burton in a cinematic travesty on history. Through hard information from various sources, we made the following relevant determinations: that the overall Trotsky assassination operation was under the supervision of Colonel William Stephenson and Nelson A. Rockefeller, together with British intelligence networks working under Rockefeller's pre-CIAA (Coordinator for Inter-American Affairs) direction in concert with sections of the FBI assigned to Rockefeller. That the operation itself was principally under the joint direction of Lombardo Toledano (a Rockefeller network agent) and Santiago Carrillo (historically a British intelligence agent), using Diego Rivera, Carrillo protégé Mercader (the assassin), with assistance from a network of combined British and Rockefeller (mainly) agents working under the cover of a Comintern nest in New York City and linked to a "Third Camp" U.S.-British intelligence network tied to Sidney Hook (a former collaborator of Toledano) within and around the Trotskyist leaderships in New York City.

Now, added to the results of those three lines of somewhat parallel, somewhat overlapping investigations, we have the following pieces of crucial information which we have cross-checked with various authoritative, relevant sources.

That there is a unit in and around the Communist Party in New York City which performs the *up-front* function of supplying the Soviet leadership (mainly) with two sets of lists of U.S. and Canadian citizens. The first is a "white list," of individuals who should be welcomed in the Soviet Union; the other is a "black list," on which this reporter's name is currently most prominent. This unit dates to approximately 1938, and is the same unit involved in New York City aspects of the Trotsky assassination. Furthermore, *this unit is a de facto extension of the U.S. State Department and has a longstanding overlap with the FBI.*

This unit overlaps the activities of Georgii Arbatov and those others who regularly negotiate secret agreements between the Soviet leadership and the Rockefeller interests. This same unit performs a related auxiliary function in conducting disinformation to the Soviet leadership concerning U.S. policies, internal USA political and social developments and so forth.

Elements of the KGB are reported to have known of this unit and its operations for years, although not the full implications of either the unit's functioning or of Arbatov's current, deeper role in respect of his dealings with USA East Coast leading interests. Up to a recent time, at least, according to information received from two highly placed, distinct, and credible sources, the Soviet military intelligence has not known of the functions of the unit or its deeper implications.

The significance of the operation more broadly is that it is chiefly through this unit and related conduits including Arbatov that the Soviet leadership has currently adopted an operational policy which both undermines the strategic position of Western Europe, Japan and the developing nations, and otherwise puts the Soviet leadership into the scenario-track leading toward early thermonuclear war.

This operation also intersects the internal political life of the Soviet Union and other CMEA countries. The common origin of the right-wing factions in the Soviet Communist Party and the networks historically subsuming the cited New York City unit is the old "Parvus network." The notable leading personalities of the "Parvus network" for the 1920s are Karl Radek, N. Bukharin, and Riazanov, among others.

For immediate purposes, Bukharin is the most relevant of these former Parvus agents. Around the Bukharin group Anglo-Dutch influences promoted the anti-industrialization policies of the 1923-1927 period, in the interests of Anglo-Dutch grain and petroleum policies respecting Soviet foreign trade. Although Bukharin and his factional allies were defeated after the 1927-29 period, and Bukharin and Radek ushered from the scene during the Moscow Trials period, the traditions of the right-wing Bukharinist current have by no means ever been fully eradicated from sections of the Soviet party and state. It is these descendants of that Bukharinist tendency which the Arbatov operation most prominently intersects in the CPSU itself.

Although the majority of such CPSU right-wing strata are Soviet patriots without doubt, they are the ultra-Oblomovist current, as distinct from those "hard-line," scientific, industrialist, and related military currents which reflect lawfully the voluntarist tendencies of



technologically-oriented industrial and related development. They represent, as Lenin himself would have emphasized, the petit-bourgeois sociological outlook of the peasantry, as reinforced by the petit-bourgeois tendencies characteristic of layers of the state bureaucracy. Consistent with that sociological-ideological character, they are — in Soviet language — “anti-Leninist” in epistemological tendency, that is “objectivist” and anti-“voluntarist,” sharing the mechanistic interpretation of Marx’s writings common to Rothschild protégé Alexander Herzen, Rockefeller-network protégé Sidney Hook, and the emigré Russian Mensheviks.

It is correct, in one sense, to view the CPSU leadership as successfully duped concerning the Anglo-American political intelligence agencies’ takeover of leading sections of the old Communist International and the majority of Communist party leaderships of the OECD and developing nations. However, as various U.S. and NATO political intelligence agencies have lately repeatedly emphasized, the Rockefeller faction’s proposed confrontationist strategic policy toward the Soviet leadership depends upon the assumption that the “hard-liners” and “Clausewitzians” within the Soviet leadership will be outflanked by an Oblomovist current around Brezhnev. That Oblomovist current includes outright de facto Rockefeller agents such as Georgii Arbatov, but also Soviet patriots, whose right-wing (e.g., “liberal” social-political tendencies renders them wishfully susceptible to the influence of Rockefeller and allied agents planted among them.

Consequently, because of the much-increased danger of war flowing from the influence of the cited Rockefeller-linked network, we publicly urge relevant agencies in Western Europe and elsewhere to “blow” the facts of this privately-controlled intelligence network in such a way that appropriate Soviet agencies can eradicate the problem. This, we propose, is of greater urgency than

exposing the fraud of the so-called “dissidents” caper of madman Zbigniew Brzezinski. Brzezinski’s “dissidents” provocations can lead to a war danger only if the presently operational “Arbatov line” sets the stage for the subsequent and inevitable general-war turn.

The most stupid policy imaginable, from the standpoint of industrial self-interest of the OECD countries, is toleration of Rockefeller efforts to confuse and thus enrage the Soviet leadership. The establishment of a new monetary system, the most vital interest of every nation in the world — including the USA — requires a surgically precise and correct perception of the common intersection of not only the short-term, but intermediate-term and long-term interests of the CMEA, OECD, and developing nations. As the effects of the “Arbatov line” already demonstrate, such negotiations are virtually impossible as long as the element of irrationality is fostered in any leading relevant quarter.

This has a particular, concrete importance respecting the Soviet leadership. Although the Soviets are capable of correctly estimating the validity of the International Development Bank and equivalent proposals, such variants are strange to their traditional strategical outlooks. Hence, successful negotiations — requiring that Soviet leaders proceed with a competent insight into the OECD nations’ side of the matter — require the highest degree of clearheadedness from the Soviet and CMEA representatives’ side. The climate of frank and clear-headed discussions and negotiations must be energetically fostered. This is already difficult enough without the introduction of major digressions and delays. Tolerating continued deployment of Rockefeller agent Georgii Arbatov by “our OECD side of the fence” is downright insanity . . . immediately, from the standpoint of the risk of war, and overall, by virtue of our need to establish immediately effective means for recovery from the present global depression.

— Lyndon H. LaRouche, Jr.



# The Battle To Enact A Competent U.S. Energy Program

Over the past two weeks, the U.S. Congress has begun to revolt against the negative growth economic program scripted for the Carter Administration by David Rockefeller's Trilateral Commission. In rapid succession, Congress has restored the President's proposed cuts in federal funds for 19 water projects, stalled his \$4 billion public works employment boondoggle, and is now threatening to block his scheme to save the New York banks via a Treasury Department-IMF bailout. The wretchedly incompetent "two chickens in every pot" \$50 tax rebate plan has run into potentially fatal opposition. No doubt about it, Carter's honeymoon with Congress — if indeed it ever really existed — is turning into an acrimonious divorce battle.

Whether Congress will carry through on its rebellion against White House "government by Trilateral emission" will likely be determined during the next 60 days on the keystone issue of a national energy policy. Since last winter's natural gas crisis, Carter and his would be energy czar James Schlesinger have made it clear that the basis of the energy blueprint they will officially unveil April 20 is a commitment to "belt-tightening" massive reductions in U.S. energy consumption for industry and consumers alike, and outright sabotage of vital energy sources, particularly nuclear power. Reports from the Rockefeller Brothers Fund and the Ford Foundation spelling out such programs in detail have been acknowledged by Administration spokesmen as accurately reflecting the White House point of view. Their impending savage impact on the U.S. economy's productive forces is widely perceived, feared and resisted in Congress.

Not surprisingly, the strongest opposition to the Carter program has come so far from Congressional representatives of constituencies where the highest concentration of technologically-advanced, energy-intensive industries (aerospace, defense, electronics, etc.) exist. Many Congressmen understand, however, that the appeal of

crash energy development program is general — "The American people support nuclear power 2-1," as one spokesman put it.

Yet to emerge, however, is a competent Congressional alternative energy program under bipartisan sponsorship — the key weapon needed to defeat the Administration's planned onslaught of deindustrialization. The Congressional power centers of resistance to Carter have decided to "wait till after April 20" before taking significant action on energy, passing up the opportunity to take the offensive and giving the Administration more time for its "conservation" crusade.

Whether sufficient Congressional votes are assembled in time to kill the Carter program and enact competent legislation now depends largely on forces outside Washington, D.C., emphatically including forces outside the USA itself. With respect to the United States, it demands on how fast popular sentiment for expanded energy development can be transformed into institutional support from business and industry, the trade unions, state and local governments, community organizations, consumer groups, the press, and so forth. A broad, centrally directed alliance for industrial progress — not a loose coalition — is required.

The role the U.S. Labor Party and the Fusion Energy Foundation have played so far in bringing this alliance into being was expressed by a spokesman for a top Congressional leader recently: he told USLP representatives, "Without you, the resistance to Carter's fusion cuts wouldn't have happened."

Should this privately acknowledged, de facto leadership role become public through an open Labor Party alliance with national, political, industrial, and labor leaders, the American political geometry would be radically transformed, to the point that defeat of the Carter energy package would be extremely likely.

The following category-by-category assessment of the state of the energy fight in the USA was compiled with the assistance of the U.S. Labor Party.

## The Potential For A Congressional Offensive

The way in which the Congressional energy battle has developed so far clearly demonstrates that the immediate potential exists for shaping it into an all-out fight for a fusion-based energy policy in the context of a general reorientation of U.S. policy toward worldwide industrialization. Three developments in particular underscore this potential: 1) Several key Congressional groupings,

especially the House Science and Technology subcommittee on Fossil Fuels and Nuclear Energy, have sought to establish that fusion power, given appropriate funding, is realizable within the decade; 2) Congressional spokesmen including Senator Strom Thurmond (R-SC) and Senator Harrison Schmitt (R-NM) have publicly stated that the fate of the Third World and of world peace

depends on whether the U.S. embarks on a technologically advanced energy policy; 3) Offices of sixteen members of Congress sent representatives to a Fusion Energy Foundation (FEF) briefing on fusion power given on Capitol Hill March 22 enhancing the possibility that competent energy legislation based on the FEF's program will be introduced into Congress.

At this point, the fight against Carter is being waged on several primary fronts:

First and foremost is the battle to restore Carter's proposed cuts in the FY 1978 allocation to the Energy Research and Development's (ERDA) fusion R and D program which is being carried primarily through the pro-development members of the House Science and Technology subcommittee on Fossil Fuels and Nuclear Energy. The pro-fusion members of this subcommittee include Chairman Walter Flowers, a Democrat whose home state of Alabama houses a NASA installation, part of the pro-nuclear Tennessee Valley Authority, and the huge steel mills of Birmingham; Gary Myers, (R-Penn), former production foreman in a Pittsburgh steel factory, and one of the first Congressmen to note for the public record that the development of the Third World depends on the U.S. adopting a nuclear-based energy program; Rep. Barry Goldwater, Jr. (R-Ariz), whose pro-fusion stance directly reflects his father's long-standing concern with the military applications of scientific and technological breakthroughs; Manuel Lujan (R-NM), who has direct links into the Los Alamos, New Mexico, scientific community; and Mike McCormack (D-Wash), a former research scientist, who at subcommittee hearings March 31 on the recently-released Ford Foundation-MITRE report denouncing nuclear energy exposed the report as scientifically incompetent.

In a series of carefully-staged hearings in February and March this subcommittee heard a stream of witnesses from the scientific community, ERDA, the nuclear industry, the Fusion Energy Foundation and the U.S. Labor Party testify that with a sufficiently funded and staffed effort, fusion power was realizable by the early to mid-1980s, and, furthermore, that Carter's proposed cuts in an already badly underfunded program would permanently sabotage the attainment of this cheap, non-polluting and unlimited energy source.

With this unimpeachable scientific evidence at hand, the subcommittee moved to restore the Carter fusion cuts — only to have the President personally intervene to prevent this offering to restore some of the water projects monies if his fusion cuts were upheld. In response, the subcommittee has postponed its final decision on the fusion budget. Sources close to the subcommittee are currently predicting that the Carter fusion cutbacks will in all probability be restored and that both the Senate and House Appropriations subcommittees with final authority over the fusion budget stand overwhelmingly in favor of rejecting Carter's recommended cuts.

Other pro-fusion Congressmen view that Flowers subcommittee as the key line of defense against Carter's attacks on fusion development. Congressional support for the subcommittee escalated last week when Rep. Matthew Rinaldo (R-NJ) initiated an Open Letter to Flowers urging him and his subcommittee to fully

restore the fusion power program's budget. Commenting on Carter's proposed cuts, Rinaldo writes, "Ironically, this massive budget cut has been recommended at a time when the prospects for fusion power have never been more promising." The letter has been signed by 13 other Congressmen so far, many of them Democrats from the Northern industrial states. Several of these signatories sent representatives to the FEF Capitol Hill briefing.

The second key front is the fight for the Liquid Fast Metal Breeder Reactor (LFMBR): Carter has proposed for a lethal \$200 million reduction in the FY 1978 budget allocation for this vitally necessary component of a sound fission-fusion program, Schlesinger explicitly repudiated the program in a speech to the National Wildlife Association March 26. Congressional opposition to Carter on this question is much shakier, since the breeder has been the chief target of Rockefeller environmentalists who claim it is dangerous and vulnerable to nuclear terrorism. There are indications that the Administration may attempt to garner Congressional support for its attack on the LFMBR in exchange for slight concessions on the fusion funding question.

The potential for a strong fight to save the breeder does exist. Rep. Marilyn Lloyd (D-Tenn), a member of the Flowers' subcommittee, is initiating a letter similar to Rinaldo's calling on her fellow Congressmen to defend the breeder program. An aide to Lloyd, who is in regular contact with the ardently pro-nuclear scientific and industrial nexus linked to the Tennessee Valley Authority, specifically the Clinch River breeder demonstration project, recently predicted that Carter's energy program "would go over like a lead balloon," since the U.S. population was "two to one in favor of nuclear energy."

A third issue on which the Congress is hotly contesting the Carter Administration is the proposed creation of an all-encompassing Department of Energy with James Schlesinger as its first head. Opposition to this proposal is coming even from anti-nuclear layers who fear the dictatorial powers that such a department would wield. Conservatives and certain liberals are also adamantly opposed to the prospect of giving nuclear war game terrorist Schlesinger such a powerful position. Congressional sentiment against the proposal is so strong that following USLP testimony on it at Senate Government Operations Committee hearings last week, Senator John Glenn telephoned Schlesinger requesting him that he respond to the Labor Party charges against him within ten days.

A fourth line of attack against Carter is shaping up around the ramifications of energy policy for national security. This angle is being pushed by those Congressional layers linked to the traditional military-intelligence-scientific community, including Senators Barry Goldwater (R-Ariz), Strom Thurmond (R-SC), and Harrison Schmitt (R-NM), who see all too clearly that the Carter energy program, coupled with his proposed defense cuts, will wipe out precisely those areas of advanced research development (such as laser fusion) most essential to closing the marginal technological gap now existing between the U.S. and the Soviet Union. In a statement to the Senate March 3, entitled "Nuclear Swords into Nuclear Plowshares," Thurmond touched directly on the war implications of the Carter program.

Urging emphatically that nuclear power be put in its rightful place as the cornerstone of U.S. expanded energy policy, Thurmond noted that "technological advancement brings the high standard living which, in the long run, is the only sure remedy for human discord."

A fifth source of disagreement — one which has temporarily subsided but which is bound to resurface after

April 20 comes from the Congressional bloc representing independent oil and gas producing states. Rightly fearing that Carter intends to liquidate all independent energy producers into the Rockefeller cartel, representatives of these states, such as Rep. Waggoner (D-La), Pickle (D-Texas) and many others, will probably line up against at least part of the Carter package.

## Fusion Memorialization in Legislatures Shapes Energy Fight Across The Nation

By an overwhelming vote of 108-3 on March 29, the Maryland House of Delegates passed legislation calling on the President and Congress of the United States to vigorously promote the development of fusion power and upgrade scientific research in the U.S. The lopsided vote, despite the fact that the bill had no sponsor, demonstrates the strong support for industrial growth throughout this highly industrialized state.

The Maryland legislation is the first fusion bill to reach the floor in the eight state legislatures where it is now introduced: Michigan, Washington State, Oregon, Pennsylvania, Illinois, Wisconsin, and Connecticut. Legislation calling on Congress to commit the U.S. to the development of fusion power is now being drafted in Ohio, New York, New Jersey, Colorado, and Vermont to be introduced after the Easter recess.

The Maryland fusion legislation now goes to the legislature's Economic Affairs Committee and then to the Senate floor, where it is expected to be approved. The fact is that once the legislation actually becomes public, even the most dyed-in-the-wool backers of President Carter's "conservation"-oriented energy policies can't justify voting against it.

In the Democratic-dominated Maryland state legislature, under heavy Carter influence, it was initially impossible to obtain a sponsor for the bill. Finally Rep. George Price (R-Baltimore County) introduced it at the request of the U.S. Labor Party. The well-attended and highly publicized Fusion Energy Foundation Conference in Baltimore on March 2 built a climate of support for the legislation. The conference, co-sponsored by the Maryland-based engineering-architectural firm Harrison Associates, was attended by representatives of the Energy Research and Development Administration (ERDA), Baltimore Mayor Schaeffer's office, and numerous corporations and local business groups. The conference received prominent coverage in the *Baltimore Sun* and the city's financial *Daily Record*. The legislation simultaneously gathered support from local Chambers of Commerce and was under consideration by 11 leading union locals in the Baltimore area, a well-known union city.

At open hearings held on March 17, Maryland State Labor Party chairman Larry Freeman, Fusion Energy Foundation spokesman Charles Stevens as well as Labor Party members from plants around the city advocated immediate passage. Fred Hittman, president of Hittman Associates, wrote the Environmental Affairs Committee

a letter in support of the bill, HJM No. 80, and the Bethesda Chamber of Commerce voted to back it. In the face of this support even a walkout during the testimony led by pro-Carter Environmental Matters Committee head John Arnick (D-Dundalk) could not stall the bill. It was unanimously passed by the Committee and a full mobilization of calls of support into the legislature from around the state forced the Carter Democrats to back down and support the bill in the floor vote.

### *Northwest*

In the Northwest, fusion power legislation has been sponsored in two states by a coalition of pro-development Democratic and Republican legislators.

*Washington State:* The Senate Energy committee has unanimously voted up a memorial calling on the Congress to "undertake the measures necessary to accelerate and broaden the research and development of controlled fusion reactions" and "enact complementary enabling measures to develop fossil fuels usage and nuclear energy expansion under existing technologies to bridge the period between now and the target period of the mid-1980's when controlled fusion energy can 'come on line.'"

This fusion resolution caused a complete re-alignment of the legislature and the political factions in the state. Old-line Democrats such as former Senate Majority leader August Mardesich and Senate Energy Committee Chairman Max Benitz supported the resolution, which was also sponsored by leading Republican Senators Kent Pullen and Bob Lewis.

The battle lines were drawn clearly when Fusion Energy Foundation Director Dr. Morris Levitt testified before the Senate Committee on Energy and Utilities on Feb. 17. There, angry Naderite legislators demanded that the resolution's references to the historical U.S. commitment to progress and the disavowal of zero-growth be deleted. Senator Lewis acknowledged the basis of the dispute but declared "It's an important issue which must be addressed." The legislation, SJM No. 102, is expected to reach the Senate floor soon.

The Washington state AFL-CIO leadership and the state's strong Building Trades lobby have also split over whether to support the bill.

The U.S. Labor Party's extensive lobbying in the state has injected the fight for energy development as a major issue in the upcoming special congressional election for Seattle's 7th C.D., vacated by Transportation Secretary

Brock Adams. The fusion fight has also undercut efforts to drum up constituency support for the solar energy legislation being pushed by Rep. Mike McCormack.

*Oregon:* A bipartisan grouping including nine Democrats and six Republicans has introduced a fusion energy memorial in both Chambers, HJM No. 5, which has been referred to the House Trade and Economic Development Committee. In February, the newspaper of the Oregon State AFL-CIO endorsed the legislation while simultaneously urging the defeat of five pieces of Naderite energy legislation.

This growing battle in the legislature against Naderism and associated press coverage of the U.S. Labor Party testimony at hearings around the state is blocking the Carter Administration's plan to fire such pro-nuclear and pro-growth energy administrators at the Bonneville Power Authority as Don Hodel. Industrialists' invitations to the Fusion Energy Foundation to testify at important Nuclear Regulatory Commission hearings also demonstrates that the pro-growth forces in Oregon are using the U.S. Labor Party and its mobilization to make a comeback against the Naderism rampant in the state and give a strong rebuke to the state's newly-elected zero-growth governor Straub.

#### *Midwest*

In the Midwest, the USLP-initiated fusion legislation has been introduced in Michigan, Illinois and Wisconsin.

*Michigan:* Rep. Wilbur Brotherton (R-Farmington) has introduced a fusion energy development memorial which will soon be heard by the House Policy Committee. The bill is co-sponsored by Democratic Assistant House Majority Leader Tom Anderson, who is the chairman of the Energy, Technology and Science Committee of the National Association of State Legislators. As in Maryland, the legislation will be virtually impossible to oppose once it is publicized, even for Democrats normally controlled by Leonard Woodcock's UAW. Sixteen additional co-sponsors have been lined up in the past week, and the pressure will intensify further following a town meeting on the legislation set for Livonia, Michigan on April 3.

The Livonia Town meeting will be addressed by Livonia Conservative Caucus leader George Kettunen, local Democrats, Republicans, church groups and patriotic organizations. A similar town meeting in Grand Rapids, Michigan two weeks ago was reported by the Grand Rapids Press as a thoughtful analysis of the history in the U.S. of the fight for progress.

*Illinois:* A memorial resolution calling for the development of fusion power has been introduced by Republican representatives Meyer, Reed and Bartoulis and one Democratic representative, LeRoy VanDuyne. The bill, which will be heard by the Energy Committee at the end of April, has already exercised a significant affect on the upcoming Chicago mayoral election, with democratic candidates Edward Hanrahan and Roman Pucinski affirming their commitment to industrial growth as the basis for a healthy city in opposition to the views of the candidate picked by the First National Bank of Chicago, Michael Bilandic.

*Wisconsin:* A coalition of eleven Republicans and

three Democrats led by Rep. George Klicka (R-Wauwatosa) introduced legislation on March 30 memorializing Congress to develop fusion power. This alliance of conservative Democrats and Republicans was forged in part during the hard-fought contest waged to block the certification of Wisconsin's electoral votes for Carter last November. Massive vote fraud in the November election was made possible by an illegal "same day" voter registration law which was rammed through the state legislature last session. Rep. Klicka, who is leading the drive both for the fusion memorial and for abolishing the same day registration, reflects the determination of the state's pro-growth legislators to defeat Wisconsin's entrenched "progressive" fabian forces this time around.

The introduction of fusion legislation in the home state of the leading Congressional spokesmen in favor of a bailout of the New York banks, Sen. William Proxmire and Rep. Henry Reuss, represents a point of vulnerability to be exploited by their opponents in Congress. Town meetings and press conferences are now underway in the area to demonstrate constituency support for an economic program based on industrial development for the state.

#### *Northeast-Mid-Atlantic*

*Connecticut:* The fusion memorial was killed in the Government Administration and Policy Committee through Democratic opposition a month ago. However the Connecticut state legislature has since been bombarded with an increasing mobilization of the trade unions and pro-growth industrialists to adopt a policy of energy expansion. On March 14, Fusion Energy Foundation nuclear engineer Jon Gilbertson testified at the request of the building trades coalition LITE (Laborers, Ironworkers, Teamsters and Operating Engineers), to block a Naderite clean air act, explaining how such legislation is being used across the country to enforce deindustrialization and the alternative of a high-technology fusion economy.

*Pennsylvania:* The state's House Committee on Energy and Mines heard Gilbertson testify on the possibility of fusion in the U.S. by 1990 at a special session convened by Rep. Ivan Itkin (D-Pittsburgh). The Energy and Mines Committee voted unanimously to sponsor the fusion energy resolution as a committee resolution. It is now in the State-Federal Committee where it will be heard in early April and then move to the floor of the Pennsylvania House of Representatives.

At the same time, the growing activity connected with the Fusion Energy Foundation's upcoming April 29 conference in Pittsburgh, on "Fusion Energy and a High-Technology Economy for the U.S.," has already attracted to the conference speakers from the Teamsters, Duquesne Power and Light, the Pennsylvania Rural Electric Association, the University of Pittsburgh, Carnegie-Mellon University as well as political groupings from around the state. This conference, which promises to be of international significance, will be a signal to the state legislature to demand that the U.S. Congress enact legislation to achieve fusion power as the solution to the energy crisis.

# Where The Trade Unions Stand On The Energy Issue

A polarization is now taking place within the American labor movement over support for an energy policy.

On one side of the fence sits the AFL-CIO national leadership, who are currently in the hip pocket of Trilateral Commission member Lane Kirkland, the Federation's Secretary Treasurer and the Trilateral Commission's candidate to replace 84-year-old George Meany as AFL-CIO president. Kirkland and his national staff are the leading organizers for the Ford Foundation's anti-nuclear, conservation-oriented energy policy — the policy of fellow Trilateral Commission member Jimmy Carter. This grouping has relied on the organizational loyalties within the AFL-CIO and outright threats and intimidation to hold union leaderships in line behind the emerging Schlesinger-Carter energy policy.

On the other side are a group of unions, which includes sections of the AFL-CIO-affiliated United Steel Workers of America (USWA), and various building trades unions and key leaders within the non-AFL-CIO International Brotherhood of Teamsters and the United Mineworkers Union as well. Sections of these unions have fought against energy cutbacks and supported the expansion of nuclear power facilities and are now beginning to coalesce around the U.S. Labor Party's fusion energy development program.

Fearing the outcome of this sharp polarization, Rockefeller-linked intelligence operatives have attempted to create a Third Way counter-gang faction. This paper-grouping, which has been mooted by the New York Times, is to be led by the Trilateral Commission-controlled leadership of the International Association of Machinists and the United Autoworkers, who are slated to rejoin the AFL-CIO sometime this year. They would become the loyal opposition to Kirkland, supporting an even more radical zero growth version of the Ford Foundation policy — and thus make Kirkland and his energy policy more appealing to gullible unionists. So far they have received almost no support.

## *Kirkland Sabotages AFL-CIO Energy Policy*

The AFL-CIO Executive Council assembled for its general session meeting in Florida last month with debate already raging among member unions about what the Federation's energy policy should be. Kirkland, according to Washington sources close to the AFL-CIO, went to Bal Harbor with a singular mission — to prevent the Executive Council from taking a strong counter-stand to Carter's energy policy and to "de-emphasize" the volatile energy question.

Kirkland, who chaired and dominated the AFL-CIO energy policy committee, proceeded to offer a "compromise" energy resolution which he justified as being something that "everyone could live with." To the building trades, whose participation in industry-labor pro-nuclear energy coalitions represented a threat to the Carter energy program, he "offered" token support for nuclear power. To this, he welded the Ford Foundation's recommendations for cutbacks in energy consumption and energy growth. Fusion power was omitted from the hodge-podge list of "alternative energy sources."

According to one source, the AFL-CIO proposal was now "worse than useless." "We have no energy policy," said another.

More importantly, Kirkland and other agent-allies succeeded in getting the energy question — the number one topic of debate in the Federation — formally de-emphasized and subordinated to synthetically created issues like the so-called "right to organize legislative package." That issue and the related common situs picketing sop thrown to the duped building trades were specifically aimed at fanning a confrontation between conservative industrial interests and labor — the very elements coming together in coalitions like Northern Indiana's HIRE (Help Implement Regional Employment) to fight Carter's energy policy.

## *The Membership Rejects Kirkland*

The membership of the trade union movement overwhelmingly rejects the Kirkland-backed Carter policies of energy cutbacks and its correlative de-industrialization programs. This was indicated by two signpost developments over the last three months.

First, Edward Sadlowski, the Institute for Policy Studies-Joe Rauh-created insurgent candidate for USWA president, suffered a landslide defeat by a ticket headed by non-Fabian Lloyd McBride in last month's steelworkers election; rather than voting "for McBride," steelworkers were voting against Sadlowski and the Carter-backed zero-growth energy policies he represented. Sadlowski's backers were at the time of the election involved in activities aimed at preventing the construction of a nuclear power plant in northern Indiana and were even conspiring to shut down the largest steel complex in his home District 31, U.S. Steel's Gary works, for "environmental reasons."

Last week, it was learned that LeeRoy Patterson, the nationally recognized pro-growth candidate in the United Mineworkers, had swept the primary election for that union's presidency. Union sources indicate that Patterson is certain to become the next mineworkers president.

Both Patterson and McBride were thus given a mandate which is conditional on their leading their respective unions into a public fight for growth and development against Carter's policies.

This shift in the U.S. working class as signaled by these elections has already been accompanied by sections of the leadership of the building trades and the Teamsters coming into open support for the Labor Party's energy program. Last week, over 1000 Teamster members of Local 456 in Westchester, N. Y. gave a standing ovation to USLP candidate Michael Billington presenting the party's energy program, and heard the union secretary endorse the USLP candidacy. This weekend, Plumbers and Pipefitters Local 22 in Waterbury, Conn. endorsed the Labor Party's fusion energy memorialization legislation in the state legislature. One of the most important expressions of this shift was the endorsement of the USLP's national call for crash fusion development by two building trades leaders of HIRE, Indiana's pro-nuclear

labor-industry coalition.

This has been followed in recent weeks by participation and promises of participation by trade union leaders in a series of national energy policy forums sponsored by the Fusion Energy Foundation.

In this charged political environment, Kirkland's effort to establish a phony set of political priorities for the labor movement around the "right to organize" has met with little success. As one building trades leader told a spokesman for the U.S. Labor Party after last week's scuttling of the common situs legislation in Congress, "Common situs? Who cares about that. The real issue is energy."

#### *Kirkland and Carter Respond*

The potential for whole sections of the labor movement to bolt from under the Trilateral Commission's control around the energy question has prompted the Carter Administration and Kirkland to attempt a "counter-offensive."

Orders have gone out from Kirkland's office to member unions to stay away from the Labor Party and the FEF—or else. AFL-CIO contracted lawyers have advised labor leaders that "if you work with the Labor Party, you'll bring more trouble on yourselves." They have told leaders of the HIRE coalition to "back off from collaboration if you want to get nuclear power plants built."

Meanwhile, Kirkland has helped organize "discussion sessions" between representatives of the Carter Administration and union leaders to convince the wary union-

ists that Carter's program is not bad as it seems. Two weeks ago, the leadership of the mineworkers and other unions were brought to a meeting in West Virginia where they were addressed by Carter and energy czar James Schlesinger. They were told that the Carter program would have "something for everybody" and were promised increased coal projects, nuclear energy, solar power, and "more jobs through conservation programs." Less than a week later, the Ford Foundation released its energy report which contradicted much of what was promised.

Kirkland and Carter are ready and willing to use what "clubs" they have to get stubborn opposition to knuckle under." The current offensive against the Teamsters' leadership and the threat that it will expand into a far-reaching anti-rackets attack on other Carter enemies, as we exposed last week, has the short-term objective of bullying those forces opposed to the Carter-Schlesinger energy policy.

Trying to delay what in the end must come down to a policy confrontation, Kirkland and his allies have circulated the story that the union movement cannot comment on the Carter energy program until it is promulgated on April 20. By so doing he has in fact put his whole operation on a short fuse.

As one trade union leader told a USLP spokesman recently, "If what you say about Carter's program is true, there isn't one trade union leader in the country that can support it."

Except Lane Kirkland, that is.

## Regional Press Bucks Administration Energy Policy

While the national news media by and large continues to barrage Congress and the U.S. population with the myth that Jimmy Carter's "energy conservation" program enjoys widespread popular support, a few large circulation urban dailies are increasingly critical of the Administration's policy, and in many cases are calling for the expansion of energy resources, most notably nuclear power. A number of smaller regional papers have been equally outspoken.

This pro-growth press coverage serves as an accurate gauge of popular sentiments for elected officials. Moreover, it reflects regional institutional resistance to the Administration program.

The following is a brief summary of such coverage of energy policy in various regional press.

*The Seattle Times*, the daily serving the immediate locales of both the huge aerospace concern of Boeing and forest-product manufacturer Weyerhaeuser, demanded in an editorial March 21 that the "U.S. Must Keep Pace in the Technology Race." The editorial rapped Administration policy by stressing the absolute necessity of government funding to protect domestic R and D capacity. It concluded with a quote from Harry Truman: "We have come to know that our ability to survive and grow as a

nation depends to a very large degree upon our scientific progress."

Earlier in the month an article in Tacoma, Washington's main paper, the *News Tribune*, reported George Weyerhaeuser's declaration during a speech to local businessmen on the need to develop the port city, "And those who don't want to use more power or see more development — we'll be against them." In a follow-up, the same paper printed a letter to the editor from the USLP that stressed development of nuclear power, flanking it with two strongly anti-Carter editorials — one of which attacked the Administration's proposed cuts in the breeder and fusion programs.

In nearby Vancouver, British Columbia, the *Province* gave prominent coverage to Fusion Energy Foundation nuclear engineer, Jon Gilbertson's visit to the city. The article was accompanied by a report from a poll the *Province* had conducted among some of the major U.S. research laboratories, on fusion power. The report corroborated Gilbertson's work.

A continuing series of editorials in the Conservative Republican *St. Louis Globe Democrat* have explicitly opposed President Carter's undermining of the necessary development of fission and fusion. "Fusion power is the energy of the future. It is foolish and costly

to try and sit on it....," the editorial stated unequivocally. "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," the editorial concluded.

Another defense of nuclear power came from the key Arizona daily *Phoenix Gazette* which editorially pointed out, "Without nuclear generated electricity vast areas of the nation would have been devastated during the extreme cold spell this winter."

In Virginia, where the Nuclear Regulatory Commission objections have halted the plans for construction of a major nuclear generating facility and restricted port development plans, *Lynchburg News* interview with USLP gubernatorial candidate Alan Ogden was followed by an editorial urging "any program proposed by the

President would have to consider Ogden's proposal for fusion development."

Boston, the heart of the Northeast electronics industry covered a March 25 FEF conference there. Following several radio spots and a well-attended press conference an article in the *Herald-American* entitled "Expert Prods U.S. on Nuclear Development," appeared. Quoting FEF Executive Director Dr. Morris Levitt, the article said "Without a rigorous nuclear power industry you won't develop the manpower or technology needed for fusion."

Upstate New York conservative and industrial interests have joined their counterparts elsewhere in opposing Administration policy. The Gannett chain's Rochester *Democrat and Chronicle* carried an editorial by New York State Senator McFarland stating, "Equating the word 'nuclear' with 'bomb' is like thinking 'chair' everytime you hear the world 'electric'."

## Rinaldo To Flowers: Save Fusion

*Representative Matthew Rinaldo (D-NJ) is circulating the following letter in Congress to Rep. Flowers (D-Ala), Chairman of the Subcommittee on Nuclear and Fossil Fuels of the House Science and Technology Committee. So far Rinaldo has secured 13 co-signers.*

Dear Mr. Chairman,

As Chairman of the Subcommittee having jurisdiction over federal funding of fusion power research, you play a special role in determining the thrust and pace of fusion power development. We therefore urge you to support an increase in fusion power funding levels over the amount which the President has recommended.

