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IN THIS WEEK'S ISSUE —

The biggest fallout yet from Carter's provocative **SALT** stance...the Soviet leadership is again pushing a gold-backed **transfer rouble** as a replacement international currency for the U.S. dollar. The current timetable calls for European East-West t-rouble deals by **early summer**...See **International Report**.

* * *

World press rubs SALT in Carter's wounds...“Not since Napoleon has there been a more disorderly retreat from Moscow...” **International Report** carries a generous selection of reports and commentary from Europe and the USA. **National Report** covers the Congressional onslaught against chief U.S. arms negotiator Warnke...prints House leader's blast at “spray-shot” foreign policy. **Soviet Sector** features excerpts from **Gromyko's, Brezhnev's statements**...edited out of the U.S. press.

* * *

Carter, Schlesinger **ban plutonium**...Their tactic... to impose on the USA and its allies the same **zero-technological-growth** policy the Soviets flatly rejected. White House energy program “**a farce**” says U.S. Senator **Dewey Bartlett**...as 35 Congressmen rally to the defense of the nuclear fast breeder reactor. See **National Report** for details on the Administration offensive, excerpts from Bartlett's remarks...and a Republican Party policy statement defending fission and fusion. Plus a box score on Carter's program in Congress.

Europeans condemn Washington's nuclear policy...even before it's officially announced...Our **Energy** section features the text of the West German government's statement on the BRD-Brazil nuclear agreement...concluded in defiance of Carter...and tells you what the rest of Europe is saying.

* * *

Behind the **assassination of West Germany's top prosecutor**...a planned buildup to nuclear terrorism. See **Europe** for a briefing on this **U.S. National Security Council** operation...**Counterintelligence Report** for a background feature detailing the terror networks, naming the names of the shock troops out to demonstrate “nuclear power is dangerous.”

* * *

Rabin resignation leaves hawks in control in Israel...Carter sends **Sadat** home from Washington **empty-handed**...A new **war** is very much on NSC chief **Brzezinski's** agenda, and the countdown may already have begun. See **Mideast**, plus a full analysis of **Arab-Soviet diplomacy** aimed to head off the threat.

* * *

Cuba's **Castro** and the USSR's **Podgorny** have completed their African safaris...and the result is a series of diplomatic **setbacks** for the U.S. State Department which undercut the **Kissinger-Vance** “strategy of tension” on the continent...See **Africa**.

A financial Entebbe raid...organized by **Cyrus Vance**. See **Economics** for a special report on the new U.S. law designed to give **David Rockefeller** carte blanche to grab foreign assets to service Chase Manhattan's debt.

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How bad are things at the **New York banks**? Some experts think they won't make it through the **second quarter**...estimates of the federal bailout required to forestall **collapse** are soaring toward \$80 billion...See **Economics**.

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In **Colombia**...The Carter team's "model" for Third World triage...power plants shut down **12 hours a day**. **Brazil's** "economic miracle" now resembles Germany on the eve of **anschluss**. Our **Latin American Economic Survey** backs up its diagnoses with the facts and figures, tables and graphs which show precisely how a continent's economy is being destroyed...and the rich **opportunities for growth** which it is still not too late to realize.

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Teamsters National Meeting Rips News Media Unionbusting...an EIR exclusive, the **transcripts of public statements by the IBT leadership** vowing a fight to the finish...in defense of the American union tradition of industrial and labor progress...See **Labor**.

* * *

Exclusive to NSIPS from the Soviet trade union congress and **Moscow's Novosti Press Agency**...human rights and the role of the trade unions in the USSR...See **Soviet Sector**.

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Carter's corporate **watergate** stra-

tegy...infiltrate Nader-types into federal agencies...go after "money-hungry big business" ...See **Economics** for the "anti-progress report."

* * *

"Koreagate"...a new version of the Lockheed scandals. See **Asia** for the untold story of the **Korean CIA**...and a rundown on the real "foreign agents" in the **U.S. Congress**.

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Rockefeller's Lobby in Moscow...is still in place, and a major obstacle to world peace. See **Soviet Sector** for the pedigree on Georgii Arbatov's **USA-Canada Institute**...by Brookings, out of Rand.

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Italy's **Andreotti** government prepares to **welcome the Communist Party**...Britain's **Callaghan** quietly **ignores IMF** directive...**Europe** is repealing 30 years of U.S. domination...see our news analyses.

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The Republican Party leadership has reversed itself, now opposes **Carter's** "universal vote fraud" **electoral** bill. See **National Report**, then turn to **Law** for the **U.S. Labor Party guidelines** for congressional action on genuine electoral reform.

* * *

Rockefeller plays his cards...in **Canada** and the Far East. See **Asia** for analysis on the move to forge an anti-Soviet **Japan-China axis** (plus a report on the **faction fight in Peking**). Our **Canada** report is a comprehensive survey of economics and politics in a country the White House is counting on to pull off its **food war** scenarios and **bailout** swindles.

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Moscow Prepares T-Rouble For Summer

The Soviet leadership has decided to relaunch their strategy to have a gold-backed transferable rouble to replace the U.S. dollar in world commercial transactions, a strategy which had remained in abeyance since about Jan. 20 of this year. Information received from at least four, high-level sources from West European and U.S. banking and government circles indicate that the Soviet decision to once again move toward the t-rouble is connected with the evident failure of Secretary General Brezhnev's former policy toward the Carter Administration as a result of Cyrus Vance's idiotic performance in Moscow two weeks ago. In short, Mr. Vance "blew it" when he attempted to foment a situation of conflict within the Soviet Politburo with his calculatedly provocative SALT "proposals."

The net result of the Secretary of State's provocation was not dissension in the Politburo but rather the unanimous abandonment of the earlier timid Brezhnev posture, and its replacement with a strategy to force a bankruptcy of the New York banking community by offering to the West Europeans and others the t-rouble alternative to the bankrupt U.S. dollar. On the whole, Mr. Vance's performance played into the hands of the "t-rouble faction" in the leadership layers of the socialist nations' Council for Mutual Economic Assistance (CMEA), in the sense that it convinced the more reluctant among them that virtually no other strategic option is available to them if any reasonable hopes for averting a nuclear showdown are still to be entertained.

And this is what Secretary Vance means when he publicly admits that "we may have miscalculated." It is a miscalculation of the sort that has frequently occurred among lower-level accountants at Chase Manhattan, but one which the bank is very unlikely to survive.

According to informed sources, the timetable for phasing the t-rouble arrangements into implementation is sometime between June and July of this year, first on a limited scale in financing trade between East and West Europe. There are two evident reasons for this delay. First, there are certain understandable strategic-military precautions to be taken aimed at denying the Carter Administration the opportunity of declaring the t-rouble an issue of United States national security and thus a "casus belli." Second, a certain amount of time is required for the emplacement of the necessary preliminary deployments before the new, rouble-based arrangements can actually work.

These preparations, primarily involving close cooperation between West European and CMEA officials in Europe, are presently going on. There are simultaneous preparatory activities in the Middle East and the Persian Gulf which are indispensable for the "petrodollar" component of the world trade flows to be included in the new monetary arrangement.

The Preparations in Western Europe

One highly important item from the transactions of the European Economic Community Foreign and Economics Ministers' meeting in Luxembourg yesterday is the formal proposal launched by Italian Foreign Minister Forlani to establish a "European Bank for Foreign Trade" along the lines of the well known "Ratti Proposal" of last December-January. As it is known, the Ratti proposal is based on a formal, institutional utilization of the CMEA's t-rouble for financing East-West trade, and it was the central negotiating item during the January 1977 negotiations between leading Italian industrialists and Soviet officials in Moscow. In January the proposal had been shelved as a result of White House pressure on the Soviets. It is presently pursued actively at ministerial level.

One of the key features of the new arrangement is the utilization of gold for settlement of ultimate balances of accounts between the two different economic systems. According to high-level European government sources, the new arrangement will involve West European governments depositing gold at the Moscow Narodny Bank branch in the City of London.

Additional West European preparations for the move include features of an agreement for speedy European monetary union apparently sponsored by the EEC summit meeting three weeks ago. This includes the Europeans' return to fixed parities among themselves. Preliminary moves toward this direction were made during this week's coordinated devaluations of all the Scandinavian currencies, a move designed to bring them to a fixed equilibrium level with respect to the other European currencies.

Moreover, the British government, moving in the general direction of this perspective, has taken drastic steps to terminate the reserve role of the British pound, according to Prime Minister Callaghan's Blackpool Program of industrial expansion. The government is redeeming pound sterling balances held by foreign governments by paying them in bonds denominated in West German deutschmarks and Swiss francs primarily.

The Middle East Angle

West German Chancellor Helmut Schmidt, who is a leading though cautious proponent of the moves against the dollar, reportedly focused his extensive discussions with Egyptian President Sadat last week on, primarily, the establishment of a "new world monetary system." According to observers, there are widespread discussions in Cairo's economic circles in favor of the t-rouble, should President Sadat return from the USA "empty handed." Sadat is returning to Egypt empty handed.

Of greater strategic significance, however, is the little

publicized and otherwise surprising pact between Saudi Arabia, Iran and the USSR for the purpose of ensuring the uninterrupted flow of oil out of the Gulf in case of anticipated sabotage from Rockefeller-CIA agencies known to be stationed in the area. Details of the pact include utilization of Soviet transportation facilities by the Iranians in case of emergency. This important development, putting an end to the long-standing, contrived antagonism between Iran and Saudi Arabia was capped with a \$3 billion Saudi loan to the financially strapped Shah of Iran. It is expected that Iraq and Kuwait will join the pact, probably within the week. Kuwait also marked an unprecedented shift in its foreign policy orientation by concluding a multimillion dollar arms purchase with the Soviet Union.

It is otherwise well known that the leading political factions in Saudi Arabia have, since at least last fall,

pursued a vigorous policy for industrial investment, and have systematically opposed any financial policies that would tend to waste funds for bailing out the New York banks' overextended loans to the Third World.

Moreover, with the collapse of all syndication activities, the leading Swiss financial houses — many of which have been investigating the potential of return to a gold-based world monetary system since at least 1975-76 — are presently reported to be operating on the perspective that the New York-dominated Eurodollar market will go through a massive collapse sometime between the second and third financial quarter of this year.

The European governments are presently orienting toward the t-rouble alternative as the only one left. Mr. Vance's miscalculation is more than meets the eye: he is keeping his accounts in the wrong currency.

— Criton Zoakos

How The World Viewed Carter's 'Miscalculation In Moscow'

New York Times,

"...The pessimists abroad outnumber the optimists, who seem mostly to be concentrated among Carter's admirers. Moreover these pessimists, numerous among our NATO allies, believe Brezhnev has resolved not only to test American willpower but also the strength of the Atlantic alliance..."

Mr Khrushchev misjudged Kennedy and the NATO allies...

But the situation is different nowadays... the Russians... have a massive power advantage on Western Europe's borders...

Moreover the United States is no longer regarded as the unchallenged titan and it is having more bilateral argument with its allies...

Special disputes weaken United States leverage on its allies just when their ties should be more closely cemented...

Added to this is Europe's conclusion that the Soviets are now edgy and not subject to provocations... Moscow's relations have been worsened... with India... with Japan... with the United States... West Europe is in no mood to be next on the list..."

Washington Post, by Joseph Kraft, April 3:

"... Some people," Carter told Sen. Alan Cranston, "are concerned every time Brezhnev sneezes." ... It was... the kind of dumb, undisciplined crack no American President should ever make about a Russian leader..."

On top of all that, Mr. Vance took to Moscow two proposals on strategic arms control so strongly weighted against Russia as to be unreasonable...

President Carter has expressed hope for progress coupled with a threat to go for a big arms buildup if there is no accord. But I find something fatuous about his optimism, and the view that all we need to do now is hunker down.

In fact the world is on the edge of ugly events unless

both sides use the intervening time to good advantage..."

New York Times, by James Reston, April 3:

"... Probably nobody in the United States knows more about how to negotiate with the Russians or agrees more with Jimmy Carter... than George Kennan..."

"I'll tell you frankly," he said in a conversation with this reporter, "that I think the new Administration has made just about every mistake it could make in these Moscow talks, and has defied all the lessons we have learned in dealing with the Soviets since the last world war..."

... many experienced diplomats around here tend to agree with Kennan..."

Washington Post, by Joseph Kraft, April 5:

"Carterites assert that what went wrong in the Moscow arms talks was a mere temporary matter of Russians not digging Jimmy's new-style diplomacy. Soviet experts blame the trouble on American miscalculations about Russia.

But a truer gauge of the difficulty emerges from the briefing on Moscow offered by Zbigniew Brzezinski, the President's national security adviser. The Brzezinski briefing unwittingly demonstrates that the American approach to the Moscow talks was self-indulgent and irresponsible in almost every respect...

Though Vladivostock was a solemn commitment by an American President, the Carter Administration sought to make sweeping changes in the most sensitive areas of the previous bargain...

In Moscow, Secretary Vance asked for a reply within a matter of days, in circumstances that made the meetings seem to be a test of Soviet good faith...

... Even Carter's most serious advisers seem to have been befuddled...

I cite all this because the indulgence now being shown the President for the failure in Moscow is far more dangerous than the failure itself..."

Die Welt, editorial by von Raven, April 1:

"... now Carter has learned something: 'advance of- fers' will not produce anything with the Soviets... Only facts will convince the other side, such as the XM, the B- 1, or the Cruise missiles. Europe should have a special interest in the Cruise missiles because they can be used against the medium-range missiles the USSR has directed against Europe. If the United States were to drop this trumpcard, then one would see neutralist tendencies coming, like Herbert Wehner in his *Deutsche Welle* interview..."

Frankfurter Rundschau editorial by Simontisch, April 1:

"...one could have really expected these talks to produce any result, given all the limitations before. But Carter's threats are dangerous, and overemphasized. It's like Dulles threatening in the past, and then Khrush- chev responding with his 'wonder weapons.'...The result of all this is an incredibly high extinction in the world today...Carter's ravings may well bring the 'hawks' to the surface, in Washington as well as in Moscow."

Suedische Zeitung, article by Herbet von Borch, April 2:

"The question after the failure of SALT is is Carter the new Woodrow Wilson of the 20th century... Carter is not playing Don Quixote with the human rights issue, it is a real priority for him even though Bonn and Paris fear the consequences. He is obviously planning his ideas as though he were not president of the United States, whose words are weighed in the chancellories of a hundred nations."

Frankfurter Allgemeine Zeitung, front page lead by Jan Reifenberger, April 5:

"Although it failed, Carter's diplomacy is at least in the open, and not like the secret diplomacy of one year ago, for instance. Hawks as well as doves are backing Carter, and Pentagon officials are now finally hoping to get their plans for new technological development through... With the exception of a small group of East- West experts and professional diplomats, Carter has support. However, Vance did confess that the United States might have counted on their concept in the wrong way... The United States hopes that the Soviets will get back to the bargaining tables, because none of the powers are in a position similar to the one Kennedy had when he rolled back Khrushchev in 1962. The United States thinks that even if Brezhnev is to be replaced, the Soviets will go back to bargaining..."

Die Zeit, lead article by Countess Marion von Doenhoff, April 6:

"Soviet Foreign Minister Gromyko's press conference terrified the journalists... The chief problems leading to the collapse of the talks were: 1) the negotiations did not go through Dobrynin, 2) the human rights issue, 3) as Gromyko said, the Vance proposals would have given the USA a one-sided advantage... Carter is now threatening a new arms race, and even before he was briefed by Vance he claimed that there is no proof that the human rights campaign had anything to do with the failure, even though he did know what Gromyko had said on the issue."

"...In any case, this collapse is not an every day event... what will the escalation be? This is hard to say because it is still not clear what Carter's priorities are. If his priority were arms production, then why make an ostentatious announcement of more money to Radio Free Europe? If his priority is human rights, then what about his methods, — the only results so far have been that more dissidents are arrested..."

Le Matin de Paris, March 31:

"... For Cyrus Vance, this is a stinging setback. He had noisily left Washington after Jimmy Carter's declarations on human rights... But he is leaving Moscow with an empty bag this morning. Evidently, the Soviets meant to give Carter a lesson: one does not upset without consequences the rules of the game and international protocol."

Le Matin de Paris, April 1:

"Since Kennedy and the Cuban missile crisis in Oct- ober 1962, one had not seen an American President speak such a firm — not to say aggressive — language to the Soviets. Carter's reply to Brezhnev's rejection of his proposal for a reduction of strategic arms is in fact equivalent to a sort of ultimatum. If in May, when Vance and Gromyko meet again in Geneva, said Carter, you have not proven your "good faith," we will resume the arms race..."

"... This time, it is not simply a matter of sneezes, but a serious chill, which frankly may take us back to a cold war atmosphere. Carter is gambling: the Soviets are as much, if not more than the Americans, in need of a strategic accord, because of the state of their economy, and perhaps also because of Brezhnev's health. His looks struck the journalists and the members of the U.S. delegation, and reawakened many rumors."

Le Matin de Paris, April 4:

"...Contrary to traditions, Jimmy Carter welcomed his Secretary of State upon his arrival in Washington Saturday night. He went as far as to say, against all probability, that the Moscow talks had been very productive."

Le Figaro, April 2-3, article by Raymond Aron:

"... In other words, the Soviet Union's rejection of the two alternatives could and had to be predicted. The only question deserving to be asked concerns President Carter himself: did he believe that Leonid Brezhnev would grant him, as a sort of inauguration gift, what he had denied Henry Kissinger? Or did Carter think that he would for the first time obtain from the Soviets an authentic reduction of strategic armaments and not, as in the case of previous accords, a simple limitation which does not noticeably slow down the efforts of either party? Supposing that he entertained such illusions, experience has dispelled them."

L'Humanité, April 1 article by Yves Moreau:

"... The way Mr. Carter commented on the results of the Moscow talks is likely to even worsen the attitude of his Secretary of State. Indeed, not only does the U.S. President attempt to switch responsibilities around by

calling to question the Soviets' good faith, but he thinks he can indulge in a blackmail heavy with consequences. He has announced nothing less than a future relaunching of the arms race.

"... This threat is not aimed solely at the Soviet Union. It concerns the entire world. It violates one of the fundamental principles of the final Helsinki agreement.

"Thus, two months have been enough for Mr. Carter to betray the promises of his inauguration speech... 'Henceforth, what credibility can we attribute to his statements on human rights?'"

Le Figaro, April 1:

"The (U.S.) 'hawks' are also satisfied. They believe — and the events in Moscow seem to confirm their views — that it is virtually impossible for Leonid Brezhnev to obtain an agreement from the party, and especially from the army, concerning a drastic reduction of the number of missiles. In sum, Carter's enlarged project seems to them already condemned."

Le Nouvel Observateur, April 4

A "Hawk With A Dove's Wings":

"... The Blackmail — that's what it's all about — reinforces in Moscow the camp of those who see in Carter 'a hawk with a dove's feathers.' They are convinced that the new American team is engaged in a lengthy operation whose final goal is the internal destabilization of the Soviet regime. Suspicion does not encourage conciliation. If Jimmy Carter sticks to his positions, some people do not rule out the possibility that the Kremlin will attempt in the coming weeks to prove that, after all, the USSR is not at all that weak and that megatons, in case of crisis, can play an important part. If that is true, it's time to fasten your seatbelts."

Financial Times, April 4 "Talks Failure Puts Carter Under Fire":

"President Carter is coming under fire at home for the way in which last week's arms control talks in Moscow were handled... Correspondents travelling with the Secretary of State's party, which returned here last night, report that some senior officials have conceded privately that they may have misjudged the mood in Moscow... Some of the strongest criticism of the President's approach comes from those who have never liked the Carter open style. They say the brusque Soviet reaction to the Vance visit was an inevitable result... Other commentators praise the Carter proposals but have major reservations about the way in which they were delivered. They say that the Administration has yet to understand the complexity of dealing with the Soviet Union.

"Mr. George Kennan, the doyen of American experts on Russia took strong exception to the Carter approach in

an interview in today's *New York Times*. he said the new Administration made "just about every mistake that it could make" in the Moscow talks... Such criticism may not signal the end of the "honeymoon" period which the President had been enjoying. But there will probably be more of it as further details of the negotiations filter out..."

The Times, April 4:

"Congress, by and large, has been applauding the President on the principle that anything that annoys the Russians must be admirable. Hawks of various descriptions also approve the President's actions.

"There are plenty of critics, however. Mr. Joseph Kraft, the columnist attacks what he calls President Carter's "cocky disposition to think foreign policy is an easy matter that can be handled in public without concessions to adversaries or safeguards against failure." ... Mr. Kraft also contends that the proposals Mr. Vance took to Moscow were "so strongly weighted against Russia as to be unreasonable." His criticism of the President are far sharper than most other people so far, but are probably a fair indication of the line of attack the liberals might adopt before long..."

The Sunday Times, April 3:

Notes that "after Carter has chosen his entourage," experts in Soviet-American relations "predicted a further ripening of the détente relationship. Then, like a hammer blow to their pride and expectations, Carter took up the dissident's cause. The villain, who some of the experts in Soviet-American relations suspect of having inspired this campaign, is Brzezinski..."

Corriere della Sera, April 4:

Reprints part of the speech delivered the day before during the Italian Communist Party regional conference in the Marches region by Central Committee and Directorate member Armando Cossutta; here follow *Corriere's* quotes from the Cossutta speech:

"... The U.S. has kicked up a lot of dust in order to mask the real nature of its policies which aim at hardening relations between the superpowers instead of (aiming for) peaceful coexistence and détente... If the lack of an agreement (between the U.S. and USSR) leads to such a hardening — a matter of serious worry — the consequences will be very grave for anyone... All the peoples of the world need a policy of peaceful coexistence and the development of the process of détente... The voices of all peoples must once again make themselves heard in order to impede the arrest of international détente... The Italian people in particular need to strengthen and extend its ties of friendship and its commercial, cultural, and political relations with all countries... A hardening (between the superpowers) would lead to new and terrible dangers."

Plutonium Ban To Trigger Showdown Over Energy

Now that President Carter has officially announced his plans to halt the use of plutonium as a nuclear fuel, the Administration faces a full-scale confrontation from advocates of nuclear energy both at home and abroad.

The nuclear energy policy statement, which is a carbon copy of a recently released Ford Foundation-Mitre Corporation report, calls for the scrapping of plutonium reprocessing and restructuring of the fast breeder reactor to make it virtually worthless. It also calls for an embargo on uranium reprocessing equipment and technology and asks Congress for legislation banning uranium exports to countries which refuse to forego plutonium reprocessing and the breeder.

The international response to Carter's provocative statement, which even State Department officials admitted would "create frictions," was swift and hard-hitting. Leading West Germany officials, including European Energy Commissioner Guido Brunner, warned that West Germany might now have to turn to the Soviet Union for enriched uranium fuel. Spain cancelled \$7 billion in contracts to purchase nuclear reactors from Westinghouse and General Electric protesting the Administration's nuclear policies, according to a Capital Hill source.

Most trade union leaders and industrialists in the U.S. see Carter's energy policies as a declaration of war. "If the breeder program doesn't go through," a midwestern Building Trades union leader warned the day before the announcement, "there will be a revolution in this country." By the next day this same trade union leader was predicting that the Carter government would be impeached if the energy program goes through. "Carter's program is a pile of shit—and that's for the record," the chairman of the Illinois Chambers of Commerce stated.