If President Carter's budget recommendations are allowed to stand, fusion power research funding will fall \$80 million below the levels recommended by President Ford. This would be a cut in funding of nearly 25 percent.

Furthermore, the \$80 million cut—\$60 million from magnetic fusion programs, \$20 million from laser fusion programs — is focussed upon construction expenditures. The practical impact of this cut will be a serious delay in the development of pilot fusion power plants, some of which are already under construction.

Ironically, this massive budget cut has been recommended at a time when the prospects for fusion power have never been more promising. For the first time, scientists at Los Alamos have initiated a controlled fusion reaction with the use of a comparatively inexpensive carbon dioxide laser.

According to the *Washington Post*, "A laboratory spokesman called the achievement a breakthrough in

fusion research that could cut 10 to 20 years from the time needed to develop a fusion reactor." According to the *San Diego Evening Tribune*, "Dr. Peter L. Auer of Cornell University told an American Association for the Advancement of Science audience that recent advances indicate a practical demonstration of fusion power could come within about 5 years. Dr. Edward A. Frieman, assistant director of Princeton University's Plasma Physics Lab, agreed."

Now is the time to maintain a strong federal commitment to fusion power development. It is not the time to reduce that commitment.

We urge you to bear in mind the tremendous benefits of fusion power if this energy source can be tamed.

First, the energy yield from fusion power plants could put all other centralized power sources to shame; according to one estimate, a single large fusion power plant could generate electricity for the entire Atlantic Seaboard.

Secondly, the fuel utilized by fusion power plants would be abundant: deuterium, a form of hydrogen derived from common seawater.

Third, the commercial advantages accruing to the first nation to develop fusion power plants could be enormous.

Fourth, fusion power plants would generate no radioactive wastes and would therefore represent an immense improvement over nuclear power plants from an environmental standpoint.

In light of the many considerations that we have mentioned we hope that you will strongly support an upward revision of the President's budget recommendations for fusion power research.



# FEF, Industry Sponsor National Conference On Energy Development

The clear response of labor, business and industry to the Carter energy policy is seen in the reaction to the joint call issued by the Fusion Energy Foundation, the Three Rivers Coalition for Science and Industry, the Pennsylvania Rural Electric Association and the Allegheny Electric Cooperative, for a conference on *Energy and Technological Development: Solving the Energy*

*Crisis*. Originally planned as a regional conference, it has been expanded into a national event because of the scope of interest and demand. The meeting will take place in Pittsburgh (April 28-29), one week after the Administration officially releases its energy program.

The following is a listing of conference panels and participants at press time.

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## Reception

Mr. Lawrence Smith, Manager of Production of the Koppers Corp. and Pittsburgh President of the Americans for Energy Independence,

Mr. George Shankey, Conference Chairman  
Three Rivers Coalition For Science and Industry

## Welcoming Address

Ivan Itkin, State Representative from the 23rd District, Pittsburgh, Nuclear Engineer

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## Towards An Energy Policy For The United States

### *The Necessity for Energy and Capital Development*

Dr. Morris Levitt, Executive Director,  
Fusion Energy Foundation

### *The Effects of the Regulatory Process On the Nuclear Industry*

T.W.T. Burnett, Professional Nuclear Engineer,  
Member American Nuclear Society,  
Pittsburgh Branch

### *Environmental Impacts of Nuclear Power*

Dr. Bernard L. Cohen, Professor of Physics  
and Director of the Sarah Mellon Scaife,  
Nuclear Physics Laboratory,  
University of Pittsburgh

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## Advanced Technology and Energy For Industrial Expansion

### *Industrial and Technological Development in the Next 20 Years: Nuclear Power and the Transition to Fusion*

Jon C. Gilbertson, Nuclear Engineer, Fusion  
Energy Foundation, New York

### *Coal and High Technology: MHD Electrical Generation*

Dr. Bernard Blaustein, Staff Scientist and  
Assistant to the Director, Pittsburgh Energy  
Research Center, Bruceton, Pa.

U.S. Energy Research and Develop-  
ment Administration

## Panelists

Tom Fagan, President, Teamsters Joint Council 40

Dr. Frederick Forscher, Energy Management Con-  
sultants, Inc.

William Matson, Vice President and General  
Manager, Pennsylvania Rural Electric Association

State Representative Ivan Itkin, 23rd State Assem-  
bly District

John Shirvinsky, Energy Executive, Pennsylvania  
State Chamber of Commerce

Warren Lamm, Executive Assistant, Pa. State  
House of Representatives, Agriculture Committee

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## Panelists

Dr. Alfred A. Bishop, Professor of Nuclear  
Engineering and Director of Nuclear Energy Pro-  
grams, University of Pittsburgh; Panel Moderator

Dr. Thomas Fox, Assistant to the President, Carne-  
gie-Mellon University, Chairman, Governor's  
Science Advisory Committee

Dr. Howard Hamilton, Professor of Electrical Engi-  
neering, University of Pittsburgh, Member of  
National Board of Directors, Institute of Electrical  
and Electronics Engineers (IEEE)

Dr. Paul F. Fulton, Professor of Petroleum and  
Chemical Engineering, Faculty Member, Energy  
Resources Program, University of Pittsburgh



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### Prospects For Fusion Power By the 1990s

#### *Implications of the Latest Breakthroughs in Fusion Research*

Dr. Steven Bardwell,  
Director of Plasma Physics  
Fusion Energy Foundation, New York

#### Responding

Stanley G. Schaffer, President of  
Duquesne Light Co., Pittsburgh

### Research and Development Requirements For the United States

#### *The Dangerous State of Research, Development and Basic Science in the United States*

Uwe Parpart, Director of Research  
Fusion Energy Foundation, New York

#### Closing Remarks

John Bradley, Attorney,  
Three Rivers Coalition

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## Who's Out For General Brown's Scalp? And Why?

Once again "open season" on General George Brown, the head of the Joint Chiefs of Staff, has been declared in the Eastern Establishment press. Once again the game is the presentation of alleged "Quotations from Chairman George" that are supposed to "shock the nation."

The latest slander of Brown provides a model demonstration of the Trilateral Commission's private political intelligence conspiracy in action — run at the top by the Rockefeller financiers who pull the strings from behind the scenes, and operated through several levels including government and military puppets and penetrations agents, press and media psychological warfare conduits, political police masquerading as "investigative journalists," "Communist Party leaders," and so forth.

More importantly, the target, nature, and particularly the timing of the slander, when examined, serve to expose the policy goals of the Trilateraloids who are running the Watergating operation. The General is the perpetual target of the Trilateral Commission *cum* Carter Administration because Brown, a military traditionalist, is an outspoken roadblock to the Rockefeller policy of war provocations, particularly in the Middle East; their "cheap trick" approach to the SALT talks; their onslaught on U.S. nuclear fusion technology research and development; their campaign to dismember American intelligence agencies including the FBI and CIA.

#### *The Trilateral's "Hollywood Film"*

Having established Woodward and Bernstein in their academy award-winning Watergate scenarios, the Trilateral conspirators are now bringing center-stage another "investigative journalist" faker, one Ranan Lurie, who works for Marshall Field's *Chicago Sun Times* as well as the Rothschild-Meyer family's *Newsweek International*. Lurie, who has a permanent assignment of slandering General Brown (he did the hatchet-job in mid-October to boost Carter's flagging campaign against President Ford by twisting Brown's

statement of fact that militarily Israel was a burden on the U.S.), on March 26 published new attacks. Marshal Field, Lurie's employer, sits on the Board of Directors of the Rockefeller-linked First National Bank of Chicago, and is the Rockefeller Family's number one collaborator in running "left" terrorist counter gangs, brainwashing clinics, Interpol drug and gun-running operations, and so forth.

James A. Wechsler in his column "Off Limits" in the *New York Post* of March 29 proudly revealed how Rockefeller hero Lurie did the bloodhound work behind the latest slander: "Once again it was Ranan R. Lurie who caught up with Brown. Again he pursued reports of remarks the General had delivered in what he thought was a privileged, closed-door sanctuary, this time a conclave of some 300 high-ranking military officers and government officials assembled at the national war college."

"After piecing together accounts from some of those present," Wechsler continued, "Lurie obtained confirmation of Brown's most explosive remarks from the Defense Department transcript of the event. As reported in recent days, Brown used this occasion to 'tilt toward Egypt' in the Mideast conflict again.... This time, however, Brown added a new, especially intolerable affront to civilian authority — an arrogant defense of domestic spying..."

Just how would Mr. Lurie have gotten his original reports, and then later a defense Department transcript of the National War College talk? In the first case, as Wechsler virtually admits, the Rockefellers have military penetration agents instructed to "leak" classified and off-the-record information to their "investigative journalist" hacks, Woodward and Bernstein, Jack Anderson, Ranan R. Lurie, et al. The acquisition by Lurie of the transcript of the meeting was also an easy matter — none other than Thomas Ross, a Marshall Field employee recently re-deployed from the *Chicago Sun Times* to the position of head of the Defense Department Public Relations section saw to that!

With the publication of the Lurie "revelations," the whole Rockefeller press and media psywar machine sprang into action. On the very day that Lurie's charges appeared, the Rockefeller-controlled Communist Party publication, the *Daily World* (which goes to press the day before), came out with a big banner story 'Exposé of General Brown' which not accidentally contained all the "gore" of the simultaneous Lurie piece. The author of the *Daily World* feature was Victor Perlo, the Rockefeller Family's top agent in the Communist Party U.S.A. leadership, and a former employee of the Brookings Institution.

Then William Paley's CBS, in an obvious move in coordination with the Carter Administration to intimidate Brown and the Joint Chiefs, asked Jody Powell on Face the Nation what was going to be done about "this outrage." Powell solemnly intoned that the President would be conferring with Brown shortly. It should be remembered that during last year's Presidential campaign Carter demanded that President Ford formally

reprimand General Brown, and Vice Presidential candidate Mondale declared, "Such men as Brown shouldn't be sewage commissioners."

By March 29, Sulzbergers' *New York Times* and the Lazard Freres-Meyer Family's *Washington Post* were on the Editorial page with headlines on "General Brown's Political Myopia."

No campaign of this sort would be complete without a Jack Anderson story. It seems that the Rockefellers are upset that General Brown may be involved in setting up a think-tank, in collaboration with the Air Force, Rockwell International, independent oil interests, etc., called the Civilian Military Institute, and to be located in Colorado. On cue Anderson attacked Brown this week for this perfectly legitimate enterprise, which might of course produce rational strategic military assessments and plans contrary to the Rockefellers' Rand Corporation, Hudson Institute, et al.'s utopian limited nuclear warfare computer printouts.

# Commodity Bubble Pricked

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## COMMODITIES AND GOLD

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The speculative rise in world commodity prices came to an abrupt end this week with a major shakeout on the London metals, cocoa and coffee markets. According to the London *Financial Times*, the dramatic price slide of March 30 was sparked by "speculators scrambling to get out, either to take profits after the recent upsurge or to avoid heavy losses on purchases made at higher levels." Although metals prices recovered somewhat on March 31, cash tin prices are still nearly £1,000 below their peak of three weeks ago and cash lead prices are about £70 below their early-March peak. Authoritative commodity market sources are viewing this week's developments as no mere temporary shakeout but as indicative of a long-term trend.

There are a complex of factors responsible for this "letting out of hot air" on the London markets. The immediate trigger for this week's slide was the sudden upward lurch in short-term Eurodollar interest rates — reflecting the usual end-of-quarter "book-balancing" — which wiped out the easy money which had previously been available for commodity speculation. The market's exaggerated response to what would ordinarily be viewed as a merely temporary, tight-credit condition demonstrates the underlying extreme nervousness among investors. In particular, the reality that world industrial activity still remains very sluggish has once again impinged upon the speculative mentality.

The market has simultaneously been undermined by last week's refusal of Western European governments to

agree to any more than a watered-down version of the U.S.-backed UNCTAD "Common Fund" proposal which would have provided multi-billion dollar financing of commodity buffer stocks — a scheme which has been universally dubbed a "bail-out" for U.S. international banks. Without the hope of such an artificial rigging of the markets, the commodity boom would most likely have petered out much earlier.

According to a high-level source at a leading London metals trading company, industrial demand for copper is still very low, and the market is so tenuous that only rumors of a U.S. copper strike might prop it up. Copper, in turn, is holding up the rest of the metals market. A U.S. copper market source admitted he was "terrified" by the threat of sudden deflation.

Ironically, gold — the "ultimate refuge" — has led the recent commodities shakeout which was set off by the short-term interest rate hike. Easy paper money had also fed the gold boom, the thriving gold futures market of the Chicago Mercantile Exchange being a prominent example. At the same time, House Banking Committee Chairman Congressman Henry Reuss' call for a resumption of U.S. Treasury gold auctions to drive down gold prices temporarily chilled investors. London gold prices dropped from a two-year high of over \$153 last week to the \$148-149 range this week. Growing Western European and Arab sentiment that gold should play an expanded role in a new monetary system, however, makes the metal an exception from the general commodities trend.

In the meantime, the fall-off in export earnings for Third World commodity producers aggravates the international liquidity squeeze, and threatens a further downward spiral in economic activity.

# Why The New York Banks Are Finished

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## BANKING

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Now that Western Europe, Japan, and prevailing opinion in the U.S. Congress are vehemently against David Rockefeller's demand for a \$20 billion bailout scheme for the New York banks, the dollar international banking structure is on a fuse of weeks, perhaps days.

For the past year, the banks and their enforcer, the International Monetary Fund (IMF), have prevented the public collapse of \$300 billion in debt of the world's poor countries through genocidal levels of austerity, and elaborate refinancing swindles. These cannot hold

through the second quarter of 1977, *even if* the European, Arab, and other financial interests who hate David Rockefeller delay in setting off such a collapse intentionally.

The \$50 billion figure that the press normally cites as the quantity of U.S. bank loans to the Third World is nonsense. The nation's highest banking regulatory official, the Controller of the Currency, admitted in Congressional testimony last week that his agency has no idea what banks' foreign operations are really like. In fact, the total volume of bank loans to the Third World is closer to \$200 billion, and the American share more than half of that; the New York banks' loans to Third World borrowers who will never repay a penny is in the range of \$100 billion, by banking community estimates. Most of

these loans have been in effective default for more than a year, with Chase, Citibank et al. making additional loans to cover principal and interest on maturing loans.

The swindle works like this: Brazil must repay \$100 million (of its \$40 billion total debt) to Chase. Chase Manhattan's branch in the Cayman Islands borrows \$100 million from Citibank's branch in the Cayman Islands. Chase then "lends" the \$100 million to Brazil (which never sees the money), Brazil "repays" the \$100 million to Chase, and Chase then re-deposits the same \$100 million back at Citibank! Approximately \$100 billion of fictitious bank assets have been created in this fashion, by sophisticated banking estimates.

But the swindle depends on shutting off all credit to the Third World for new trade. In 1975, Third World countries ran up a trade deficit of \$31 billion; this was cut to \$20 billion in 1976; and New York bank projections expect the trade deficit to fall to *zero* during 1977. What this means is evident in the case of Mexico, the second-largest Third World debtor, whose imports fell by 29 percent (40 percent after inflation) in the year between February 1976 and February 1977. This has virtually eliminated Mexico's need to borrow for trade purposes.

For weak Third World economies, this cut in trade amounts to butchery of "marginal" sections of the population — giving the lie to Chase Manhattan's allegation that their International Monetary Fund bailout scheme would benefit the Third World.

#### *Final Breaking Point*

But the grim irony of the Third World payments situation is that not even the shutdown of Third World imports will save their creditors, the New York banks. The final breaking point in the swindle is that huge repayments of principal are due on loans made during the early 1970s. Between \$17 and \$20 billion come due this year, mainly during the second and third quarters. These loans involved the participation of hundreds of banks in large loans to borrowers like Brazil, Mexico, and the Philippines, in giant consortia. These principal repayments cannot be swindled away like Chase Manhattan's dirty laundry in the Cayman Islands. They must be repaid to large numbers of lenders, who want to get their money out of Third World debt entirely. The countries cannot repay them. And Chase Manhattan and Co. cannot raise the new funds required to refinance the \$17-20 billion.

Most of these large loans, unlike the \$100 billion of short-term "fluff" loans issued through the Cayman Islands and other offshore swindles, were raised by enticing regional banks, European banks, and others into large lending "syndicates" for loans to Third World borrowers of \$50 to \$500 million. Not a single syndicate has been put together for a loan to a non-oil-producing Third World country in the last two months.

Meanwhile, the New York banks' own sources of funds for debt refinancing, including large parts of the \$60 billion in Arab bank deposits, have been cut off. Starting this year, Saudi Arabia stopped placing its oil revenues in large banks, and bought safe short-term U.S. Treasury securities instead. For one reason: the Saudis know the banks are bankrupt and are covering their hindquarters.

Major international depositors used to leave their funds with the banks for periods of three to six months. Now virtually no one will make deposits for more than a few days at a time, indicating a general preparation to pull money out in case of trouble. The Eurodollar market (borrowing and lending of dollars outside the United States) is saturated with money, but borrowers are shy of lending to the bankrupt New York banks. Sudden, unexplained shortages of funds have emerged in the last week, indicating the short-term potential for a volcanic liquidity crisis.

In addition, industrial country and Arab governments, as well as the IMF and related agencies, lent as much to the Third World as the banks did last year; this \$22 billion input, \$14 billion of which went to refinance debt, cannot be repeated. The IMF is clean out of money to lend, as are several of its subsidiary agencies, and governments will not refund it. Several governments, including major lenders like West Germany and Saudi Arabia, have declared that they will not make more funds available to refinance debt.

In the purely technical sense, there are sufficient funds circulating in the dollar credit system to refinance the \$8 to \$10 billion in Third World principal repayments that mature during the second quarter of this year. (The third quarter, when the U.S. Treasury will have spent its April 15 tax receipts and will have to borrow over \$30 billion, is a different story). But there is no political agreement to place these funds at the disposal of the Rockefeller banks. Major contributors of deposits — the Arabs, Europeans, regional banks, corporations — will not throw their money down the sinkhole.

#### *Common Fund Flop*

One blow after another is hitting the banks. Rockefeller counted on a continued rise in commodity prices, the main export items of Third World countries, to generate sufficient income to allow these countries to pay more of their debt service. But after the 35 percent rise in the leading commodity price indices between September and February, commodity prices have begun to fall sharply. The fall is due to the decline of advanced sector trade, undercutting the market for Third World exports, and the defeat of Rockefeller's "Common Fund" scheme to artificially raise commodity prices by paying countries to withhold goods from market.

Most of the world is now anticipating the banks' collapse, and taking appropriate safety measures — such as shortening the maturity of international deposits. A collapse could occur at virtually any moment, when any major participant in the swindle decides to pull out.

As for the New York banks, if their totally uncollectable assets were made public, they would exceed their stockholders' capital several times over. The collapse of the refinancing game will expose them as bankrupt. At this point, the only suitable alternative open to the Federal banking authorities is to immediately take over operations of Chase et al., to ensure the safety of deposits and continued checking-account operations.

— David Goldman

# EEC Steel: Davignon Seeks To End Free Trade

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## STEEL

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With the failure of the Simonet plan to halt the collapse of the European steel industry, the new European Economic Community steel commissioner Etienne Davignon has proposed a revised plan to deal with the crisis. Davignon's plan, which is strongly endorsed by ex-EEC steel commissioner Simonet of Belgium and by Frenchman Jacques Ferry, the president-elect of Eurofer and president of the Syndicale de la Siderurgie Francaise, is designed to provide for massive reduction of the bankrupt Belgium and French steel industries. Under the plan, trade and competition within the EEC would be cut to an absolute minimum and strict import quotas would be imposed, allowing time for Belgium and France to "restructure," that is, rationalize, their steel industries by reducing the size by 25 percent and bailing out the banks by having the governments loan the industry the money to pay off otherwise unpayable debts.

By blaming the industry's problems on low-priced Japanese imports into the EEC and into previously traditional EEC export markets, Davignon hopes to draw the other EEC steel producers into accepting his plan. Besides the imposition of import quotas, Davignon's plan would also: establish production limits, provide for the rationalization of raw materials buying and of product lines, and establish minimum prices on various products. The British, however, have already dealt the plan a severe blow by backing down from the threat to close the British Steel Corporation plant at Shotton, North Wales, and committing themselves to spending \$1.5 billion to expand BSC's Port Talbot plant in South Wales. It is doubtful that the British will risk injury to their ambitious steel modernization program to help Belgium and France rationalize their industries. It is also recognized that the Italians would prefer to go it alone rather than

agree to a plan which would force production quotas. Under the Simonet plan, these quotas were voluntary.

In Belgium and France however, where steelmakers are desperately in need of government aid to avoid bankruptcy, there appears little resistance to the plans of Davignon and Ferry. Already in Belgium agreements have been reached whereby the industry is to be kept in limbo until a comprehensive program can be worked out under the control of Simonet and Davignon. The program is sure to include most of the Davignon plan. In return for this agreement, the government and banks will provide aid to the industry to maintain day-to-day operations.

In France, Ferry also blames the demise of the Simonet plan on its failure to limit imports into the EEC, and proposes that an agreement be reached between the "big three" — the U.S., Japan, and the EEC, which would, in times of slack demand, "permit the avoidance of the excesses of free competition, and would allow countries or groups of countries to take measures to safeguard their markets." Ferry reasons that any agreement reached between the big three could be forced upon small producers in developing countries.

Ferry's plan for France will mandate the closing of much of the older steelmaking capacity, most of which is in the Lorraine region, at the cost of an estimated 20,000-30,000 jobs, and seek to "concentrate steelmaking production at the ultramodern works." Furthermore, all state aid to the industry will require that shares of ownership be deposited with the Casse des Depots et Consignations (national savings bank), to insure that these plans are implemented. State aid, which is to be a one-shot deal only, is expected to be between \$400 million and \$600 million, most of which will go to pay short-term debt and interest on the industry's incredible \$1.5 billion long-term debt. This will leave little money left for the modernization and rebuilding Ferry talks about. In Belgium, debt service also is to be paid before any "restructuring" can take place.

## 'Coal Or Uranium': MITRE Report Sets Trap For U.S. Utilities

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### UTILITIES

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The MITRE Corporation energy report, commissioned by the Ford Foundation and widely acknowledged as a preview of Jimmy Carter's April 20 energy policy messages apparently recommends leaving the issue of energy sources for electrical generation to be decided on the basis of a cost comparison between nuclear and fossil fuel electricity production. The report compares construction and operating costs of nuclear and coal fired

plants and determines that the prices involved are close enough to make the decision a political alternative, presumably to be heavily influenced by environmentalist groups. In fact, most environmentalist groups are funded by the same foundations and corporate sources that back the MITRE Corporation.

A brief survey of the facts reveals that the MITRE Corporation is conveniently presenting the picture inside out. What we have in the uranium-coal question is not an objective price comparison leaving a tough political decision, but a political determination of price being used to ram through a pre-determined energy policy, and one that is neither in the interest of the nation's energy

producers or consumers.

Basing their judgment on the MITRE Report and other indications, utility analysts expect the Carter energy program to call for a massive reconversion of all oil and gas-fired generating plants to coal by 1985, and to say little about the current generation of Light Water nuclear reactors now in use. Reasons for the conversion cited in the MITRE report are the security of energy independence — the U.S. has very large coal reserves it notes — and the relative low cost of coal-generated electricity compared to oil and gas.

In the Mid Atlantic states, coal-generated electricity costs about half as much as oil per BRU. However, Eastern coal, which would be the main source of expanded coal production, has 4 to 5 times the sulfur content of the dwindling supplies of Western coal. As a result of this and tougher enforcement of air pollution standards, oil accounts for 35 percent of the electrical energy in the Atlantic coast states.

Thus, a significant part of the total electrical generating capacity of the U.S. is oil-fired. Conversion of the capacity to coal is an enormously expensive undertaking. When pollution control operations are added on, the cost is estimated at \$100 million per plant.

This is the cost to the industry. Additional costs are those of doubling and tripling coal production and purchase of thousands of extra coal-carrying railroad cars and locomotives. Clearly, if there were a cost effective clean alternative, the industry would go with it. Nuclear-powered electrical generation, in operating costs taken apart from construction costs, is half as expensive as coal-fired generation, and until recently, total operating costs including construction costs were far lower for nuclear power plants.

Today a cost comparison between nuclear and coal comes out close to even only because the construction time for nuclear power plants has increased from 4.5 to 9 years since 1971. The sole reasons for this doubling of lead time for nuclear plant construction is the legal assault leveled against the industry by a myriad of environmentalist groups aided by a network of sympathetic judges on the state and lower federal court level. These groups have succeeded in virtually halting nuclear power plant construction.

In 1973 there were permits issued for the construction of 38,924 Megawatts of nuclear generating capacity.

In 1974 this was cut in half. In 1975 the total was further reduced 80 percent to 5488 megawatts.

In 1976 there were *no new* orders for nuclear plant construction.

In addition, the uncertainty threatening nuclear facilities in a hostile legal environment has forced the postponement of 49 percent of the backlog orders as of February 1977. This includes an average of 20 months per plant for 80 plants totalling 90,000 Megawatts capacity and the complete cancellation of three plants already started this year. The ferocity of the legal attack against the industry in recent years is exemplified by an unprecedented ruling this year by a lower court judge forbidding the Nuclear Regulatory Agency from issuing any more permits to build nuclear plants until he was satisfied that they were "considering environmental concerns."

Despite the fact that the vast majority of knowledgeable engineers have described the dangers of serious nuclear mishaps associated with these plants as negligible and almost without exception every poll and referendum has found the population in favor of building this plant, they are being stalled nonetheless.

#### *Utilities Cannot Survive Nuclear Power Cutback*

Unfortunately, the utilities industry itself is buckling under the pressure of this attack. The major industry representative group, the Edison Electric Institute, is now preparing a study endorsing the coal conversion scheme rather than fighting the Naderites head-on. The industry is trying to go around them. The strategy is going to backfire.

As was outlined in a report in this publication, last month, the U.S. electrical generating industry was built into the fastest-growing and most capital-intensive industry in the world through continual technological development which cheapened costs and resulted in horizontal and vertical market growth. The leveling off of that growth has left the industry with a massive debt overhang. Their apparent strategy for dealing with this problem has been to cut capital spending 14 percent in the fourth quarter of 1976, use the money to pay higher dividends in the hope of selling more common stock to finance future construction, and convert to coal with government help through rate increases, tax relief and bond guarantees. Being a vitally necessary regulated industry, the logic goes, the government will see that nothing goes wrong. With that political strategy for financial solvency, it is not surprising that the industry will support the Carter coal schemes.

But the Carter Administration's limited growth scenario is only a foot-in-the-door for more extensive deindustrialization policies. Although Carter may not specifically attack the Light Water Reactor now, the legal assault against nuclear power can be traced to the same behind-the-scenes Trilateral Commission network that advises Carter.

In the last analysis, the real effect of the highlighting of coal as the U.S.'s supposed major source of electrical energy is to place the utilities under the burden of more stringent and powerful environmental protection standards. An environmental case currently being fought in Ohio could cut coal usage by one-third in that state, and is being prosecuted on the basis of a computer environmental model that "predicts" alleged bad effects of coal. With that kind of precedent the utilities may well find themselves in financial hot water, totally under the thumb of the administration and targeted for selective "triaging" in a few years.

#### *FLASH*

March 31 — A Federal Judge today ruled unconstitutional the Price-Anderson Act. This law provides government liability insurance of up to 4500 million against nuclear power plant accidents and places a ceiling on overall liability. A spokesman for the Nuclear Regulatory Commission commented that if the ruling stands this could be the end of the nuclear power industry in the United States.

# Frontiers Of Coal Technology

In its March 28 lead editorial, titled "Coal or Uranium," the *Washington Post* dismissed both fuels as too dangerous on the basis of the recent Ford Foundation-MITRE Corporation report which is widely acknowledged to be a basis of the Carter Administration's forthcoming energy policy statement. "Coal, on present evidence, is more dangerous than the present generation of nuclear reactors running on enriched uranium," the editorial stated. Since coal's "poisons" kill and since "serious nuclear accidents" are probable, the *Post* concludes, both should be junked and replaced with a policy of conservation and a "great reduction" in energy generating capacity.

This telegraphed indication that the Administration's energy policy will amount to "no energy" was confirmed in a leak in the April 1 *New York Times*, based on statements by a member of the team which is working under Carter Energy Czar James Schlesinger to draft the President's April 20 message. The drafter described the gist of the plan as "Use less and pay more." Emphasis is on methods to reduce consumption, including a possible \$400 to \$800 tax on large automobiles, measures to encourage greater use of insulation, etc. Schlesinger has little hope of increasing oil supplies, the article states, and sees the U.S. "headed for a serious economic squeeze and possible diplomatic blackmail unless a rapid start is made on using less energy, using it more ef-

ficiently and accelerating the shift to coal and solar energy."

As far as coal is concerned, coal gasification projects play a big part in the Administration's planning. An examination of the process, borrowed from Nazi Germany, by Wayne Evans, the U.S. Labor Party candidate for Vice President in 1976 who is now working with the USLP's Research and Development staff, concludes that coal gasification is too expensive and wasteful to a significant part in fulfilling the nation's energy needs. However, Evans points out, the process, carried on with concentration camp labor by the Nazis, fits in well with the Administration's emphasis on labor-intensive, "deindustrialized" jobs projects.

While Schlesinger focuses on technologies and conservation methods that will add nothing to the nation's energy supplies, research is nevertheless proceeding on a variety of promising new high-technology methods of generating energy. One, called "magneto-hydrodynamics," which involves the use of high-temperature plasmas also employed in fusion energy generation, promises to have particularly successful application with coal, and a detailed report on the process, presented below, provides an instructive comparison with the inefficient coal gasification methods.

## Coal MHD: Twice The Efficiency And No Pollution

The dirty truth about the Carter Administration's "anti-pollution" crusade against U.S. coal production and coal-using utilities is that a technology has already been developed that uses coal to generate electric power at potentially *twice* the efficiency of standard coal-burning generators with *no* sulfur emissions.

The application of this technology, magnetohydrodynamic electricity generation (MHD), has been stalled for the last two decades by the government's refusal to invest in its development. As a result, U.S. companies have had to sell their privately developed MHD technologies to the Soviet Union, while American power-generating facilities are forced toward bankruptcy by the imposition of expensive and grossly inefficient "smokestack scrubbers" and other anti-pollution devices and processes.

Today almost two thirds of U.S. coal use is devoted to electricity generation, and in the transition to a fusion

economy this will necessarily continue to be the case — at an annual growth rate for electricity use of 25 percent. MHD, which is now in the final demonstration stages, could be on line and on the way to helping meet this demand by 1980.

The Carter Administration and its accompanying swarm of neanderthal "friends of the earth," on the other hand, using the pretext of the sulfur pollutants produced by the burning of the Midwest's abundant supplies of high-sulfur coal, are trying to whisk through Congress a series of bills that will saddle the coal industry and its customers with impossibly severe "clean air" regulations. This strategy is guaranteed only to price current coal use out of the market compared with even the most screwball of the Rockefeller banks' planned "alternative energy" boondoggles.

The MHD process is not to be confused with coal gasification, the Third Reich "energy alternative" that the

Rockefeller crew are pushing as a major plank in their program for U.S. energy. Even if coal gasification were an energy-efficient procedure, there is no reason to devote substantial social resources to turning coal into gas which is then burned to produce electricity, when the electricity can be produced directly from a coal plasma. And coal gasification as a primary energy source is in fact grossly inefficient, demanding double the processing compared with MHD for something like one quarter efficiency.

#### How MHD Works

Magnetohydrodynamics is a technology which is transitional to fusion in that its development rests on the forward thrust into the frontiers of scientific knowledge and engineering technique. Like fusion, it requires the juxtaposition of a high-temperature plasma (in MHD, 3,000 degrees Centigrade), and superconducting magnets with temperatures near absolute zero ( $-273$  degrees). Therefore the theoretical work and materials development being carried out for MHD electric generation are also critical for the design of fusion reactors.

The fundamental principle involved in MHD is the same as that of the conventional generator: Faraday's principle of magnetic induction, which states that moving an electric conductor through a magnetic field generates electricity. In MHD, the conductor is a high-temperature gas which has been ionized (given an electric charge). This plasma is passed at high speed through a strong magnetic field, producing an electric

current along the duct carrying the plasma. Thus there is no need to convert heat into mechanical energy to turn a turbine — the heat energy in the plasma is transformed directly into electrical energy.

Different fossil fuels have been used to create the plasma, according to the availability in the various countries where MHD work has been carried out. The Japanese have tested petroleum, the Soviets, natural gas, and in the U.S. the program has centered on the use of coal. Setting aside the minor variations depending on what fuel is used, the method is essentially as follows. The coal is placed in a conventional furnace and heated to about 3,000 degrees Centigrade by injecting a mixture of air and oxygen which has been preheated to 1,200 degrees. When the coal is gasified, potassium or some other appropriate metal is added as a "seed." Travelling at a slower speed than the coal gas, the potassium ions collide with the plasma ions, causing a transfer of the heat energy to electrical energy in the plasma-magnetic field. At approximately 1,000 meters per second the plasma is pushed through a duct which is surrounded by a super-conducting magnet; electrodes attached to the duct carry the generated current off through a circuit (see Figure 1). This current can be used as is, as direct current, or converted to alternating current and integrated into a commercial power grid. The sulfur from the coal chemically bonds with the potassium, as part of the slag produced as waste.

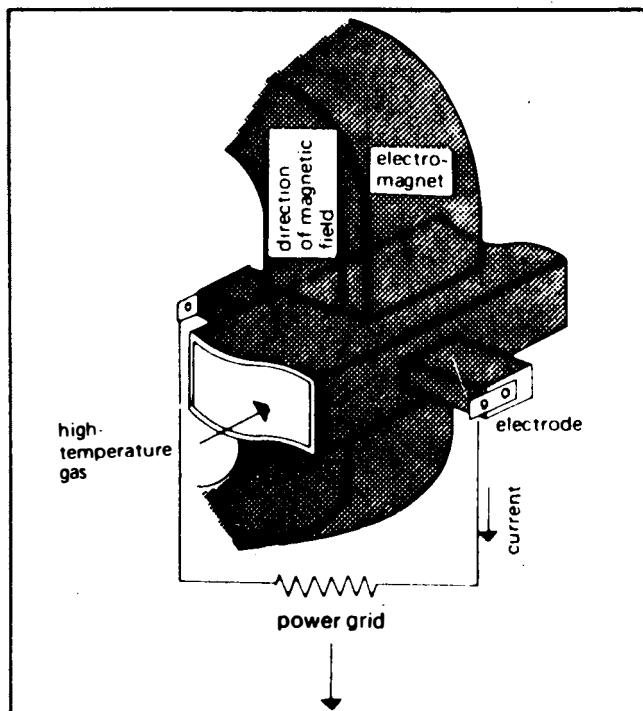
At the end of the duct this slag can be removed and the "seed" (potassium) can be recovered. In a closed MHD system the medium is recycled—basically, heated and fed through the duct again. A more efficient system is to use the cooled gas (still at about 2,000 degrees) to power conventional steam turbines for additional electricity generation.

The thermal efficiency of a conventional coal-burning power plant is between 30 and 40 percent. In the closed MHD system this can be brought up to 50 percent; and by combining MHD with conventional steam turbine generation in an open system, thermal efficiency increases to 60 percent. Therefore, it is possible to generate almost double the amount of electric current with the same amount of coal. The use of a seed metal that combines with the sulfur pollutants means a clean system, and the open system's use of the excess heat for additional power generation leaves little thermal pollution.