Since the Administration's announcement was timed to coincide with the onset of the Easter recess in Congress, an immediate clash with Congress was bypassed. But aides in some Congressional offices are already predicting that every constituency group in the country—from Florida fishermen to the labor movement—will be descending on Capitol Hill to lobby against Carter's energy program. Even Sen. Henry Jackson's office—generally loyal to Carter—confided that the international community, "thinks that Carter has totally misplaced his head...Carter hasn't convinced anyone that he's thought out his foreign policy. His plutonium ban won't narrow the rift between the U.S. and West Germany."

Earlier this week at a meeting of the Senate Energy

Subcommittee on Conservation and Regulation, Sen. Dewey Bartlett (R-Okla.) pointedly attacked the testimony of former Secretary of State Henry Kissinger—appearing before the Committee as a spokesman for the National Alliance to Save Energy. "We have here today Henry Kissinger whose twin brother Schlesinger is in the White House, and they've come up with a plan to bankrupt the states of Louisiana, Oklahoma and Texas," said Bartlett. Two days later Bartlett inserted into the Congressional Record a statement condemning the Carter energy policy as "not only a failure, but a farce," and "a blueprint for energy disaster in this country."

On the same day Carter announced his nuclear policy, the Republican Policy Committee announced its own energy platform calling for increased federal funding for fusion power and the continuation of both the light water reactor and the breeder reactor. Fusion power can be commercialized by the 1990s, the platform states.

"Mr. Carter's declaration drew praise from environmentalists and liberals," the April 8 *New York Times* reports. Unexpected support came from the Edison Electric Institute in New York and even the Clinch River breeder demonstrator project who say they are "gratified by the continuation of the breeder reactor program." Carter proposed that the Clinch River breeder program should be continued only if "alternate technologies"—like using thorium fuel cycles cutting the fuel breeding rate by 50 percent—are substituted thus making the program virtually worthless. Some—but not all—Clinch River officials are going along with Carter simply because it saves their jobs, a Clinch River official remarked.

Carter's demand for "alternative technologies" was a major recommendation of the Ford Foundation-Mitre report, "Nuclear Power: Issues and Choices." All aspects of Carter's statement—including the "indefinite deferment" of plutonium reprocessing and the establishment of supranational control of uranium exports—were literally lifted verbatim from the report. Carter's declaration "is the Ford Foundation report translated into policy," a nuclear industry spokesman stated.

Carter's announcement followed on the heels of statements made by his proposed energy czar James Schlesinger who announced on April 3 plans for a 30 percent slash in energy consumption on ABC's *Issues and Answers*. On the same day, a lead editorial in the *New York Times*, "The Forgotten Crisis," pushed the exact same prescription. Both the *Times* editorial and a *Times* column the next day by Anthony Lewis advocated "a

warfare spirit" as the only way of implementing these energy policies.

Even after Carter's April 7 statement, the bulk of the East Coast press continues to report that Carter's April 20 energy address will be "pro-nuclear." The press reports that Carter is expected to advocate the continuation of conventional (light water reactor) nuclear energy. Legal experts indicate that although Carter may make some pro-nuclear sops, he plans to use existing legislation, such as the National Environmental Policy Act, to maintain nuclear energy at its current minimum. Already this week, the Seabrook, N.H. reactor was denied its construction permit citing "environmental impact." In addition a March 31 ruling by Western North Carolina district judge, James B. McMillan effectively rescinded the Price-Anderson Act, a ruling which will force the nuclear industry to assume total financial liability in the event of a nuclear reactor accident. If this ruling is upheld by the Supreme Court, the nuclear industry could close down over-night, a utilities industry spokesman reported.

Statement By The President On Nuclear Power Policy

The following is excerpted from a White House release of April 7, 1977.

...a serious risk accompanies world-wide use of nuclear power — the risk that components of the nuclear power process will be turned to providing atomic weapons. We took an important step in reducing the risk of expanding possession of atomic weapons through the Non-Proliferation Treaty, whereby more than 100 nations have agreed not to develop such explosives. But we must go further...

I am announcing today some of my decisions...

First, we will defer indefinitely the commercial reprocessing and recycling of the plutonium produced in the U.S. nuclear power programs. From our own experience we have concluded that a viable and economic nuclear power program can be sustained without such reprocessing and recycling. The plant at Barnwell, South Carolina, will receive neither federal encouragement nor funding for its completion as a reprocessing facility.

Second, we will restructure the U.S. breeder reactor program to give greater priority to alternative designs of the breeder, and to defer the date when breeder reactors would be put into commercial use.

Third, we will redirect funding of U.S. nuclear research and development programs to accelerate our research into alternative nuclear fuel cycles which do not involve direct access to materials useable in nuclear weapons.

Fourth, we will increase U.S. production capacity for enriched uranium to provide adequate and timely supply of nuclear fuels for domestic and foreign needs.

Fifth, we will propose the necessary legislative steps to permit the U.S. to offer nuclear fuel supply contracts and guarantee delivery of such nuclear fuel to other countries.

Sixth, we will continue the embargo the export of equipment or technology that would permit uranium enrichment and chemical reprocessing.

Seventh, we will continue discussions with supplying and recipient countries alike, of a wide range of international approaches and frameworks that will permit all nations to achieve their energy objectives while reducing the spread of nuclear explosive capability. Among other things, we will explore the establishment of an international nuclear fuel cycle evaluation program aimed at developing alternative fuel cycles and a variety of international and U.S. measures to assure access to nuclear fuel supplies and spent fuel storage for nations sharing common non-proliferation objectives.

We will continue to consult very closely with a number of governments regarding the most desirable multilateral and bilateral arrangements for assuring that nuclear energy is creatively harnessed for peaceful economic purposes. Our intent is to develop wider international cooperation in regard to this vital issue through systematic and thorough international consultations.

GOP Backs Expanded Fission, Fusion

The following is excerpted from the Republican Party Energy Policy Initiative.

Nuclear Power

Policy Recommendations

In considering nuclear policy recommendations it is important to separate recommendations on the use of uranium in light water reactors (LWR's) from the more long-range plans to use plutonium in LWR's and breeder reactors.

The U.S. commercial nuclear power program has matured to the point where experience shows that under tight regulation by the Nuclear Regulatory Commission, light water reactors can be built and operated safely and economically. We feel strongly that adequate and reliable supplies of electricity will not be available unless the U.S. has a strong LWR program. Therefore our policy towards nuclear power focuses on removing those institutional uncertainties which are inhibiting the construction of LWR's.

1. Light Water Reactor Program

* Support private industry initiatives or quasi-private corporation plans for financing and building all new enrichment capacity. Commit to such new capacity now.

* Accelerate schedule for demonstration of a nuclear waste repository.

* Expand investigation of alternative means for disposing of nuclear waste.

* Expedite program to evaluate adequacy of domestic uranium resources.

* Reduce time to build and license nuclear power plants by encouraging States to pre-select sites and by eliminating duplication in reviewing standardized plant design.

2. Plutonium, the Fast Breeder Reactor Program and Nuclear Proliferation

* Pursue the program established by the Ford Administration in October of 1976 to test the ability of all of the nations of the world to use plutonium for fuel, not for weapons.

* Make no decision on abandonment of breeders until it is clearly shown that the national security is in fact jeopardized by a continued U.S. breeder program.

* Keep breeder demonstrations on a schedule which will permit a timely and legitimate test as to the long-term viability of breeders.

Fusion

The timetable remains set for fusion reactors to become available in the 1990s and, therefore, their impact on near term policies is not significant. However, in view of the critical need for truly inexhaustible sources, it is important that high priority be maintained for this effort.

Policy Recommendation

Support increased levels of funding, especially for demonstration reactor systems, which will result in an earlier test of their long term commercial viability.

35 Congressmen Defend Breeder

The following is excerpted from a letter initiated by Congresswoman Marilyn Lloyd and signed by 35 Congressmen.

April 5, 1977

FROM Marilyn Lloyd, 3d District, Tennessee

As the date for your energy policy pronouncement nears, we feel that our views on some aspects of developing a sound energy policy may be helpful...

Even with the successful implementation of strict conservation policies, the demand for energy will continue to run well ahead of present domestic supplies. We have relatively few options for energy production between now and the end of the century. In essence, those options are coal and nuclear power...For a variety of reasons, including environmental and safety factors, we believe that the prompt development of the U.S. breeder program is essential to our national energy policy. This view is shared by the utility industry, which will be required to make the capital investment in nuclear facilities.

On environmental grounds, the breeder concept makes good sense. The Final Environmental Statement submitted to the Council on Environmental Quality on the current program found that when compared to currently

available electricity generating systems, a breeder could reduce the impacts from waste heat discharges, air pollution, and mining. These substantial environmental benefits should be weighed carefully.

While the breeder offers the potential for an essentially inexhaustible energy supply, its commercial use will ultimately be determined by access to low-cost uranium. Much of the current discussion about the timing for the breeder program has centered on the possible extent of our uranium resources. There must, however, be a distinction made between projections and an acceptable basis for national planning. Our Nation's policy makers cannot afford a miscalculation on so critical an issue. In June of last year, the Federal Energy Resources Council, which worked closely with all federal agencies competent to assess the uranium supply outlook, recommended that only a portion of total United States resource potential, approximately 1.8 million tons, be used as the prudent resource base for planning conventional nuclear powerplant construction. Recent Congressional testimony regarding a National Academy of Sciences study of uranium resources confirms the wisdom of this recommendation. Until new information of comparable reliability becomes available, this resource base must also be used for planning our national breeder program.

Although the breeder is not yet commercially competitive, it is being pursued as a long-term option by many industrialized countries, most of them strong allies of the U.S. Based on a number of recent press reports, their commitments are based on true national need. A positive approach by the United States, using the U.S. breeder program for an early demonstration of the various fuel cycles, could be instrumental in fostering our nation's non-proliferation goals. Anything less than this leadership could seriously jeopardize our role in establishing and maintaining acceptable standards over the inevitable long-term use of nuclear power world-wide.

We urge your continued support for one of the few solutions we may have for preserving our long-term national security and economic stability.

Sen. Bartlett:

Carter Policy 'A Farce'

The following is excerpted from a speech given by Sen. Bartlett as printed in the April 6, 1977 Congressional Record.

I regret to say that...already publicized positions and measures, constituting a large portion of the ultimate Carter administration energy package, fall far short of realistic hopes and expectations for a rational, workable energy policy for the United States.

In fact, the program I see taking form is not just a failure, but a farce, one in which the Federal Government will continue to suppress energy development — as it has done for the last several years, force consumers to restrain energy consumption, and somehow hope that

America will conserve itself into energy abundance. Such a program to "accentuate the negative" may appease those who want cheap energy while it lasts, or the radical environmentalists who prefer no energy, but it continues to ignore the legitimate energy needs of our Nation, its economic growth, its military strength, and the basic energy demands of its people for jobs and a good standard of living...

And yet, our policies with regard to the four resources — oil, gas, coal, and nuclear energy, continue to discourage rather than stimulate increased development of these resources. In the days ahead I intend to comment in detail on the policies being formulated regarding these resources, and how these policies together form a blueprint for energy disaster in this country...

So it is very important that Congress look at the existing parts of the administration's energy program and assess them; and I believe Congress will come to the

conclusion that, with the positions taken by the administration and the measures supported by the administration, we are not going to be able to realize the potential coal production we could otherwise, with no action; that we will not be able to have the nuclear energy that we desperately need, that we otherwise would have with existing programs permitted to continue, particularly in the breeder reactor area; that with the Outer Continental Shelf bill, if it passes as it is now submitted to Congress, we will *not* have sufficient drilling in the Outer Continental Shelf and development of those resources to fill the need we have for more domestic oil and gas...

So I tell my colleagues that I will continue analyzing the various aspects of the administration energy program as time goes on and as more parts of it are made known to all of us. But I think it is vital that Members of the Senate pay very close attention to all facets, so that we can develop a sensible program that will do the job for every American.

Congress, Press Blast SALT Debacle

Over the April 2-3 weekend, the Carter Administration's "hang tough" and "rally round the flag" strategy for minimizing the outcry over the failure of the SALT talks in Moscow collapsed as completely as SALT itself. Domestic as well as foreign anger at the Imperial Presidency's psychological "testing" of the Soviets, to which SALT fell victim, grew so intense that a sheepish Secretary of State Cyrus Vance admitted April 3 that the U.S. had "miscalculated" in Moscow.

The next day, the House International Relations Committee grilled the chief U.S. SALT negotiator, Paul Warnke, on the Moscow fiasco. "Was the human rights campaign responsible for the U.S. failure in Moscow?" asked Rep. Broomfield (D-Mich.). "What were the miscalculations that led to the Soviet rejection?" Rep. Larry Winn demanded. "What do you mean by 'hang tough'?", "What do you mean by 'human rights'?" "What kind of proposal asks Moscow to concede more than the U.S.?" "Why did you introduce a 'new technique' in the midst of ongoing long-term negotiations?" the rest of the Committee chorused.

The Congress was shaken out of its normal Monday morning stupor by the strident howl of protest emanating from the legendary titans of Wall Street's press corps and foreign policy establishment, from C.L. Sulzberger to Joseph Kraft, from former U.S. Ambassador to Moscow George Kennan to the lowliest career diplomat in the State Department. "Not since Napoleon has there been a more disorderly retreat from Moscow than that conducted by Secretary of State Vance last weekend," the Washington Post editorial board decided April 5.

Despite all the fireworks, Warnke and the rest of the Administration walked away from their tongue-lashing without a mortal wound. The failure of Carter's critics to put forward an alternative policy for world peace, based on East-West agreements for global industrial and technological development, leaves the Carterites free to

pursue their confrontation course on behalf of New York's bankrupt banks.

Twisting and squirming, Carter and his associates are trying to regroup and refocus public ire on the Pentagon as the unlikely author of the Administration's SALT package. While Congressional insiders report this is a preposterous allegation — demonstrated by the Pentagon's deafening silence in the wake of the Moscow debate — the President is busily scheduling a series of heart-to-heart talks with Congressional leaders "to bring them around." The White House is also mobilizing its die-hard supporters, like Sen. Scoop Jackson (D-Wash), to proclaim that while Carter's style in presenting the U.S. SALT proposals left something to be desired, the substance of those proposals is basically sound.

Attempting to turn their losses into a strident escalation of the big bluff ploy, Carter advisors are now describing the Moscow fiasco as a "blessing in disguise" which will provide the Administration with time to reassess its strategic posture and opt for a "first-strike" strategy. "A comprehensive re-examination of policies that presently underpin U.S. nuclear force posture," should be undertaken concluded an analysis prepared for Congress by the Library of Congress for release April 6. Until now, the report continued, the U.S. has been committed to a "second-strike strategy." The shift in strategic doctrine should be accomplished by a military build-up, one of the authors of the report, John Collins, said "Instead of matching the Soviets, we should come up with initiatives of our own that would change the game."

The same day the report was released, Admiral Stansfield Turner, Director of Central Intelligence, suggested that the Soviet "impression of power" must be matched with a U.S. "aura of power" with which the U.S. could bluff its way to "victory" in the international arena.

Carter's claim that SALT negotiations have just begun was unmasked as fantasy by reports from knowledgeable Western observers that the Soviet Union has made no commitment to discuss the nuclear issue at a May meeting between the two superpowers. At a press conference Soviet Communist Party chairman Leonid Brezhnev accused the U.S. of abandoning a previously "constructive approach" to nuclear arms control and adopting a "one-sided position" in negotiations with Moscow.

Brezhnev's statement followed Soviet Foreign Minister Andrei Gromyko's March 31 denunciation of Carter's SALT proposals as a bid to institutionalize limited nuclear war games between the powers.

Visibly shaken by the critical reviews from Moscow and Washington, Vance refused to rule out the possibility that U.S. "miscalculations" prompted Soviet rejection of

his SALT package. "No one can say that one never makes any miscalculations," Vance nervously twittered at an impromptu press conference April 3 called to explain why the USSR's leadership refused to react according to their Rand profile.

The total disintegration of the "hang tough" Carter Administration posture of last week was betrayed by the bizarre activities of the presidential press secretary early this week. At 6 a.m. on April 4, Jody Powell telephoned Associated Press reporter Richard Meyer with a denial "that the Administration, including the Secretary of State, made miscalculations that played any role in the initial Soviet reaction of the proposals." Throughout the day Powell and State Department spokesman bombarded other journalists with the same "denials."

Carter Threatens 'Dissolution Of Detente,' GOP House Leader Charges

The remarks on Carter's foreign policy are excerpted from a speech given by Rep. John J. Rhodes, House Minority Leader, at the Lincoln Day Dinner held in Jacksonville, Florida on March 31, 1977.

... After just two months, many of us in Congress are quite concerned about the spray-shot foreign policy that already seems to have developed. His diplomatic appointments have *not* sparkled, nor inspired confidence in their competence.

So far he has managed to antagonize several of our allies, threaten dissolution of détente, and to compromise the effectiveness of our policies, by making rash statements, and then trying to confuse the issue with partial denials.

You know that this is a perilous world. Relationships are fragile, tenuous, and fraught with perils to peace. If a mistake is made in domestic policy, some money is wasted, and laws can be passed to repair the damage. Foreign policy is another matter. In this nuclear age, we cannot afford faulty decisions. Misunderstandings can

escalate too quickly — to confrontations and conflict. Also, we *are* in an economically interdependent world. No nation must be depend more on good relations with our world neighbors than the United States. We must import and export billions of dollars worth of goods to keep our economy going and growing.

Our people pay for the decisions made in Washington. *I believe that the "let it fly, then clarify" foreign policy now in effect is dangerous hip-shooting, out of place in the world today...*

... Mr. Carter seems to believe that bombast, bluster and campaign style rhetoric can be carried over into the intricacies of foreign affairs. He must learn that he is dealing with masters of the craft of diplomacy, which has been defined as lie and deny. He *cannot* substitute a play to the galleries — and ploys for the media — for skill, patience, timing, and firmness expressed through action.

Carter was elected by 27 percent of the eligible voters in the United States. This does not authorize him to become the oracle of the universe — or the moral policeman for the world. *His actions to date have damaged, not helped the cause of human rights around the globe...*

Scoreboard On Carter's Program In Congress

Carter Adm. Proposals

Congressional Action

Legislation

Water Projects, Feb. 20

Just as the Western states' governors met in conference, the Carter Administration announced cuts in 19 dams, irrigation and other water projects across the country, some of which were 90 percent completed. In mid-March, Carter announced further cuts, bringing the total of cut projects to over 30.

Immediately after the cuts were announced, the Senate Budget Committee, led by Sen. Edmund Muskie (D-Me), attacked the cuts as "smacking of the imperial presidency." On March 30, House Majority Leader Rep. Jim Wright (D-Tex) sponsored a resolution rejecting Carter's cuts which then passed in the House Budget Committee; this vote reversed a previous vote that only rejected one-half of Carter's proposed cuts. On April 6, the Senate Budget Committee voted to restore most of the projects cut by the Administration.

Nuclear Energy Programs

Feb. 22 Carter announced crippling cuts in federal programs for the development of nuclear fusion energy and the liquid metal fast breeder reactor.

Both the House and the Senate have refused to act to approve Carter's cuts until after his April 20 energy policy statement. Throughout February and March, the House Science and Technology Committee held hearings documenting the urgency to develop both fusion and the breeder, under the leadership of Reps. Flowers (D-Ala), Goldwater (R-Ariz) and Myers (R-Pa). A group of other Congressmen began circulating a letter calling for reinstatement of the cuts in fusion, which now has endorsements from Congressmen representing twelve states. Staffs of the Senate and House Appropriations public works subcommittee have reported that the fusion and breeder cuts will be restored by their committees regardless of action elsewhere. During hearings on the Administration proposed legislation that would create a distinct Energy Department, Sen. John Glenn (D-Ohio) challenged White House energy Czar James Schlesinger to respond to U.S. Labor Party testimony on the intent and effect of his policies. In hearings before the Senate Energy Committee April 4, Sen. Dewey Bartlett described Henry Kissinger, then testifying, as Schlesinger's "twin."

Technology

Carter's cuts in energy program and defense research and development; his opposition to the British-French Concorde.

In early March, the entire House voted to approve funds for research and development of an American supersonic jet, the SST. The House Science and Technology Committee report that motivated the expenditure emphasized the need to keep U.S. research and development capacities intact.

Elections

Carter proposed electoral "reform" legislation that would institute nationwide on-site same-day voter registration, mail registration, Federal control of all Congressional elections, etc...

After an initial endorsement, the Republican Party unanimously opposed the plan through a statement issued by GOP national chairman William Breck and at hearings on the plan before the House Administration Committee. Rep. Wiggins (R-Cal) said at hearings that Carter was "rejecting 180 years of history," that the plan was unconstitutional, and invited vote fraud.

Carter Adm. Proposals

As part of his economic "stimulation" program, Carter proposed a \$50 per-person tax rebate, and demanded that the legislation be passed before the Easter recess.

Carter demanded that his \$4 billion public works jobs program be passed quickly, before the Easter recess.

The Carter Administration has called for the creation and funding of a "new International Monetary Fund facility" that will reportedly take over bad loans held by the New York commercial banks.

Carter Administration proposed legislation to make compliance with the boycott by U.S. firms illegal, thereby disrupting economic relations with Arab states and OPEC.

Carter Administration and pro-environmentalists courts have imposed rulings that will severely weaken industry.

Pro-Carter Congressmen drove Rep. Henry Gonzalez (D-Tex), chairman of House Assassination Committee from his position for his attempt to fire staff director Richard Sprague.

Congressional Action

Tax Rebate

The original Democratic sponsors of the measure have bolted from support of it. One former sponsor, Sen. Haskell (D-Cal) has said the proposal "was like shoveling money out of airplane." Action on the rebate has been postponed until after the recess. On April 5, Senate Majority Leader Robert Byrd (D-W.Va) announced that if Carter tried to impound funds allocated for the water project the rebate would be killed in Congress

Public Works CETA Jobs

On April 5, a joint House-Senate conference on the bill and other legislation "collapsed." Sources on Capitol Hill reported that Congressional leaders has decided to stall the measure in late March. At that time, the House leadership refused to appoint conference on the bill, opposing a \$9 billion Water Pollution measure attached to the Senate bill and backed by environmentalists. Days later the House passed amendments to Water Pollution statutes which had been strongly opposed by the Nader lobby.

Bailout Of N.Y. Banks

A series of hearings in March and April in the House Banking and Currency Committee exposed the Administration's policy to bailout the N.Y. banks. Statements and questions of Reps. St. Germain (D-RI), Annunzio (D-Ill), Hansen (R-Io), Hanley (D-NY), Rousselot (R-Cal), and others confronted federal and banking officials with the implications of their policies. The Senate Budget Committee recommended a \$400 million cut in funds requested by Carter; a Senate Appropriations staffer said the programs will never pass in the Senate even if the House passes it. The House passed it with 95 abstentions and less than a majority in favor.

Anti-Arab Boycott Legislation

In the opinion of Sen. William Proxmire (D-Wis), an amendment to the legislation proposed by Sen. Harrison Schmitt (R-NM) and passed in committee by 8 to 7 has eliminated the impact of the bill.