According to current design and engineering estimates, the eventual cost of an MHD generator plant is 30 percent less than the comparable cost of a fossil fuel plant. Adding in the advantage of producing twice the electric power with the same amount of fuel, the commercial feasibility of MHD becomes quite attractive. And further, since the sulfur content of coal is not a restriction on MHD use, utilities will not need to bear the costs of transporting low-sulfur coal from the West while high-sulfur reserves in the East and Midwest go untapped thanks to "anti-pollution" laws — costs which today are passed on through rate hikes to industrial and private consumers.

#### Another "Sputnik"

Work on MHD began in the United States in the 1950's. The Air Force was conducting exploratory research on a



A section of an early MHD electric generation design. The more advanced technology, using a superconducting magnet, brings the low-temperature magnet into close proximity to the high-temperature gas, posing challenging materials problems. The photograph at top shows the partially assembled (non-superconducting) magnet in a U.S. test MHD device.



broad range of research and development aspects, mainly for military purposes, and the National Aeronautic and Space Administration was examining a closed-cycle MHD system which could use nuclear energy as the source of heat.

In both military and space applications, however, the MHD was regarded as a way to profile a relatively short pulse of electric energy, either for weapons detonation or space vehicles. The problem of developing materials that could generate power for longer durations was not systematically explored — for example, the development of electrodes that could tolerate super-high temperatures, and of duct material with sufficient durability — and was not funded by the federal government.

But although at first virtually no government money was available, a few corporations, led by Avco and Westinghouse, and scientists and engineers at the Tennessee Space Center, Stanford University, and Argonne National Laboratory in Illinois, took up the study of MHD. In 1966 Avco proposed the building of a demonstration plant to the Department of the Interior, but the government refused. The current head of the U.S. Energy Research and Development Administration's MHD program, Dr. Jackson, recently recalled the frustration of his efforts and those of a handful of other scientists ten years ago to convince the government of the tremendous potentials of MHD and the urgency of developing it.

Therefore the corporations had to look elsewhere for interest in the new technology — particularly, to the Soviet Union. Researchers at Westinghouse who have done much of the materials development for MHD — including work on high-temperature electrodes and duct insulation — say that up through the mid-1970's the only market for their components was the USSR, which (along with Japan) had an aggressive program of MHD development. Although the U.S. did eventually begin its own official development program, by the early 1970's the Soviets and Japanese had pulled significantly ahead of the half-hearted U.S. The MHD "Sputnik" came at the April 1971 Fifth International Conference of Magneto-hydrodynamic Electrical Power Generation in Munich, when Soviet scientists announced the operation of an experimental MHD facility designed to produce 25

Megawatts for at least 1,000 hours, setting the record for duration.

Goaded by the Soviet breakthrough, the U.S. began to look seriously at the feasibility of MHD for commercial use, and an MHD program finally began in earnest in 1974. The current Energy Research and Development Administration's MHD budget is only half of what experts in the field say is needed. Although the U.S. is now readying a \$50 million demonstration project in Butte, Montana, for operation by the early 1980s, U.S. companies must still send their most advanced MHD components to the USSR for testing. For example, the first superconducting magnet developed in the U.S. for an MHD generator is now on its way to Moscow's High Temperature Institute to be tested at facilities there.

#### *An International Effort*

The Soviets have already brought MHD into operation on a small scale, integrating their test facility, through conversion to alternating current, into the Moscow power grid. The Soviet facility is a \$200 million effort using what the Soviets' term a "breadboard" approach, meaning that various ducts, electrodes, and other components can be easily inserted and removed to allow experimentation with different types of components.

The U.S.-USSR Joint Program on MHD Power Generation that was set up in the wake of the Soviets' advances is facilitating the testing of U.S. components in the Soviet MHD prototype. Clearly this cooperative effort must be expanded, rather than pouring millions into a competing demonstration plant in the United States that won't be operable for another five years. With maximal U.S. input from work already done, the best possible MHD system can be developed for commercial availability to both countries by 1980 or soon after.

As the Energy Research and Development Administration's own evaluation of MHD notes, "No problems presently exist for which there is not experimental evidence of a solution." But the necessary international cooperation to achieve MHD depends on a seriously funded and competently organized U.S. research and development program, not only for coal-based MHD but for the crash development of nuclear fusion technology that will eventually supersede it.

## Coal Gasification: An Economic 'Lemon'

There is a fundamental "litmus test" which is used to determine the viability of a method of energy production. A system which produces high energy density at low overall social cost — i.e., in labor, materials, energy inputs — is a practical system. A system which is justified by its proponents by other considerations, while this criterion is avoided, should be regarded as a very suspicious animal, one that should be tested with this indicator long before financing is arranged or equipment ordered.

This cost efficiency test is nowhere more studiously

avoided than among proponents of coal gasification. The reason is that, measured against this criterion, coal gasification is one of the most expensive *and wasteful* of the new energy sources now under consideration.

The basic reason involves the energy lost in the double burning necessary to produce coal gas. Coal gas is produced by reducing the amount of oxygen to a coal fire, so that the oxidization releases carbon monoxide rather than carbon dioxide, and then the carbon monoxide is burned again to produce a combustible gas. This is coal gas.

However, the process of burning the coal to produce the coal gas also releases energy, an equivalent of about 8 million BTUs per ton of coal, or about one-third the potentially recoverable energy in the coal. With one exception, which will be mentioned below and which at present is not envisioned as a part of any of the coal gasification methods presently under serious consideration, there is no way of recapturing that energy. Thus, the process of producing the coal gas results in the irretrievable loss of 33 percent of the energy that would be recovered if the coal were simply burned and converted directly into useful energy.

When capital costs of coal vs. coal gasification equipment are added in, the comparison becomes even more unfavorable. For each ton of coal burned in a standard, modern, coal-fired power plant, 2,370 kilowatt hours of electricity are produced. For each ton of coal burned for coal gas for use in generating electricity, 1,280 kilowatt hours will be produced.

Contrasted with the cost of the natural gas it is designed to replace, of course, coal gas also scores poorly, since it obviously costs far more to mine coal, burn it and process the vent gases than to simply pump natural gas flowing from a hole in the ground.

The arguments advanced to counter the poor economic showing of coal gasification are flimsy at best. For example, coal gasification's supporters point out that it is easier to remove sulfur from carbon monoxide than from carbon dioxide. Therefore, they claim, a power company burning "gasified" coal can meet federal Environmental Protection Agency standards, which call for low sulfur emissions, more easily than one burning ordinary coal. Says Dr. Ezediel Clark of the U.S. Energy Research and Development Administration's coal gasification project: "Because of the EPA standards, there would be about a five percent saving in overall costs."

But the claim that coal gas is more easily treated to remove sulfur is questionable on economic grounds. The problem is that to remove the sulfur with the best processes requires cooling the carbon monoxide below 120 degrees Centigrade. Either more heat energy is lost, or more expensive equipment must be designed to trap and use it in some way as the carbon monoxide is cooled. Which of these two choices is selected depends on local considerations, but either reduces the energy efficiency of coal gasification compared to direct use of coal for energy generation.

A sales engineer for one of the largest U.S. coal gasification plant manufacturers admitted, when asked what level of sulfur content of coal would be required to make gasification competitive with primary combustion: "I wish I could say it would be competitive. I would like to sell them. The truth is that if you have a gas burning electric generating system, it might be cheaper to convert to coal gasification rather than investing in new, coal burning equipment. I have to be honest. At the present time (in a new installation -ed.) it would be cheaper to put in a coal fired plant."

It is also claimed as an advantage of coal gasification that the carbon monoxide produced in the gasification process can be burned or precessed for a variety of other fuels or chemicals. For example, the carbon monoxide

can be upgraded by reacting the hot gas with steam and a catalyst to form hydrogen and carbon dioxide. Methane (natural gas) can be produced in this way, by hydrogenating the coal, using heat and pressure and the hydrogen from the carbon monoxide-steam reaction. The problem, of course, is that this process is a very expensive way of making hydrogen. In fact, most hydrogen is now made from methane and not the other way around.

#### *Coal Gas and the Nazis*

In fact, because it is so expensive and wasteful, the use of coal gasification as a major energy source is only thinkable in the context of a cannibalistic, fascist-statist economy based on slave labor, such as Nazi Germany, a fact of which the Wall Street proponents of the process are quite aware. A February 4 editorial in the *Washington Star* urging funding of coal gasification projects was explicit: "The technology for converting coal into oil and gas has been available for decades. The Nazi air force used gasoline made from coal when the allies closed off Germany's oil supplies during World War II...The fact is that plants are so expensive — estimated at \$1 billion — that probably not even the largest companies are going to get involved without federal help."

Not stated by the *Star* but certainly known to it is the fact that the Nazi coal gasification plants were only feasible economically because of the concentration-death camp system, as, for example, the Auschwitz coal gasification plant which drew its labor supply from the Auschwitz concentration camp that was an integral part of it. It is a gruesome fact that the Nazi German manufacturers planned to use the carbon monoxide produced at the plant to eliminate both "used-up" workers and the "useless eaters" interned in the camps, but found it too inefficient for that purpose. Another gas, Zyklon B, was developed instead.

It is no coincidence that the largest coal gasification plants in the world have been built under the Hitler regime and more recently under the white-minority Vorster regime of the Republic of South Africa today, where the government's low-wage policy for blacks and the policy of shipping "excess" black workers to deindustrialized "home-lands" corresponds precisely to Hitler's population and labor policies. The government-approved Sasol II plant in South Africa, by the way, plans to give training and "opportunity" to low-paid black workers.

Just as large-scale coal gasification depends on cannibalization of labor, it also requires the cannibalization of higher-efficiency energy sources. Coal gasification, unlike other energy sources today, not only is not sufficiently "negentropic" to be the basis for such more advanced energy systems as fusion, it is not even self-reproducing. Even with the fascist labor methods available to a Hitler, coal gasification plants can only be erected by an economy that still has available sources of energy less expensive than gasified coal.

In Nazi Germany, for example, the decision to go the route of coal gasification, as opposed to simply seizing accessible petroleum fields (Hitler's finance minister, Hjalmar Schacht, actually opposed the introduction of

the gasification method, and advocated seizures of gas and oil fields instead), had to be made while the infrastructure of the lower cost natural gas and petroleum-based international energy system was still available, that is in the mid-1930s. The South African plants, the smaller one now in operation and the \$3 billion facility under construction, were also built with presently available oil and gas (still cheaper than gasified coal even at prices inflated by the 1973-74 oil hoax), in anticipation of a future international energy embargo against the white minority regime.

#### *Selling Coal Gasification*

It is a none-too-funny irony, in view of its economic history and associations, that coal gasification today is being sold to local U.S. communities on the grounds that it will lead to "jobs" and "prosperity." There are now dozens of coal gasification projects in various stages of planning around the country, and the methods being used to promote them have borrowed far more from door-to-door encyclopedia sales techniques than from serious industrial planning.

After a likely spot has been chosen, a coalition of business and political operatives move into an area with feasibility studies, financing proposals, and propaganda. Leading local supporters are recruited, usually from among desperate labor union officials faced with high unemployment, local land speculators who stand to make a killing, etc. Before the local citizenry knows what is happening, they find themselves embroiled in a competition with some other locality to be selected as the site of a complex for generating and using coal gas.

From this point, the duped and greedy labor and community leaders strive to prove that their community is a better location for the complex, and the fact that coal gasification is a poor system of generating energy is lost in the fight for the real estate, financing and equipment contracts.

The 69-page Battelle Research Report to the Appalachian Regional Commission, Commonwealth of Kentucky, Pike County Fiscal Court, gives a clear sense of the process. This report, a feasibility study designed as "bait" for potential investors in the complex ("suckers") was written after the completion of site selection. After a perfunctory introduction, the "Final Report on Analysis of a Coal Gasification Facility and Potential Gas Using Industries for Pike County, Kentucky," begins. First there is a justification of the report's assumptions of the available labor supply, which can be summed up as, "these people are desperate, they will work for almost any wage." Then a teaser of about \$50 million of "seed money" from the state of Kentucky, a section on industry selection ("we can get you financing if you join us"), a report on who has the inside track on the gasifier contract, pages of funding, "industrial recruitment," transportation, water, and electrical supply, etc., are liberally salted with appeals to grab a chunk of the action.

The financing and raw materials group who started the project plan to emerge with a "captive" manufacturing complex that can be controlled through ownership, financing and prices. Then with a system of decreasing wages and shrinking availability of natural gas — upon

which the system depends — they expect to have a guaranteed flow of profits on the otherwise uneconomical system.

#### *Can Coal Gasification Play Any Role?*

While it is clear that coal gasification has no role to play as a primary source of fuel in today's industrialized society, there are indications that the process could play a valuable subordinate role in an economy that is making the transition toward the use of thermonuclear fusion power as its primary energy source. But it is also clear that these techniques will require a radically different orientation from that taken by the present proponents of coal gasification.

The most significant potential use of coal gasification would be as a by-product of the yet-to-be-introduced Jordan steel process. The Jordan process is a method of reducing iron ore in which pure oxygen is injected into the blast furnaces, yielding iron at a rate approximately twice that obtained in the present blast furnace process. The giant blast furnaces are in fact coke gasifiers, and used with the Jordan process they would become efficient coal gasifiers, with a doubled rate of iron production as a bonus.

Work pointing in the direction of this process is actually underway. Current research is exploring methods of removing sulfur from a hot carbon monoxide stream, to make a better case for coal gasification's ability to meeting environmental standards. A process under consideration — and backed by a \$500 million ERDA contract — is one in which carbon monoxide is passed over iron oxide. But carried to its logical conclusion, this process is nothing other than the Jordan steel process. Research priority should be given to developing the Jordan concept, and particularly to methods of removing from the molten iron the sulfur which enters it from the coal during combustion, in order to be able to effectively use coal of an even higher sulfur content than that reasonably projected by present technology. This present technology indicates that 2 or 3 percent sulfur coal could be economically used in the Jordan concept.

At present, however, U.S. steel companies — and their bankers — have ruled out the Jordan concept, primarily because they fear that its potential for a vast increase in steel productivity would simply lead to a market glut under present stagnant economic conditions.

The other coal gasification technique which bears promise of some utility is the in situ process. While all of the drawbacks of conventional coal gasification apply to the in situ process, and the capture of the heat generated in the conversion to carbon monoxide is even more difficult, the in situ process could prove to be economically viable in remote areas where the transporting of other forms of energy is expensive and where the coal is of low quality.

At present there are three ERDA-funded in situ projects, of which the Laramie Energy Center in Wyoming is probably the most advanced of the projects in the United States. In this project, parallel shafts are drilled into a 30-foot-thick seam of coal, the coal is broken up with explosives to allow oxygen to enter, a fire is ignited in the seam to produce carbon monoxide, and then air, oxygen or a mixture of oxygen and air, is

pumped into one shaft and the gas pumped out another. Steam can be added in another shaft to "upgrade" the gas produced. It is obvious that this method is very expensive if the coal is in a deep vein and very wasteful if near the surface.

However, the Soviet Union has operated in situ coal gasification plants for several years on a commercial basis, and has leased the technology and engineering involved to Texas Electric Utilities, which is considering it for hundred-foot-deep lignite formations in eastern Texas.

In sum, while coal gasification is not as ludicrous an energy source as "solar energy collectors" (solar collectors are able to achieve an energy flux density of only .0002 Megawatts per meter of reactor surface squared, as compared to a figure of around 10 megawatts per meter squared for the average fossil fuel-fired plant), the process can play only a tertiary role in an economy growing at the rate of approximately 20 percent per year which experts now calculate will be needed to achieve a transition to a fusion-powered global economy in the 1990s.

Present supplies of petroleum, natural gas and coal and adequate to supplement nuclear fission-generated energy in achieving that growth rate. Such process as the Jordan concept and MHD will make that transition easier. Wasting capital on expensive and inefficient coal gasification schemes — a net minus from world economic growth — will make that transition more difficult, and could make it impossible.

— *Wayne Evans*

*About the Author*

Wayne Evans was the U.S. Labor Party's candidate for Vice President of the United States in 1976. He worked for more than 20 years as a research laboratory technician for the Dow Chemical Company, and presently works with the Research and Development staff of the U.S. Labor Party.

# Carter Administration Revives 'Operation Garden Plot'

A series of statements issued this week by individuals in and around the Carter Administration points toward a new wave of international terrorism run through the Institute for Policy Studies-Interpol command structure and intended to justify police state measures in the USA and military intervention abroad. Ambassador Douglas Heck, head of the State Department's Task Force on International Terrorism; Brian Jenkins, Rand Corporation terrorist planner and recently hired State Department special consultant; and Max Kampelman, Washington D.C. attorney and director of the pro-nuclear war lobby, Committee on the Present Danger, all issued glaring "predictions" of Entebbe-style incidents drawing attention to the potential of such events to trigger a full-scale war in the Mideast.

Most indicative of the frame of mind within the Administration was the full page article by Brian Jenkins in the *Washington Post* March 27. Jenkins called for the

creation of special U.S. Commando Units to intervene in internal affairs of any nation "involved in terrorism" against U.S. citizens. (Extensive excerpts from his article are reprinted below; for additional Administration terror-counterterror scenarios see Middle East.)

The men in overall command of the terror are top officials of the Carter Administration — Secretary of State Cyrus Vance, HEW Secretary Joseph Califano, Deputy Secretary of State Warren Christopher and others.

These men and their network of collaborators in Carter circles were the key figures in the 1960s Operation Garden Plot conceived and executed during the Johnson Administration. Garden Plot was a full-fledged attempt to impose martial law on the United States. The activation of the current terror wave represents an extension of the terror-counter-terror capability built during the original Garden Plot.

A history of Operation Garden Plot is appended below.

## Rand Calls For Terror 'Command' Structure

*Brian Jenkins, director of Rand Corporation's "research on international terrorism" and author of the January scenario for nuclear terrorism entitled, High Technology Terrorism: Surrogate Warfare, printed a near full-page call in the March 27 Washington Post for a National Security Council-controlled "command organization" to coordinate all responses to domestic and international terrorism. An advocate of proxy warfare against the Warsaw Pact and governments in the Third World through threatened and actual nuclear terrorism, Jenkins calls for full "command" interface with all U.S. military special operations units in preparation for planned Entebbe-style scenarios.*

*Below are quotes from Jenkins' Washington Post piece. The reader should note the congruity of Jenkins' plan with "emergency powers" proposed earlier this month by the Law Enforcement Assistance Administration's Task Force Report on Disorders and Terrorism.*

*Upgrading the Fight Against Terrorism  
by Brian Jenkins*

"International terrorism is increasing.... It may compel us to alter some of our fundamental concepts of national security.

At present we are inadequately prepared.... We have

not yet created a permanent organization charged to surmount bureaucratic boundaries and provided it with a budget, staff and necessary instruments to operate effectively.

We have not assembled the military capabilities to rescue Americans held hostage abroad, or to recover the facilities that terrorists may have taken over, or carry out other foreseeable missions in this new area of conflict.

A complicated incident that crosses national borders and domestic jurisdictions, such as the hijacking of the TWA airliner by Croatian extremists last September, may bounce around the government like a floating crap game.

### *A Rising Trend*

Terrorists appear to be getting more sophisticated in their tactics, their weapons and their exploitation of the media. Some of the new weapons being developed for military arsenals, such as shoulder-fired, surface-to-air missiles, may find their way into their hands.

Terrorist groups appear to be strengthening their links with each other. One result is the emergence of multinational free-lance terrorist groups that are willing to carry out attacks on behalf of causes they are sympa-

thetic with, or to undertake specific operations or campaigns of terrorism on commission from client groups or governments. The seizure of the OPEC headquarters in Vienna is a splendid example.

#### *New Agency*

We need to consider creating a government entity to deal with the more serious incidents of terrorism. Whatever form it takes, this entity should be situated high enough to override department and agency boundaries in the executive branch — possibly as a special component of the National Security Council staff. The State Department's office for combating terrorism, currently headed by Ambassador Douglas Heck, could be the embryo of such an entity, but it would have to be upgraded and augmented.

...it should offer the President ready but invisible access. It should have a permanent staff that includes civilian officials and members of all (military — ed.) services — the latter not being mere representatives. It would not supplant the working group of the Cabinet Committee to Combat Terrorism. It would, however, take over the mission of the task forces that are set up at State to deal with international terrorist incidents.

It would become operational in domestic incidents ... when the requirements of the situation clearly exceeded local law-enforcement capabilities and the consequences could be national or international in scope (a threat of mass destruction, for example). Abroad, it would intervene in terrorist incidents when Americans were in peril, when military force could become necessary, when there was a clear danger to the national security (for example, the theft of a nuclear weapon), or when a foreign group operating internationally was carrying on a concerted terrorist campaign against the United States.

The staff would examine these and other contingencies that could require a national response, identify the possible means to deal with them and marshal the necessary resources. It would inventory U.S. intelligence, civilian law enforcement and military assets, identify any shortcomings, and formulate contingency plans. In an actual incident, the group would become the staff for the President or any special action group established by the President to deal with a serious terrorist threat.

#### *The Military Option*

We must not peremptorily dismiss military action as a possible option in dealing with terrorism. At any time, an incident may occur in which a band of political extremists will seize a large number of American hostages on foreign territory, negotiations have failed, the captors appear on the point of killing the hostages and the local government is unwilling or unable to protect persons within its borders.

...Such missions ... should not be "black bag" operations, even if they must necessarily remain covert during the execution phase. They may be considered legitimate applications of force in extreme circumstances, and an appropriate function of the legitimate armed forces of the nation.

We already possess some components for a counter-terrorist force: the Army's Special Forces, Ranger battalions and airborne units, the Navy's Seals, the Fleet Marine forces, and the Air Force's Special Operations squadrons. But they could not be assembled rapidly to deal with a fast-breaking crisis. Again, the problem is the lack of an organization for bringing selected capabilities together."

## The Original 'Operation Garden Plot'

Officially, Operation Garden Plot was the designated name of a joint-Justice Department-Pentagon blueprint for the imposition of martial law in the United States in the event of civil disorders and riots reaching a level of intensity beyond the control capabilities of civilian agencies alone. The project was initiated in the fall of 1967 by Cyrus Vance, then a Special Advisor to the President, immediately following the Detroit riots, and was formally instituted as an official federal contingency plan in February 1968 under an Executive Order signed by Attorney General Ramsey Clark. The principal components of the "official" Garden Plot were the following:

\*\* A Domestic War Room was established in the basement of the Pentagon to serve as a command center for the deployment of 25,000 specially trained airborne troops stationed at Fort Campbell, Ky. and Fort Bragg, N.C. This War Room was fitted with detailed blueprints for military occupations of every prominent U.S. city that had experienced urban unrest or was profiled as a potential center of such disorders.

\*\* The Justice Department's Interdepartmental Intel-

ligence Unit (IDIU) was established as a massive computer dossier bank drawing in profile information on millions of American citizens gleaned from every federal and state agency maintaining computerized records. The IDIU conception was not to build a static bank of "dirty laundry," but to maintain an ongoing "tracking capability." This "tracking capability" enabled the Wall Street networks then in control of the Justice Department to conduct Cointelpro operations against targeted citizens on the basis of constantly updated reports from the Department of Health, Education and Welfare, the Department of Labor, the Office of Economic Opportunity, and local police agencies — in addition to recording traditional FBI, CIA and military intelligence information. On the basis of the "tracking" and as one feature of Garden Plot, a list was compiled by the Justice Department (under the name ADEX) of individuals targeted for immediate detention at the first activation of civil disorders.

\*\* Corollary training programs for civilian and local and state police officials were conducted in every region

of the country to bring local government agencies directly into the Garden Plot umbrella and to facilitate the transition from civilian to martial rule. These training programs were also designed as profiling and recruiting vehicles for establishing networks in every major city through which to implement counterinsurgency policies against the local populations.

#### *The Real Story*

The Garden Plot martial law program was a dramatic violation of every right guaranteed under the U.S. Constitution; and this point was appropriately drawn out by Senator Sam Ervin during two years of hearings on computer surveillance of American citizens sponsored by his Sub-Committee on Constitutional Right (1970-71). At that time testimony from official involved in the IDIU component of Garden Plot established that individuals in both the military and in the federal government who held views in opposition to Kennedy-Johnson Administration policy were targeted for surveillance and harassment.

This, however, is only one side of the Garden Plot story. The same lower Manhattan group that initiated the formal government project simultaneously was sponsoring the creation of networks of controlled terrorist gangs and agent provocateurs through private channels principally associated with the Institute for Policy Studies and the Ford Foundation.

Operation Garden Plot, like the current operations being run through the National Security Council and its IPS-Interpol adjuncts, was a coup d'etat scenario employing synthetic terrorist gangs like the Weatherman, the Black Liberation Army, etc., as the *triggers* through which traditional institutions could be replaced by martial rule under circumstances in which the military intervention "appeared" to the targeted population as the "lesser evil" alternative to social unrest and chaos. It was on this principle of psychological warfare that operation Garden Plot was conceived and executed.

#### *Rockefeller Networks Ran It*

While Garden Plot was not formally instituted until 1968, the same core of lower Manhattan political intelligence operatives who drafted that program was involved by no later than 1963 in conducting the terror-counter terror operations described in outline above. A review of the careers of these individuals represents an efficient history of the Garden Plot project.

*John Doar:* Currently identified as the Carter Administration's top choice to replace Clarence Kelley as FBI Director, John Doar was responsible for running the first large-scale domestic terror-counter terror campaign in the U.S. while serving as Assistant Attorney General for Civil Rights during the early 1960s. Under orders from Attorney General Robert Kennedy, Doar oversaw the deployment of large numbers of FBI agents into the South to build up the Ku Klux Klan as a government controlled terror apparatus. Reports submitted to the Senate Intelligence Committee last year indicate upwards of 75 percent of the membership in the Klan during this period were FBI employees.

At the same time, Doar, in conjunction with the newly created Institute for Policy Studies (founded by Marcus

Raskin and Richard Barnett — both "retired" members of the Kennedy national security establishment) directed the deployment of "civil rights workers" drawn from the IPS-affiliated groups like Students for a Democratic Society and the Student Non-Violent Coordinating Committee. Both groups were financed through Wall Street foundations including the Stern Family Fund and the Taconic Foundation.

When violence broke out in the South between the KKK and the civil rights workers, Doar joined with the Rockefeller Foundation-funded Lawyers Committee for Civil Rights Under Law in calling for the use of federal troops. Among the "Lawyers for Civil Rights" were Cyrus Vance and Joseph Califano — both serving at the time as General Counsels for the Pentagon and both close collaborators of Doar in the Garden Plot operation.

During 1967-68, Doar joined with Vance, Califano, Ramsey Clark and Warren Christopher in drafting the formal Garden Plot proposal.

*Cyrus Vance:* The current Secretary of State, a founding board member of the Trilateral Commission and the recent Director of the Rockefeller Foundation, Vance has been one of the leading Wall Street counterinsurgents throughout the past 25 years. During his early 1960s tenure first as General Counsel to the Pentagon and then as Secretary of the Army, he was involved in promoting the application of military counterinsurgency warfare methods against the U.S. population. As Secretary of the Army he oversaw the deployment of U.S. troops into five southern cities during the staged KKK violence and subsequent civil disorders. In July 1967, two weeks after he left the Pentagon, Vance was sent into Detroit by President Johnson to oversee military deployments during the Detroit riots. His conduct in that situation prompted both Michigan's Governor Romney and former President Eisenhower to criticize him harshly at a press conference for having provoked unnecessary violence by his "mis-deployment" of the troops.

In the midst of the Detroit events, Johnson appointed a special White House task force on the disorders including Vance, Califano, Doar and Ramsey Clark. Vance in particular used this opportunity to convince the President to take two steps: 1) to create the Vorenberg Commission which in turn led to the creation of the Law Enforcement Assistance Administration; and 2) to immediately work towards the development of a "working plan" for dealing with all future disorders. In the fall of 1967, this working plan was transformed into an official White House Directorate. The Directorate was charged with responsibility for drafting a model to permit:

- \*\*computerization of intelligence dossiers on all individuals potentially profiled as disrupters;
- \*\* design of blueprints for martial rule in the event of continued disorders;
- \*\* creation of a structure through which to conduct roundups of profiled "disrupters" as a pre-emptive move against spreading disorders.

During the winter of 1967-68, the Defense Intelligence Agency (which Vance had helped to create during his Pentagon tenure) sent operatives to all the targeted urban centers to facilitate the creation of the IDIU

computer dossier system. Vance conducted a public relations campaign on behalf of the Garden Plot perspective and activated the Lawyers Committee for Civil Rights Under Law to both support the project and actively assist in designing the local contingency plans.

*Joseph Califano:* Currently the Secretary of Health, Education and Welfare, a close collaborator of Vance throughout the Kennedy-Johnson period, Califano participated in the drafting of the Garden Plot program and headed the joint Pentagon-Justice Department Directorate during the riots that ensued following the Martin Luther King assassination.

*Warren Christopher:* Currently Deputy Secretary of State and a founding member of the Trilateral Commission, Christopher was an early collaborator of Vance in the domestic military operations. Christopher coordinated U.S. troop deployments into Los Angeles during the 1965 Watts riots and subsequently headed the Governor's commission on civil disorders that presented the definitive report on the events. When Vance was ordered by Lyndon Johnson to conduct the military operations in Detroit in 1967, he immediately brought in Christopher to serve as his assistant. When Ramsey Clark became Attorney General in early 1968, Christopher assumed the Deputy Attorney General's post from which he co-drafted Garden Plot and served as liaison to Army Counterintelligence head Lt. Gen. William Yarborough in creating the IDIU.

*Ramsey Clark:* A close associate of Institute for Policy

Studies directors Raskin and Barnett (who coordinated the terrorist-agent provocateur networks integral to Garden Plot), Clark was the individual who completed the process earlier begun by Robert Kennedy of transforming the Justice Department into a "dirty tricks" machine deployed in Cointelpro campaigns against the U.S. population. Under Clark's brief tenure as Attorney General, the Law Enforcement Assistance Administration was constituted; the Operation Garden Plot blueprint was adopted as official U.S. government policy; the IDIU computer data bank was instituted as a 1984-style surveillance system. Clark's continued involvement in terrorist-counter terrorist operations was recently reflected in his keynoting of the Ralph Bunche Institute Conference on International Terrorism — at which the Entebbe hijacking operation was first spelled out to a select audience of counterinsurgency planners; and by his more recent active support for IPS candidate for president of the United Steel Workers Ed Sadlowski.

*Lt. Gen. William Yarborough:* One of the leading unconventional warfare experts in the U.S. Army, Yarborough designed a prototype model of Garden Plot that was implemented on a massive scale in Western Europe during 1966-68 when Yarborough was stationed as director of counterintelligence for U.S. forces in West Germany. His prior assignment had been to create the Special Forces program for the U.S. Army at Fort Bragg. During the period in which Garden Plot was being implemented in the U.S., Yarborough was the central military figure in the effort — sitting at that time on the NSC and serving as the Director of Army Counterintelligence (and therefore establishing the IDIU).



Behind The SALT Talks' Collapse:

## General Giller's Secret

Aside from the broader issues of global political policy, the collapse of the SALT negotiations now going on in Moscow is directly attributable to the negotiating posture adopted by Messrs. Warnke and Vance. Briefly stated, this posture involved the attempt to bluff the Soviet leadership into accepting a total ban on the future introduction of new weapons systems based on qualitative technological and scientific breakthrough "in return" for freezing strategic weapons at the quantitative levels agreed upon at Vladivostock in 1974. U.S. adoption of this policy is readily inferred from remarks in President Carter's press conference earlier this month — especially his stress on the necessity for a total nuclear test ban treaty — as well as from earlier congressional testimony by chief strategic arms negotiator Paul Warnke during his Senate confirmation hearings.

The policy was made explicit in a March 24 op-ed in Cyrus Vance's New York Times by fascist economic planner and de facto Carter Administration policy advisor Wassily Leontief: "... the United States and the Soviet Union push on and on with the development and deployment of entirely new — and because of that not-yet-restricted — types of weapons . . . This vicious circle can be broken only if purely technical agreements are replaced, or, even better, supplemented by agreements limiting the overall volume of military expenditures."

The actual motive behind Mr. Leontief's concern and Mr. Carter's "real disarmament" posturing, of course, has precious little to do with the necessary and desirable conversion of high-technology military production potentials to civilian production. High-technology and capital and energy-intensive production methods, exemplified by most military production, actually have no room in Carter's economic program — a program based on the creation of labor-intensive "make-work" jobs.

The entire point of the noble disarmament exercise is that an Administration which is committed to energy conservation, the scuttling of the nation's most advanced nuclear fusion and fission research and development programs, the destruction of high-technology industries, and the substitution of drugs and astrology for scientific thought and methods obviously cannot expect to hold its own and guarantee the nation's security in a race in which the likely adversary, the Soviet Union, is demonstrably committed to the exact opposite policy thrust.

Therefore, the Carter team is attempting to con the USSR into "outlawing" Soviet technological development policy, the better to ensure that the Administration's presently operational *war policy* — successive, escalating military-strategic confrontations with the Soviets — has some chance of success.

*The "Sleeping Giant" Fable*

Thus was invented the fable of the "sleeping giant." According to recent congressional testimony by former CIA director William Colby, the Soviet leadership, through the diligent and insightful work by the Moscow "U.S. Institute" under the leadership of Georgii Arbatov, has been convinced that the Soviet Union must accept Carter-type disarmament terms lest the sleeping U.S. giant be provoked in the field of weapons development into the same kind of massive R and D effort that put the first man on the moon. While, to the best of our knowledge, Georgii Arbatov may in fact be involved in retailing such stories, the realities of the situation — as clearly understood by the Soviet military and scientific establishment, and at least a substantial portion of the Politburo — are entirely different. As U.S. intelligence and military experts, too, are well aware — and many of them have said so publicly — the Soviet Union at this point enjoys a decisive advantage in the potential for short-term conversion of already accomplished scientific and technological breakthroughs into decisive strategic weapons advantages. Under these circumstances, the Soviet Union, of course, has nothing to gain from the Carter-proposed ban on new weapons systems, and the "sleeping giant" fable is simply a desperate attempt of playing upon paranoid inclinations of the Soviet leadership strata, with the hope of bluffing them into acceptance of what is in fact the only feasible arms policy of an Administration bent on deindustrialization and dequalification of the U.S. population.

*The Emperor's New Clothes*

The entire matter is most pointedly demonstrated by once again examining the relationship between fusion energy R and D programs and weapons applications from the standpoint of the by now celebrated "Rudakov disclosures." In July of last year, the Soviet fusion researcher Dr. L.I. Rudakov reported in detail to a conference of U.S. scientists at Lawrence Livermore Laboratory on work he was doing on using electron beams to compress target pellets of fusionable material. At that time, he disclosed that Soviet scientists had discovered how to use non-linear effects to achieve a very efficient transfer of energy into rapid compression.

As New Solidarity reported at the time, and as was immediately recognized by the U.S. scientific and intelligence communities, these disclosures implied that the Soviets had achieved the capability of developing far more efficient thermonuclear weapons, as well as the more peaceful uses of fusion power.

The immediate reaction of the authorities involved was to totally hush up the Rudakov disclosures — sending out telegrams telling scientists not to mention them, at-

tempting to classify the whole thing, and so on — up until the story was finally broken in the scientific and national press largely due to the efforts of the U.S. Labor Party.

The immediate question raised at the time was: why in the world did U.S. authorities attempt to classify revelations of Soviet advances made to U.S. scientists? The mystery deepens when the further research the Soviets are undertaking in particle beams is considered. As reported in the current issue of *Scientific American* and elsewhere, Soviet physicist Gersh Budker has devised a method of vastly increasing the intensity of proton beams, an accomplishment of immense use in both high-energy and fusion research. This discovery may as well have military implications, especially considering the recent statements of Major General Keegan, the former chief of U.S. Air Force intelligence that the Soviet Union has developed powerful particle beam weapons for anti-missile defense.

If, in fact, the Soviet Union is far ahead of the U.S. in these electron and proton-beam technologies (and if they had such potential military implications), then why wouldn't every revelation about these topics from the Soviets be discussed and disseminated as widely as possible in the U.S. in an attempt to catch up? Why the classification? What, in fact, has the U.S. got to hide?

The answer is that we have nothing to hide — that is the secret! General Giller's Department of Defense Applications, which has responsibility for U.S. research on laser and electron-beam fusion, is so secretive about *Soviet* advances precisely because widespread discussion of such advances would reveal just how far behind U.S. research really is. And this would puncture

the carefully cultivated myth of the sleeping giant. The evidence from the Rudakov Affair on this matter is doubly confirmed by reports on the U.S. laser fusion program itself.

The prestigious and comprehensive Brueckner report recently prepared by the Electric Power Research Institute states flatly concerning U.S. laser fusion research and the many non-linear effects which have been observed in those experiments: "No laboratory has yet made the measurements required to resolve the present uncertainties in these phenomena." Thus in laser research, as well as electron-beam research, the U.S. effort to develop more advanced thermonuclear *weapons* (the principal aim of U.S. fusion research in this area), has absolutely nothing to hide.

This situation is scarcely surprising, considering that the U.S. fusion effort, even its military side, has been starved for funds and hogtied by useless classification. Carter's most recent, across-the-board cuts in the fusion research budget, including laser and electron-beam fusion, obviously only make this situation worse. The sleeping giant has no monster weapons up his sleeve to frighten the Russians with.

As is obvious from the present collapse of the SALT talks, the Soviets are aware of the U.S. bluff and have now called it. This means that the Trilateral Commission bluffers, if they are allowed to remain in power, will accelerate even further their drive towards confrontation before the Soviets' technological-military advantage becomes totally overwhelming.

—Uwe Parpart

# EEC Meeting Stalls On IMF Bailout Scheme; Declares May Summit 'Not Binding'

## SPECIAL REPORT

Leaders of the nine member countries of the European Economic Community (EEC), meeting in Rome for a two-day summit March 25-26, decided to stall on demands from the Carter Administration for the creation of a multi-billion dollar slush fund to bail out the bankrupt Rockefeller banking networks through the International Monetary Fund (IMF).

The tactic followed by the major European heads of state was twofold: 1) issuing verbal support for their recognized policies in behalf of industrial growth, simultaneously holding back from taking any definitive enabling action to realize such policies; and 2) blocking Carter Administration demands for bailout of the New York banking community whose portfolios are stocked with irredeemable Third World loans. Instead of a multi-billion dollar slush fund for Third World "aid" financed by the Europeans, the EEC opted for a "stall" by approving a piddling fund to stabilize raw materials prices below a certain "floor" level.

The European leaders also announced March 26 that the decisions taken during the scheduled May 7 London OECD summit with James Carter would not be "binding on anyone."

### *Next Best Alternative*

On the first day of the Rome meetings, March 25, U.S. Labor Party chairman Lyndon H. LaRouche, Jr. had authored a memorandum containing policy recommendations which was personally delivered to Chancellor Helmut Schmidt of West Germany, and Italian Prime Ministers Giulio Andreotti and British Prime Minister James Callaghan. The memorandum advised that the heads of state of the leading West European nations take the initiative in breaking with the bankrupt dollar as the only possible means to enable the subsequent realization of the industrial growth policies which their governments vociferously advocate.

However, stated LaRouche, if you lack sufficient hubris to take such a major step, I advise you to *stall* as the next best alternative to capitulation which would seriously jeopardize your capacity to take more forthright action in the future.

The West European leaders did not capitulate in Rome. Instead, they handed Carter and Rockefeller a tinker toy version of the bailout facility the latter had insisted on.

The point was emphasized by British Prime Minister Callaghan in his report on the meeting to the March 28

meeting of Parliament, in response to a question put by Conservative leader Margaret Thatcher. Thatcher asked: "It looks as if it is a statement of objectives, but no practical measures. Similarly with the commodity price stabilization agreements. Obviously, it is easier to talk about them than practical schemes to put them into effect. Precisely what key commodities are they intending to start on?"

Callaghan replied that "the idea of a common fund was something that had not been agreed, but we were able to give it a political thrust on this occasion and the foreign ministers will now carry on with the matter. That applies to prices stabilization in relation to key commodities. The heads of government and state do not go into that kind of detail, but it is for the foreign ministers at their Council to work out commodity by commodity what are the appropriate items on which there should be price stabilization agreements, or export stabilization agreements."

For emphasis, the Prime Minister added: "I do not say the common fund. I said a common fund. In other words, the agreement is not to any particular proposals that have been put forward, which have been widely espoused, but to the concept of a common fund and proposals will be put forward by the nine on the basis of a fund as we see it."

### *Commitment to Growth*

The communique issued at the conclusion of the summit similarly gave verbal reiteration of the commitment of the EEC heads of state to increased industrial growth, increased employment, less inflation, more industrial investments, and a common position on international financial issues. They did not, however, specify what and how in any concrete fashion.

For its lack of specifics, the Rome summit came under heavy fire from the European Trade Union Confederation. The European TUC held a special mobilization and issued a special communique over the weekend berating the heads of state for refusing to take concrete steps to "promote economic growth and cut unemployment." According to the London Times, the gathered Prime Ministers were "warned of social unrest and possible collapse of incomes policies if concrete proposals were not forthcoming...It is the responsibility of the heads of government at the summit to take the necessary decision to break out of that vicious cycle." Len Murray, general secretary of the British TUC, echoed LaRouche when he warned the European governments that "economic growth is the key to everything else," and insisted upon policy initiatives at the summit.

### *Italians Seek European Coordination*

The Italians, the host delegation who are presently under intense pressure from the IMF to adopt austerity measures which would wreck any hope of industrial recovery, used the occasion of the summit to press for European economic and monetary unity. This subject was specifically discussed by Prime Minister Andreotti during the talks, Foreign Minister Arnaldo Forlani reported to the Italian Parliament.

At the same time, the Italians mounted a vigorous public organizing campaign in support of their position. The Italian Communist Party, which substantially controls the national trade union movement, over the weekend attacked the IMF in the party press and called for European-wide coordination to ensure economic growth in cooperation with the Arab oil producers. The PCI's daily, *Unita*, on March 27 issued a resolute refusal to accept IMF intrusion into internal Italian economic affairs, arguing that all monies paid to or deposited in the IMF go toward the bailout of the dominant (Rockefeller) American banking consortia.

Similarly, on the first day of the summit, the daily of the Italian Christian Democracy, *Il Popolo*, published an editorial appeal to the gathered European leaders to ensure the success of their policies by opting for a bloc to

bloc agreement with the oil producers that would give Europe the economic basis for generating an autonomous industrial recovery policy free of U.S. domination.

Also on March 25, Italian Treasury Minister Gaetano Stammati voiced his government's views in an article in the Milan newspaper *Corriere della Sera* in which he proposed the immediate implementation of a European reserve currency to flank the dollar. This parallel currency, he stated, would aim at establishing a system of fixed parties which alone, "as my considerable experience has taught me," can ensure a stable development of international trade. Similar views were expressed in private by the top leadership of the ruling Italian Christian Democratic Party.

In West Germany, top spokesmen from the federal Finance Ministry and the banking system have informed reporters that they fully understand the nature and substance of the present crisis. One of the top executives of a large industrial conglomerate reported that "there is absolutely no question of giving in to the IMF. It is absolutely clear that we can't have a recovery with the present monetary system." An aide to the president of one of the major West German banks concurred: "There is no way that the IMF bailout scheme could be brought on line before the entire monetary system blows *by the end of this year.*"

## Andreotti Survives IMF Agreement

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### ITALY

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Italian Prime Minister Giulio Andreotti has succeeded so far in maneuvering his cabinet out of a government crisis amidst heated negotiations with the trade unions to approve International Monetary Fund conditions for a \$530 million loan to Italy. The negotiations were prompted by the trade unions' refusal to accept cuts in the cost of living escalator which would virtually eliminate COL altogether.

The final agreement, however, approved by the IMF, does not change in any significant way the austerity implications of the demands. The government agreed to revoke the clause annulling the cost of living escalator while the trade unions agreed that future increases of public transport and electricity rates — expected to skyrocket soon — will not be included in the basket by which COL is calculated. The negotiations were highlighted by the unexpected overnight flight of Italy's Finance Minister to Washington for IMF acceptance of the modifications to its "Letter of Intent."

Since the end product of the negotiations has no basic practical differences with the effect of the demands both parties had set out to "modify", the real issue at stake is not finances but *politics*. Italian bank officials in New York admit that the IMF is out to overturn Andreotti's government with Senate President Amintore Fanfani

and Christian Democrat President Aldo Moro acting as the inside agents. The real issue is how to rock the government with maximum efficiency in order to knock his underpinning, the Italian Communist Party (PCI), out from under him. In the words of a high-ranking U.S. Treasury official, "the IMF will only get stability by bringing down the (Italian) government."

Simultaneous with the tense government-trade unions negotiations, a new wave of terrorism was unleashed March 30 with clashes between "left" and "right" wing terrorists reported in Rome and Milan while violent incidents mount throughout the country. Yesterday the head of the government's printing office was shot in the legs by a terrorist commando, and fascist snipers were shooting Communists in Rome. Today 3,000 "autonomists" (fascists) attacked the CGIL — Communist trade union — offices in Milan and began an unsuccessful occupation of the building. Strikes are being planned for next week which no doubt will elicit counter-demonstrations following past patterns. Giving the green light, Red Brigades creator Francesco Alberoni authored an article in *Corriere della Sera* "predicting" that Italy is heading towards an immediate explosion of "urban guerrilla warfare."

The terror scenario has its "political" counterpart. Former Finance Minister Visentini — a long standing ally of the Agnelli family — stood up today in Parliament to attack Andreotti for being a pawn of the trade unions. He was followed by Fanfani, backed by Moro, who at-

tacked the Prime Minister for attempting to act over Parliament's head regarding relations with the labor movement. Early this month Fanfani nearly accused the government of encouraging public disorders. With these moves the IMF — as recognized by Italian officials — is attempting to set up a center-left coalition government without Andreotti and the Italian Communist Party. Italian radio today warned that Italy's current government situation looks very much like that of Indira Gandhi — thus, Italians had better draw the right conclusions.

#### *Why Topple Andreotti?*

While the IMF's loan blackmail and accompanying destabilizations have severely weakened the Andreotti government, it has succeeded neither in destroying the political power of the Italian Communist Party nor in silencing the Andreotti government's commitment to a new monetary system and expanded trade and development. Talking to the European chiefs of state at the European Council meeting held in Rome earlier this week, Andreotti repeated Finance Minister Gaetano Stamatii's call last week for a gold-backed, European currency to substitute for the dollar as the reserve currency. Andreotti further called for a European-wide approach to such problems as unemployment, and industrial and energy development.

The PCI, on its part, continues to campaign for an Italian energy policy, independent of U.S. control in both *Rinascita* and *Unità*, its major publications. In a feature article two days ago, *Rinascita* charged that Italy had no

cogent energy policy "since the time of Enrico Mattei" — the anti-Atlanticist former head of ENI who during the 1950s, until his death in 1962, led the fight against the oil majors. *Rinascita* noted that it is well known that the environmentalists' "anti-fission campaign is financed by the oil companies." In an article written by PCIer Siegmund Ginzberg in *Unità*, declared that the IMF is an institution which, although bankrupted, is trying to impose "letters of intent" while the debt problems continues to grow to dangerous proportions. Nobody should forget, warns Ginzberg, that the 1929 crash was caused by the U.S. policy of having the debt paid.

Yesterday the Andreotti-linked paper *Il Tempo* featured a front-page interview with Giorgio Napolitano, correctly described as second only to General Secretary Enrico Berlinguer within the PCI. Napolitano stated in part: "I think that (regarding the PCI's NATO policy — ed.) we should feel increasingly responsible for a policy of active participation by Italy in the solution of all problems posed to the EEC ... (We want) an increasingly incisive European role within NATO and, generally, in the development of détente ... to arrive ultimately at the superseding of both (the Warsaw Pact and NATO) blocs.... We go beyond (Marxist) dogma because we take into account the problem of development and transformation of advanced capitalist societies.... We can, and must, use (Italy's state sector) for democratic planning, to guarantee socially advanced action of a socialist type, and a comprehensive development in the general interest."

## New French Government Gives Gaullists Greater Maneuvering Room

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### FRANCE

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French President Giscard d'Estaing last week removed top representatives of the three political parties which make up the ruling coalition, Interior Minister Poniatoski (Giscard's Independent Republicans), Minister of Regional Planning Lecanuet (Centrist), and the Minister of Justice Guichard (RPR Gaullist). The State Ministers were replaced by what the French press called "technocrats" supposedly to lessen the open strife between these parties.

The major features of the political situation which have emerged with the formation of the new cabinet call for the following conclusions:

1) Giscard has in effect recognized the impossibility of governing with the support of representatives of a disunited presidential coalition. The growing tensions between the Gaullist party on the one hand, and the Atlanticist parties on the other, were prohibitive of any united governmental action.

2) This fundamental contradiction between the pro-development tendency represented generally by the Gaullists, and the monetarist faction represented by the now-deposed Poniatoski and Lecanuet, will not magically disappear as a result of the change in government. Although the cutthroat exchanges within the cabinet itself may be eliminated, they will be increased in the National Assembly, where the rival parties, now with no major government representation, will have much more leeway for their mutual hostilities.

This second phenomenon will soon be verified when the Assembly will be called on to debate certain key issues this spring, in particular the dictatorial statutes of the International Monetary Fund and France's position with respect to the project for a supranational European assembly (both staunchly opposed by former Gaullist Prime Minister Debré and supported by Giscard). Should Giscard try to bypass these confrontations with rule by decree he would be faced with a major constitutional crisis since his own popular mandate has been fast reduced to a smaller and smaller fraction of the population.

Chronic instability in France, exacerbated by recent

austerity measures of Prime Minister Barre, will above all benefit those factions in the political parties which put forward a program of social and economic progress. Those factions have a sole representative in the new government with the appointment of René Monory to the key post of Minister of Industry. Monory, a Senator affiliated with the Centrist party, publicly favored debt moratoria for the Third World countries and a return to a gold-based monetary system in an article which appeared on the front page of *Le Monde* last summer.

The composition of the new cabinet will reinforce the position of Barre, a non-party man, who is now ensured enough relative personal weight to be able to counteract to a greater extent President Giscard's Atlanticism. However, Barre is likely to exercise this power only if the Gaullists mount the decisive offensive required to force him to do so. Otherwise, this "apolitical" form of government is precisely what Gaullist leader Michel Debré has repeatedly warned will deliver France into the hands of the Union of the Left of the Socialist and Communist parties or an equally disastrous Giscardian-Socialist coalition.

In an attempt to destroy that option, Debré issued pointed accusations against the Union of the Left at the

Gaullist party (RPR) Central Committee meeting last weekend. He pointed to the "political and ideological links of the Socialist Party with Washington" and added that "certain Communist leaders are not pure either" in this respect. In so doing Debré is aiming at busting up the Union of the Left and attracting the Communist base in particular to an alliance with the Gaullists around a national program for industrial development.

Debré's return to the forefront of the political scene also means that Jacques Chirac, the newly elected mayor of Paris and Chairman of the RPR, may be compelled to abandon his virulent anti-communist line which is to be used to turn France into a battleground for a phony "left" versus "right" scenario.

Debré additionally stated that "the RPR must first of all count on itself. It must organize, attack, propose, and perfect its image. To attack ... is to demonstrate the disunion of the socialist-communist coalition on methods, objectives, men. It is to demonstrate the scandal of their false unity." His accusations were taken up in the Chirac-linked right-wing paper *Valeurs Actuelles* which traced the connection of PCF foreign policy chief Jean Kanapa and Socialist Party zero-growther Michel Rocard with the New York Council on Foreign Relations.

## Showdown With Workers Builds On Production Constriction

After the French municipal elections which resulted in the victory of the Union of the Left, the mood of labor has radically shifted from a depressive stance to one of expectancy, French trade union militants are saying. A number of sharp conflicts in the country have taken on a definite political character as direct challenges to the no-investment policies of the government of President Giscard D'Estaing.

The Elf-Erap oil refinery in the town of Arbès near Bordeaux has been occupied by workers since March 18. At issue is whether the plant will close down or receive state investment funds for modernization. Management states that the company is financially strapped particularly with the government's tight-credit policy. Throughout the Gironde region, strikes and support actions have been going on for occupation.

The head of the Regional Council in Gironde, Chaban Delmas, former Prime Minister under Georges Pompidou and a defeated challenger of Giscard D'Estaing in the 1974 presidential race, has expressed full support for the strikers, and has demanded that the government

allocate the necessary funds for the refinery's modernization. Chaban was joined not only by all the Socialist and Communist Mayors of the area but also by some local Republican Independant elected officials.

The conservative daily *Le Figaro*, which opposes the strike, has nevertheless not hesitated to lay bare the real issue: France, like the European Economic Community as a whole, has agreed to plans, like those in the steel industry, which call for a 30 percent cutback in refinery production and construction.

Meanwhile, dockers shut down the port of Dunkirk following the decision by the steel complex Usinor to ignore standard practices to hire workers of the Communist-controlled CGT union confederation. Dockers are now occupying the entire port and blocking deliveries to all firms in the region. The CGT National Dockers Federation struck nationwide as a warning March 26. Mayor of Dunkirk, Claude Prouvovour, a member of the Gaullist RPR Party, wrote to Prime Minister Barre asking that he personally intervene and pressure Usinor to open negotiations with the unions.

# 'No Solution Within Present Monetary System'

The situation of the European economy has been best summarized in the following statement from a leading West German industrialist: "There is absolutely no solution to our problems within the present monetary system." Figures just released by the West German Economics Ministry substantiate in the more striking form this blunt assessment: export orders — reflecting deliveries for the next six months — to the whole of West German industry collapsed by 10 percent in January, while its total foreign and domestic orders fell by 6 percent. This is a clear sign that Europe's vital engine is now badly crippled. The 1975-1976 "European recovery," artificially based on consumer credit, is definitely over.

The fourth quarter of 1976 was the turning point. No new productive capacity having been built during the paper-based upswing, inflation was rapidly spurred by worthless credit-issuance and the sharp increase in commodity prices, netting heavy balance of payments deficits in France, Great Britain and Italy. Europe, unable to organize a new monetary and credit system oriented toward capital-intensive development projects, was compelled to apply the traditional monetarist medicine to its situation: currency-stabilization based upon cuts in domestic demand and stimulation of exports. But all European countries having followed and furthered a similar austerity drive at the same time, they are now engaged in a process of destroying the whole international market altogether. Facing a general contraction of their foreign trade if they accept the dictates of the dollar-denominated monetary system, they have no other choice then to slice each others' throats. The stalling European governments are thus inevitably propelling their countries to economic disaster and "unselective" deindustrialization.

The vital problem facing the European economies cannot be understood even from a European-wide standpoint. It is only part of the more general problem of debt repayments to the New York-based international banks. After having milked dry the less-developed Third World countries, those Wall Street institutions have engineered an increase in commodity prices to tax the consuming industries in the advanced sector in favor of Third World debt repayment. This fact is well reflected in last year's \$7.5 billion money-growth in Third World exports, while Third World imports were stagnant in value — a more than 12 percent decrease in real terms. This is no magic: the \$7.5 billion represents the approximate amount collected by the Third World upon mainly European industry on the account of the New York banks.

Between 1970 and today, the cost of basic materials for the European economy has been multiplied by about

three. Worse, the per unit value of fuel imports has increased between seven and eight times. Finally, during 1976, the near-bankrupt New York banks had to brutally aggravate their pace of taxation up to unbearable levels for any viable European industry. The French index for commodities imports went up to 84 percent since February 1976, and skyrocketed by nine percent in February 1977. Overall, the latest oil price increase alone adds no less than \$3 billion to the European Economic Community's (EEC) 1977 import bill.

This is the real cause of the production crisis in Europe and worldwide trade collapse.

### Trade Collapse

European trade figures for January and February reflect a global and sharp decline in value (see Table No. 1). West Germany, the leading component of the group, is also the more deeply affected, while the artificially inflated increase in the British January imports was wiped out by an equal setback in February. In real terms and in volume of basic imports, the situation is much worse: the British and French zero-growth in import values over the two months amounts to a sharp decrease in purchases of raw materials and energy, and the inability to significantly build up inventories for a recovery.

European countries, which depend upon foreign trade for 20 to 30 percent of their Gross Domestic Product, are hard hit by the trade contraction, but this is by no means a fact limited to Europe. In particular, the CMEA will not be able to meet its debt payments without restricting its own imports and cutting its rate of growth. The New York Times is already mooted that the Soviets will have to cut

Table 1  
Percent Change In Trade  
(in current dollars)

	From Dec. 1976 to Jan. 1977		From Jan. 1977 to Feb. 1977	
	EXPORTS	IMPORTS	EXPORTS	IMPORTS
FRANCE	+ 1.4	+ 5.2	+ 0.08	- 2.2
WEST GERMANY	-18.0	-15.7	NOT AVAILABLE	
UNITED KINGDOM	+ 0.02	+14.2	- 0.01	-14.1

SOURCE: NATIONAL STATISTICS



Table 2

## Production Trends — Whole Industry

(1970=100, SEASONALLY ADJUSTED)

	1965	1970	1971	1972	1973	1974	1975	1976	1977
FRANCE	76	100	106	112	120	123	112	126 (NOV)	130 (FEB)
WEST GERMANY	77.7	100	101.5	105.9	113.1	111.5	104.5	123,9* (NOV)	
ITALY	---	100	100	104	114	119	109	119 (AUG)	
UNITED KINGDOM	89.1	100	100.4	102.6	110.3	106.3	101	103 (NOV)	103,9 (JAN)

SOURCE: OECD

\*In Dec. 1976, the West German production index is 111.8, note the severe drop from Nov. 1976.

Table 3

Capacity Utilization In The  
European Steel Industry

(% of total capacity utilization)

	1974	FOURTH QUARTER 1976
WEST GERMANY	84.3	55.9
FRANCE	84.2	69.0
ITALY	74.3	68.5
NETHERLANDS- LUXEMBURG	90.4	61.4
BELGIUM	80.1	56.3
UNITED KINGDOM	84.6	75.0
EUROPEAN AVERAGE	82.6	63.7

SOURCE: EUROPEAN ECONOMIC COMMUNITIES

their imports and reduce their trade deficit to \$3 billion in 1977 (versus \$6.4 and \$5 billion in the last two years) in order to meet their payments, thus in turn hitting the Italian and West German industrialists committed to a broad Ostpolitik. As for the U.S., its all time record trade deficits of January and February — \$1.67 billion and \$1.85 billion respectively — will not help the

European exporters, being mainly based in an export set-back and not in imports growth.

This is to say that the trade-dependent European economies are basically confronted with the same situation despite individual dissimilarities in various predicates. For example, if the British economy seems more "stabilized," it is only because its industrial output has practically not been developed since 1970 (see Table 2).

*Industrial Crisis*

Both France, West Germany, Great Britain and Italy are following a script imposed by Wall Street — a downward spiral of import-cuts to balance out export collapse. In other terms, this means industrial triage, as best exemplified by last week's acceptance of the Davignon plan to eliminate "excess capacity" in the European steel industry by the EEC Council at the Rome summit. For this sector, which is at present working at about 60 percent capacity (see Table 3), with a total debt equal to one year of sales, the EEC has created a special fund to finance "voluntary" production cuts and is proposing minimum prices and import licenses against foreign competition. The EEC plan to "solve the problem" of the oil refining sector, which is working at 62 percent of its capacity, follows the same model of auto-cannibalization: cut it by 16.5 percent and stop all new construction.

Presently, the only strategy of the Western European governments is to attempt to isolate some sectors from the general crisis, letting the others go. Table 4 gives a fairly accurate image of how metallurgical production has actually decreased in all European countries since 1970, except in Italy. Similarly, the capital-goods industries and machine-tool production are stagnating or declining. This is the reflection of a deliberate policy to sacrifice "basic industries" requiring a high and per-

Table 4  
Production Trends — Metal or Iron and Steel

	1965	1970	1971	1972	1973	1974	1975	1976	1977 (TREND)
FRANCE IRON AND STEEL	84	100	97	102	106	114	91	99 (NOV)	DEC.*
GERMANY IRON AND STEEL	77	100	90	97	112	121	93	93 (DEC)	DEC.*
ITALY METAL PRODUCTS	---	100	98	98	105	114	101	110 (AUG)	DEC.*
UNITED KINGDOM METAL	103.5	100	91.3	91.4	100	91.7	78.6	82 (NOV)	SAME

\* INDICATES DECREASE  
SOURCE: OECD

Table 5  
Production Trends — Vehicles

	1965	1970	1971	1972	1973	1974	1975	1976	1977
FRANCE	59	100	114	124	134	126	126	172 (NOV)	DEC.*
WEST GERMANY	68	100	100	99	107	97	100	127 (DEC)	DEC.*
ITALY		100	NOT AVAILABLE						
UNITED KINGDOM	97.3	100	99.3	103.7	105.1	101.3	94.7	99 (NOV)	DEC.*

\* INDICATES DECREASE  
SOURCE: OECD

manent level of capital-investment that the diverse countries are unable to make. Since 1974, European machinery on an average has grown old by approximately two years. In the key West German economy, the effective investment in industrial installations declined 43 percent.

But even in view of its own objectives, this desperate industrial triage is doomed to fail in the coming period within a *general process of decapitalization*. Recent Central Banks' surveys show that both in 1975 and 1976, industrial investment was overwhelmingly oriented toward "rationalization" and "replacement" of already

existing units. The spectacular collapse of the huge steel and chemical complex of Fos (France) exemplifies the problem. Italy (see Table 4) has been the only country to develop the productive potential of its basic industry in 1976, but only within a situation of uncontrolled paper-printing, and dumping combined with anti-working class austerity. Moreover, the 1976 12.3 percent volume increase in the Italian industrial production will be at best reduced to zero-growth in 1977 if the International Monetary Fund conditions are imposed, forcing a drastic cut-back in the distribution of internal credit.

Consumer-oriented industrial production, and notably

Table 6

## Unemployment (official figures)

(% of labor force or of registered employees seasonally adjusted)

	1973	1975	END OF 1976	TREND IN 1977
WEST GERMANY	1.3	4.7	4.4	INC.*
FRANCE	1.8	3.8	4.5	INC.*
ITALY	3.4	3.4	3.7	INC.*
UNITED KINGDOM	2.6	3.9	5.6	INC.*
BELGIUM	2.3	4.5	6.1	INC.*

\*INDICATES INCREASE

SOURCE: NATIONAL STATISTICS

the automotive industry, upon which the 1975-1976 "recovery" was built (see in Table 5 the cases of France and West Germany), is now itself directly in jeopardy. The first sign has been given by Britain's 10 percent volume-decline in exports of motor vehicles and other transport equipment in the last quarter compared to the previous one. The Leyland strike could be cited of course, but the answer is that the British setback was not followed by a similar increase in West German or French exports, which would have happened under normal circumstances. Auto experts in Europe are pessimistic for the coming months, correctly fearing the consequences of austerity on consumer demand. A significant crisis in the auto industry would trigger a general collapse in Europe, giving the *coup de grace* to the steel industry the survival of which presently depends upon vehicle production.

At the level of the industrial firms, the global crisis is

ironically reflected in a relatively good liquidity situation — only due to paralysis: there is less and less capital spending, no inventory buildup and therefore little bank borrowing. The European bond and stock markets are in a state of collapse, except for speculation around the bailing out of England based upon the miracle of the North Sea. But within the dollar system, such a miracle is nothing but a hoax. The North Sea "surpluses" may very well be absorbed by debt repayments, which will represent \$800 million in 1978 and above \$2 billion per year from 1979 to 1983, more than all the treasures of the North Sea could cover in a situation of trade and production breakdown.

Similarly, the French government and public sector have heavily borrowed abroad and keep borrowing to finance the continuing current account deficit, only postponing crucial decisions.

But the worst aspect of the present industrial crisis is, together with the triage of the basic industries, the no less deliberate destruction of the cognitive powers of the working class. This directly endangers the prospect of a future recovery based on advanced equipment and technologies. Table 6 shows the official unemployment figures, reflecting a permanent increase in all countries since 1973, except for a relative stabilization in Germany between 1975 and 1976. But more recently, Germany has not been able to escape the common law, and the January 1977 figure is already 15 percent above the 1976 year-end levels. Worse, under-employment and degradation of the working conditions are even more general than unemployment. Broadly, if the total European (EEC) unemployment could be officially estimated to about 5 percent of the active population, the wasted labor-force in purely quantitative terms reaches more than 15 percent. The youth is more directly hit (between 15 and 45 percent of the total unemployed) together with foreign laborers, for which, officially or not, recruitment is practically banned.

The living standards of the workers — even the employed with nominally maintained wages in real terms — are cut by the rise in foodstuff imports and elimination of municipal, urban and state services, such as health care.

Both in terms of basic industries and labor power, the situation is such that the conditions for a recovery could not be met without a new monetary and credit system — and the European governments know it.

## Capital Goods Order Collapse Is A Warning Signal

### WEST GERMANY

In January 1977, manufacturing orders to West German firms registered an overall decline of 6 percent, including an even more dramatic drop of 14.5 percent in orders to capital goods producers. The foreboding lack of new orders to the capital equipment sector, the hub of the

country's economy, signals that West German manufacturers are only months away from a 1930s style depression collapse unless a European recovery program based on massive industrial investment is put into effect.

The final draft of the 1977 West German federal budget reveals that leading political and industrial figures are unprepared to meet this looming crisis. The terms of the budget are a patchwork of penny-pinching trade-offs between "stability minded" members of Chancellor Sch-

Table 1—Orders To The Manufacturing Industry

(1970 = 100)

	TOTAL MANUFACTURING ORDERS	PRODUCER GOODS ORDERS	CAPITAL EQUIPMENT ORDERS	FOREIGN CAPITAL EQUIPMENT ORDERS
1976 JULY	175	151	203	389
AUGUST	158	150	174	246
SEPT.	158	153	164	204
OCT.	157	151	165	206
NOV.	155	152	161	204
DEC.	162	153	174	213
1977 JAN.	152	147	157	182

Note: Capital equipment orders, especially from abroad, have been the major stabilizing influence in the economy. In January, capital equipment orders dropped 14.5 percent.

Source: Handelsblatt

mid's cabinet and an unseemly coalition of trade union and Parliamentary operatives, working on behalf of the Carter Administration, who want to steer the Federal Republic onto a hyperinflationary course.

Ironically, the high levels of government borrowing which are the foundation of Schmidt's "stability" program are permitting inflation to sneak in through the back door. With corporate investment at extremely low levels, and industrial profit margins thinning, companies are introducing price-hikes in order to stay afloat. The consumer price index for January was running at an annual rate of 9 percent.

As pointed out recently by Gerhard Stoltenberg, a leading Christian Democratic spokesman for industry, a mere 1 percent drop in real economic growth will result in a decline in tax resources of 7 billion deutschemarks. The entire budget is based on the hope that the economy will be able to generate both a further 11 billion marks in tax income and close to 60 billion marks in total government deficit financing.

The rise in unemployment at the beginning of 1977 demonstrates the vulnerability of the tax base of the economy. At 1.2 million, January unemployment was 15 percent above year end levels. The number of workers on short hours has been rising steadily: following a 26 percent increase in January, an additional rise of 4.6 percent was registered in February. The mining industry has already announced a wave of temporary layoffs for this spring.

Importantly, the decline in capital goods orders introduces a new dimension of crisis symptoms into the overall economy.

It would be extremely foolish to think that the January developments in this sector are a temporary phenomenon. (The Federal Economics Ministry withheld the January statistics for two weeks, and upon issuance, pleaded that observers not take them too literally since a major statistical reordering of their categories had just been performed.) The overall pattern of decline in world trade since the beginning of this year will have a devastating impact on West Germany's export-dependent economy.

#### *Capital Goods and Investment Crisis*

Preliminarily, during 1976, capital equipment production constituted a stabilizing element for the Federal Republic's economy. Order backlogs for this major grouping stood at 4.6 months; although not very impressive, this level was considerably higher than the overall industrial average of 3.1 months. A large scale influx of capital goods orders from abroad in August 1976, alongside a partial recovery of the chemicals industry from its 1975 recession, and a year-end pickup in consumer purchases of automobiles summarizes entirely the foundation for West Germany's "relative stability" last year. (See Table 1)

As emphasized by Dr. Riechebaecher, a chief official of the Dresdner Bank, in a special commentary issued in

**Table 2—Age Of Industry**

(in percentage of all equipment for industry)

AGE	1960	1965	1970	1975
	<u>ALL INDUSTRY</u>			
5 AND YOUNGER	41.1	37.5	31.3	30.2
6 - 10	26.9	28.6	28.7	24.8
11 AND OLDER	32.0	33.9	40.0	45.0
	<u>MINING</u>			
5 AND YOUNGER	34.7	24.7	17.1	17.1
6 - 10	28.3	30.1	24.0	18.8
11 AND OLDER	37.0	45.2	58.9	64.1
	<u>PRODUCER GOODS</u>			
5 AND YOUNGER	40.4	38.6	32.4	30.9
6 - 10	26.2	28.1	29.3	25.7
11 AND OLDER	33.4	33.3	38.3	43.4
	<u>CAPITAL EQUIPMENT</u>			
5 AND YOUNGER	44.7	40.8	32.6	32.2
6 - 10	27.0	28.7	29.8	24.3
11 AND OLDER	28.3	30.5	37.6	43.5

SOURCE: DEUTSCHES INSTITUTE DER WIRTSCHAFT, NOV. 1975  
SPECIAL REPORT

February, corporate expansion of inventory stockpiles was responsible for no less than half of 1976's seemingly positive developments. Dr. Riechebaecher characterized the recovery as "short-lived."

Even more ominously, West German manufacturers are now being confronted with the effects of the absence of any capital investment programs since 1970. According to the Berlin German Economic Institute (DIW), beginning in 1975, more than half of all West German industry was more than 11 years old (see Table 2). From 1970-74, effective investment in industrial installations declined no less than 43 percent (1970: 27.4 billion deutschemarks; 1974: 15.8 billion deutschemarks). While these margins include a considerable level of disinvestment in the mining sector (more than 500 million deutschemarks), they also show rapid declines in investment especially in the ferrous- and non-ferrous metals industries.

The DIW pointed out, however, that the capital goods sector and the food-processing industry maintained a noticeably lower rate of investment decline than the rest of the economy (see Table 3).