Clear Air Act

In late March, the Senate passed amendments to the Clean Air Act that environmentalists charge "gut" the power of the Act over industry.

House Assassination Investigation

Under pressure from a majority of House, Sprague then resigned.

Democratic National Committee Issues Warning To Carter

The Democratic National Committee at its April 1 meeting unanimously passed a resolution which serves as a warning to President Carter that if he does not consult party leaders before making political appointments or initiating new policies, he may lose their support entirely. The formal denunciation of Carter's current policy of ignoring both party and Congressional leaders, was spearheaded by National Committee members from New Jersey, Florida, South Carolina, and Louisiana.

While the resolution, which passed by 353-0, dealt primarily with the National Committee members' demands that the President consult and actively solicit recommendations from its members before making political appointments, one point in the statement called upon the White House to work with state officials in developing national policies.

The interview below was given by a spokesman of the Democratic National Committee from the Democratic Party National Headquarters in Washington, D.C.

Q: What was behind the resolution which the DNC voted unanimously to direct to President Carter?

A: The state chairmen feel neglected and they're warning that they will be in the field in 1980 and the President should be aware of that if he wants their support.

Q: Who led the move for bringing such a resolution before the National Committee meeting?

A: The state chairmen from South Carolina, New Jersey, Florida, and Louisiana...The majority of these people didn't support Carter in the primaries. There's always the feeling that the President is an outsider candidate. I've heard grumblings that 'He's not helping us because he didn't win the state'...The opposition came from *all* the state chairmen. They're very resentful that they haven't been consulted or informed of anything. They read things about appointments in their own states before they are told about it...and then they have to explain it to their base.

Q: Do you think that we have heard the end of this, now that the resolution has been passed?

A: The state chairmen acquiesced somewhat at the meeting, but they're still upset. I'm surprised that they went as far as they did.

GOP National Committee Hits Carter Electoral Bill

Broad-based Republican Party opposition to President Carter's voter registration bill last week forced Trilateral Commission member and GOP national chairman Bill Brock to reverse his previous position in support of the bill. On April 2, Brock, representing the National Committee, issued a statement attacking the Carter-Mondale "universal registration" bill as preparing the way for widespread vote fraud, and reported that the Republicans were preparing a bill of their own.

According to GOP sources on Capitol Hill, Brock and the GOP National Committee had received tremendous pressure — in the form of telegrams, phone calls, and letters — from both Congressional offices and GOP supporters throughout the country. Another source revealed that a "Dear Colleague" letter had circulated among conservative Republicans registering consternation at earlier statements by Brock and House and Senate Minority leaders John Rhodes (Ariz) and Howard Baker (Tenn) for supporting the bill.

At yesterday's hearings on the bill before the House Administration Committee, Republicans, led by Rep. Charles E. Wiggins from southern California, fired a series of questions at Attorney General Griffin Bell

which he was unable to answer. Wiggins charged that were the U.S. Congress to adopt the President's proposal, it would be "rejecting 180 years of history" by inviting vote fraud and depriving political parties of the use of voter registration lists. Rep. Bill Frenzel (R-Minn) demanded that Bell defend charges that the Justice Department had not pursued investigations of vote fraud and asked for detailed figures on prosecutions and convictions. Frenzel's attack was seen as a blow to Vice-President Mondale's past claims that there had been no charges of vote fraud in Minnesota, where on-site registration is already law.

Hearings on the bill will continue before the House committee after Congress reconvenes on April 18; the Senate Rules Committee has tentatively scheduled hearings for May 4-5. Congressional offices in both houses have indicated their willingness to use the example of this week's mayoral election in Madison, Wisconsin as further evidence that "universal registration" as outlined by the Carter Administration will lead to fraud. Fraud has been charged in that election by the Republican candidate, Anthony Amato. Serious irregularities in on-site registration and absentee balloting have been reported.

N.Y. Banks Legalize Financial Entebbe Raids Against Third World

SPECIAL REPORT

The "Entebbe Doctrine" of limited sovereignty which NATO has sought to impose on Third World nations has already been made into law in the USA as it applies to those nations' financial assets.

In his last days as U.S. President, Gerald Ford, subject to the undue influence of Cyrus Vance, then President of the Rockefeller Foundation and of the New York Bar Association, signed into law a bill sharply limiting the sovereignty of foreign nations insofar as their debts to David Rockefeller are concerned. The Foreign Sovereign Immunities Act of 1976 (PL 94-583) became effective the day before James Earl Carter's inauguration, and provides the Carter Administration with a mechanism to seize assets held in the United States by a foreign country or a foreign company which fails to service its debts to Chase Manhattan, Citibank, Morgan and the rest.

In the advent of debt moratoria, the Rockefeller-puppet U.S. Administration has been secretly empowered since Jan. 19, 1977 to commit international piracy.

Under PL 94-583, the political act represented by a declaration of debt moratorium by a Third World nation, or for that matter, Italy, Great Britain, etc., is subject to a U.S. court's ruling (the Southern District of New York!) if it has "direct effect on the United States," construed to mean the Rockefeller et al. commercial banks' Euromarket bubble and associated manipulations. Any nation which refuses to subject its own population to pillage and (in Cyrus Vance's preferred usage) "triage," any nation which would nationalize its raw materials or lawfully divert related income from IMF debt overhang to the cause of national development, faces U.S. government confiscation of its assets within the United States to preserve — not the economy of the United States — but the dwindling appearance of integrity of the Lower Manhattan monetarist institutions.

"It's a very useful piece of legislation against Third World countries and the Europeans as well," says a gleeful senior partner in a major Wall Street law firm. "Now we can go to those countries and say, 'OK, so you don't want to waive your sovereign immunity? Fine.' Then you get them with a left hook to the ribs. You say, 'OK, let's just sign this loan in New York and agree that payment is to be in New York.' Then you've got them by the..."

Foreign nations' bank accounts, real estate, and other holdings have traditionally been considered to be an

extension of the sovereignty of a foreign state wherever they are located — similar to embassy grounds — and no more subject to seizure than the nation's territory itself. Traditionally, the procedure of appropriating the assets of a corporate or other private entity to satisfy a claim has been held in applicable in cases where a sovereign foreign power is involved, unless the sovereign agreed to waive such immunity.

Appropriately, therefore, it was Cyrus Vance, whose State Department secretaryship has been largely

Public Law 94-583

The following is taken from the Foreign Sovereign Immunities Act, Public Law 94-583, passed Oct. 21, 1976, by the 94th Congress.

28 USC 1605 — "*§ 1605. General exceptions to the jurisdictional immunity of a foreign state*

"(a) A foreign state shall not be immune from the jurisdiction of courts of the United States or of the States in any case —

"(1) in which the foreign state has waived its immunity either explicitly or by implication, notwithstanding any withdrawal of the waiver which the foreign state may purport to effect except in accordance with the terms of the waiver;

"(2) in which the action is based upon a commercial activity carried on in the United States by the foreign state; or upon an act performed in the United States in connection with a commercial activity of the foreign state elsewhere; or upon an act outside the territory of the United States in connection with a commercial activity of the foreign state elsewhere and that act causes a direct effect in the United States;

"(3) in which rights in property taken in violation of international law are in issue and that property or any property exchanged for such property is present in the United States in connection with a commercial activity carried on in the United States by the foreign state; or that property or any property exchanged for such property is owned or operated by an agency or instrumentality of the foreign state and that agency or instrumentality is engaged in a commercial activity in the United States;..."

devoted to destroying political sovereignty in the developing sector, who just prior to assuming his current post took the main responsibility among Rockefeller circles for effecting the "financial Entebbe doctrine" represented by PL 94-583. His New York Bar Association, operating through Wall Street law firms and the Rockefeller controlled State and Justice Departments of the Ford Administration, hoodwinked congressional opposition with hearings featuring their own testimony (and that of Aramco, etc.) to push the bill through both houses in near total secrecy.

Admittedly, Cyrus Vance can boast germane legal "precedents" in this century among *attempted* and similar Wall Street policy impositions on the world community.

Since 1917 and the subsequent development of state trading companies in many nations following the Soviet example, the positive impulse to identify "national interest" with the rational development of a national economy as a whole provoked countervailing demands from Anglo-American monetarist quarters for a degradation of international law to permit state-held companies to be treated under the same laws applicable to private enterprise. The result was the controversial "restrictive" theory of sovereign immunity, where the immunity of the sovereign was recognized with regard to "public acts" (*jure imperii*) but not with regards to private or "commercial acts" (*jure gestionis*). (The lawyers then fought out in court whether the defendant state had been involved in public or commercial acts, generating countless learned law review articles and hefty legal fees.) Under traditional criteria the purchase of grain for an army was "public," tractors for agriculture was "commercial"...unless perhaps intended for an army-run farm...

Up until the height of the Cold War in 1952, the United States recognized the rights of foreign sovereigns and adhered to the "absolute theory." On May 19, 1952, the Acting Legal Advisor of John Foster Dulles's State Department, Jack Tate, drafted the "Tate Letter" to the Justice Department stating that "...it will hereafter be the (State) Department's policy to follow the restrictive theory of sovereign immunity in the consideration of requests of foreign governments for a grant of sovereign immunity" (from the State Department, directed to the court where the sovereign state was being sued).

Nevertheless, until the passage of the current Foreign Sovereign Immunities Act (FSIA), several critical sovereign rights were respected: (1) money debts incurred by foreign sovereigns were immune from suit; (2) foreign governments still had the right to appeal to the Executive branch for political recognition of their sovereignty in the face of a hostile judge; (3) "long arm" foreign jurisdiction and "implied" waivers of immunity were given extremely limited credibility.

But the Foreign Sovereign Immunities Act of 1976, passed by Congress on the last day of the 1976 Session, and signed by President Ford on October 21, 1976, radically changes these three policies and raises a number of very disturbing likely scenarios.

The political context of initial versions of the law reflected the growing fears by the Wall Street bankers of the financial crisis which confronted their dollar empire under its burgeoning debt overhang; a first draft of the

FSIA was introduced in 1973, just prior to the Rockefellers' oil embargo hoax — which temporarily strengthened the position of the Rockefeller banks but ultimately enhanced the debt crisis.

According to a former legal adviser to Secretary of State Dean Acheson in the early 1950s, the present law represents the lobbying activities of certain "private interests tied to raw materials exports and international loans." Those testifying for the legislation included the legal adviser to Aramco and representatives of law firms allied to the largest international banks. Above all their concern was to ensure protection of the \$800 billion external debt.

As late as 1964, in the *Victory Transport* case (336 F 2d 354, cert. den 381 US 934, 1965), the U.S. Federal Court for the Second Circuit had held that loans to governments were not a commercial activity, and thus, in case of default or moratorium, the debtor government would remain immune from suit.

Significantly, even the initial draft of the FSIA included a provision (the original Sec. 1606) which preserved such well-established precedent regarding foreign government debt, stating that, "...a foreign state shall be immune from the jurisdiction of the courts of the United States and of the States in any case relating to debt obligations incurred for general governmental purposes..."

Anticipating that these lawful precedents would be upheld, New York Bar Association President Cyrus Vance appointed Robert B. von Mehren of the Rockefeller law firm, Debevoise, Plimpton to chair the Bar Association's prestigious Committee on International Law, which launched an attack against this section and, according to sources within the State Department, successfully mobilized the banks' Justice, State Department, and congressional agents to have it stricken.

The old Sec. 1606 was replaced with what had formerly been Sec. 1605 (c) providing that "...the foreign state shall be liable in the same manner and to the same extent as a private individual under like circumstances..." The State Department has admitted that this section will be used to facilitate subpoenas of foreign government officials and documents under penalty of default judgments, and seizures and sales of the foreign state's property.