According to a recent Bundesbank survey, both in 1975

**Table 3—Industrial Investment  
(Effective Real Capital Increments)**

MILLION DEUTSCHEMARKS IN 1970 PRICES

	1960	1965	1970	1975
MINING	859	253	74	638
MANUFACTURING	19,339	22,049	27,508	16,437
<u>PRODUCER GOODS</u>	6,676	8,137	9,887	5,441
-IRON AND STEEL	1,173	1,530	1,084	590
-NON-FERROUS METALS	234	267	796	293
-CHEMICAL INDUSTRY	2,477	3,395	4,294	3,010
<u>CAPITAL GOODS</u>	7,259	8,091	11,049	7,141
-MACHINE BUILDING	1,814	1,966	2,708	1,576
-MOTOR VEHICLES	2,235	2,566	3,203	1,919
-SHIPPING	89	119	64	169
-ELECTRO-TECHNICAL	1,527	1,641	2,564	2,092

SOURCE: DEUTSCHES INSTITUTE DER WIRTSCHAFT, NOV. 1975

and 1976, industrial investment was channeled overwhelmingly into rationalization and replacement parts. This is confirmed by the continuous falls in employment levels straight through 1970 to the end of 1976. Following the imposition of a ban in 1976 on recruitment of new foreign laborers, and nearly 1 million unemployed in youth and other undocumented categories, employment in manufacturing stood at 7,474,000 at the end of last year; in 1970, more than 8.5 million workers were employed in industry, but this level has not been achieved since that time.

This "stagnant investment climate" has been accompanied by a tendency for net capital outflows out of the country, as the largest corporations are seeking plant and equipment abroad rather than expand capacity domestically. Over 1975 and 1976, direct investments by West German corporations abroad exceeded foreign investments within West Germany by 1.615 billion and 1.945 billion deutschemarks respectively. Perhaps it is a small consolation to the country's industrial magnates that the United States economy is even further disinvested than their own and therefore cheaper. No less than 24 percent of West German foreign investment ends up in the United States.

#### *Budgetary Tug of War*

As corporations shy away from borrowing for investment, the country's capital markets are almost exclusively tied up in financing the extraordinary indebtedness of the public authorities. As a direct outcome of the 1974 international oil crisis, the tax base of the West German economy suddenly shrank during 1975. Since that time, the federal government has been slapped with a huge budgetary deficit, on top of a total level of in-

debtedness of more than 120 billion deutschmarks (compared to a total federal budget of 174 billion deutschmarks this year).

Chancellor Schmidt's "stability" program does not constitute a policy; it is merely a defensive reaction against continuous pressure from Washington for the West Germans to throw their economy overboard and join the U.S. in a monetary spending spree to bail out Eurodollar and New York international banking loans. Such marginal successes as the reduction of the federal deficit by 4 billion deutschmarks last year have been achieved at a new marginal cost to the real economy in the form of tax hikes. Beginning in 1978, the Value Added Tax on corporate turnover will be raised 11 percent, despite dangerously slim corporate earnings ratios.

The weakness of the Schmidt program has been pinpointed repeatedly by Christian Democrat Stoltenberg, whose industrial collaborators wanted the government to set up an ambitious tax benefits program for industrial investment. Unfortunately the Stoltenberg proposals would only stick a bandaid on the imploding infrastructure of industry. Since the Stoltenberg faction is not committed to debt moratorium reorganization of the public authorities, tax benefits to industrial investors would only mean an additional tax burden on the labor force. The crippling limitations of both the Schmidt and Stoltenberg approach — each formulated by political forces sympathetic to global economic expansion — prove that there is no realistic solution to West Germany's economic ills short of a European-wide industrial investment policy.

The totality of new government borrowing this year (federal: 23 billion; states: 14 billion; municipalities: approximately 10 billion deutschmarks) will be chan-

neled into deficit financing and debt repayment. No less than 10 billion deutschmarks will be used to finance the operating deficit of the federal railway system, which alone has an accumulated debt of 30 billion deutschmarks, and a 14 billion deutschmarks borrowing program for 1977.

Federal credit needs are financed almost exclusively through the bond market. Aside from a tense period in early February, when the federal railway issue was passed for days between traders, and the Central Bank was forced to intervene at low levels to prop the market up, the government has had no major problems thus far meeting its credit needs. However, all observers agree that this momentary stability is the result of two shaky conditions: the expectation that corporations will not enter the capital markets until the second half of the year (i.e. — will not invest this year!); and the hope that U.S. interest rates will not suddenly shift.

When the debate on the 1977 budget began this January, Chancellor Schmidt and Economics Minister Friderichs were adamant about keeping "monetary stimulation" at 10-12 billion deutschmarks over four years. Pro-Carter forces, exemplified by German Trade Union Federation chairman Heinz Oskar Vetter, lobbied intensively for a labor-creation program twice that size.

In the interim period, the Carterite forces have won this squabble. The final emergency "stimulation" program has been set at 17 billion deutschmarks over four years.

Schmidt's decision to meet the Carter forces part way is mostly the result of a stalemate in Western Europe on deliberations with the Soviet Union for a gold-backed monetary system. It is also a panicked reaction to the state of the domestic construction industry, which is to be the main beneficiary of the government's deficit spending pocket money.

The construction industry is barely holding up above official "recession" levels. Construction output during 1976 was below 400,000 new housing units, a level which has not been seen since 1950 — when the West German economy had not yet even begun reconstruction. Capacity utilization is 50 percent, and orders stand at a mere 2.1 months.

The government program will not create new housing units but will concentrate almost exclusively on "renovation" and other low-wage programs. As "crisis-management" schemes such as these go into implementation, nervous industrialists and government officials are beginning to fall back on the mentality of the 1950s, when large features of the post-war "reconstruction" program were financed by wage looting and private savings. An executive of the Krupp corporation recently stated outright, "There should be a return to the spirit of the 1950s on the wage question." Wages at that time were below the levels maintained by the Hitler regime.

Similarly, the government itself is hoping to finance its credit needs partly by a wave of private investment in bonds. Later this year, several tens of billions of deutschmarks which have been frozen in private banking accounts under a special government seven-year savings promotion plan will be released. Official sources state they are counting on the "savings mentality" of the population to market their debt paper.

### Growth Of Government Debt And Tax Revenues

BILLION DEUTSCHEMARKS

	ALL GOVERNMENT DEBT (FEDERAL, STATE, LOCAL)	ALL GOVERNMENT TAX REVENUES (FEDERAL, STATE, LOCAL)	NEW CREDITS/ YEAR (FEDERAL AND STATE)	DEFICITS (FEDERAL AND STATE)
1970	125	154.2		
1971	140	172.4		
1972	156	197.0	10	5.3
1973	163	224.8	11	6.3
1974	187	239.6	29	20.0
1975	250	242.2	46	43.9
1976*	283	196.9	27	24.9
1977**			36.8	

\* 3 quarters \*\* Projected

SOURCE: INTERNATIONAL PRESS SERVICE, FEB 1977

# No Imminent Collapse Of British Economy... But Recovery Impossible Under Present Conditions

## BRITAIN

The British economy is likely to be one of the few national sectors in the West not to show a major collapse in the next period — but only because there has been no significant recovery from the depths of the 1975 depression. The residue of the sterling crisis, continued scarcity of investment capital for industry in Britain, and the collapse of the international monetary system and world trade will prohibit any possibility of a significant upturn in domestic industrial activity. Despite the principled intention of the Callaghan government to regenerate the British economy, the government's failure to propose a coherent policy to achieve this end will make any economic recovery impossible.

The government's fuzziness on economic problems is exemplified in the budget announced by Chancellor of the Exchequer Denis Healey March 29. Healey announced various tax cuts, gas and cigarette price increases, pension increases, etc., in an attempt to satisfy trade unions, industry, and the IMF alike, while never once hinting at

the basic problems which are inhibiting industrial recovery.

Ironically, just when all classical economic predictions, and objective economic circumstances indicate British industry should be perched to undertake a massive growth in industrial output (this optimism is mirrored amply in the forecasts of both the Department of Trade and Industry and the Confederation of British Industry), industry is struggling to mount a recovery which at best will put it close to 1973-74 production peaks.

### Current Trends and Official Forecasts

Recently published basic indicators of the British economy appear to hold some hope for at least a limited recovery in the next one to two years. The index of industrial production shows an even, if slight growth pattern consistent with government projections of a modest growth rate; exports, boosted by the falling value of the pound in late 1976 are rising in volume terms at a rate faster than imports; fixed capital expenditure is also registering slight increases. The ace in the hole, North Sea oil, has spurred the government, as well as most economic commentators from the Bank of England to the Cambridge Economic Policy group to forecast a drop in

### Basic Economic Indicators: U.K.

	INDUSTRIAL PRODUCTION 1970=100	UNEMPLOYMENT		PRICES		VISIBLE TRADE (BY VOLUME) 1970=100		CHANGES IN MANUFACTURING STOCKS AT 1970 PRICES END 1975 £10.4 Bn	FIXED CAPITAL EXPENDITURE (MANUFACTURING) AT 1970 PRICES MILLIONS OF POUNDS
		THOUSANDS	PERCENT TOTAL EMPLOYED	RETAIL 1974=100	WHOLE-SALE 1970=100	EXPORT	IMPORT		
1970	100				100.0			325	
1971	100.5	775.8	3.4	153.4**	104.6	106.7	104.2	-148	2,130
1972	102.7	854.9	3.7	164.3**	109.2	106.6	116.3	-145	1,991
1973	110.3	611.0	2.6	179.4**	144.5	121.8	133.9	404	1,739
1974	106.4	599.5	2.6	108.5	215.3	130.1	135.2	666	1,872
1975	101.2	929.0	3.9	134.8	235.4	124.9	125.6	-392	2,024
1976 I	102.1	1,223.2	5.2	149.4	266.5	130.3	124.9	31	1,737
II	102.4	1,246.5	5.3	154.9	292.6	135.9	134.7	-115	402
III	101.5	1,307.5	5.5	158.5	306.8	133.1	136.6	5	408
IV	102.9	1,330.0*	5.6	165.8	329.2	139.9	137.2	95	411
1977 JAN	103.9	1,338.2	5.6	172.4	338.2	140.0	153.7		
FEB		1,331.4	5.6						

\* FIGURE FOR DEC., 1976

\*\* BASED ON JAN. 1962=100

SOURCE: DEPARTMENT OF TRADE AND INDUSTRY



inflation rates to 8 percent by 1978, assuming the continued depression of wage demands through the social contract.

Forecasts for industrial recovery are equally optimistic. According to the CBI's latest survey of its members on their fixed capital investment plans, 4 percent expected to increase plant capacity (as opposed to 12 percent earlier who expected to decrease capacity) and 29 percent planned to invest in new plant and machinery as opposed to 10 percent the previous year. The National Institute of Economic and Social Research is even more optimistic, forecasting a 9.5 percent growth, while the government boldly suggests fixed investment in manufacturing industry will rise by 10-15 percent in 1977.

A more detailed examination of the problems facing industry suggests that such projections could be fatally over-optimistic.

*What Will Finance Industrial Investment?*

The effect of the government's policy on debt financing through gilt sales all through the fall of 1976 has been to dry up any potential funds for industrial investment. While minimal efforts have been made recently by the government to bring down interest rates (but not so fast as to destroy the gilt market's willingness to finance official debt) and release limited funds into the banking system for industrial investment, figures released in the March 1977 Bank of England report indicate that the minimal increase in bank lending to industry has come mainly through taking up of already negotiated overdrafts.

Merely to return to the level of fixed investment attained in 1974 would require an increase of 22 percent in 1977 — and even this would not equal the peak 1970 level. While bank lending remains depressed, it is also unlikely that the levels of fixed investment required could be met by internally generated capital. It is ironic that while company profits, after subtracting stock appreciation and replacement costs, increased by 13 percent in the

fourth quarter of 1976, such relatively high levels were partially due to the complete collapse of investment during 1975-76!

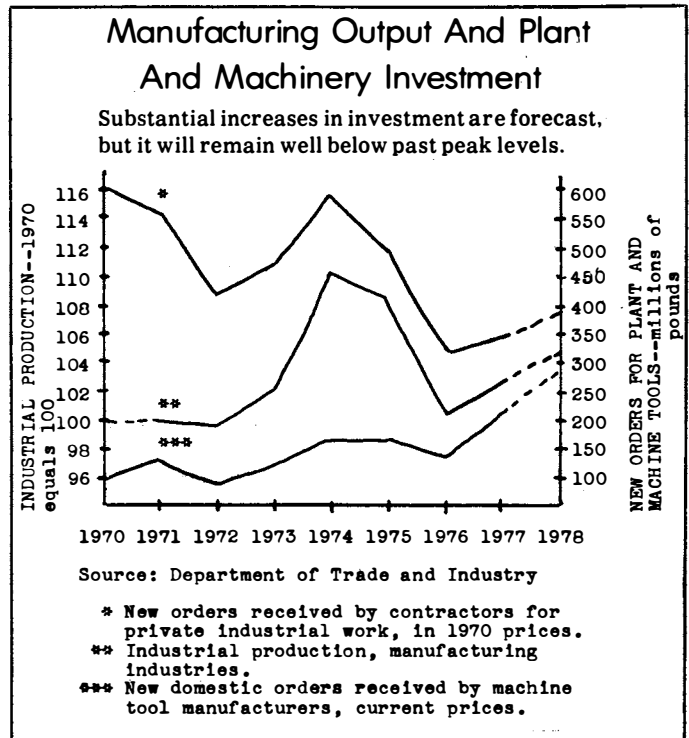
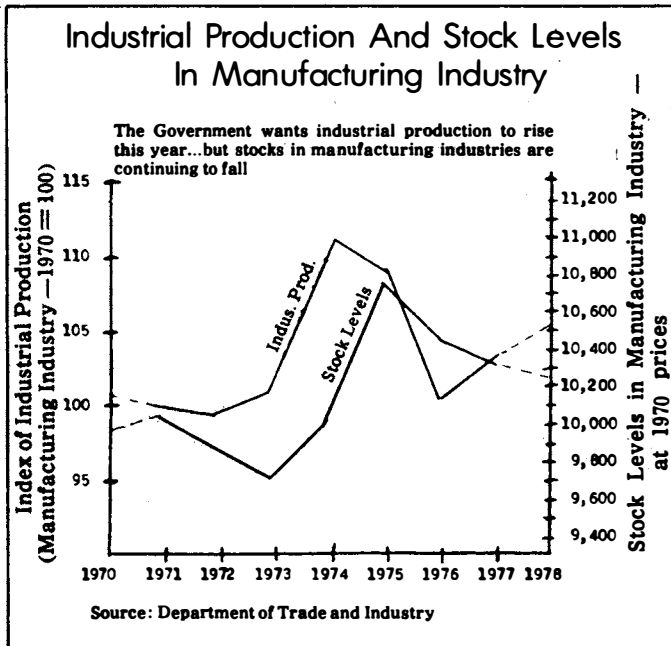
Even more indicative of the investment plans of industry is the orders on hand for new plant and machinery. New orders received by contractors for private industrial work have collapsed by 47 percent between 1974 and 1976. Even the most optimistic forecasts for increased investment do not approach this figure. While new domestic orders for machine tools appear to be increasing at a faster rate, the figures shown on the graph are in current, not constant pounds, and it is clear that if inflation were taken into account, the real level of machine tool orders would cohere more closely to the trend in contractors' orders.

*Who Can Afford to Produce, Anyway?*

More frightening than the implications of the collapse in investment is the possibility that the recent trend of destocking in manufacturing industry, coupled with the increase in import costs to industry of basic materials and fuel, will mean, quite simply, that industry will be unable to afford to produce.

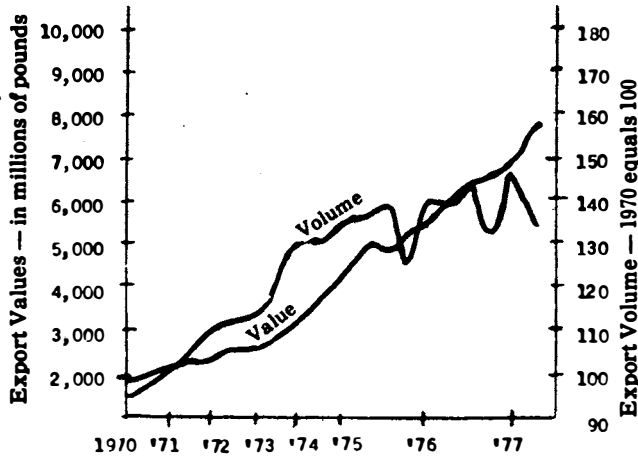
As indicated by the graphs comparing value and volume of imports and exports, while the depreciation of the pound has increased proportionately much faster as importers are forced to spend more pounds for the same amount of imported goods. Broken down further, the comparison between volume and unit value of imported basic materials and fuels makes the desperate situation of industry even clearer: while the actual volume of basic materials imports has risen by less than 10 percent since 1970, the unit value has tripled! With imported fuels, in volume terms, imports are below the 1970 level, but the unit value has increased almost eight times.

The impact of this increase in import costs to manufacturers is exacerbated by the fact that manufacturers'

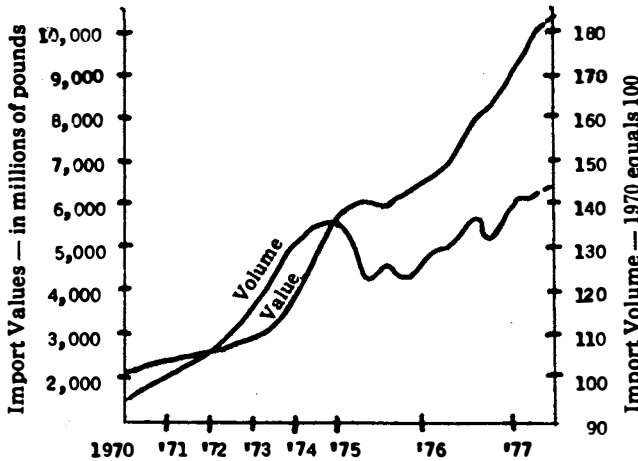


## Balance Of Trade

While the collapse of the value of the pound sterling has increased the value of British exports abroad...



...it has simultaneously raised the cost of all British imports significantly above the volume of imported goods.

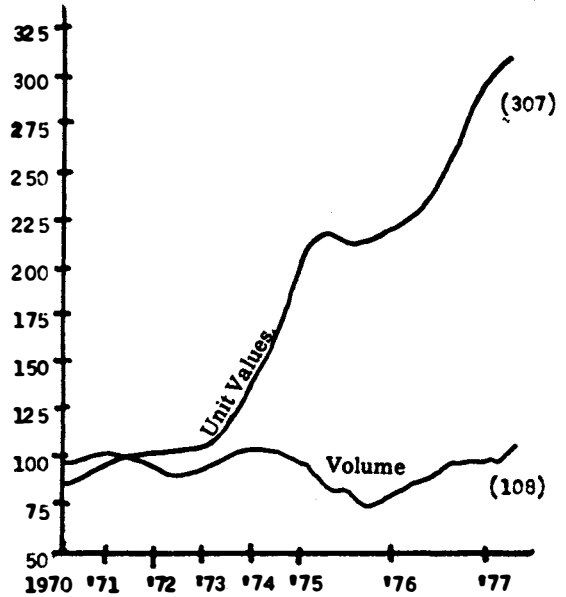


Source: National Institute Economic Review

stocks are in no way near to recovering those of the peak production year of 1974. Squeezing manufacturers further is the fact that this obvious increase in their production costs has not been passed on to the retail level. As part of the social contract with the trade unions, the government has been consciously keeping retail price rises as low as possible — latest figures show a year-on-year increase of 16 percent, which largely reflects a 23 percent increase in food prices. Yet, wholesale buying prices increased by 4.75 percent in the fourth quarter of 1976, and reached a year-on-year level of 29 percent in February. As these wholesale prices work through to the retail level — as they must to a greater or lesser degree

## Imports Of Basic Materials

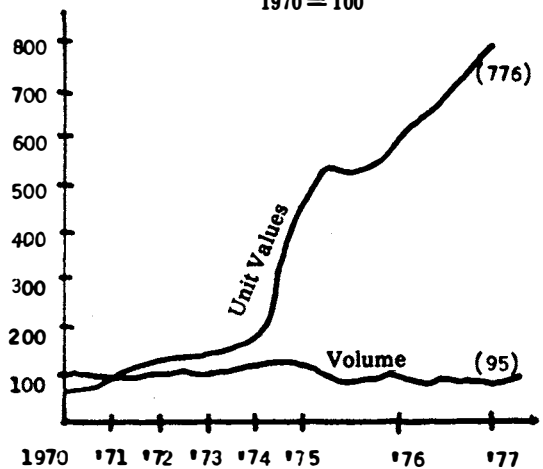
Volume and Unit Value Indices  
1970 = 100



Source: National Institute Economic Review

## Fuel Imports

Volume and Unit Value Indices  
1970 = 100



Source: National Institute Economic Review

— the rise in inflation could seriously jeopardize the government's entire strategy with the trade unions, not to mention the undertakings on reducing inflation levels made to the IMF during loan negotiations last November.

# De Gaulle's Economic Legacy Going Down The Drain

## FRANCE

The recession which erupted in 1974 in all the OECD countries has been met by the French government with an absurd and particularly vicious monetarist approach. Under conditions of a vivid contraction of world trade, the French authorities have resorted to traditional disciplines in order to "solve" the balance of payments deficit and restore the value of the currency: cuts in domestic demand and stimulation of exports. This has implied a triage of basic industries (iron and steel, machine tool and others) in order to promote a few export-oriented branches; and the slashing of working-class consumption and gutting of municipal and urban services. This is what Prime Minister Raymond Barre's ever-recurrent call for a "return to the great equilibriums" boils down to, the gist of the deflationary plan he introduced Sept. 22, 1976.

### *Immediate Cost of Austerity*

The primary problem with the so-called "Barre plan" is that it does not address the reality of industrial expansion; instead it substitutes the "stability at all costs of the French franc." Given this initial fallacy, the relative progress made in the direction of currency stabilization during the last six months is already crumbling under the too heavy short-term costs of austerity.

True, the franc, which had previously fallen by 9 percent against the dollar in the first seven months of 1976, is now more or less stable on the foreign exchange markets and price inflation, which was running high at 1 percent monthly last fall, has been contained to a 0.3 percent rate in January. True also, the foreign trade deficit has been brought down from 12 percent in September to 7 percent in January-February and since December 1976, the monthly average deficit has been F. 1.7 billion as compared with F. 3.3 billion between August and November 1976. But in presenting such results as "positive," the French government behaves like a sick man happily exhibiting a well-amputated leg just before going back to undergo further surgery.

First, the relative improvement in foreign trade has been only due to a near stagnation of imports in value, corresponding to an actual drop in volume at an annual rate of 10 percent. This is reflected in the fact that industrial output, which had increased by 15 percent in 14 months during the 1975-76 consumer-credit based "recovery," grew by only 3 percent in the last 6 months (see Graph 1).

Inflationary pressures are nonetheless already building up — as reflected in the 0.7 percent rise of the February price index, a 9 percent yearly pace — mainly due to the growing costs in imports of commodities, industrial raw materials and food-stuffs. The prices of

imported industrial raw materials shot up by 34.2 percent in one year and by 3.3 percent from January to February 1977. Much worse, the index of imported commodity prices went up by more than 80 percent in one year, and skyrocketed by 9 percent in February alone. This is the real problem of French industry and the whole advanced sector: it amounts to a commodity-taxation imposed by the New York banks and collected by the Third World to be re-channeled as debt payment. Needless to say, this issue is not addressed by the Barre plan, but only aggravated.

Export growth, supposed to be the goal of French industry, cannot occur under the present collapse of the credit-monetary system. France's EEC trading partners, which are absorbing more than 45 percent of its exports, are pursuing parallel austerity policies, and each has pinned its survival on the deadly game of trying to carve a bigger share of a dwindling volume of international trade. East-West trade has markedly slowed down in 1976 — for example, French credit-lines to Poland are said to be nearly exhausted — whereas the direct barter deals with the oil producing countries have already reached their limitation in scope, representing 6 to 9 percent of total French exports. With Third World countries too deep in the red to get credit and the U.S. economy stalled, there are simply no openings for French industry.

The only real achievement of Barre's program is to have triaged basic French industries and fostered unemployment.

The steel industry is typical of the sectors that have been deliberately gutted. Its production has already fallen to the very low level of January 1976, slightly under the level of 1970. Orders are down by 30 to 50 percent. The

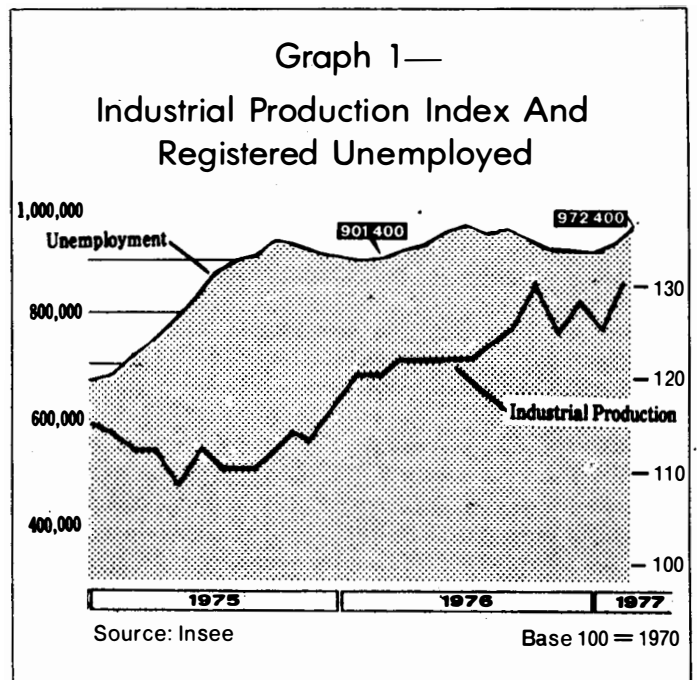
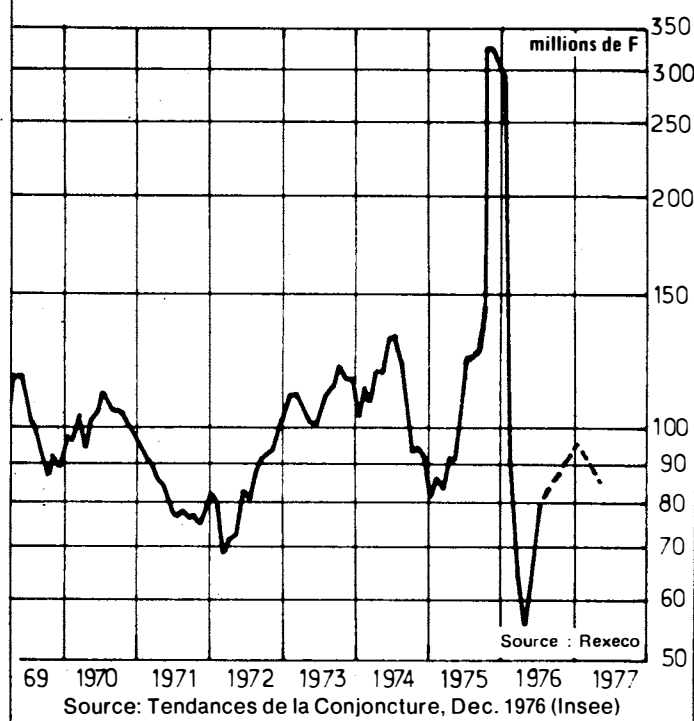


Table 1—  
Machine Tools — Internal Orders  
(in millions of francs)



rate of capacity utilization is just above 60 percent. Total indebtedness is larger than one year of sales.

Barre's solution is to progressively shut down the relatively old Lorraine units and to paralyze the development of the new steel-based Fos industrial complex!

The machine-tool sector has been abandoned by the government (see Table 1, Evolution of French orders) after the total failure of a minor restructuring plan.

Otherwise, the desperate "strategy" of the French government is to salvage the last industries doing well on the foreign markets, exemplified by the automotive industry. The auto production-index rose from 126 in 1975 to 172 in November 1976 (1970=100). But after the speculative purchases of January and February as a hedge against inflation, European-wide austerity will hit this sector hard from April onward, fostering a new round of decline in the whole French industrial apparatus.

The total number of unemployed has reached the million mark in the official statistics (more than 4.5 percent of the active population) but this is still a sharp underestimation. According to the criteria of the International Labor Organization, there are in fact more than 1.5 million unemployed, of whom about 45 percent are young people, the highest proportion of unemployed youth in industrial Europe. Given the large amounts of temporary lay-offs and under-employment, the wasted labor power is estimated at 15-20 percent. Officially, real wage levels are still being maintained but in fact the living standards of even employed workers are declining due to the rise of the import prices of foodstuffs.

Industry is still afloat only because of the impulse provided by the spectacular development achieved under the Presidencies of De Gaulle and Pompidou, when French rates of capital-investment were the highest in the Western world except for Japan. What industrial investment is occurring is being financed in effect only by borrowing. A huge increase in France's foreign indebtedness will represent a crippling burden for the French economy in the coming period. Recent figures released by the French finance ministry show that for the last six months, borrowing abroad amounted to \$2.4 billion or F. 12.2 billion, a F. 5.8 billion increase over the same period last year — three times that of the public currency reserves. This situation cannot last very long, given that French currency reserves amount to a mere F. 22 billion, as compared to a total debt reaching F. 45 to 50 billion.

If such an infusion of oxygen is stopped, or if it is continued at present levels, the French public sector — by far the largest borrower — will see its investment capacity practically blocked. This is aggravated by the reduction of the State budget deficit to F. 10 billion in 1977, and Barre's proclaimed intention to "reduce the deficit of the public sector," meaning "structural reforms" to cut "unnecessary services." In a national economy where the public sector accounts now for two-thirds of all investments and plans a 10 percent increase in gross fixed asset formation this year to maintain the rest of the industry, notably through developments in the nuclear, telecommunications and transportation branches, the Barre plan leads directly toward a catastrophe.

The impending collapse of the public sector is occurring in the context of a *general process of*

Table 2 —  
Trend Of Housing Starts  
( IN THOUSANDS )

	1972	1973	1974	1975	1976*
HLM SECTOR**	165	187	173	166	155
STATE-AIDED AND SUBSIDIZED SECTOR	159	125	117	115	125
FREE SECTOR	231	244	259	235	220
TOTAL	555	556	549	516	500

\* OECD SECRETARIAT ESTIMATES

\*\* THE HLM SECTOR (LOW-RENT HOUSING) IS FINANCED FROM PUBLIC FUNDS

SOURCE: OECD REPORT ON FRANCE, FEB. 1977

*decapitalization* which is destroying the legacy of the Gaullist period. Productive investments remained negative during the last three year period: after falling by 10 percent in volume terms in 1975, private non-residential investments did not pick up significantly in 1976, and their growth — achieved only in the first half of the year — was limited to about 3 percent in volume terms for the whole year. Latest estimates are that private industrial investment will drop by 2 percent in 1977.

A recent survey conducted by the Credit National on the financial situation of a representative sample of industrial firms leads toward even more pessimistic forecasts. More than 40 percent of the firms ran into losses in 1975 and 60 percent did not give any dividends. Their total indebtedness has sharply increased up to over 100 percent of their equity and their self-financing capacity has fallen down to 34 percent of their resources, against figures superior to 70 percent in the early seventies.

In terms of financial resources, the firms are also completely squeezed. First, the current, prohibitive bank interest rates required to keep the franc stable (13

percent for creditworthy corporate users) exclude any substantial increase in investments whatever the (minor) financial assistance given by the state to small and medium sized companies. Rates on the bond market are around 11 percent, which represents around 12 percent in financial cost. A recent survey of the Commission des Opérations de Bourse — the French SEC — reveals that the share of the financial market in the financing of fixed asset formation fell from 12.5 percent in 1975 to 10 percent in 1976.

Finally, the long-term sacrifice of the scientific potential of the French industry is reflected by the collapse of investment in R and D in the most advanced sectors — atomic research, energy, computers, etc. — while the fall in housing (see Table 2) shows the long-term reduction in the living standards of workers.

The French stock market, after a 5 percent fall in two sessions following the results of the recent municipal elections, has fallen an additional 5 to 10 percent in the two sessions after the announcement of the new Barre government and its follow up 12 month program to the first "Barre plan."

## IMF Loan Conditions Spell Economic Suicide

### ITALY

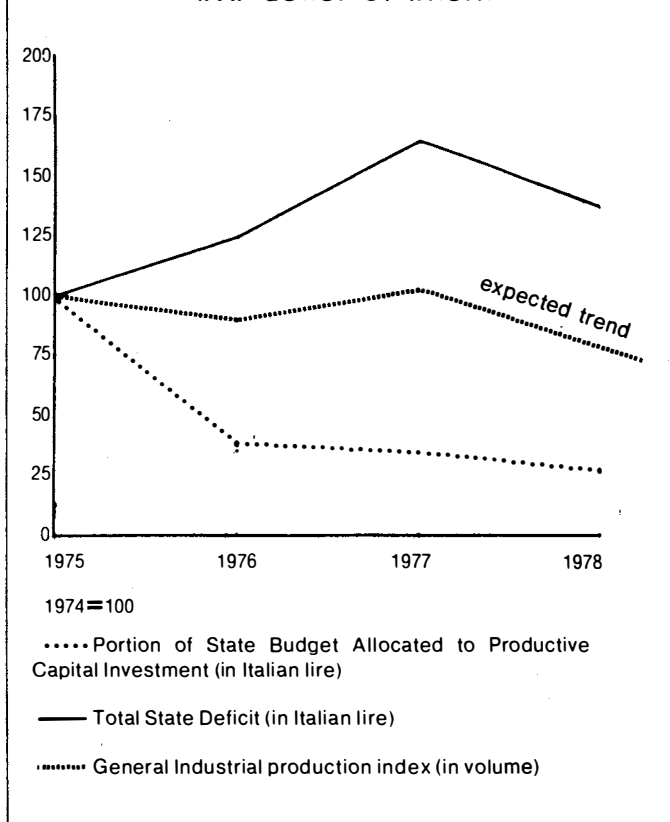
Contrary to what the International Monetary Fund (IMF) laid out in its official "Letter of Intent" to be signed by the Italian government, the conditions accompanying the pending \$530 million IMF loan to Italy will drastically cut output potential.

There can be no illusions about the "recovery" which Italy experienced in 1976. The outstanding elements of this "recovery" — the approximate 40 percent yearly increase in exports, and the 12.3 percent volume-increase in industrial production — were based firmly on the austerity policy carried out by the government and dumping on the international markets facilitated by the devaluation of the Italian currency. The IMF conditions, as officials in the IMF privately admit, will greatly reduce Italy's output for 1977. 1977 will not turn out as the IMF envisions, as a "year of Zero Growth" for the Italian economy; it will be a year of "negative growth" — the collapse of the country's industrial potential in short-term.

In Italy nearly 50 percent of all industry is nationalized. One of the IMF's major conditions, that the Treasury deficit be contained at 9,800 billion lire will nearly dismantle the massive state industrial sector. This cutback in the Treasury deficit from the original 1977 state budget projection of 13,800 billion lire forces a drastic curtailment of internal credit. This, in turn, will be immediately felt in the rate of capital investment.

As seen in Graph A, there is a direct correlation between the state deficit and industrial output. Italy, being a

Graph A — State Budget and Industrial Production Projected According to the IMF Letter of Intent



throughput economy, necessarily must increase its state deficit to import the raw materials to process for exportable goods. The IMF's condition that the state deficit be slashed from the 1976 level of 11,515 billion lire would therefore produce a corresponding drop in industrial output. Already it has been shown that a downward tendency of state budget allocations to the productive sector means a corresponding drop in output. Even prior to the time the IMF's conditions were revealed, the state budget foresaw a 25.5 percent decrease in such allocations for 1977.

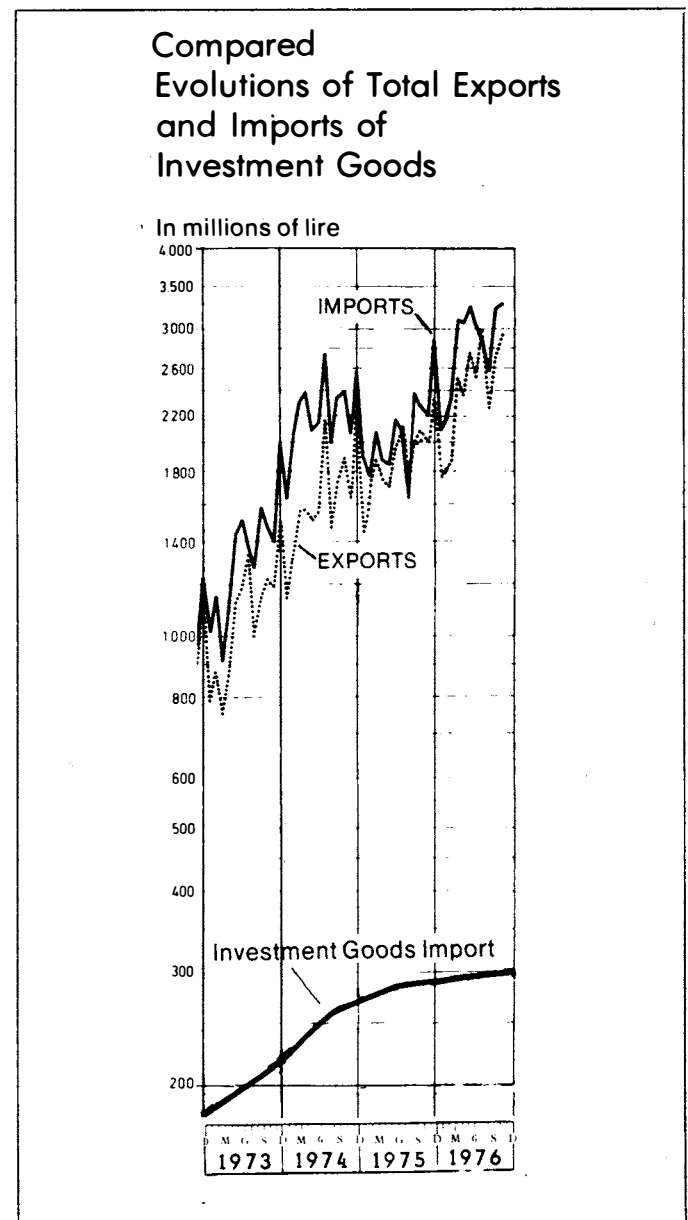
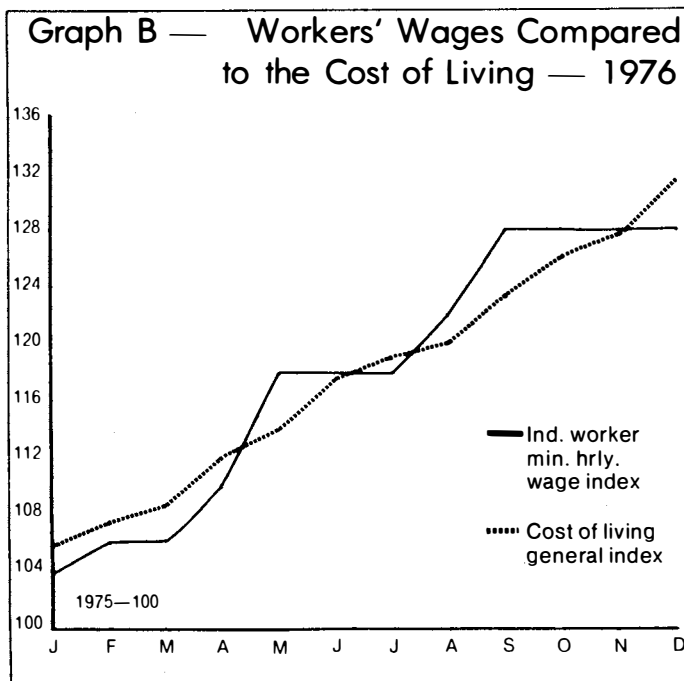
The Italian state industrial sector has been spearheading the drive for increased trade and development with the oil-producing countries and the CMEA. In order to meet commitments already made in these deals, in January 1977 Public Sector Minister Antonio Bisaglia laid out the baseline needs for the expansion of the public sector. Bisaglia asked Parliament at that time to approve a 3,800 billion lire grant. However, the government cut the amount to 1200 billion. The IMF conditions would put it at less than 700 billion. At the time Bisaglia first addressed the Parliament on the need for the 3,800 billion lire, he made clear that there was no turning back now for the public sector. The commitments to expanded trade and development had been made, the initial investments in capital expansion had already begun. Exemplary of the plans now laid aside is the massive Gioia Tauro steel complex in the South.

While the public industrial sector had begun massive capital investments, individual industrialists had been using up their inventories of raw materials to obtain 1976's 12.3 percent increase of industrial output. On March 22 *La Stampa's* regular Brussels correspondent Renato Proni revealed that the IMF had imposed new "secret" conditions on Italy as well. One of these secret conditions — the government must slash the balance of payments deficit from the 1976 level of 2,300 billion lire to 500 billion lire by March 1978 at the latest. This cutback

would quickly end any possibility for rebuilding raw materials inventories. Official employers' associations estimate that the raw material prices on the world market would rise at least an additional 2.2 percent in real terms during 1977. In fact, the rise for January and February only is already superior to 5 percent in real terms due to the New York banks' speculation on commodities.

Since Italy's major import deficits were registered in oil and food, the cutbacks not only affect industry, but the living standards of the workforce as well.

Cutbacks in imports, coupled with other IMF demands, will destroy the labor power of the workforce. The IMF also plans massive cutbacks in the state-subsidized health insurance and a halt to all state aid to the cities and local administrations. As shown in Graph B, Italian wages, which are indexed to a cost-of-living escalator, are barely keeping up with the rapid rise of the cost of living. And the cost of food and clothing are much higher than the general index itself.



If Italy bows to the IMF's condition that the COL escalator be overridden by an across-the-board increase of the value-added-tax (VAT), the employed workforce would fall behind the rising cost of living rapidly. The final proposal apparently accepted by Italy's Treasury Secretary Stamatii, excluding the government raise in tariffs from the COL, would promptly lead toward similar effects.

Once real wages and food imports are cut, there will be a drastic cutback in the caloric intake of the working class. Coupled with proposed reductions of 6,550 billion lire in the state health insurance fund for 1977, this makes an epidemiological disaster an immediate danger. The Italian south is already the scene of epidemics during the summer months.

#### *The Fight*

Immediately after the announcement of the IMF's conditions, stiff opposition appeared. Naturally, the most vehement reactions came from the state industrialists themselves. Cesare Merzagora, formerly of the state steel complex, Finmeccanica, stated in a guest editorial in *La Repubblica* March 20: "Zero Growth will destroy the economy...a most dangerous tendency which increases unemployment and leads to its related problems of violence in the streets and of confrontations with the police and carabinieri...Dollars which are waved under our noses like so much sausage in front of famished puppies, certainly will not improve the situation if we were to continue to remain rigidly within the sphere of

the remedies prescribed by the IMF."

The four major public and private corporations — Fiat, Pirelli (both private) and Montedison and ENI (state-owned) — finding that the capital needed for investment from the state are tied up, have taken independent steps to get capital investment from other sources. Both Pirelli and Fiat have been relatively successful in getting these expansion funds. Fiat did so with its December 1976 deal with Libya. Libya's investment in Fiat raised Fiat's capital holdings from the 600 billion lire level to 850 billion lire. Pirelli, by floating of new shares increased its capital by nearly one-third. But the state-sector companies, in dire need of new capital financing, have, as in the case of Montedison, become entangled in banking deals with Mediobanca which threaten bankruptcy.

Since the immediate post-war period, the Italian Communist Party (PCI) has collaborated with state sector industrialists to build up Italy's nationalized industries; now the PCI has gone on the offensive against the IMF's demands. The presently convened provincial conferences of the PCI have become planning sessions to mobilize workers against the IMF. PCI presence in the trade unions, is a significant rearguard bulwark against the IMF demands.

But the only solution for the credit-squeezed Italian economy *now* is the actualization of a new system of credit based on a major capital-intensive policy for increased trade and development with the Third World and socialist sector.



# Sadat Maneuvers For Room Before Visit To U.S.

Egypt's President Anwar Sadat, on the eve of his scheduled visit to Washington on April 5-6, is maneuvering for his political existence by lining up support in Western Europe and the USSR for an expected bitter confrontation with the Carter Administration.

In addition, in a series of statements Sadat has indicated that he cannot endorse the provocative Carter conception of "peace," outlined in a scattered manner by Carter since a press conference in early March. First, Sadat said in a *Business Week* interview, published this week, that if there is no peace settlement this year, he will blame Carter, and not the Israelis. "Frankly, my people will blame the U.S., not Israel... They will blame the U.S. because it did not exert sufficient effort to reach a settlement while it could."

Then, in a televised interview with CBS, Sadat publicly castigated the Carter proposal to establish "defensible borders" for Israel outside the 1967 lines, a proposal that is unacceptable to the Arabs because it would legitimize Israeli occupation of Arab land. "It is a question of sovereignty," said Sadat.

The remarks by Sadat, who is not known for his opposition to the U.S., reflect a growing consensus within Egypt that Sadat's so-called "American connection" has not paid off. From the Egyptian military and from the left and students, tremendous pressure is building on the Egyptian leader to demonstrate that his continued pleas to the Arabs to trust in the U.S. have been worthwhile. A former editor of Egypt's largest daily newspaper *Al Ahram*, Mohamed H. Heykal, said today that the Arabs cannot rely on the U.S. to bring about peace, and said that Carter was trying to "dupe the Arabs."

On the international level, Sadat is seeking to gain allies for his expected showdown with Carter and NSC Director Zbigniew Brzezinski next week. Before coming to the U.S., Sadat is visiting both Bonn and Paris, stressing

to the Europeans the necessity to recognize the PLO in spite of U.S. and Israeli pressure. At a press conference in Bonn today, Sadat — whose economic crisis at home has pushed Egypt to the brink of total collapse — said that Europe and the Arabs must work together for a world economic revival, and called for the establishment of a Mediterranean "zone of peace." West German Chancellor Helmut Schmidt responded to Sadat by adding that he would favor the convening of a Geneva Peace Conference in 1977.

In addition, Egypt and the USSR signed a trade agreement this week that represents a 14 percent increase of Egypt-Soviet trade in 1976. There are certain signs of a warming up of Egyptian-Soviet relations, indicated by Sadat's announcement that the USSR has agreed to supply Egypt with 50 Mig fighters that had been sent to the Soviet Union for repairs and new engines last year.

But the crucial question is whether Carter will continue his stated aim of forcing Sadat to accede to the demands of U.S. policy in the region, including to break Egypt's ties with the Palestine Liberation Organization. A State Department official said this week that although the demands that would be placed on Sadat might not set too well in Cairo, "We're not afraid that Sadat is going to be overthrown. He might be, but I doubt it." He said that Sadat's vehement opposition to the shape of Carter's Middle East policy was "just posturing."

"When they get behind closed doors, let their hair down, press the flesh, look at the eyeballs — then we'll know what the Egyptians really think," he said. "You have to scrape off the layer of posturing."

A West German columnist was more blunt. He noted that Sadat has been unable to discipline the PLO to follow Washington's dictates, and asked: "Do we need Sadat? The answer is no."

## Israeli Hawks Brandish Preemptive Strike Threat

Key Israeli press last week threatened Egypt, Saudi Arabia, and allied Arab states with an Israeli preemptive first strike. Ze'ev Schiff, Israel's leading military correspondent and an acknowledged conduit for the country's warhawk faction led by former Defense Minister Moshe Dayan and current Defense Minister Shimon Peres, wrote in the daily *Ha'aretz*: "Israel has the moral duty

to take the initiative to attack first, from the moment that it becomes clear that Arabs are preparing to do it." Citing "Israeli intelligence reports" about Arab mobilizations, Schiff concluded, "The Arabs... court the risk of seeing themselves preempted." (See below).

Coming in the context of increased signs of National Security Council instigated terror in the region, the calls

for a preemptive strike in Israel are aimed particularly at Egypt — to force it to break with the Palestine Liberation Organization and accede to New York banks economic demands — and Saudi Arabia which has refused to participate in a bailout of the International Monetary Fund.

Then, in an act of hostility to the Arab nations, Israeli aircraft yesterday provided air support for the armed militias of Lebanese Christian commander Camille Chamoun, who is now engaged in a campaign to liquidate the Palestinians in the south of Lebanon. The Israeli actions are a dangerous action against Syrian peacekeeping forces in Lebanon in particular, who have refrained from going south to avoid incurring an Israeli strike against Damascus as threatened by Israeli Defense Minister Shimon Peres a month ago.

Dayan and his allies, asserts a former Israeli parliamentarian (see below), are trying to “create a mood” that Israel’s survival is in jeopardy and that war preparation must begin. According to that source, Dayan is preparing a coup d’état against Prime Minister Yitzhak Rabin much like the coup Dayan carried out against former Prime Minister Levi Eshkol that opened the way for the June, 1967 Middle East war. Dayan is now threatening to quit Rabin’s Labour Party and form an alliance with pro-war Generals Ariel Sharon and Ezer Weizman and with the ultra-rightist Likud opposition bloc if the Labour Party does not change its electoral platform and drop the sections calling for an Israeli withdrawal from the Israeli-occupied West Bank.

Prime Minister Rabin personally issued an order for an immediate halt to the preemptive strike threats in the press, while government officials close to Rabin are letting it be known that there is merit in recent Arab peace proposals and that Israel must respond with proposals of its own. The *Christian Science Monitor* reports that Rabin is particularly open to the Saudis, who are viewed favorably because of their potential role in funding a regional economic development program and stabilizing the region.

On March 28, the government-linked *Jerusalem Post* editorially attacked Dayan for issuing an “ultimatum” to the Labour Party to drop its pro-peace policies and reported that Rabin is resisting Dayan’s demands. The newspaper *Davar*, associated with the government-allied Histadrut labor confederation, accused the *Ha’aretz* for playing up the “Arab war threat” rumors unnecessarily.

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### ‘It Is The Season Of The Generals’

*The following is an interview with a former member of the Israeli Knesset (Parliament):*

**Q:** What do you make of the preemptive strike talk coming out of Israel?

**A:** Israel is a nation of whiners. They always think they are in great danger. They think the world is out to annihilate them. They fear Carter and they yearn for Kissinger like a security blanket. Carter said, You must evacuate

all the territories, and the Israelis get worried. They don’t care about whether he said eight years or 800. All they care about is the territories. Israel is not interested in peace.

The present situation is warped because of the election. Peres and Dayan are behind the trouble. They and others want to depict Rabin as a great nebbish, a nothing, a failure. They say that he came back from the U.S. with nothing.

**Q:** So you see a conspiracy against Rabin by the hawks?

**A:** Of course. The military hawks are moving to undercut Rabin. Rabin is crazy and stupid, as I have told you, but he is Israel’s only authentic dove. Those moving against him are Sharon, Dayan, Ezer Weizmann. It is the season of the generals. What is bad is that Gen. Tal, who is sort of a dove and a real intellectual, is talking about a preemptive strike on the grounds that in three years the Arabs will have become superior and Israel will have no chance.

What works against this is that there is no real military argument for a preemptive strike. Israel has a 21-day supply of military arms, not just nine days as previously, and this gives some assurance. Even Tal admits that Israel could win any war in five days.

My feeling is that there will be no preemptive strike, at least until May 17, the elections. Then there may be real trouble.

**Q:** Can Yadin, leader of the Democratic Movement for Change, join Dayan and Begin?

**A:** No. Yadin will not go with Begin. He cannot. Begin has no credibility. Begin is being pressured to withdraw from the race, to let someone else head the opposition Likud bloc. Then, maybe Yadin will join. But watch Shmuel Tamir; he is the real leader of the outfit.

You know, Dayan is knocking at Begin’s door daily. But there is a problem. Dayan is a non-person, a liability. He is a lonely man.

Of course, *Ha’aretz* likes Dayan. That newspaper is the mouthpiece of Peres and Dayan. It is no accident that that is the newspaper that watergated Rabin and is now pushing the preemptive strike line. The staff of the paper is hugely pro-Dayan. The publisher of the paper, Shoken, is the son of the man who 15 years ago took in six of eight Dayanists into the paper, and they have remained loyal to Dayan ever since.

**Q:** Will there be a coup as in 1967?

**A:** No, I doubt it. It can’t happen now. If Rabin reveals himself, if he shows his true character, a real program, and offers far-reaching concessions, his popularity will rise dramatically.

The hawks cannot force Rabin into making a preemptive strike before the elections. But they can create a mood, however, in the population. The problem is that Rabin is stupid, really stupid. He insists like a bulldog on the Labour Party platform that calls for withdrawal from the occupied territories, including the West Bank, which is the reason that Dayan is quitting the party. But Rabin won’t go any farther than that.

## Israeli Chief Of Staff:

### 'I Do Not Rule Out A Preemptive War'

*The following is an interview with Israeli Chief of Staff Mordechai Gur broadcast Jan. 16 by the Israel Defense Forces:*

**Q:** Is there a realistic possibility of a preemptive strike?

**A:** You must certainly remember that immediately after I was appointed Chief of Staff I said at one meeting that the option of a preemptive war or of a preemptive strike remained at the disposal of the State of Israel as it had been in the past. I said this because in the wake of the Yom Kippur war and as a consequence of its, several assumptions developed to the effect that in the new political situation that option was no longer open to the state.

I thought that assumption was wrong. A single case, like the Yom Kippur war, however sad and difficult it was, cannot be used for making inferences about the future of the State of Israel. My assumption is that the stronger the army is, the greater our freedom of political maneuver will be. When I say the freedom of political maneuver is greater, this also includes the capability of making the first strike and the capability of setting out on a preventive war...

We ourselves are in a state of preparedness for war. This is not merely a slogan. It is an operational fact, because the Arabs capable of starting a war at any time.

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## Israel In Mood For Preemptive Strike

*The following is an interview with a spokesman of the Brookings Institution in Washington, D.C.:*

**Q:** Who is behind the preemptive strike talk coming out of Israel these days?

**A:** The talk about the need for a preemptive strike reflects a certain mood, a certain fear in Israel that, given the lessons of the Yom Kippur war, Israel should not neglect war preparations and always be aware that despite efforts to make peace, war is always an option to be

ready for. There is a definite feeling in Israel that the current political process — the elections, the talk about a settlement — should not prevent Israel from taking measures in preparation for a first strike.

Gen. Tal, an advisor to the Minister of Defense, is the one who triggered the whole thing off. Tal is interesting. He's definitely dovish, and he's an outsider, not particularly close to anyone — not to Peres either. His ideas don't reflect anyone but himself. So, if he expresses some concern over the need for a preemptive strike, you can be sure that the base of support for the thing is broad.

Rabin's call for a stoppage of newspaper coverage of the thing is due only to the fact that he might have felt that the whole issue is not really propitious at this time, what with elections coming up. In any case, Rabin and his calls for a halt can't influence anyone.

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## There Are A Thousand Scenarios For A Mideast War

*The following is an interview with a State Dept. official:*

**Q:** How do you evaluate the talk in Israel of the need for a preemptive strike?

**A:** The Israelis are manic-depressive. They panic easily. But in the end, the real power rests with Rabin, at least until the May 17 election. Rabin is in hot water, of course, with the suicide of Housing Minister Ofer, the attempt by Peres to win the Labour Party nomination, the illegal bank account in the U.S., and so forth. But nonetheless, it is required that the Prime Minister give the order for a preemptive strike. No matter how mean the fight gets domestically, and it gets pretty rough in the trenches, everybody in Israel believes in the system. Ultimately, Rabin will determine things, and I don't think there can be a coup. After May, however, and the elections, well — who knows? There are a thousand scenarios.

# Arab Revenge For Entebbe On NSC Agenda

This week, a line clearly emerged in the U.S. press and elsewhere pinpointing the Middle East as a strategic target of a major "terrorist incident." Making public National Security Council scripts for terror-counter-terror, State Department expert Douglas Heck announced in the *Washington Post* March 29: "We're overdue for another (Arab terrorist) episode in retaliation for Entebbe. I expected it before now."

The *Washington Post* indicated that such a retaliation was likely to occur over the recently announced secret trial in Israel against five alleged Palestinian terrorists, jailed in Israel for the past year, who are charged with trying to shoot down an El Al passenger plane in Kenya. Three of the prisoners are reportedly members of the Popular Front for the Liberation of Palestine. The trial is

thus a timely pretext for terrorist reprisals likely to be directed by Wadi Haddad, an operative of Interpol and Washington, D.C.-based Institute for Policy Studies, who is directly tied to the two NATO-controlled gangs, the Baader Meinhoff and the Japanese Red Army.

Looking forward to such a contingency, the Israeli Foreign Ministry this week made known its "regret that the international community has so far failed to find an efficient way to combat the Palestinian terror organizations."

The real target of any new Arab terror, however, is not the Israelis but the Arab nations, particularly Egypt and Saudi Arabia. Max Kampelman, executive director of the Committee on the Present Danger, identified Saudi Arabia and Egypt as the Arab states whose governments

could be toppled through an outbreak of "terrorism, war, or increased and prolonged tensions." The brains at the National Security Council are hoping that letting loose terror will disrupt continuing Saudi negotiations to nationalize the Rockefeller-controlled ARAMCO oil company and break persistent Saudi resistance to handing over petrodollars to the International Monetary Fund.

If properly targeted, an incident of Arab terror has the added advantage to the Carter Administration of creating the kind of crisis needed to impose the rigorous energy austerity on the United States industry and consumers, Carter energy czar James Schlesinger is seeking.

Below is a rundown of statements of scenarios for Mideast terror with some revealing explanations as to their functions:

*Washington Post*, March 29: Ambassador Heck of the State Department's Office for Combating Terrorism.

"We're overdue for another (Arab terrorist episode) in retaliation for Entebbe.... I expected it before now."

Regarding the Cuba-U.S. anti-hijacking pact: "We'll probably have to have a couple of hijackings to prove (the U.S.'s determination to win its renewal.)"

*State Department Office for Combating Terrorism*, March 29 interview:

"It is rational to assume that there will be an act of revenge for the Entebbe incident. The terrorists will not let Entebbe go by. The explanation for the lack of Mideast terrorist incidents is probably that the terrorists have been preoccupied with the conflicts in Lebanon and internecine warfare. It is rational to assume that extremists will do something if there is a settlement in the Mideast situation. In general, terrorism is going up, not leveling off although the nature of it is changing. The fact that there has been a lack of spectaculars means that there are going to be more due. We always feel that the

longer a period of time that goes without a terrorist incident, the more likely that one is being prepared."

*Max Kampelman*, executive director of the Committee on the Present Danger, March 29 interview:

"Any kind of political instability (such as a major terrorist incident) in the Mideast region could knock the present one-family regime in Saudi Arabia out in a second. The Saudis have a real jewel, their oil, which many people want to grab. I don't know how long their cooperation with Egypt can continue."

*George Tyler*, an aide to Senator Hubert Humphrey (D-Minn.), March 29 interview:

"They could sink a ship in the mouth of the Red Sea, capture a tanker and put a bomb in it in the middle of the Gulf of Aqaba or the Strait of Hormuz (the latter links the Persian Gulf to the Indian Ocean and is Saudi Arabia's main point of access to the sea — ed.), and if any ship passes, threaten to blow it up. They could do the same thing to the Houston (Texas) channel."

"Besides this, they could pull off an incident that could spark a Mideast war and force an embargo on us ... this would push the Administration's program along faster."

*Mr. Caucasian*, Ambassador Heck's top aide and Latin American terrorist expert, March 28 interview:

"Off the record ... there are two basic patterns in Latin America: A shift from attacks on American diplomats and personnel and a trend toward kidnapping businessmen. These are the people with the money anyway. Another trend in Latin America and especially in Argentina, is a shift from kidnappings to assassinations. This is aimed at driving out foreign business to diminish the economic capability of countries, and eventually bring down the government."

# Carter's Asia Policy

In the week since the fall of the Gandhi government in India, syndicated columnists Joseph Kraft and William Safire have called on the U.S.A. to create a new "triangle" of nations to contain Soviet influence in Asia. These suggestions have fallen on receptive ears in the Carter Administration, which has signaled it wants to bring about a new India-China "detente" based on the anti-Soviet tendencies of the ruling governments of both countries.

The Soviet Union's setback in India can result in additional strategic gains for the Carter Administration only to the extent that pro-development leaders in other Asian countries — Pakistan's Prime Minister Bhutto, Indonesian President Suharto, and Sri Lanka's Prime Minister Bandaranaike — are forced to end their resistance to World Bank demands and friendship with the Soviet Union. Within a week of Mrs. Gandhi's ouster, these governments have come under heavy attack. The Carter policy for Asia is war, to be brought about by such

"allies" as the Janata Party in India, the CIA-trained Pakistani military establishment and even the remnants of Maoists in China.

The deterioration in the Indian situation is reflected in recent developments regionally. In Pakistan, Bhutto is under pressure from the military establishment to quit. A spokesman for the Sri Lankan foreign ministry has announced that Sri Lanka is receptive to Carter's Indian Ocean demilitarization proposals — even without the full dismantling of the U.S. base in Diego Garcia. If this is the case, it would make a mockery out of the non-aligned group's proposal to turn the Indian Ocean into a zone of peace and development.

What follows is an analysis of two key Asian situations — India and Indonesia. If Safire and Kraft's "scenarios" for U.S. intervention are followed up, these two countries will be the first targets. Instability there spells chaos, communal wars, hunger and famine on a scale never before witnessed.

## Desai's Program: Domestic Misery, Regional War

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### INDIA

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Only one week in office, India's new Janata Party government has already moved to reverse in all domestic and foreign policy areas, the fundamental commitments made by the Gandhi government. Prime Minister Morarji Desai has announced a major reappraisal of India's friendly relations with the Soviet Union. His new finance minister H.M. Patel has halted all new state sector development projects, freezing India's Five Year Plan and announcing that the government will henceforth embark on a new economic program favoring deindustrialization, ruralization, self-reliance and slave-labor "full-employment."

These policies are behind the fear in many informed circles that, within weeks, India will face working-class rioting, strikes and chaos in its northern states, and a major North-South confrontation provoked by the fanatical northern Hindu sect Jan Sangh, part of the ruling Janata Party. Apprehensions in India's southern states, where the Janata Party lost by large margins to the Congress Party, were substantiated last week when the Jan Sangh initiated no-confidence motions, strikes and walkouts to force secular Congress Party state administrations out of office.

The most optimistic Asian scholars give Desai only an outside chance of lasting out the year. A desperate conglomerate of four or more parties, with conflicting ideologies, the landlords, "socialists," rich peasants, moneylenders, and monetarist business backers of the Janata have unified around deindustrialization policies that will surely set off massive unrest in India's huge industrial workforce. Religious chauvinism, explicitly espoused by the Jan Sangh Hindu supremacists, violates the concept of India as a secular, stable nation, the basic commitment of the Congress and Mrs. Gandhi that the Janata has now moved to eradicate. Regional chaos is merely one step beyond.

#### *Foreign Policy*

The reversal of Mrs. Gandhi's policies of peace and development is most clearly seen in the string of outright provocations against the Soviet Union and the non-aligned movement evident in Morarji Desai's first foreign policy statements. According to the *London Times*, "Desai has emphasized that the (Indo-Soviet) treaty could not be dissolved but should it ever hurt India's interest it would be for the Soviet Union to do what they want in the light of India's 'non-aligned' stance." Promptly thereafter Desai accepted the resignation of Planning Commission chairman P.N. Haksar, one of the leading pro-socialist development planners involved in

making Indo-Soviet economic relations the backbone of the economy.

On March 28, in a parliamentary address written by Desai for the Indian President B.M. Jatti, the parameters for beginning a new economic policy was announced. Desai made full employment his top priority, "It may not be to the liking of everyone, but we will see that each man gets a livelihood — that much is possible," he said. Then he charted out the resettlement of millions from India's cities into the countryside and the "reassessment" of high-technology development projects, like India's nuclear energy program, in favor of employment in planning and implementing labor-intensive agricultural projects.

Desai's economic intentions were received with cheers by the World Bank and the Carter Administration. On March 27 the *Journal of Commerce* interviewed former World Bank executive director Eugene Black, who praised Desai as an "economic realist." The *Washington Post* welcomed Desai's ideas as an endorsement of Carter's nuclear energy "ban." In an editorial the *Post* even suggested that India could be used as a model to dissuade other Third World countries seeking nuclear power plants.

#### *How to Implement Policy*

To get this policy through, a new Janata cabinet "democratically" composed of a member from each Janata faction, has been appointed. Desai, as Prime Minister, is the IMF's favorite politician in India, and the leader of the anti-China lobby which in 1962 played a key role in the Sino-Indian war hysteria. A.B. Vaypayee, the new Foreign Minister is leader of the Hindu revivalist party, Jan Sangh, known for its fanatical anti-Pakistan and anti-Soviet pronouncements. Finance Minister H.M. Patel is associated to the Swatantra Party, the most reactionary business group. Steel and Mines Minister Biju Patnaik is a big industrialist avidly opposed to nationalization and Indian state sector development. George Fernandes, the new Communications Minister is a "Marxist" who may well come into conflict with right-wing Home Minister Charan Singh, his "former political enemy."

That Desai will face tremendous difficulty in implementing his policies in the face of a strong development planning and state sector base is well understood by the Janata Party itself. Every political measure the government has taken since it has come to power has been aimed to intimidate and force the pro-growth axis to surrender its programs without resistance. The Indian daily *Patriot* of March 26 reported that following Desai's announcement that all prisoners held under the Mainte-

nance of Internal Security Act (MISA) were to be released, all of India's major cities saw the Jan Sangh's Hindu militia practice military drills in the major parks.

It is this wing of the Janata Party that is primed to provoke chaos. According to sources close to Desai, he is counting heavily on the Jan Sangh, the major party in the Janata coalition, to bring down at least four major Congress Party-controlled state governments in northern India before the summer. In the week Desai has been in office, five northern states were assaulted by Janata Party led no-confidence motions against the state assemblies.

The fall of the Kashmir government demonstrates aptly how domestic instability in India can set off internal chaos and regional war. Kashmir borders on Pakistan is still disputed territory. Election campaigns are a focus for fomenting Hindu-Muslim tensions. The Gandhi government had based its Kashmir policy on secularism, and Pakistani Prime Minister Bhutto had moved toward a similar position in recent months. Now the push for elections opens up various possibilities — either to use the "Pakistani threat" to unify India for domestic austerity policies or to give the revanchist anti-Indian Pakistani military the ideal issue to oust Bhutto.

The Kashmir instability plays into Bhutto's own domestic problems. He has faced riots produced by religious fanatics for the past three weeks, and barely weathered a nationally called general strike last month by declaring a holiday. Still, 10 people were killed in riots in the Punjab region and the city of Lahore, where demonstrations brought down the military dictator of the 1960s, Ayub Khan. British papers last week began to report for the first time tremendous schisms inside Bhutto's own Peoples Party. In Punjab one party official has been quoted as saying, "Only an act of bravery can save him. If what he is talking about is a single party system plus the army, he will not last." The U.S. weekly *Seven Days*, last week "predicted" that the actions of the Islamic parties coalition will force Bhutto to call on the military to quell the riots. Such a call would be an open admission of inability to rule.

Elsewhere on the subcontinent, the fall of the Gandhi government prompted Amnesty International to request Carter to cut off all economic aid to Bangladesh on the issue of "human rights." Amnesty International is now defending the freedom of the Jatiyo Samajtrantir Dal (JSD) prisoners, the very people who involved in the assassination of Bengali President Mujibur Rehman in August 1975 and the attempt to bring down the Bangladesh government. In November 1975 the JSD, a virulently anti-Indian Islamic sect unsuccessfully attempted the assassination of Indian Ambassador Samar Sen in Dacca.

# World Bank Cracks Down On Indonesian Oilmen

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## INDONESIA

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General Ibnu Sutowo, the former president-director of the Indonesian oil company, Pertamina, and a key figure in the Indonesian pro-development faction, has been put under house arrest. Although no formal charges have been brought against him, Indonesian Secretary of State Sudharmono told reporters that his arrest is linked to ongoing investigations into allegedly illegal business practices involving the chartering of a tanker fleet. As many as 30 other Pertamina officials have reportedly been arrested as well.

Sutowo's arrest coincides with the April 5 meeting of the World Bank's Inter-Governmental Group on Indonesia (IGGI), the aid consortium that oversees Indonesia's 12 billion foreign debt. It also follows rumors circulating among European oil industry circles that the Carter Administration is planning military coups among "fringe" OPEC countries — Indonesia is one. Furthering this coup scenario, Lewis Simons, a correspondent for the *Washington Post* known to have links to the CIA, has run a series of articles telling of widespread disaffection among the Indonesian population, including the military, because of "widespread corruption" that reaches all the way up to President Suharto's own family.

While chief of Pertamina, Sutowo came into sharp conflict with the IMF because of his oil-for-technology deals with powerful but oil-hungry European and Japanese industrialists during the early 1970s. Being a major proponent for a capital-intensive development strategy, he was and still is at odds with the U.S. trained "technocrats" in the government's economic ministries who are loyal to the World Bank's labor-intensive rural development schemes. Sutowo was dismissed from his position last year only after the World Bank and IMF threatened to cut off all aid to Indonesia. Since his dismissal and the subsequent handing over of the company to the tutelage of technocrats, the IMF and New York banks who "bailed out" the company with over a billion

dollars in loans following its collapse, have ensured its operation furthers their own interests especially the interest on the Indonesian foreign debt.

A spokesman for the U.S. Agency for International Development, the governmental agency representing the U.S. at the April 5 IGGI meeting, has said the U.S. will demand the scrapping of Indonesia's capital-intensive development programs, and increased efforts to finance development though the "mobilization of internal resources," a polite phrase for internal austerity and increased income taxes.

The take over of Pertamina by supporters of the World Bank is central to forcing Indonesian capitulation— important not merely to secure looting rights, but to undermine the use of Indonesian oil to solidify anti-austerity allies among European and Japanese industrialists.

Already Japanese industrial consumers are worried over cutbacks in Indonesian crude shipments from Pertamina. According to reports in the March 28 *Asahi Evening News*, a major Japanese daily, the cutbacks are due to increased U.S. purchases. Among those said to be arrested in Indonesia are Tirto Utomo, Pertamina's former legal advisor and John Nizar, former top Sutowo advisor, both of whom were instrumental in dealing with Japanese industrialists.

Meanwhile Lewis Simons of the *Washington Post*, kicked out of India and Bangladesh last year, tells his readers that Indonesian corruption involves even President Suharto. It is said that Suharto has moved against Sutowo in part because of such allegations. Suharto has appointed a three-man team to investigate Sutowo's involvement in over \$2 billion in tanker charters with Geneva-based tanker charterer Bruce Rappaport. The Indonesian government has been receiving backing from its creditors in its case against Rappaport, who they claim defrauded the Indonesian government with overpriced charters which the government claims it is not obligated to honor. The tankers were chartered in the 1972-74 period, at the height of Sutowo's oil-for-technology wheeling and dealing in an effort to build an independent national tanker fleet.



## Comecon-Africa Trade Bloc In The Offing

The current tours of Soviet Union President Nikolai Podgorny and Cuban President Fidel Castro through Africa, combined with recent visits of other socialist country leaders have given impetus to several projects of regional economic integration on the African continent and may, according to informed political observers in Europe, lead to the creation of a Comecon-Africa trading bloc.