Von Mehren claimed in a recent interview that "It was significant that Congress dropped the initial 1606," which he relates to a statement conveniently included in the House Committee Report on the legislation: "Activities such as a foreign government's sale of services or property, leases of property...(and) borrowing of money should be included within the definition of (commercial activity)." This statement, he indicated, will be relied on by the Wall Street vultures to contend that their bill has a "legislative history" which supports the piratical rejection of all legal precedent. "This act," gloated Von Mehren, "definitely supersedes *Victory Transport*."

The Wall Street attorney quoted earlier who specializes in "left hooks to the ribs" concurred with von Mehren's estimates. "Before the Act came through there were grave doubts about getting jurisdiction over a borrower. Now there is good legislative history that borrowing by a foreign government is a commercial activity and the act gives us the jurisdictional basis we

need to get satisfaction. Previously, if a foreign government refused to waive sovereign immunity, most Wall Street lawyers doubted whether a U.S. court would exercise jurisdiction."

The law notably abolishes the right of foreign states to seek executive intervention on their behalf against hostile judges, thereby clearing the way for staged "break-away judge" scenarios. The Chase Manhattan Bank, for example, tries to seize the assets of Mexico because of failure to meet debt payments on time; the judge rules for Chase; Secretary of State Cyrus Vance "honestly" reports himself "legally barred" from intervening on Mexico's behalf...not reporting who authored the bill.

Another provision in the Act, Sec. 1606(a)(1), provides that a foreign state can "implicitly" waive its immunity to suit, and that once this is done, this non-existent waiver can not be withdrawn.

According to sources at various Wall Street law firms this provision covers two particular circumstances. The first is where a country issues securities on the U.S. money markets and complies with the 1933 Securities Act in the issuance. In the papers required to be filed for the issuance of those securities, there is no requirement that the issuer waive immunity...and indeed few countries would intentionally do so. Bank attorneys are prepared to argue in court that the mere issuance of securities under such circumstances constitutes an implicit waiver of the sovereign immunity of the government's assets in the U.S. and that, furthermore, contrary to well established British precedent, that waiver can never be revoked.

Secondly, there is unanimity of opinion among lower Manhattan lawyers that this implicit waiver also applies to a case where a provision for arbitration exists — whether written into contract loan agreement or otherwise. Under this theory, the mere willingness to settle disputes by arbitration brings witting or unwitting "implicit waiver" of the prerequisites of sovereignty. Beyond these examples, of course, "implicitly" will come to mean whatever Wall Street's attorneys "establish" in Wall Street's courts.

Two final provisions of the "Financial Entebbe Act" deserve mention: Subsection (2) of Sec. 1606(a) is the so-called "contact" or "long-arm" provision. The pugilistic Wall Street attorney was referring to this provision as key to the trick of getting countries to sign external loan agreements in New York. Even if the agreement does not state that it is to be governed by U.S. law, the fact that certain "commercial activity" was performed in the U.S. would bring the foreign state within U.S. jurisdiction under the FSIA. Attorneys at the State Department and Wall Street suggest that clause three of the law might even bring a foreign government within the Act if it defaulted on a Eurodollar loan and it could "reasonably foresee that 'that act causes a direct effect in the United States.'"

Finally, subsection (3) regarding "property taken in violation of international law" poses problems reminiscent of the Cuban nationalization cases and Kennecott's seizure of Allende's copper shipments to Europe. According to Wall Street sources and confirmed by government attorneys, this provision could be applied to cases like one in which copper nationalized in, say, Zambia, is

shipped to Europe and turned into copper fixtures, and then sent to the U.S. — where the fixtures are subject to seizure; or to provocative situations involving likely attempts of Exxon to seize shipments of oil nationalized by Saudi Arabia. Here, too, the question of whether the property had in fact been taken "in violation of international law" will be decided by the courts on Manhattan Island.

(It should be noted that under Sec. 1603(d), "The commercial character of an activity shall be determined by reference to the nature of the course of conduct or particular transaction or act, rather than by reference to its purpose." This changes the traditional distinction between "public" and "commercial" acts, so that non-immune commercial acts would include the cited purchase of grain for use by the army of a foreign country, since the nature of the act is commercial, i.e. a grain purchase, although the purpose, use by the sovereign army, is public.)

What A Top International Law Firm Is Telling Its Clients

Reliable sources close to Citibank's law firm of Shearman and Sterling have revealed plans by that firm's attorneys to use the Foreign Sovereign Immunities Act to deceive client governments and set up rival banks for insecure loans.

It is not coincidental that this same firm, specialists in international litigation, is attempting to sue the U.S. Labor Party on behalf of the Bank of Nova Scotia on trumped-up charges relating to an account with the bank. They are demanding unprecedented full disclosure of the party's financial records — a financial Entebbe against the USLP.

It is believed that attorney Reade Ryan, the principal coordinator of Shearman and Sterling's international litigation, is the coordinator of both operations. The following suspected manipulations are presently under investigation:

1. Attempts through the Venezuela counsel of a client bank of Shearman and Sterling to have the Venezuelan Superintendency of Foreign Investment overlook a policy requiring foreign currency loans into Venezuela with a maturity of greater than 180 days be governed by Venezuelan law. Shearman and Sterling's client was preparing to make a Eurodollar loan to a private Venezuelan through a Caribbean "shell" branch bank. Avoiding this troublesome policy would permit the client bank to set a precedent for future Citibank loans to the Venezuelan government exempt from the cited policy, thereby bringing Venezuela under FSIA provisions. (A \$1 billion loan to Venezuela in October 1976 became ensnared in this policy, causing Citibank considerable embarrassment.)

2. The Constitution of the Republic of Venezuela in Article 127 prohibits the Government from waiving its sovereign immunity and agreeing to be subject to the jurisdiction of foreign law. Reliable sources indicate that Shearman and Sterling attorneys and their colleagues are actively seeking to get Venezuela and other nations

including Malaysia, to amend their constitutions in relevant respects without informing them of FSIA's existence.

3. In recent negotiations arranging a large loan to Iran, Shearman and Sterling attorneys discussed the question of the "fuzzy"-ness of the language in the loan agreement which indicates that the loan is of a "commercial nature" (thereby subject to the FSIA). Shearman and Sterling attorneys, according to reliable sources, know that the loan is to be arranged through the Chase Manhattan Bank and may intend not to inform Chase that there is a possibility that Chase might not be able to seize Iranian assets in case of default...thereby crippling Chase to the comparative advantage of Citibank. The problem that confronts Shearman and Sterling, however, is that favorable immunity for Iran in this case might set a precedent unfavorable for Citibank in future loans to other nations, particularly Venezuela (upsetting manipulations 1. and 2.).

4. Sources also indicate that Shearman and Sterling has been involved in internal debate on the problem of whether the FSIA is sufficiently reliable to omit *explicit waivers* of immunity in loan agreements with other nations while at the same time not exposing Citibank Directors to liability to stockholders if the bank is unable to seize property under the FSIA as collateral. Two

related problems apparently have been whether the debtor nation need be informed of the effects of the FSIA, particularly the "implicit" waiver provisions — i.e. "ignorance of the law is no excuse..." — and secondly whether demanding explicit waiver would, under the present political climate, result in a termination of the loan agreement because of the increasing nationalism of most Third World nations, and growing European resentment of Wall Street's attempt to impose an IMF austerity dictatorship.

5. Among these other intrigues, Shearman and Sterling attorneys have been in discussions with the Government of Zaire to encourage that nation to set up an "account" either in England or with the Bank for International Settlements for payment of the large debts owed to Citibank and other Wall Street banks. According to reliable sources, Shearman and Sterling is studying possible forms for the Zairean account that would not be subject to sovereign immunity, without informing the government that the account will be vulnerable. The sources indicate that Shearman and Sterling was in close contact with the British firm of Linklaters and Paines regarding British law on the matter, and the firm of Niederer, Kraft, and Frey, regarding immunity of foreign accounts at the Bank of International Settlements.

Europeans Take Control To Stabilize Their Currencies

FOREIGN EXCHANGE

In the wake of the Scandinavian devaluations within the European currency snake last weekend, foreign exchange markets looked notably stable and quiet this week, and are expected to remain so for some time. This reflects the firm control of the markets exercised by Western European central banks and finance ministries, who are keeping the situation stabilized until the fundamental questions of their relationship to the dollar and the Carter Administration, on the one hand, and gold and the transfer ruble on the other, have been resolved.

Defense of the Snake

On Friday, April 1, following a secret meeting of the monetary authorities of the "snake" countries, the Swedish krona was devalued 6 percent, while Denmark and Norway devalued 3 percent. Finland followed April 4 with a 6 percent devaluation. Swedish exports have weakened, labor negotiations had broken down, and the government was under attack for its heavy borrowing abroad; a top-level government official said privately that the devaluation was worked out as an alternative to formal acceptance of International Monetary Fund conditions demanded by some Swedish groups.

The devaluation was part of a general Swedish deflationary package including a 15 percent tax on non-housing construction and a 3 percent increase in the value-

added tax. On April 3, at a speech in Oslo, West German Chancellor Helmut Schmidt expressed disapproval of devaluation and austerity as tools of economic policy; however, the dominant process is close collaboration — not without disputes — among the snake countries and other Western European nations on short-term stabilization measures.

The success of this approach was shown in the absence of a post-devaluation rush into the "strong" currencies, the deutschemark and the Swiss franc, which would have been unwelcome to West Germany and Switzerland for reasons of export pricing and inflation control. Such a rush had been expected when in early February Chase Manhattan planned a scenario for Scandinavian devaluations that would push up the mark through hot-money pressures and thus jeopardize the viable "width" of intra-snake parities. The weak would get weaker, the strong would be forced to meet the Carter Administration's demand that they revalue upward, and further chaos could then be fomented.

Instead, the dollar itself weakened somewhat across the board and, as the *Journal of Commerce* underscored at week's end, funds have been flowing into Britain and Italy. The paper's Zurich correspondent attributes Swiss moves in this direction to a desire to get "highest yields." It is true that the deliberate decreases in Euromark and EuroSwiss interest rates are designed to accentuate this motivation. However, there is also significant politically motivated petrodollar switching away from Eurodollar deposits into the United Kingdom and Italy.

While holding Euromark rates below the Eurodollar level, the West German banks have also supported the Danish crown in particular, which moved this week to its firmest rate ever within the snake, through new lending and bond underwriting. The West German, Swiss and other governments meanwhile stand poised for intervention in the markets to whatever degree necessary to defend the snake; traders at one leading British bank complained that there will be no room for speculation until the West German and Swiss banks decide to "move in" and supersede this control, since they are the only ones with enough clout to break it up. When they move, the question is whether it will be for or against the dollar.

Rising Yen

The most dynamic aspect of the markets has been the continued appreciation of the Japanese yen against the dollar, which abated toward the end of the week. It appears that Prime Minister Takeo Fukuda has made an agreement with the Carter Administration to let the yen rise to about 270 to the dollar, much to the unease of Japanese exporters. Up to now, the comparatively low rate of domestic inflation had permitted Japan's export prices to retain their advantage despite the yen's rise this year. But — as indicated by the 4 percent decline in seasonally adjusted export letters of credit issued in March — the export boom is slowing down. Forward rates in the Tokyo market are giving a premium to the dollar, not the yen, expressing an expectation that the export deceleration will pull down Japan's exchange rates.

Meanwhile, the head of the Bank of Japan, Teichiro Morinaga, crisply referred April 7 to a "speculative factor" driving up the yen-dollar rate out of correspondence to economic reality. Citibank's foreign exchange analysts had reported earlier this year that Tokyo dealers were involved in such speculation. Southeast Asian and Arab investors have also been moving into the yen recently.