President Podgorny was particularly successful in improving Soviet relations with Zambia, whose collaboration is essential to establishing a planned economic bloc among the front-line states, and whose president, Kenneth Kaunda, recently elaborated a policy for debt relief and the new world economic order. The improvement in Zambia-Soviet relations has been brought about largely by what President Kaunda called the "ambiguous policy of the West..." toward southern Africa, which impelled him to "turn to the traditional ally of fighters for freedom, the Soviet Union and other socialist countries." Kaunda also attacked the western oil companies for their support of the outlaw Rhodesian regime of Ian Smith.

After his Zambia visit, Podgorny flew to Mozambique where he and President Samora Machel signed a Soviet-Mozambique Friendship Treaty similar to the treaty signed with Angola last year. Upon leaving Mozambique,

Podgorny was expected to return to Tanzania for additional talks with President Julius Nyerere.

To counter the Soviet diplomatic drive, the U.S.-linked counterinsurgent Reverend Sithole of Rhodesia held a news conference in Lusaka, Zambia — timed to conflict with a meeting between Podgorny and three liberation movement leaders — in which he denounced the exclusive support given by the front-line states to the Zimbabwe Patriotic Front coalition. Sithole claimed to have support from numerous African states for his "legitimacy" as a liberation movement leader and threatened to split the meeting of the Organization of African Unity this summer over the issue. His counterinsurgent colleague Bishop Muzorewa, for his part, has issued a call for a referendum in Rhodesia to elect a black majority government — knowing full well that the Patriotic Front, banned by the Smith government, would be unable to participate.

This ploy has not succeeded. Zambian Foreign Minister Siteke Mwale angrily replied to Rev. Sithole March 30 with a reassertion of Zambia's, and the other front-line states' exclusive support for the Patriotic Front coalition. British Foreign Secretary David Owen, due to start a southern Africa tour April 11, also soundly rejected Muzorewa's referendum proposal.

# Rockefeller's 'Critical Choices' For Latin America

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Latin America: Struggle for Progress; Critical Choices for Americans, Volume XIV

Authors: James D. Theberge and Roger W. Fontaine

Publishers: Lexington Books, D.C. Heath and Company

193 pp., \$13.95

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Nelson Rockefeller's Commission on Critical Choices for Americans issued this month a blueprint for assuring the New York banks' debt payments and looting rights to Latin America through violent internal explosions, civil wars, invasions and a showdown with the Soviet Union over Cuba. This masterpiece collection of scenarios, entitled *Latin America: The Struggle for Progress*, was coordinated by Nancy Kissinger; its authors were James D. Theberge and Roger Fontaine, respectively the former and present director of the Latin American division of a leading Rockefeller think-tank, the Georgetown University Center for Strategic and International Studies.

The recommended options for controlling the continent all involve extensive use of violence, in each case perpetrated by agencies over which the United States will appear to have less and less control. "Violence should then be endemic in the coming decade in those societies that are the most socially fragmented, the most economically stagnant... Small scale violence, strikes, riots, terrorism and coups will continue." Argentina, Chile, Colombia and the Dominican Republic "could suffer from violent civil wars." "The inability to bring off a revolution will not lessen the turmoil."

For Mexico, the scenario for control of the nation that caused Rockefeller such headaches in 1976 is blunt. "Population control" may not be enough to control population pressures "which, combined with economic stagnation... may produce a violent, uncontrolled social and political explosion at our doorstep."

Venezuela, currently representing the most active danger to the U.S. from an incumbent Latin American government, will suffer activation of border disputes with Colombia and Guyana and possible invasion by Brazil, which is being prepared as a Nazi "breakaway ally" for the U.S. Between Brazil and Venezuela, the authors gloat, "the possibility of an inadvertent clash over national interests remains good..." Complementary to a Brazilian invasion, the report also threatens Venezuela with a military coup in the wings.

## *Brazil: The Nazi War Machine*

"Critical Choices on Brazil" presents the core of Rockefeller's strategy for Latin America. The success of all the various violence scenarios on the continent depends on the fragmentation of "Third World" Spanish America, and on a continuous threat to Brazil's pro-development northern neighbors of military attack and immediate potential occupation by that colossus. Profiling the potential for an upsurge in Brazilian nationalism, the report proceeds to describe precisely how it can be manipulated through "human rights" and other interventions to act as a "surrogate enforcer" independent of *direct* U.S. control.

The Commission "scenario," as events of the last weeks demonstrate, is now operational policy.

Through the phony "human rights" crusade, the Carter Administration is forging an "anti-U.S." united front of Southern Cone fascist regimes — a potential Nazi war machine led by the continent's "big power," Brazil, and profiled to march against Latin neighbors to the north and the socialist nations of Africa. The "human rights" intervention and U.S. armtwisting to sever Brazil's massive nuclear energy deal with West Germany has pushed Brazil to the brink of a total "breakaway" from the U.S. under the control of the most ultra-right political layers associated with former Brazilian president Medici; momentum is building within Brazil for rapidly gearing up domestic weapons production to supply not only Latin America, but foreign markets as well.

The Brazilian Air Force Commander, following the meeting of Latin American air force chiefs in Montevideo two weeks ago at which he organized for a unified Southern Cone command, made a special trip to Santiago for talks with his Chilean counterpart, Gen. Leigh. At a press conference March 24, Brazilian Gen. Araripe Macedo, with eager backing from Leigh, proclaimed the need for "emancipation" from dependence on U.S. and European arms supplies, based on the buildup of a Brazilian war economy. The Chilean daily *El Mercurio*, mouthpiece of the Pinochet junta, applauded the new Brazilian-Chilean "collaboration" in a March 27 editorial that called Brazil to take a "preponderant role" in forging an "anti-U.S." Southern Cone bloc. *El Mercurio* called on its neighbors to "subordinate local interests to the imperative of preserving the sovereignty and liberty" of the regimes targeted for military aid cutoffs by the Carter Administration.

## *The Essential Dangers*

The authors, who did the greatest part of their work

during 1976, detail profile after profile of the most important Latin American countries from the standpoint of how to manipulate and undermine any possible tendency toward the kind of development-oriented nationalism that created such great dangers to the Rockefeller empire during 1976.

Rockefeller terror of what could happen should Latin America follow through on the Third World's battle for debt moratorium and new world economic order is stated explicitly: "It is one thing for the region's republics to seek out Western Europe, it is quite another for them to join forces with the Third world, particularly those countries which are the most anti-Western, anti-democratic and anti-capitalist...If as this report suggests, Latin America's development is sporadic at best, then the region may well join the ranks of the viscerally anti-Western, and by extension, anti-American bloc."

A combination of newly refined scenarios to control "nationalism" and unmistakable warnings of U.S. potential to destroy any government that gets out of line provide Rockefeller's answer to these essential dangers to his empire.

The U.S. destroy missions against the strong pro-Third World governments on the continent that participated in the battles of the Non-Aligned nations, particularly the stunning "success" of the Rockefeller coup against the progressive "Peruvian generals" are deleted from the report, but the implications of those operations are shouted throughout. "Politically, there will always be some regimes (usually left-wing) attempting to align themselves with the aspirations of the Third World. The trend now, however, seems to be against third worldism in Latin America, owing in large part to the serious internal difficulties of countries like Peru and Argentina, who once championed such a policy."

For Latin American internal consumption, the report offers something "better" than the battle of the Third World against Rockefeller's genocidal policies. "(Latin America) belongs neither to the First, Second, or Third Worlds. It is not developed or democratic enough for the First World; it does not (except for Cuba) have enough Marxist police state regimes to belong to the Second; and, finally, Latin America has been independent too long, and is too developed, economically, politically and socially, to fit easily into the Third World. Thus because it is not yet committed to any of them, *the U.S. has the opportunity to encourage Latin America's adherence to the First World...*" (emphasis added).

The authors argue that despite the obvious economic benefits for the continent of expanding trade relations with Europe and the Comecon countries, U.S. predominance will prevail, given "Europe's calculated indifference" and the Soviets' total "lack of commitment," as evidenced by the fact that they "refused to provide the massive economic aid that the Allende government sought and needed to survive." The report makes clear that "Soviet aid programs remain one of the few available instruments for expanding Russian influence in Latin America while at the same time weakening U.S. Latin American ties..." but the Rockefeller profile of the Soviets portrays that as unlikely to occur. "The Soviets have expressed support for the New World Economic Order provided that order does harm only to western

interests."

U.S. ties with Latin America involve two key economic premises: ensured raw materials supplies and debt payment.

"Foreign debt," the authors emphasize, "may be Latin America's most serious international concern in the coming decade. It could, for example, result in a series of emergency meetings of governments, international agencies, and private banks by 1985 but it is unlikely that any satisfactory arrangement short of *continual debt rollover* (a kind of creeping moratorium) will ever be achieved."

"Growing discontent in Latin America over the post-World War II monetary system," says the report, should be dealt with by following a policy of ensuring stable prices for key commodities.

The raw materials control proposed by Theberge and Fontaine is the "International Resources Bank...proposed by (Henry Kissinger) at UNCTAD IV in Nairobi....Both host country and investor would from the beginning receive a fixed share of the raw materials."

Venezuelan and Mexican oil reserves are defined as key "strategic supplies," and the report demands — almost obsessively in the case of Mexico — U.S. "access" to oil supplies. One of the Commission's top "policy options" regarding Venezuela is the need to force a Venezuelan retreat from its nationalist adherence to Andean Pact Decision 24, the clause which strictly limits foreign investment in the region. Regional blocs such as the Andean Pact and SELA — which might threaten U.S. rights to raw materials looting and continued financial control of the continent — will not be able to withstand the predicted internal upheavals and regional conflicts, imply the authors of the study.

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## Cuba and the Caribbean

Behind optimistic press reports that the lifting of travel restrictions and plans to exchange sports teams mean that prospects are good for renewed relations with Cuba, the reality of Carter Administration policy on Cuba stands indecently exposed by the Commission on Critical Choices report. One consistent priority emerges from this report: "the removal of the Soviet presence from the Caribbean."

It has already been obvious to anyone with an ear tuned to recent visitors to Cuba, such as Benjamin Bradlee of the *Washington Post* and William Atwood of *Newsday*, that Cuba will never bow to demands that it considers interfere with its internal affairs. The demands that President Carter has identified as preconditions for the normalization of relations are Cuba's release of political prisoners, withdrawal from Angola, and an end to Cuba's so-called interference in this hemisphere. These are all endorsed by the report.

But what has been only implied or half stated in previous reports on the Caribbean, such as that of the Linowitz Commission, is made explicit here: "There are three parties with substantial interests in the matter: the United States, the USSR, and Cuba." The report links

any concessions on the U.S. presence at the Guantanamo military installation to Soviet withdrawal of its military presence from the Western Hemisphere.

The apparent policy options offered for the Caribbean as a whole, and for Cuba in particular are exposed as one policy by the previous emphasis on the elimination of the Soviet presence from the region. The three policy options on relations with Cuba are described as: "rapid normalization of relations," "limited, conditional rapprochement," and "direct opposition to Cuban interventionism." In fact, these are merely stages of the actual policy — the conscious end of which, confrontation with the Soviets, has been the goal all along.

The Commission is explicit that the cost of this policy to sever Cuba from the Soviet Union may be U.S.-Soviet confrontation. As they state it: "Neither the Soviets nor the Cubans are likely to alter their course until they are sometime confronted by the United States."

Since the Cubans have made it clear that their revolution is "non-negotiable", the definition of the goals of this policy makes it clear how inevitable that confrontation is:

"The long range goal of U.S. policy towards Cuba should be the reintegration of a democratic Cuba into the Western Hemispheric system. . . . Impracticality and inconsistency are the objections usually raised. Western success in 'rolling back' Communism has not been merely limited, it has been non-existent. Nevertheless, Cuba is a test case for the United States. The most enduring of police states, the Soviet Union, still strongly resists the free flow of information and people within its borders and from the outside. Its leaders' fears, moreover, are probably justified. Therefore, if the Soviets have reason to be concerned, then how much more vulnerable is Cuba — far less remote, far smaller, and far more Westernized than Soviet Russia.

"Making Cuba the Socialist camp's first true deserter is good policy because it is a possibility, and is perfectly in line with the axiom that the Communist world is not a monolith."

Roger Fontaine, of Georgetown's Center for Strategic and International Studies, who authored most of this report, retailed to a reporter recently the line that the Cuban situation is not "homogenous." "The most important thing to take into account when you are looking into the Cuban situation," said Fontaine, "is that you have two tendencies. . . you have Fidel, who, depending on his public, can be very hard or somewhat conciliatory. But remember," he said, "there is Carlos Rafael (the Cuban minister of Foreign Affairs) who represents an accommodationist tendency and has to be always considered." Fontaine's ulterior motive is to develop a justification for a U.S. hard-line backlash, at the point that Cuba predictably rejects the "accommodationist" line the CCC has put in their mouth.

On the Panama Canal the Commission is equally explicit, and its importance as a statement of intent should not be underrated given that Special Canal Treaty Negotiator Sol Linowitz is a member of the Commission.

There are two things notable about Fontaine's scenarios — first, a direct link is made between the Panama Canal situation and direct confrontation with Cuba. Second, the report makes clear that opposition to the negotiation of a treaty that would give Panama control of the canal is as much a part of the regional confrontation plans as are the negotiations themselves.

"How the matter will be resolved (and it may well not be within the next decade) is also very unclear. Nevertheless, the following scenarios are offered as the most likely. In the first, the Senate would ratify in 1977 a treaty that returns the Canal and the Canal Zone to Panama after a fixed period of continued U.S. management and defense. The immediate consequences in Panama would be a defusing of the issue, with Torrijos given credit for a victory over American imperialism. However, Torrijos would be criticized for not immediately obtaining sole Panamanian jurisdiction over the Canal. Within ten years that criticism should mount, especially if the United States is perceived as not surrendering control fast enough. That in turn might mean that Torrijos, or his successor, would be strongly tempted to renegotiate the treaty in order to shorten its duration and exact other concessions. That campaign would very likely be punctuated with low-level violence in Panama directed at the United States. Since the United States has already accepted the principle of American withdrawal, it could well be tempted to shorten the time period and thus spare itself additional trouble in Panama and the rest of Latin America.

"The more likely chain of events, however, would begin with the Senate rejection of the treaty. The first likely consequence will be the overthrow of Torrijos, who has risked his prestige on getting a favorable treaty. This would not damage American interests but it would add another element of uncertainty to an already uncertain situation. Predictions of what would happen next have varied from low-level violence to guerilla warfare. The former is certain to occur because it is part of the Panamanian political way of life. Demands, of course, will be made for renewed negotiations with the United States, but the atmosphere would hardly be conducive to orderly negotiations. Conceivably, after a prolonged period of trouble, a new treaty would be offered to the Senate whose terms would not be better and possibly worse than the earlier version.

"The worst possible outcome would be a prolonged campaign of terrorism and outright guerrilla warfare. In such a case, U.S. military forces would be employed to protect the Canal as well as American lives and property. But the effectiveness of our counterinsurgency would be limited because of the sanctions that Panama proper would offer to the guerrillas.

"The prospect is an unhappy one, but at the moment it remains an unlikely occurrence. No group

in Panama recommends that course of action. More importantly, no group is now capable of conducting such a campaign. If it were to do so in the near future it would require outside help. That help could only come from Castro's Cuba. In such a case, the United States should certainly take the measures necessary to protect itself from outside intervention."

## Brazil and Argentina

The success of all the "Critical Choices" scenarios depends on a continuous threat to Brazil's neighbors to the north of military attack and immediate potential occupation by that "colossus."

The authors spell out the fact that "there are problems (with the Brazilian military) that could give the United States difficulties in the years ahead" — the potential for an upsurge of Brazilian nationalism. The report then proceeds to profile this nationalist potential, and describes precisely how it can be manipulated through "human rights" and other interventions to do the Rockefellers' dirty work independently of direct U.S. control.

Such manipulation is essential to "keep Brazil from siding with the Third World...and to give the Spanish Americans another incentive to...adopt the Brazilian economic model."

"The new Brazilian military is more likely to be more rigid in domestic affairs and more aggressively nationalistic in foreign policy," the report says. The authors then draw on an historical example to describe the key traits to be worked on. They detail a "long and bitter" dispute between Brazil and the U.S. on the issue of Brazil's seeking a U.S. market for instant coffee: "Clearly the United States misjudged the stubbornness of Brazil. The key to understanding Brazilian behavior is relatively simple. Its leaders are determined to make their country a major power...to do that it must develop rapidly....All attempts to inhibit that growth...will be strongly resisted."

From this profile, the rationale for Carter's present strategy emerges. How to keep these stubborn, nationalist officers in line under conditions of economic stagnation? Manipulate their desire to be world power, and manipulate a "breakaway" from the U.S., while forcing Brazil to become an agricultural, soybean economy, with deindustrialization of all but its arms production industry.

"Brazil is emerging rapidly as a middle level world power...national rivalries make it extremely unlikely that a united Spanish America will emerge...to counter the colossus.

"By 1985, Brazil may well approach major power status...and at the end of the century it may surpass Great Britain or France...

"Brazil's special position in the hemisphere has been complemented by its unique historical relation with the United States....neither could easily join in the many Spanish American schemes of confederation....The United States has at times appreciated

Brazil's uniqueness but we have not done so consistently and behaved accordingly. In part this has been because of a well grounded fear of adverse Spanish American reaction. But in the coming decade, the choice will become even more clear cut, and so will the need for a strategy to implement that choice...."

In conclusion the authors provide three policy options which are not options at all but successive evaluations of moments of the Carter strategy. Here then are all the necessary clues to the whys, hows, and whens of Carter's strategy for controlling and coopting any real nationalist potential into a military threat against "Third World" Spanish America without the stigma of "surrogate Yankee policeman."

1) "Maintaining the recent course (of low profile, high level diplomacy)...would...do nothing to discourage the building of a nuclear explosive capability by Brazil. Moreover, letting Brazil alone would do nothing to convince the Spanish Americans that Brazil is not the surrogate Yankee policeman.

2) "A *Politically Activist* policy...of heavy U.S. pressures on Brazil's leaders to clean up the regime...could draw on Brazilian nationalism and turn it against the meddling United States, needlessly straining our relations. Moreover, it would put those Brazilian moderates working towards changes in a difficult position.

3) "*Integrating* Brazil into the Western Community (entails): Brazil is no longer considered just another Latin American Country;...is gradually included in the...OECD...; and would be encouraged to abandon a wholly independent nuclear development policy...(while the) U.S. would continue quiet diplomacy on political issues like repression."

This policy, according to the authors, "would deliberately try to bring Brazil closer to the West...keep Brazil from siding with Third World countries...and give the Spanish Americans another incentive to...adopt the Brazilian economic model...and thus bring all of Latin America closer to the North Atlantic world."

The "Critical Choices" authors elaborate the expected backlash against the moderates under Carter's political activist strategy more thoroughly in the case of Argentina, where they describe the certainty that Argentine President Videla, a more moderate fascist, will be overthrown by the "Pinochetista" extremist wing of the military:

"The Argentine military government will continue to give the highest priority to eliminating the terrorist groups...Success will require even harsher measures. These will divide the military itself and result in outside calls for respect of human rights. The latter would not ordinarily have much effect on Argentine actions but since they will probably influence the size and conditions of foreign aid, the matter must be considered seriously by the regime. It is likely though, that if President Videla slackens the anti-guerrilla campaign he will be replaced by tougher, more nationalistic officers."

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## Mexico

The Commission on Critical Choices report puts together all the key aspects of the Carter Administration's policy towards Mexico, which in the past have only been presented in isolated fashion.

After leading with an introductory "background" section which warns that Mexico under the previous administration of Luis Echeverria "has begun to move away from its dependence on the United States," the report goes straight to the point: How can the U.S. keep Mexico, and primarily its oil away from the Third World, OPEC, Europe and the Comecon sector, and under tight control by the U.S. It is especially worth noting that while the report was written several months before the announcement of major new oil finds in Mexico, great emphasis is placed on insuring "U.S. access to Mexican oil."

The Carter Administration's strategy for insuring control over Mexican oil is candidly presented in the sections of the report dealing with "Critical Problems" and "Policy Options." Echoing statements by agronomist William Paddock and Carter advisor George Ball, warning that Mexico's population growth — and increasing "illegal immigration" to the U.S. — is a threat to the U.S., the report states that "Mexico's burgeoning population is its most pressing problem" and warns that "family planning programs may well prove insufficient." The solution: "population pressure combined with economic stagnation may produce a violent and uncontrolled social explosion," which, as Paddock had originally presented two years ago would lead to "the reduction of Mexico's population by one-half."

As an essential part of this scenario for generating a "social explosion" the report calls for "better policing of the border by both nations." This plan was originally presented by Carter advisor Daniel Bell in December when he stated that U.S. troops might have to be deployed to the Mexico-U.S. border — and possibly into Mexico — to deal with a "social explosion." In addition to placing Mexico under direct military threat, this plan to prevent Mexicans from emigrating to work in the U.S. will shut off the "safety valve" for the large unemployed population in Mexico, thus intensifying social tensions. The Report's excerpts on Mexico follow.

*"Critical Problems:* For the long term, Mexico's burgeoning population is its most pressing problem. One estimate places Mexico's population at 135 million by the year 2000. Despite recent official endorsement, family planning programs may well prove insufficient. Population pressure combined with economic stagnation may well produce the worst-case situation: a violent, uncontrolled, and therefore unpredictable social and political explosion at our doorstep...

"Poverty and population pressure...have promoted heavy illegal immigration to this country...But whatever the number, it is quite likely to increase, and increase rapidly, if there is a slump in

the Mexican economy...

*"Policy Options:* Since no single issue is likely to be settled amicably, all problems should be handled in an interrelated fashion. The outstanding issues of the next decade are illegal immigration, the maintenance of Mexico's rate of economic development, and access to Mexico's oil exports. To handle these problems in a systematic fashion, a U.S.-Mexican Commission with broad authority to work out agreements on immigration, trade, and development might prove of value. The first item of business would be better policing of the border by both nations, while a fixed number of legal migrant workers would be permitted entrance... Moreover, the commission could complete an agreement which would guarantee a secure U.S. market for Mexican oil at a fixed price below present price levels over a long period of time. This is especially important over the next decade because of Mexico's stability and proximity in glaring contrast to the Persian Gulf states.

It is not expected that any of these problems can be dealt with seriously over the short run. This is especially true of oil, since Mexico has already announced its interest in securing Third World markets and maintaining OPEC price levels. However, after two or three years, the advantages of a close (that is, low-transportation-cost), large, and secure market should become equally apparent to the Mexicans."

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## Venezuela

The Commission on Critical Choices evaluation of the prospects for Venezuelan democracy over the next decade is most striking in its emphasis on the continued threat of a military coup, and the threat of border conflicts or actual war with Brazil. While the bulk of the Commission study is based on a profile of Venezuela authored by specialist Philip Taylor in mid-1975 — and does not take into account most recent political developments — it develops a strategy for keeping President Carlos Andres Perez in line through the threat of coup and regional war, which is fully operative now. (Taylor, it should be noted, was deported from Venezuela while Andres Perez was Interior Minister for "interfering in the internal affairs" of that country.)

"While the 1973 election results were encouraging, in their apparent massive grant of public confidence to social democratic parties, the habits of some 40 years of excessive partisanship make it difficult for 'loyal opposition' to exist and for political legitimacy to be maintained. The Perez government is clearly setting, at least in theory, an exceedingly broad table of possible investment opportunities and supports for the private sector, but at the same time, it is proposing that the largely tax free meal for the national private sector is over, and it is now up to the latter to cast its vote for economic legitimacy by demonstrating confidence

in the future of the country . . . The government may go too far . . . in search of private sector support. Yet at the same time . . . the government has sought by executive decrees and legislation to maintain or create jobs and to freeze or to support the costs of basic articles of general use at a level not responsive to market mechanisms. Finally, the current leaders are not so old as to forget the country's shabby experience with rule by the dictates of a military tyrant: and there are some in the country who, unwilling to participate in the constitutional and republican interplay, would support a return to such a system.

"National policy toward employment and worker rights also reflects this system's insecurity. In 1962 and 1969, labor stability laws were introduced into the Congress . . . both of the bills were bottled up in committees by business oriented legislators, but the governments were the victims in terms of lost credibility in the political arena. In both 1974 and 1975, Perez has taken similar steps for distributive reasons and employer reaction has been identical . . . The Perez originated steps seem to revert to the country's authoritarian past, which often excused itself as motivated by a mixture of paternalism and Rousseauian theory. Entrepreneurial reactions may, in the future, assume vital importance for support and survival of the social democratic system. . . .

"The armed forces' political intentions remain a potentially decisive uncertainty. The military's experience of several decades as an armed bureaucracy, as well as post-1958 efforts by some stubborn persons . . . to make of it an armed political party, still cause nervousness. The ghosts are by no means all laid to rest. The internal issues that might have caused direct military pressure have gradually been put to rest . . . (but) there are still a number of international border controversies and, in the past, there has been good evidence that the 'die-hards' of the armed forces have sought to use these issues to cloak themselves in patriotism in order to gain leverage on the government . . ."

#### *On the threat of regional war:*

"Venezuela's foreign policy goals will almost inevitably cause some heightened tension in international politics. Brazil has for at least a decade regarded itself as the inevitable beneficiary of the developmental process in Latin America. . . . It is not improbable that the greater sense of Venezuelan identity and strength, which — if achieved — will more firmly base a bid for international influence, may lead to a "new kid on the block" attitude, especially in the Caribbean, in which more than a hint of imperialism may seem visible."

"(The) multilateral or cooperative approach that Venezuela hopes to maintain in future relationships with its Latin American neighbors (specifically referencing Venezuelan policy in Central America and the Caribbean —ed.) may in fact break down over the issue of Brazil.

". . . In abstract terms, the aggressive Brazilian

efforts of the past two decades to stabilize and expand its internal economic structure, and to broaden its areas of economic and political influence in both Latin America and the world, are quite understandable in light of its large and rapidly growing population. Yet the frictions caused by its neighbors on the South American continent are hardly easy to bear. Further, and probably more alarming to the neighboring countries, is the peculiar Brazilian mixture of nationalist ethnocentrism, militarism, and professed anti-Communism that has been brought to bear, not only on its own people, but also in the countries that have come explicitly within its sphere of influence. . . . While it is 'conventional wisdom' among anti-United States ideologues in both North and South America that Brazil is the South American agent of Yankee imperialism, in fact Brazil proves repeatedly that it is an independent actor and increasingly self-directed.

"The nervousness of Brazil's neighbors is not lessened by the increasing efficiency in Brazilian army directed adventures . . . Venezuela's response to these Brazilian initiatives has been one of pre-occupation . . .

"The relations between the two countries are officially low keyed . . . the possibility of an inadvertent clash over national interests remains good in this writer's judgment. Bailey and Schneider point to Brazil's substantial advantage over Venezuela in case of conflict . . . Actual conflict would have only a one-sided result."

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## Nuclear Terrorism

The Critical Choices report devotes considerable space to the question of nuclear energy development perspectives in Latin America — an issue which has gained political prominence with the U.S. efforts to dismember the extensive nuclear technology transfer accord between Brazil and West Germany. The strongest argument against "the spread of nuclear technology in Latin America" posed is the alleged threat of "nuclear terrorism." Echoing the recent forecast of fellow Center for Strategic and International Studies member Walter Lacquer (a top international terrorist controller), the report predicts that Argentina, which is described as "no model of stability," is a likely site in the immediate future for outbreaks of "nuclear terror." The relevant excerpts from the report:

"Apart from Latin American efforts to develop nuclear explosives, another grave danger to hemispheric security is the possibility of nuclear theft, extortion and terrorism. Nuclear installations, particularly in less stable countries, are vulnerable to terrorist activity. Furthermore, unclassified information now exists to enable well-trained persons who are able to acquire fissionable material to construct a portable nuclear weapon, and the massive spread of fissionable materials increases the likelihood that some will fall into the hands of unscrupulous individ-



uals or groups. There are more than fifty well-financed and armed international terrorist groups, five of them in Latin America. Thus, the rise of international terrorism accompanied by the proliferation of fissionable materials further increases the risks of criminal misuse of nuclear technology.

"The theft of fissionable material is by no means a remote possibility. In Argentina, there has been at least one case of reported loss of fissionable materials, and an armed terrorist group attacked and briefly held part of the Atucha nuclear power plant in March 1973."

## 'The Quest For Order'

The Critical Choices report represents as Latin America's "Quest for Order and Progress" a scenario of unmitigated disorder and chaos — terrorism, civil wars, and continued violation of "human rights" — which, in the same breath, it claims will accompany the return to more "democratic" governments in the coming decade. Presented in the context of economic depression — populations making excessive demands on "scarce resources" and abandoning rural areas for overcrowded cities — the chapter outlines how social chaos will be provoked and manipulated. This is the basis for Brazil to ultimately march on the continent as the "major partner" of the U.S.

The chapter predicts that the process of "social modernization" will be responsible for such problems as the increasing rate of urbanization and urban demographic growth. Governments will be increasingly unable to meet growing popular demands which could result in the "social unrest predicted for the 60s." This "demand overload" will result in endemic violence, which, however, will not cause a major revolution or overturn the old order. No group, it says, can organize the broad support required for such a venture or politicize either urban or rural working-class layers. It warns however, "the inability to bring off a revolution, however, will not lessen the turmoil."

"Radical groups, furthermore, have not been able to exploit the misery that does exist. *Those who are genuinely frustrated are far more likely to resort to apathy, alcohol, or religion than to political action.* Such political activity as exists is extremely sporadic and tends to support conservative-authoritarian politicians (and ex-dictators) like Rojas Pinilla of Colombia, Juan Perón of Argentina, and Pérez Jiménez of Venezuela. Short of extreme economic reversal, the trend of passive support for the system among Latin America's urban poor will probably continue through the next decade.

"Violence should then be endemic in the coming decade in those societies that are the most fragmented socially, the most economically stagnant and ruled by corrupt and repressive political leaders. Since instigators of violence (ranging from urban guerrilla assassins to shopkeepers

who go on one-day strikes) usually come from the middle class and are from relatively advanced economies, countries such as Argentina, Uruguay, Chile, Colombia and Peru, may be the most turbulent in the coming decade.

"On the other hand, the turmoil, while destructive, will not be great enough or sufficiently focused to push any society out of the seemingly endless round of strikes, coups, and acts of terrorism that will plague Spanish America in the coming decades. Radical change resulting from sweeping social revolution is unlikely anywhere in Spanish America but economic and demographic growth will inexorably lead to fundamental socio-economic structural change in the long run.

"It is against this background that the human rights question must be considered. Abuses of human rights by Latin American and other governments (in the sense of physical abuses of prisoners or detainees) are nothing new and have a long history. As long as Latin American governments face violent attacks on their authority, grave violations of human rights will occur as official efforts are made to destroy insurgent groups and reestablish domestic peace. In general, human rights flourish only when the basic political order is accepted by nearly all; for without that consensus, non-violent political competition is extraordinarily difficult to maintain.

"The culprits will not simply be the right-wing military dictators, however. Human rights have already been violated by left-wing, essentially civilian, regimes (Perón's Argentina, Allende's Chile, and Castro's Cuba) as well as by the highly personalistic regimes of Rafael Trujillo in the Dominican republic and Francois Duvalier in Haiti. *There is no reason to expect that future regimes, of whatever political make-up will be any great respecters of human rights, particularly when any of them are under violent attack.* Therefore, there is no end in sight for human rights abuses, even though Latin governments are becoming more aware of the domestic and international political reactions created by gross violations of human rights."



## Conclusion

*The following are the conclusions from the Critical Choices report:*

"It is one thing for the region's republics to seek out Western Europe, it is quite another for them to join forces with the Third World, particularly those countries which are the most anti-Western, anti-democratic, and anti-capitalist. If economic development does take place, then in a decade much of Latin America would find itself allied with the developed and near-developed world. If, as this report suggests, Latin America's development is sporadic at best, then the region may well join the ranks of the viscerally anti-Western, and by extension, anti-American bloc.

"That unhappy prospect raises the general problem of relating internal conditions to relations with the United States, which is both more difficult and more important to assess. As we have seen, most of Latin America will make some progress but only in fits and starts, and not enough to satisfy pent-up demand. Some countries will make no progress at all. This will not be because of a lack of potential — the region has natural resources in abundance. Latin America could be a major exporter of food, fuel, and minerals as well as manufactured goods of an increasingly sophisticated nature. But bad governmental management and political turmoil will continue to hamper the region economically.

*"Politically stable regimes will be the exception.* In ten years, however, there may well be another swing back (albeit temporary) to civilian governments after a number of militaries discover that officers have no special taste or talent for government. But the new civilian regimes in most cases will be no more in control than their predecessors. They will continue to be plagued by periodic subrevolutionary violence which will be more than enough to turn out in most countries the fragile government of the day.

"What will this development mean for the United States? Nations with economies desperate for development in general, and foreign exchange in particular, will engage in bitter disputes on trade issues. Any protectionist move made by the United States, though little noticed in this country, will be widely denounced throughout the region, even by our traditional friends. The issue will be further aggravated by the servicing of mounting *foreign debt* — a problem which may be Latin America's most serious international concern in the coming decade. It could, for example, result in a series of emergency meetings of governments, international agencies, and private banks by 1985 but it is unlikely any satisfactory arrangement short of continual debt rollover (a kind of creeping moratorium) will ever be achieved. Besides trade and debt, foreign invest-

ment will continue to be a sensitive issue. U.S. investment will probably stagnate but renewed interest in foreign capital will be shown by some countries which had earlier discouraged it through radical (and radically unsuccessful) social and economic experiments of their own. The wary investor, however, may be very difficult to coax back into the region.

"On the political side the United States can expect trouble from several directions. First, if the civilians do replace the soldiers in some countries there will be considerable outcry directed at the United States for past "supporting" military dictatorships. Indeed, human rights may even become as sensitive an issue as it has been here. Democracy may become *fashionable* once more and talk of ideological pluralism will grow less frequent. The more to civilian regimes may be followed by a perceived drift to the left in those countries and old issues like U.S. corporations will again be ripe for expropriation or contract cancellation.

"Thus, *between the economic pinch and political turmoil*, the United States is not likely to enjoy in 1985 the best of relations with the republics of the old Good Neighborhood. There will, no doubt, be great concern expressed over this in the United States, and *if there is a new administration in 1984, a 'fresh look' at Latin America will be taken.* It should be pointed out, however; that much of what happens is beyond our responsibility and ability to correct. That should not prevent the United States from protecting its interests, and doing those things which are beyond immediate self-interest. The United States can, for example, keep its market open for Latin American exports. It can begin now to explore an *equitable debt-servicing scheme*. It can encourage military regimes to share power with responsible civilians, and *take a firm position on human rights where it is necessary as long as no double standard of conduct is permitted: that is, to attack only non-Communist dictatorships when the region's only Communist dictatorship holds the record for the oldest, most repressive regime in the hemisphere.*

"The United States can also, unobtrusively to be sure, encourage economic rationality in the region. *In the meantime it can and must resist those 'reforms' of the OAS which are solely aimed at embarrassing the United States.* It should refuse to accept the thesis advanced by left-wing partisans, which hold this country accountable for all the region's political and economic ills. It must be resisted not only because it is false *but because its articulation is inevitable.* It is inevitable because the root of the problem is not generally what we have done or what we will do but what we are and will remain: the freest, richest, and most powerful nation in this hemisphere.

# Members Of The Commission

## Ex-Officio Members

*The Honorable Nelson A. Rockefeller*

The Vice President of the United States (Chairman of the Commission until February 28, 1975)

*The Honorable Henry A. Kissinger*

The Secretary of State

*The Honorable Mike Mansfield*

Majority Leader, United States Senate (Member of the Commission until March 6, 1975)

*The Honorable Hugh Scott*

Minority Leader United States Senate

*The Honorable Thomas P. O'Neill, Jr.*

Majority Leader, United States House of Representatives

*The Honorable John Rhodes*

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# Why Carter's Electoral Reforms Are Lawless

The history of voting rights litigation and legislation in the United States offers striking confirmation of the fact that President Jimmy Carter's proposed legislation for same-day universal registration is unconstitutional. An historical review also establishes that Carter's proposals combined with the activities of the Federal Elections Commission represent an insurrectionary attempt to impose national control of the election process in violation of the Constitution.

Carter and his Democratic Party supporters are using two recent Supreme Court decisions and the effective bribery of the states through Federal Election Commission funds to establish the constitutional principle that Congress can set voter qualifications.

The first Supreme Court case is *Buckley v. Valeo*, which upheld the constitutionality *in principle* of the Federal Election Commission. This precedent is not of issue here. The evidence necessary to investigate the illegal activities of the Federal Election Commission has already been provided to Congress. Once the FEC is investigated and its charter abrogated for unconstitutional and criminal activities, this precedent will assume its appropriate place in the political process.

The second case Carter Administration officials point to is *Oregon v. Mitchell* 400 U.S. 112 (1970), which upheld the Voting Rights Act of 1972 which established a national voting age.

## The States' Rights Issue

Before these decisions and Carter's subsequent moves to legislate the means by which he stole the 1976 Presidential elections, there was no question that the right to determine voter qualifications rested with the states. Regulations and statutes concerning this right were, however, subject to strict scrutiny and upheld only if they demonstrated a compelling state interest.

The doubt which has arisen in Congress concerning the demonstrated unconstitutionality of Carter's proposals is based on the misdirected effort to fight the proposals on a strictly state's rights basis. The state's rights argument would utilize Article 1, Section 2 and Article 1, Section 4 of the U.S. Constitution and the body of precedent first enunciated in *Minor v. Happersatt* 88 U.S. (21 Wall), 162 (1875) (women's suffrage) to demonstrate that there is no federal constitutional *right* to vote. That right arises only when discrimination occurs or when the vote is diluted through fraud or discriminatory provisions.

A second premise of this argument would be that the Carter legislation should constitutionally take the form of an amendment. The common law arising out of Article

V of the Constitution dictates that states may not be deprived of their retained powers without the concurrence of two-thirds of each House of Congress and three-fourths of the states. The changes in voting rights mandated by the Fifteenth, the Nineteenth, and the Twenty-Fourth Amendments all came into being as *amendments*. This indicates that even after substantial Fourteenth Amendment litigation on voting rights, constitutionalists in Congress still felt it necessary to alter voting procedures via the amendment process.

This line of argument, like most state's rights efforts, overlooks the insurrectionary point of the Carter proposals. Article X of the Constitution guarantees to the states and to the United States a Republican form of government.

The *intent* of the Carter proposals, at best, is to replace this form of government with direct democracy. Such an action is completely inimical to the fundamental concepts established by the founding fathers and enunciated in the Federalist Papers. The founding fathers rightly regarded direct democracy as opening the door to mass social control and manipulation which would ultimately destroy the nation. This is, in fact, Carter's object: the use of mass media manipulation and brainwashing to overcome the checks and balances instituted in the U.S. Constitution through the states and through the Congress for the imposition of a Trilateral Commission "technocratic" dictatorship.

The state's rights line of defense also totally ignores the supreme constitutional and historical irony of the Carter proposals. The federal power and the federal courts were first exercised in the election process specifically in order to prevent vote fraud. The history of federal voting rights litigation leading up to *Oregon v. Mitchell* and *Buckley v. Valeo* is replete with references to vote fraud as well as the denial of voting participation to *otherwise qualified* individuals. Under Jimmy Carter's electoral "reform" proposals, federal control would be imposed for the purposes of institutionalizing vote fraud.

## Compelling State Interest And The Myth Of Voter Apathy

The federal courts throughout the nineteenth century were extremely hesitant to intervene in the electoral process and instructed Congress similarly. The case which opened the door to litigation under the Fourteenth amendment in voting rights expresses this summary caution:

"The case of the political franchise of voting is one. Though not regarded strictly as a natural right, but as a privilege not merely conceded by society according to its will, *under certain conditions*, nevertheless it is a fundamental political right because it is preservative of all other rights." *Yick Wo v. Hopkins*, 118 U.S. 356, 370. (emphasis added)

In fact the door to Fourteenth Amendment litigation is opened wide by the Conspiracy Law of 1870 and its accompanying Enforcement Act which were directed at the disenfranchisement of black voters and the *vote fraud* then rampant in the country. In *Ex Parte Siebold* the Supreme Court upheld the use of these laws to curb vote fraud by stating:

"In the light of recent history and of the violence, fraud, corruption, and irregularity which has prevailed in recent elections, the exertion of this power...may be necessary to the stability of our federal government." *Ex Parte Siebold*, 100 U.S. 371, 1880.

The *Siebold* line of cases, culminating in *U.S. v. Classic* in 1941 more than demonstrates the real purposes of Carter's program and explodes his argument on voter apathy. Carter's claim that the proposals will not lead to vote fraud because fraud will be made a felony likewise holds no water. Vote fraud is already a federal crime under 18 U.S.C. 241 and 242 which are modified versions of the Conspiracy and Enforcement statutes of 1870. The problem, as in the 1976 elections, is that the Justice Department has refused periodically to enforce these laws.

Voter participation, among other factors, had traditionally dropped in the United States when strict vote fraud laws were being enforced. This was the case from 1860 to 1880 when the Conspiracy and Enforcement statutes led to many prosecutions for fraud, particularly against the herding of immigrants by corrupt machines. Sen. Edward Kennedy (D-Mass) is fond of quoting elections from this period as the paradigm of American voter turnout. The 1876 election was the notoriously fraud-ridden Hayes-Tilden contest. In 1871, 101 percent of the voting population of North Carolina participated in elections.

The twentieth century has seen the use of the Fourteenth Amendment to prevent disenfranchisement of certain classes of voters, but the court has had a continuing federal balancing interest in preventing vote fraud. Justice Holmes in *U.S. v. Mosely*, 238 U.S., 383 (1915) continued the *Siebold* tradition by stating: "The right of suffrage under the constitution is not merely the right to cast the ballot but the right to have the ballot counted." *U.S. v. Classic* 313 U.S. 299, 1941 extended this principle to primary elections. *Baker v. Carr* and *Reynolds v. Sims* fall in this line insofar as "one man, one vote" prevents weighting and dilution of the vote.

Even following *Oregon v. Mitchell*, the precedent relied on by the Carter forces, the Supreme Court has upheld state laws which demonstrate an interest in an intelligent electorate, absent a discrimination clause, and requirements which prevent vote fraud. In *Rosario v. Rockefeller* 410 U.S. 752, the Court ruled against the

Democratic Party-supported primary cross-over proposals: "It is clear that the preservation of the integrity of the electoral process is a legitimate and valid state goal." The same principle is outlined in support of literacy tests, absent a claim of discrimination in *Lassiter v. North Hampton Election Board*. In *Richardson v. Ramirez*, the Court upheld a California provision which disenfranchised California ex-felons.

The history of cases outlined above demonstrates that with the exception of *Buckley v. Valeo* and the bitterly split court in *Oregon v. Mitchell*, the law is totally against the Carter positions.

A similar demonstration of compelling interest by the states may be had by those states which refuse to go along with the national proposals in upholding fraud sanctions. States not accepting FEC funds would be faced with the task of holding and administering two elections, one under state law, one under federal at state expense! The issue of vote fraud, rather than participation as the primary issue facing any election is more than expressed by the lead item in a 1941 Administration pamphlet for election officials issued by the Council of State Governments:

"Fundamental to any regularized and incorruptible method of election administration is a system of registration of eligible and qualified voters...A properly administered program of registration will hold down to a minimum the number of fraudulent votes cast on election day."

## The Insurrectionary Legal Props To The Carter Proposals

Through an insurrectionary construction on civil rights cases brought in this century, a construction which employs the definition of direct democracy rather than the Republic stipulated by the founding fathers, Democratic Party forces have succeeded in securing limited cooperation from the U.S. Supreme Court in efforts to stuff the ballot box. It is important to outline the history of the *Oregon v. Mitchell* and *Buckley v. Valeo* cases both to demonstrate the insurrectionary nature of the Carter proposals and to show the Congress that investigation into fraud and the 1974 Watergate of President Nixon will limit these precedents.

When the Supreme Court in *Lassiter* upheld literacy requirements for voting, the Johnson Administration pushed through the Voting Rights Act of 1970. Aside from admirable civil rights laws and a lawful extension of the Fourteenth Amendment the Act included the constitutionally questionable provisions of a nationwide 18-year-old voting requirement, the barring of literacy tests in state and federal elections, and the barring of residency disqualifications in presidential and vice-presidential elections with uniform rules for absentee voting procedures.

The Court split bitterly on the national 18-year-old requirement, 5 to 4 with five separate opinions upholding the right to set requirements in national elections. The Court held unconstitutional again, by a 5 to 4 vote, the

extension of this principle to Congress' power to set such requirements for state and local elections. Literacy tests were unanimously banned on a showing of racial discrimination as were durational residency requirements. On the latter question the Court specified that it was not enunciating a principle of Congress setting requirements for state and local elections but stating "the right to interstate travel under the Fourteenth Amendment."

Justice Harlan's stinging dissent throughout this entire case also provides Constitutional precedent for the anti-Carter forces:

"While the right of qualified electors to cast their ballots and *to have their votes counted* was held to be a privilege of citizenship in *Ex Parte Yarbrough*, these decisions were careful to observe that it remained with the States to determine the class of qualified voters...The Privileges and Immunities Clauses do not react on the mere status of citizenship to enfranchise any citizen whom an otherwise valid state law does not allow to vote...Minors, felons, insane persons and persons who have not satisfied residency requirements are among those citizens who are not allowed to vote in most states. *Oregon v. Mitchell* at pp. 214.

"The consideration that has troubled me most in deciding that the 18 year old and residency provisions of this legislation should be held unconstitutional is whether I ought to regard the doctrine of *stare decisis* as preventing me from arriving at this result...were I to consider myself constricted by recent decisions holding the Equal Protection Clause of the Fourteenth Amendment reaches state electoral processes, I would...cast my vote with those who are of the opinion that the lowering of the voting age and the abolition of state residency requirements in presidential elections are within the ordinary legislative power of the Congress.

"In the annals of this Court few developments in the march of events have so imperatively called upon us to take a fresh hard look at past decisions, which could well be mustered in support of such developments, as do the legislative lowering of the voting age and, albeit to a lesser extent the elimination of state residential requirements in presidential elections. Concluding, as I have that such decisions cannot withstand constitutional scrutiny, I think it is my duty to depart from them rather than to lend my support to perpetuating their constitutional error in the name of *stare decisis*." (emphasis added)

## Carter Vote Reform Brief — Constitutional Sections In Question

*Article IV, Section 4*: "The United States shall guarantee to every state in this Union a Republican form of government."

*Article X*. "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved for the States respectively, or to the people."

*Article I, Section 2*: "The Electors (for Representatives) in each state shall have the qualifications requisite for Electors of the most numerous Branch of the State Legislature."

*Article I, Section 4*: "The Times, Places and Manner of holding Elections for Senators and Representatives shall be prescribed in each State by the Legislature thereof; but the Congress may at any time by Law make or alter such Regulations, except as to the Places of choosing Senators."

By *Article V*, common law and the amendment process leading to the Fifteenth, Nineteenth, and Twenty-fourth Amendments in changing voting requirements, states may be deprived of their retained powers only with the concurrence of two-thirds of each House of Congress and three-fourths of the states. Opinion of Justice Harlan, *Oregon v. Mitchell*, 400 U.S. 112, 201 (1970).

Although Justice Harlan resorted to a state's rights defense in some aspects of this decision, the final paragraph shows that he marshalled these arguments in exasperation at the insurrectionary potential of this construction of the civil rights cases by the Democratic Party, the same construction Carter is utilizing to defend his direct democracy and vote fraud arguments. It is not accidental that the Trilateral Commission's Samuel P. Huntington was the Johnson Administration's legal representative in this case.

—by Barbara Boyd

# Judge Rejects Bell's Argument; Orders FBI To Produce Files On USLP

On March 14 Judge Damon Keith of the U.S. District Court for the Eastern District of Michigan, ignoring a supposed precedent established by Attorney General Griffin Bell, issued a landmark decision in the two-and-a-half-year-old case of *Ghandhi v. FBI and Detroit Police Department*. Judge Keith ordered the FBI to turn over to the plaintiffs, without further delay, virtually all FBI files and records on the National Caucus of Labor Committees and the U.S. Labor Party during the period 1968-74; the plaintiffs had charged that these files would document ongoing FBI Cointelpro operations against them, including disruption of the USLP's 1974 election campaign in Michigan by FBI agent provocateur Vernon Higgins, an admitted explosives expert involved in the Pontiac Ku Klux Klan school bus bombings.

Judge Keith's decision provides an important opening for political opponents of the Carter Administration currently subject to the same kind of illegal "dirty tricks" operations by private political intelligence agencies operating through the Justice Department and the federal intelligence apparatus. *Ghandhi v. Detroit FBI* may well produce evidence leading to Carter's Watergate. Already the FBI has been forced to admit large scale destruction of its files on the NCLC and USLP while the case was under litigation, an event which recalls the affair of the Nixon Watergate tapes.

Extremely noteworthy is Judge Keith's rejection, as not binding on his court, of an oft-cited precedent established by Carter's Attorney General Griffin Bell during his previous career on the federal bench. On behalf of the FBI, Bell attempted to use his own decision in *Cates v. LTV Aerospace* to forestall FBI production of records and documents in *Ghandhi v. FBI*.

In Fifth Circuit federal court in *Cates v. LTV Aerospace*, Bell ruled that plaintiffs in a suit seeking the production of government documents could not subpoena those documents from the district office of the agency where the suit was filed. Rather plaintiffs must determine *who* controlled the documents and then attempt to subpoena materials through the court which had jurisdiction over the area in which that person could be found.

Federal agencies have used this decision to conceal documents in their possession by failing to designate any individual in control of the documents and then refusing to produce from any office, citing *Cates v. LTV Aerospace* and claiming the court has no jurisdiction to issue a subpoena.

In effect, Bell's decision has allowed federal agencies to play a variety of "shell game" with the evidence.

Judge Keith also ruled that the FBI's attempt to cloak its records in vaguely defined "confidentiality" and to characterize document production as burdensome could not excuse them from discovery. This has been a traditional defense which the FBI has used to conceal records

which would prove or lead to evidence which would prove that the so-called "investigatory" activities are actually harassment and disruption operations.

In overruling the FBI's vague claims of burdensomeness and difficulty in producing records, Judge Keith has again made significant case law. In an earlier U.S. Labor Party case, *LaRouche v. Kelley* filed in U.S. District Court in the Southern District of New York, Judge Owen ruled that FBI claims of burdensomeness in producing records under the federal Freedom of Information Act justified the essentially unlimited delay.

The relevant excerpts from Judge Keith's decision are reprinted below.

The FBI objects to the production of any material requested by the plaintiffs which is not within the custody or control of the FBI's Detroit Field Office, citing *Cates v. LTV Aerospace Corp.*, 480 F.2d 620 (5th Cir. 1973) (subpoena issued pursuant to Rule 30(b) (6) and served on Commanding Officer, Dallas Naval Air Station, to obtain Aircraft Accident Report located in Norfolk, Va., which was in the custody of the Secretary of the Navy in Washington, D.C., ordered quashed where Navy regulations provided that document should be sought directly from the Navy Secretary), for the proposition that this Court is without jurisdiction to order a non-party government agency to produce at a pre-trial deposition documents which are not within the control of the particular unit of the agency upon which the subpoena was served. In *Cates v. LTV Aerospace Corp.*, *supra*, the Fifth Circuit stated:

We find nothing in Rule 30 (b) (6) which would vest a court issuing a subpoena with the power to require that documents, in the custody or control of the head of an agency located outside the judicial district, be brought into the judicial district. Similarly, a person designated by an organization pursuant to Rule 30 (b) (6) could not be required to travel outside of the limits imposed by Rule 45 (d) (2). In short, Rule 30 (b) (6) provides a procedure to use in determining the proper person to depose. It does not deal with the issue of where the deposition is to be taken or where documents are to be produced. That is reserved to Rule 45 (d) (2).

480 F.2d at 623. The conclusion that documents located outside the judicial district may not be ordered produced within the district does not necessarily follow from the statement that this determination is controlled by Rule 45 (d) (2) and not Rule 30 (b) (6). Rule 45 (d) (2) provides:

A resident of the district in which the deposition is to

be taken may be required to attend an examination only in the county wherein he resides or is employed or transacts his business in person, or at such other convenient place as is fixed by an order of court. A nonresident of the district may be required to attend only in the county wherein he is served with a subpoena, or within 40 miles from the place of service, or at such other convenient place as is fixed by an order of court.

This rule defines where a person will be required to attend a deposition, but does so within rather broad limits. In the instant case, the plaintiffs served their subpoena upon the Bureau in this district, and now seek to depose the Bureau within the county in which it was served. . . .

Plaintiffs' subpoena was directed to the FBI, and not just to its Detroit Field Office. The Bureau was served in Detroit, but the subpoena seeks the production of documents in the custody of the Bureau whether or not those documents are located in Detroit. The location of the documents is of less importance than the jurisdiction of this Court over the agency having control of those documents. If this Court does have jurisdiction over the FBI through the presence in this district of its field office in Detroit, then documents kept beyond the territorial jurisdiction of this Court are nonetheless within the range of this Court's subpoena power. . . .

The FBI has a large and active field office within this district. It has far more contacts here, for example, than did the corporation in *Elder-Beerman Stores, supra*, with the district in which it was unsuccessfully subpoenaed. The number of FBI personnel here, the wide scope of their activities, and the unitary structure of the organization, all lead this Court to conclude that service upon the Bureau in this district was proper, and the Court has jurisdiction to compel the production of documents within the custody and control of the Bureau though these documents may be located outside of the district.

The Court finds unpersuasive the suggestion that a subpoena duces tecum issued pursuant to Rule 45 (d) (1), directed to an institutional deponent pursuant to Rule 30 (b) (6), and properly served upon that deponent pursuant to Rule 45 (c) and (d), can compel the production of only those documents located within the judicial district at the time the subpoena is served.

A subpoena for the production of documents generally reaches all documents under the *control* of the person or corporation ordered to produce. It makes no difference that a particular document is kept at a place beyond the territorial jurisdiction of the court that issues the subpoena, if the subpoena itself is duly served within the limits prescribed in Rule 45 (d) and (e); the test is one of control, not location. (emphasis in original; footnote omitted)

5A *Moore's Federal Practice* Para. 45.07 (1) at 45-63 (1975). The FBI was the 'person' to whom plaintiffs' subpoena was directed. It would torture the meaning of Rule 45 to hold that it requires the plaintiffs to serve upon the Bureau in every federal judicial district where the requested documents might be located a separate subpoena duces tecum for their production. . . .

There has been no assertion by the FBI that the documents sought by the plaintiffs are within the exclusive custody or control of the Director of the FBI or of the Attorney General of the United States. Nor are there any applicable agency regulations, *see, e.g.*, 28 C.F.R. para. 16.21 *et seq.* (1976), which the FBI claims describe a procedure through which these documents must be obtained. Instead, the Bureau has merely claimed that some of the documents sought by the plaintiffs "are located in various areas throughout the United States."

In light of the fact that the Sixth Circuit Court of Appeals has not yet ruled on the question presented in the instant case, and this Court is not bound by the decision of the Fifth Circuit in *Cates, supra*, since a district court is not bound by the decision of a Court of Appeals for another circuit . . . this Court reads Rule 30 (b) (6) and Rule 45 as requiring the FBI to produce in this district all of the documents requested by the plaintiffs in their subpoena duces tecum, as modified, *infra*, subject only to any claim of privilege which the Bureau may assert and the court may uphold. . . .

While the FBI does have an interest in the underlying litigation — the pending action arises out of claimed improprieties by FBI agents in their alleged surveillance and infiltration of plaintiffs' organizations; FBI agents and former Department of Justice officials are among the defendants; and the attorneys representing the FBI on this motion are the same attorneys representing the federal defendants in the underlying action — as a third party deponent it is properly concerned only with whether the subpoena is burdensome, oppressive, unreasonable or seeks the disclosure of confidential information. . . .

The FBI contends that production of the documents requested by the plaintiffs would be burdensome because it would be time consuming. FBI Br. at 3-5. This does not constitute sufficient harm or embarrassment, *In Re Zuckert*, 28 F.R.D. 29, 31 (D.D.C. 1961), or indicate such injurious consequences of compliance, 9 Wright and Miller, *Federal Practice and Procedure: Civil*, para. 2457 at n. 64, and cases cited therein (1971), as to require this Court to quash plaintiffs' subpoena. This subpoena should be modified, however, to reflect the fact that it cannot be used to seek voluminous information of interest to the plaintiffs but of little or no relevance to the pending action.

The scope of discovery allowed and obtained in this case is of as much significance to the parties as the amount of damages which may be ultimately recovered. Hence the protracted wrangling during the past year over the proper scope of discovery. The plaintiffs seek to learn how much information the government has gathered about them and for what purpose; the defendants and the FBI wish to limit plaintiffs access to this information.

The FBI also claims that production of some of the documents requested by the plaintiffs would be "virtually impossible" because the plaintiffs have insufficiently identified the information sought. FBI Br. at 3. If the Bureau cannot in good faith determine from plaintiffs' List of Materials subpoenaed whether or not it has the information requested, or if in fact it does not have the

information requested, it should so inform the plaintiffs when it responds to the subpoena. . . .

The Bureau has indicated that it reserves a right to assert a claim of privilege as to some of the documents sought by the plaintiffs. Such privileged information would include investigatory records, internal government deliberations, state secrets, and a privilege against revealing the names of informants. FBI Br. at 5-6. A suggestion that the government may assert a claim of privilege if a subpoena is not quashed is not grounds to quash the subpoena. *Goodman v. United States*, 369 F.2d 166, 169 (9th Cir. 1966). A claim of privilege as to any

document must be asserted by the Director of the FBI or by the Attorney General of the United States, *Kinoy v. Mitchell*, 67 F.R.D. 1, 11 (S.D.N.Y. 1975), with the exception that a claim of informant's privilege may be asserted by the FBI's attorney. *Kinoy v. Mitchell, Id.*, at n. 36. Should a claim of privilege be asserted by the Bureau in objections served upon the plaintiffs pursuant to Rule 45 (d) (1), the Court may order an *in camera* inspection of the documents. . . .

*Judge Keith then ordered the FBI to produce the relevant documents.*



# How The Polls Make The Opinions

A recent Gallup Poll showed popular "confidence" in the generally despised Carter Administration at 70 percent and "rising." As a reflection on the population's attitude toward Jimmy Carter and the Trilateral Commission of the Rockefeller brothers, the poll, of course, is nonsense.

Of interest in Gallup's claim, therefore, is how the semblance of a poll was arranged to achieve such results. In fact, the George Gallups and Lou HARRISES are deployed (as part of privately operated Rockefeller family networks) against a carefully pre-profiled target population to manipulate the characteristic paranoid tendencies of its average member in accord with an objective defined in advance under the principles *psychological warfare*.

The techniques of the leading pollsters — Gallup, the Roper Organization, Louis Harris and Associates — are the psychological warfare methods developed by U.S. and British social scientists prior to and during World War II — on models developed by Germany's Nazis. Both Elmo Roper and George Gallup were trained during World War II OSS population-profiling projects. A leading protégé under Roper, who was a former Deputy Director of the Office of War Information, was Louis Harris.

In 1941, the Committee for National Morale, including George Gallup, was created to propagandize for United States entry into World War II. Its function was to develop and apply the techniques of Goebbels, as it outlined in its reports:

"While thus, it is appropriate to caution against accepting every single German theory at face value, many of the German suggestions are adaptable to specific American requirements of national defense. *Americans should have no qualms about adopting some of the best features of German military psychology.* The Nazis have, on their part, expropriated the findings of many American scholars whose contributions to military psychology...were of the greatest interest and value when psychology was introduced as an integral part of the German machine."

The same prominent group of "social scientists," primarily in advertising, returned to that profession after the war, and had no scruples in applying the psychological warfare methods they had learned of the civilian population in peacetime. Their primary new device, indeed, was the public opinion poll.

The point is not that a straw-polling technique *proper* to a healthy and developing democracy somehow fell into the wrong hands at the outset. The fraud lies in the very notion of a "public opinion poll," as even slightly bearing

on the national interest of the perceptions of the population regarding it. "Public opinion surveys" — like such criminal procedures as aversive behavior modification — are *ipso facto* in "the wrong hands."

The interest of the population, or the nation, like the actual performance of political or business leaders with reference to it, is precisely and scientifically definable in terms of concrete programs for national and international economic development and correlated political and social policies. It is, in that sense, not "a matter of opinion."

The procedure of democracies is accordingly to instill in a population the sovereign competence which only attends knowledge and clarity on the issues and thereby permits concrete policy-development, leadership selection, and so forth with a maximum of mass discussion, debate, and participation.

Populations should be profiled "to enable planners to draft realistic and feasible plans based on unknown or probable psychological vulnerabilities of the target audience."

By contrast, one can be a plumber of surface prejudice, neurosis, and vulnerabilities to social pressure: "Mrs. Murphy, how do you *feel* today about the price of eggs?...Do you *feel* the price of coffee has gone high enough yet to warrant a boycott on coffee?...Do you *believe* the American people will elect Jimmy Carter as President?..." Thus did George Gallup and Lou Harris prepare for the rigging of a presidential election, and the intermittent reinforcing of popular delusions regarding popular sentiment for that Administration.

The "public opinion" thus manufactured out of proverbial "thin air" reflects actual popular sentiments no more than it relates to actual popular interest. In a crisis, or under those conditions of intense widely shared personal involvement, when every man knows that his thought and action bear a direct relationship to consequences in the real world — mere "opinion" is not enough for survival — the mass of people can and do place a premium on clear definitions of the issues, concrete policies and program, and upon the proposed leadership which ignored such "opinion polls" long enough to develop them.

William Dougherty of the Operations Research Office, a colleague of Gallup and Roper, authored a survey book on psychological warfare in 1958 which summarized the "intelligence requirements" of a public opinion survey

conducted among a carefully selected target population. Above all, Dougherty emphasized, the population must be profiled "to enable planners to draft realistic and feasible plans based on unknown or probable psychological vulnerabilities of the target audience...to provide the operator with materials which may be used in propaganda output..." and "to enable the operator to assess the effectiveness" of directed psychological warfare operations already underway. These are the purposes served by today's public opinion surveys.

The questions are not always simply leading; they are misleading. In December, Harris asked people to name "steps that the country might take to make the U.S. less dependent upon foreign countries for energy." Having obfuscated the issue with "foreigners," the "choices" he offered them were highly selective and "showed" that solar energy ranked first, well ahead of any other alternative. This poll has been quoted extensively by Ralph Nader as proof that the country does not want to develop nuclear energy. The Harris' "analysis" neglected to report that in the question asking whether respondents favor conservation or development of new technologies to solve the energy crisis, the response was overwhelmingly in favor of development.

#### *A Typical Pollster*

The role of David Ogilvy, Dr. Gallup's right-hand man, is exemplary of the transition made by those social scientists active in propaganda operations during the war to careers in advertising and public opinion surveys afterwards. Ogilvy was an associate director of Gallup's American Institute for Public Opinion created in 1936. During the war, he joined the staff of William Stephenson, head of British Security Coordination (BSC). Stephenson commissioned Ogilvy to prepare intelligence for BSC to determine the state of U.S. public opinion regarding Britain, to be used "for spreading covert propaganda, designed to strengthen the interventionist groups throughout the country and discredit the isolationists." Ogilvy fulfilled his commission — using information gathered by Gallup pollsters in the U.S.

In 1943, Ogilvy wrote a confidential report entitled "A Plan for Predetermining the Results of Plebiscites, Predicting the Reactions of People to the Impact of Projected Events, and Applying the Gallup Technique to Other Fields of Secret Intelligence." The secret document is described by another social scientist, H. Montgomery Hude in his book, *Room 3603*:

"His knowledge of Gallup's methods led Ogilvy to the conclusion that a poll, if secretly organized in other countries, could assist in settling many political and ethnological problems without the confusion and possible corruption of a plebiscite. The results of such a poll, conducted in Spain at any time during the war, might have been used not only to guide British policy towards Franco, but also to determine what types of allied propaganda would be most effective. By the same means it would have been possible to assess the true strength of such political movements as the Integralist in Brazil or Sir Oswald Moseley's Fascist Black Shirts in Great Britain."

"A poll, if secretly organized...could assist in settling many political and ethnological problems without the confusion and possible corruption of a plebiscite."

As soon as the war ended, Ogilvy set up a Madison Avenue advertising agency, Ogilvy and Mather, which in short order became one of the most successful agencies of its kind. Among its Wall Street clients Ogilvy and Mather now boast "New Directions," the section of David Rockefeller's Trilateral Commission which does not currently reside in the White House.

#### *Gallup, Roper and Harris*

All of today's top pollsters got their start as advertising professionals brought into profiling domestic populations on commission from Wall Street banking firms. Roper, like Gallup and Harris, came out of marketing and advertising to set up his first opinion survey operations specifically to profile "the American working man" during the period of intense labor upsurge which began in 1933. In 1940, Roper reported, "From the answers to a great variety of questions we have been asking...since 1933, it is fair to assert that the American working man wants, first of all, security." Roper's innovations in applying marketing techniques to public opinion surveys were recognized by the country's most prominent yellow journalist Henry Luce. In 1935, Roper was hired to do *Fortune magazine's* monthly Fortune Survey.

George Gallup's career intersected Roper's through Gallup's American Institute for Public Opinion, and in their later collaboration on the Board of Editors of *The Public Opinion Quarterly*. The 1936 Presidential race between Franklin D. Roosevelt and Republican Alfred Landon was a test for the talents of both pollsters. Roper's methods in determining how to poll a small number of people and still be "highly accurate" in predicting the outcome of the election, came within one percent margin of the actual vote.

Gallup made his first major contribution to the Wall Street nexus when he helped FDR test the waters for his third term election campaign, to which there was considerable opposition from his own party. The method used by Gallup, to survey a small number of people with leading questions calculated to prejudice their answers, provided the desired result.

In 1941, when the National Opinion Research Center funded by the Marshall Field Foundation was set up, with Gallup as its head, its major client was the Federal government, for whom it did surveys. These included contracts with the War Production Board (of which rival Roper was a director), the Office of War Information, and others.

In 1948, the American pollsters, particularly Elmo Roper, were heavily involved in the "prediction" cover for the vote fraud attempt against Harry Truman. A look into *The Fortune Survey* ratings during the campaign

show that Roper gave Dewey 52.1 percent. Roper came in for later criticism for accounting for the 15 percent "undecided" response to his polls; but the curious fact is, Roper had *stopped polling on the election in October*, sticking with Dewey as his "official" winner.

*Lou Harris "Revolutionizes" Psywar*

Lou Harris, currently the most widely known and respected U.S. pollster, made his way into the highest echelons of the public survey and advertising industry as a protégé of Roper. In 1947, Harris was hired by Roper to write his newspaper columns; he was later developed as the Roper firm's political research specialist, and after this apprenticeship, was made a partner of the firm. In 1956 Harris set up his own firm to develop his specialty into a science. Louis Harris and Associates' techniques are generally believed in to such an extent that the "intelligence" gathered by their surveys is used to determine issues for political campaigns.

Harris has stressed the importance not of "the percentages per se" but how to enhance the initial intelligence through careful phrasing of questions by the highly trained interviewers. According to Harris' own biographical sketch, after the answers have been coded and fed into IBM computers, his "public opinion analysts study the figures for their meaning and implications...public opinion sampling thus becomes scientific in-depth reporting." Harris' record brought him such top Rockefeller and Wall Street clients as Standard Oil of New Jersey and the New York Stock Exchange. When in 1956, shortly after his firm was set up, Harris was brought in to consult with Joseph and Stewart Alsop, it was to personally tutor the two in how to use polls to sway public opinion.

Harris was the engineer in John F. Kennedy's senatorial re-election campaign in 1958. In 1959, through Harris' "interpretation" of a poll taken prior to the presidential primary in West Virginia, the population was manipulated to expect Kennedy to beat Sen. Hubert Humphrey. During the subsequent Kennedy campaign, Lou Harris openly described himself as a "campaign strategist." Harris coached Kennedy on how to have the psychological advantage on Nixon in the first televised campaign debates, advising a "three-point answer" to each question to "overcome any doubts" about "Kennedy's youthfulness."

In 1962 Columbia Broadcasting Systems hired Harris to replace Elmo Roper as their public opinion analyst. In that post, he established the Voter Profile Analysis with the aid of IBM. The VPA, used first in the 1964 federal elections, served as a precursor to the Election News Service used in the recent federal elections to report the outcome of the vote prior to its tabulation. Millions of television viewers were conditioned to expect a Carter victory even before the vote fraud occurred.

An in-depth look at Harris' campaign for Carter during 1976 is useful for an understanding of how psychological warfare is promulgated through the use of public opinion surveys.

On Sept. 2, 1976, Harris issued a poll analysis whose headline read, "Voters Say Carter Will Win." The

question posed by Harris to interviewers was not "Who will you vote for?" but "Who do you think will win?" The framing of the questions is instrumental in determining the response. The headline of the public release, like the question itself serves two purposes: firstly, to place in the reader's mind the probability that Carter will win; secondly, and most important, to set the stage for Harris' corollary prediction which follows in the first paragraph: "With the presidential campaign just getting underway Democratic nominee Jimmy Carter may have to face a bad case of overconfidence on the part of his supporters." What a "thoughtful interpretation" of what appear to be straightforward statistics! Having prepared his audience, Harris introduces his plug for Carter's "Get Out the Vote" and registration-by-mail campaigns — the instruments for massive vote fraud.

Harris, in short, tells the reader that "the polls show" such a preference for Carter that Republicans will naturally flock to the polls to ensure a high vote, while Carter supporters would face both "over-confidence" and "even potential apathy (sic)" which would keep them from the polls on election day. Carter is now justified in an extraordinary vote fixing mobilization.

Later in the campaign, after the first Ford-Carter debate, Harris predicted a very close margin, based on a reassessment of the population through his constant intelligence monitoring. Harris poll analysis constantly phrased their questions in such a way as to play up Carter's campaign "issues" — the candidate's so-called integrity, the "fact" that he "is not part of the Washington, D.C. establishment," etc. Thus, Harris' operation was both to psychologically induce more votes for Carter, while simultaneously preparing the electorate to accept the vote fraud which was the only possible way of putting Carter over the top.

Early in this session of Congress, Harris ran a poll on "Congressional ethics," preparing the way for the current round of Watergating attacks on anti-Carter forces in Congress. Harris personally testified before the House Commission on Administration Review on February 3, using the poll for "expert testimony." The ethics poll worded questions in such a way that the answer, again, was pre-determined. "With a job so demanding of his time...should a Congressman give up his private career while he is in office?" he asked, and 54 percent questioned did not say "Yes," they "agreed." The poll went on to ask of those who "agreed," "Do you feel strongly about this?" 68 percent reported "Yes." The poll goes on to ask those polled to "rate the ethics of those running key institutions" — consumer action groups, newspapers, the White House, state government, state legislature, local government, Congress, and major corporations. Congress ranks next to last in the survey, a "fact" used by Common Cause and Congressional supporters of the Obey Commission on Ethical Standards to introduce strict ethics guidelines for debate in the Senate.

That members of Congress sat through 16 pages of such poppycock "expert testimony" attests to the tragic credibility which Harris and his colleagues' polls have built up.

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