Britain Bucks IMF

A key development regarding sterling this week was the United Kingdom's announcement that on April 14, foreign currency bonds will be issued to replace sterling held by foreign governments, central banks, and other official authorities abroad. The dumpable "sterling balances" had continued to possess a disruptive potential for the pound's standing, despite the stabilization achieved in recent months. The residual reserve status of the pound was a distinct burden on the United Kingdom. One billion of the £2 billion in official sterling balances will be converted into bonds with five-to-seven-year maturities bought with the official reserves and repaid 75 percent in dollars, the rest in yen, marks and Swiss francs.

The pound continued solid this week, partly because of this implementation announcement, and also because of the news of a \$1.8 billion March increase in Bank of England reserves to a record \$9.6 billion. Private borrowing declined last month, as corporations used prior credit lines obtained in the expectation that interest rates would rise. However, another quarter-percent cut was made this week in the minimum lending rate to 9.25 percent. An unnamed banker fumed in the April 8 *Journal of Commerce* that Britain was abandoning its IMF commit-

ments to crimp credit, keep the pound's exchange rates "competitive," and continue real wage cuts. The British financial press is openly attacking IMF demands that the pound sink, and IMF economic warfare to enforce the demands would undoubtedly backfire.

In addition to the direct inflow of Swiss and Arab money, British corporations have begun to enter the Eurobond market; a new EMI issue is being quoted above par. The April 3 *London Sunday Times* characterized the situation as a victory of the "industrial" over "financial" approach expressed by government abandonment of currency manipulation as a focus of economic policy. Elements in both the Labour and Conservative Parties have made a postwar habit of citing the need to sacrifice industrial growth to bolster the pound, a claim losing credibility under current circumstances.

Italy Holds Steady

Italian authorities, complains an OECD report this week, are also cheating on their IMF commitments to austerity and credit restriction. Indeed, industrial production rose almost 10 percent in February; and at least some parts of the state-controlled sector seem suspiciously liquid, the OECD protests. The borrowing prospects of private industry "have greatly improved," according to the April 8 *Journal of Commerce*, which describes the "amazing resiliency" of Italian corporations despite Italy's having been placed on the IMF's "special mention list" to discourage private lending. One potentially destabilizing development is the collapse of the SGI real estate and construction conglomerate linked to financier Michel Sindona and the Banco di Roma, but nothing like a generalized banking crisis has come in sight. The lira actually strengthened against the dollar this week.

The French franc was unaffected by any significant side-effects of the Scandinavian devaluations. The Banque de France has engaged in light dollar buying to maintain the present level of the franc; some traders think that the market will tire of holding short positions against the franc, and the upward direction will increase.

Eurobond Markets Pick Up

Based on the differential between Eurobond yields and Eurocurrency deposit rates, and more deeply on some international investors' semi-political decisions to put funds into selective longer-term loans rather than Eurodollar rollovers, both the volume and the terms of Eurobond lending have improved for issuers. In this seller's market, coupons are being cut and prices are rising for both the dollar and Eurocurrency sectors. Bonds denominated in French francs are drawing interest, presumably from investors who have pulled out of the French stock market but retain confidence in the franc.

Most interesting is the Deutschmark sector which saw only one new Euromark issue in February (for the \$40 million Swedish state-sector holding company Statsfoeretag). Purchasers were said to be holding back for lack of upward pressure on the mark's exchange rates. In March, another Swedish government mark offering and a Norwegian loan, both in marks, were considered "indigestible" at month's end. However, the West German bond marketing supervisory committee approved a re-

cord 1.1 billion DM total of new Eurobond issues for April. The effect of many of these loans is West German assistance in forestalling cuts in European state projects to cover deficit financing, as exemplified by the Bayerische Vereinsbank handling of a private placement for the Elf-Norges French-Norwegian North Sea oil development venture.

A rather amusing footnote to the Eurobond picture was added April 6 when Deutsche Bank board chairman Wilfried Guth announced that part of the bank's capital ex-

pansion would be raised through a Eurodollar bond issue whose price would be calculated at the average market price of Deutsche shares 10 days before the issue is floated, and converted into dollars at the median exchange rate on the date of price resolution. This, said Guth, should enable the bank "to raise medium-term funds for refinancing of our group's dollar business at the most advantageous cost," since the dollar is bound to be pushed down by President Carter's "diffuse economic policy."

IMF Bailout Flops; Banking Crisis Looms For 2nd Quarter Of 1977

BANKING

Strident opposition from the U.S. Congress, Western Europe, and Japan has grounded plans for a \$20-80 billion International Monetary Fund — Organization for Economic Cooperation and Development bailout of Third World and other debt owed primarily to the Rockefeller-dominated New York commercial banks. The impending flop forced one highly placed Chase Manhattan Bank official to admit this week that the banks may not be able to refinance an estimated \$17 billion in Third World principal payments and an equivalent amount of interest that falls due during the second and third quarters of 1977.

Confidence in the New York banks so far has depended on the expected IMF takeover of part of the refinancing burden, and on the banks' facility at luring unsuspecting U.S. regional, European, and other foreign banks into assuming part of the bad debt via joint syndication loans with the New York banks.

Such confidence is now non-existent. At an April 7 press conference, Bank of Japan Governor Morinaga stated quite unequivocally that should the purpose of the proposed new IMF facility be to "replace the assets" of U.S. international banks, it would not be acceptable to Japan. Japanese banks recently refused to participate in two large syndication loans totalling \$400 million for the Brazilian state oil company, Petrobras, which were managed by the Chase Manhattan and Wells Fargo banks, because the Japanese considered the loans to be pure roll-overs of existing debt and therefore unsound.

Anti-bailout sentiment has also been expressed by the leading Western European press, including the conservative West German *Die Welt*, which warned April 6 that "not only have debt moratoria occurred in the last several years — their frequency threatens to increase as well." On the same day, the Italian daily *Corriere della Sera* revealed that "general debt moratorium has been advanced in various international meetings, and this portends the collapse" of the banking system. *Corriere* correspondent Marco Borsa further noted that support

for the proposed IMF expansion was limited mainly to the U.S. international banks which have a heavy stake in Third World loans.

A top British banker commented wryly in an interview: "If you really want to bankrupt the New York banks, damn, it is easy: Just get one or a couple of Third World countries to default."

According to Japanese banking sources, the OPEC countries — which have been requested by IMF managing director Johannes Witteveen to supply the bulk of the additional funds — are extremely reluctant to do so and have decided to submit a counter-proposal for IMF "reorganization". The Japanese Finance Ministry has delayed the unveiling of its own reorganization plan in order to coordinate it with OPEC.

Bergsten: All Roses and Whine

One of the lone voices defending the integrity of the New York banks this week was C. Fred Bergsten, Assistant Treasury Secretary, who told the House Banking Subcommittee on Financial Institutions on April 5: "We reject the view that the international lending activities of American banks are posing grave risks to the American economy or banking system.... We can find no adverse effects on our own economy, the soundness of our banking system, the availability of credit for domestic purposes, or the entire world economy."

In his next breath, however, according to a report in the April 5 *Journal of Commerce*, Bergsten went on to specify the need for the IMF and OECD to get a total of \$83 billion from the oil-producing and industrialized nations to help "backstop" the private banking system. This would include:

— A \$15 billion special IMF facility, known in Washington as the "Witteveen facility" which would solicit loans to the IMF from countries with "surplus" reserves such as Japan, West Germany, and the OPEC states. IMF Director Johannes Witteveen is currently shuttling from Riyadh, Saudi Arabia, to Tokyo discussing this plan.

— A fresh \$43 billion increase in general IMF member quotas (contributions as members to the IMF.) This sum would be a "Seventh" or new quota increase, above and beyond the \$11 billion "Sixth quota review" increase

proposed at the IMF conference at Jamaica in January of 1976. This sixth quota review itself has been ratified so far only by the U.S. and a few other nations, and is being held up particularly by vehement opposition from the Gaullist party in the French Parliament. Bergsten now proposes \$43 billion more.

— The resuscitation of the Financial Support Fund, safety net proposed by Henry Kissinger, for which the OECD governments would contribute \$25 billion to an OECD-managed fund outside the IMF.

Bergsten also suggested that the Carter style of energy conservation should be undertaken by other nations as "measures toward better payments balances." But Bergsten is running into as much opposition in the U.S. Congress as IMF officials have encountered in Japan. Conservative members of the House Banking Subcommittee, which is chaired by Rep. Fernand St. Germain (D-RI), plied representatives of Chase Manhattan, Citibank, and other international banks who testified alongside Bergsten with embarrassingly direct questions. Rep. Hansen (R-Idaho) asked if it wasn't true that "bank policy influences government policy" and that "certain individuals involved in world trilateral groups and bankers are involved in these efforts" to influence government policy.

In an April 5 interview, the chief international economist at Chase, Robert Slighton, commented defensively on the refusal of the regional and foreign banks to keep joining international loan syndications. "Their decisions could be influenced by all the scare talk at these congressional hearings. We have a pretty good portfolio. We're quite happy to explain what we've done and why. But all the headlines can influence the minor (U.S. regional and foreign banks -ed.) participants. In that case, there could be major difficulties in funding debt for, say, Brazil."

The Planned IMF Takeover

The banks are suffering from a bad press as the details of the intended IMF bailout make clear. John Gerrity, the editor of the elite Wall Street publication, *Money Manager*, leaked word in an article this week that the IMF would "assume obligations owed to private banks." Gerrity later revealed in an interview that "the idea is that not only would the IMF make new loans as already openly discussed, but in addition, they would take commercial banks' loans onto their (the IMF's) books at face value, in the case for example when payments were lagging and the banks were squeezed." (This plan is generally associated with Wisconsin Democrat, Sen. William Proxmire.)

"Furthermore," Gerrity said, "although Carter squelched it the other day, there is plenty of talk of debt moratorium and if for example, a consortium of U.S. banks had a \$2 billion loan defaulted on them, the IMF would take it on."

This week's *Money Manager*, which circulates among conservative business circles, reported in a front-page article by Gerrity that IMF managing director Johannes Witteveen had hoped the U.S. Congress would commit dollars to the bailout fund in time for the critical April 28 IMF interim committee meeting. This would assist Witteveen in twisting arms of the West Germans,

Japanese, and Arab oil producers to chip in the rest of the money for the bailout fund before the May OECD "Economic Summit" in London. Gerrity said that not only was it extremely doubtful that Witteveen would meet his urgent deadline but that U.S. banking experts had suggested that "failing the establishment of the IMF lending facility, several of these debtor countries would either have to default or seek a moratorium on their obligations." Gerrity further cited estimates by "knowledgeable officials" that "in the second and third quarters of this year some \$17 billion of debt owed by oil-consuming countries to the U.S. and other banks will fall due — exclusive of accrued interest."

Gerrity identified the Germain subcommittee as a "major obstacle" to the IMF expansion plan and cited the questions put to President Carter at a recent press conference, where an embarrassed Carter felt obliged to deny the fact that U.S. allies are considering the debt moratorium option.

But getting the principals together by the April 28 IMF meeting will be impossible if the current state of organization of the IMF expansion plan is any indication; most IMF, U.S. Treasury, and Federal Reserve officials are unclear or contradict each other on what the proposal is. Dr. Charles Schwartz, Deputy Director of the Research Department of the IMF, noted for example in an interview that the question of the IMF "assuming obligations" of the New York banks directly "is being developed and formulated now." Then he quickly added, "You realize, I have no comment on this."

Mr. Gold in IMF Director Witteveen's office insisted that such a thing was "totally outside the articles of the Fund, which stipulate it can only loan to governments." The IMF's Director of Public Affairs, Jay Reid, meanwhile stated that idea "was being heard about from the direction of the Washington Federal Reserve." The Fed's Director of Public Affairs refused to confirm or deny this and suggested Dr. Burns would clarify the issue at a Tuesday, April 12 speech at the Waldorf Astoria in New York.

Similarly, while the IMF's Mr. Gold insisted that an additional \$43 billion increase in the IMF quotas (above the one currently being pushed) could not possibly take place for years, Bergsten's office and journalists present at his testimony confirmed the Treasury was talking about a \$43 billion figure nonetheless.

Tell-tale Bank Stocks

Meanwhile, bank stock analysts all down Wall Street, who for months have been pressured by their management not to rate the large international New York banks stocks poorly, are beginning to come out against the stocks in earnest, so bad is their outlook. Although until now the international income component of major banks has been their only growing business (due to stagnation of U.S. loan demand), precisely that international component is expected to go when first and second quarter earnings are reported, analysts told the *Journal of Commerce* April 8. "The more internationally oriented a bank is, the less attractive," said George Salem, of Reynolds Securities, who feels "there will be a material amount of erosion in international (bank) margins in 1977."

Carter Tightens Gov't Bureaucracy To Put Screws On Industry

CORPORATE AFFAIRS

On April 16 President Carter endorsed the idea of a new Agency for Consumer Advocacy; he signed a bill permitting him to begin reorganizing the executive to weed out centers of potential resistance to his plans to rationalize the economy. On the same day the Senate Banking Committee passed a bill making it a criminal offense to offer bribes to overseas officials; and Michael Pertschuk, a long-time Ralph Nader associate, was confirmed as chairman of the Federal Trade Commission, the agency which holds life-or-death powers over corporations.

In the background, the Antitrust Division of the Justice Department is being beefed up under the auspices of William Shenefield, Carter's new appointee to the division, who is likely to take over as its chief. Epitomizing the trend, the Antitrust Division has just set up a toll-free telephone in Pennsylvania to encourage citizens — irate consumers and employees who want to “blow the whistle” on their corporation — to report possible price-fixing or other violation of antitrust laws. The number was set up in Pennsylvania, a spokesman for the division said, because of the density of large corporations in the state.

Institutionalizing Naderism

The idea for the Agency for Consumer Advocacy was prompted by charges from Ralph Nader himself and other consumer advocates that the regulatory agencies have become too friendly with the industries they are supposed to regulate, and that a third party “watchdog” is required. In reporting Carter's endorsement of the idea on April 6 the *New York Times* noted that many of the individuals who have worked for such an agency are now in the Administration itself.

Senators Abraham Ribicoff (D-Conn), Jacob Javits (R-NY), and Charles Percy (R-Ill) called a press conference to endorse Carter's backing for the agency, which they first proposed seven years ago. Percy said it had been a “long, hard fight” but that he “scented victory ahead.”

As an example of what their consumer protection agency would do, the Senators suggested the agency could help citizens sue the Civil Aeronautics Board on the grounds that its regulations have helped inflate the price of air travel. Simultaneously, Sen. Edward Kennedy (D-Mass) is sponsoring a bill to deregulate the airlines to

supposedly restore “free-market” pricing. As top officials of Braniff and National Airlines noted in congressional testimony recently, the deregulation bill would lead to greater concentration of the industry and no reduction in fares. The deregulation bill, in fact, is the first salvo in Carter's offensive to eliminate small business competitors, in this case, businesses controlled by southern and southwestern financial interests distinct from Wall Street. Nader and *Time* magazine are also pointedly asking — in the wake of the unexplained series of airline crashes — “Are airlines really safe?”

Carter now has almost full power to “regulate the regulators,” following his signing of the executive reorganization bill April 6. Carter has chosen Bert Lance, the fiscal conservative in his cabinet, to head up the President's committee on government reorganization, which has been empowered to propose plans to abolish, consolidate, or modify the entire civil bureaucracy. The President's plan will be implemented unless one House of Congress votes within 60 days to reject the President's plan.

During his campaign Carter ran on the populist promise of making the “horrible, bloated bureaucracy” workable, that is rationalizing the politically unwieldy bureaucracy into a unified command structure. Carter has spoken of reducing the Federal bureaucracy of over 2000 agencies to no more than 200 and intends to begin with the Executive office itself. This is one issue businessmen and conservatives generally are susceptible to. Indeed, the Federal bureaucracy, the product of Keynesian economics, is inefficient and wasteful. Its growth took off in the late 1960s, precisely at the point that productive employment began stagnating in this country. However, in their ardor to see “good management” in the public sector and to see the Treasury deficit reduced at all costs, conservatives tend to overlook the fact that Carter is moving against the bureaucracy with the sole aim of severing all ties between the civil service and industry.

A target for this streamlining to ensure effective policing is the regulatory agencies. Last month the *Executive Intelligence Review* printed the exclusive story that the Enforcement Division of the Security and Exchange Commission is ready to go with *hundreds* of “Lockheed scandals.” A bill which passed Sen. William Proxmire's (D-Wisc) Senate Banking Committee on April 6 sets up corporate officials investigated by the Enforcement Division of the SEC for *criminal* prosecution. The committee added to the overseas bribery bill the Administration's amendments criminalizing such bribes and raising the penalty from \$10,000 to \$500,000. The amendments also extend the bill

to cover foreign corporations which are 50 percent or more owned by Americans. Charges of "bribery" have been used by Atlanticists to go after pro-industrial forces in Europe, Japan, and the U.S.

This bill is complemented by new directions taken at the Justice Department. Attorney General Griffin Bell and William Shenefield, who is likely to succeed Donald Baker as chief of the Antitrust Division, favor stiff prison sentences for price fixing. Baker was recently fired by Carter for his softness on price-fixing violations. The Carter Administration just requested from Congress an additional \$31 million for the division's fiscal 1978 budget so that it can pursue more price-fixing cases. In a period

of continuing commodity price inflation, every industrial corporation is susceptible to charges of "price-fixing."

Appearing before the Senate Banking Committee the same day it passed the bribery bill, Harold M. Williams, Carter's nominee for SEC chief, told the committee that he favored a more active role for the SEC in the area of capital formation. However, all this involves is the possibility that the SEC might relax its regulations — for example, its requirement that small businesses file with the SEC on all issues over \$500,000, thereby making it easier for business to raise capital. A very meager carrot to be throwing out to the business community at this time!

Commodity Prices Plummet

COMMODITIES

Prices for major international trade commodities collapsed during the week ending April 5, stopping a speculative runup of roughly 35 percent on the leading indices since last September. The market break — despite a technical recovery on the last two sessions this week — flashed an emergency signal of primary importance to the world financial community.

The cases of cocoa, coffee and copper exemplify the present situation.

Cocoa and coffee prices went up by over 300 percent in the last year, based on growing rumors of "scarcity." Cocoa was at £800 per ton on the London market in March 1976, and reached £2,800 per ton on February 1977. But the raising of deposit requirements by the Bank of England was enough to keep both cocoa and coffee prices down. Last week, the President of the Brazilian Coffee Institute, Camilo Calazans, had to admit that Brazilian coffee producers and exporters have 9 million sacks of coffee in private stocks.

Meanwhile, the Cocoa Producers Alliance was unable to reach an agreement in London on a minimum-maximum price structure, with the Ivory Coast even threatening to cut down cocoa production in favor of expanding cultivation of other commodities. Cocoa prices are now around the £2,000 per ton mark, while coffee prices went down by about 8 percent in the last shake-up.

The price of copper has fallen by about 10 percent, despite tensions in the copper-producing area of Zaire. A trader summed up the general feeling with the comment that "the surprise is not what is happening in Zaire, it is the relative lack of reaction in the market...Copper inventories are very high, and the economic situation is far from being encouraging." The prices are now only maintained by speculation around the U.S. strike by the United Mine Workers of America. But, both the metal companies and the trade unions understand that in the present depression, a strike could only hurt labor and industry. An orientation toward a Canadian settlement at

the Noranda copper refinery in Montreal — where workers continue to work in spite of the expiration of their labor contract — is seen as establishing a pattern for U.S. agreements in the whole copper and metal industry.

Other metal prices are also falling down — tin prices by 25 percent, lead prices by about 20 percent. The sharp price-decrease is further fostered by the agreement on a labor contract reached without a strike at the St. Joseph Minerals Moraca zinc smelters in Missouri.

How Commodities Markets Work

This is however only a holding action. Limited penalty measures cannot eradicate the roots of speculation. What determines market commodities prices in the short-term is not supply and demand for the commodities, but the internal dynamics of the whole money market. Speculation in commodities is conducted through the same international lending swindle that provided most loans to the Third World. The so-called Eurodollar market now contains at least \$100 billion of short-term refinancing of Third World debts. This mass of liquidity — credit for which there is no backing in real income — creates an environment of apparent easy money, some of which spills over into commodity speculation. At the point that short-term Eurodollar interest rates, now about 6 percent, are lower than the expected annual rate of increase of commodity prices, now about 10 percent or over in the case of metals and more for "soft" commodities, commodities become an attractive speculation.

In the upward side of the cycle, *apparent* cheap money and higher commodities prices inflate world trade in value, and in turn provide more liquidity for the Eurodollar pool. But the Eurodollar market is extremely shaky, as increasing amounts of long-term Third World debt comes due. Big international depositors, like the Arabs, are pulling funds out into gold or Treasury notes. Once any major group of participants in the gambling casino gets cold feet, the entire swindle will collapse.

Last week's price fall in London indicates that such a collapse could now happen at any moment, just like the first tremors which preceded the October 1929 stock market crash. Early last week, Eurodollar short-term

interest rates rose slightly (around .50 percent) because of a sudden shortage of funds to "roll over" the \$100 billion unpayable Third World paper. This interest rate rise was enough to scare the speculators, and commodity-buyers for future deliveries cashed in their holdings and ran out of the market.

Although interest rates temporarily dropped back to earlier levels, those commodities which had the biggest speculative buildup, like zinc, tin, copper or lead, fell back to their January price levels.

Economics Intervenes

The financial environment is now no longer the same. The New York-based speculation has lost its grip on the commodity market and can no longer play off between interest rates, inflation, commodity prices, and Third World debt service. Inflation is running at 13.2 percent on a yearly basis in the U.S.: the latest National Association of Purchasing Managers survey reports the worst inflation during the month of March since the peak of the last double digit price increase in September 1974. Inflation fosters higher interest rates, which in turn divert investors out of the commodities market and lead to a fall in commodity prices.

Moreover, under the present circumstances of deflation in world trade prices — according to the authoritative General Agreement on Trade and Tariffs report, trade immediately slowed down when inventories increased faster than industrial activity by the end of 1976 — a greater supply of money does not help. It pushes interest rates up, not down, and commodity prices down, not up. This means that the grip of the New York banks on the commodity market is definitely loosened. The merely physical regroupment of all existing New York commodity markets, with the exception of cocoa, into the World Trade Center building — pooling resources on a larger scale of operations — would not change the parameters of the problem and generate more "expansion."

Therefore, what the *Financial Times* calls "normal market forces," that is, a more adequate reflection of economic reality, tend now to be hegemonic over speculation. At a juncture of falling volume of world trade and industrial stagnation, there will soon be no room for a general commodity boom hoax. British traders comment in their own way that "prospects are none too bright for the 1977-1978 year from the producers' point of view."

Still, some commodities could be pushed up quite significantly on very short-term basis, but spill-over effects on the whole market are to be discarded.

The Soybean Exception

Soybeans are the only product for which there is an objective scarcity due to a 15 percent shortfall in the last

U.S. crops. Prices could very well go higher, but traders discount spill-over effects on other commodities and predict that the situation will remain under control for the following reasons:

1) U.S. farmers are already planning to switch acreage from corn to beans for the November harvest,

2) If the world market turns out to be too bad, the European Economic Community has already planned to enforce, through subsidies, the broad use of skim milk to replace soybeans.

3) Both Peru and Norway can produce more anchovy-based cattle feed, a high protein product broadly equivalent to soybeans.

The only possible basis for a worldwide soybeans crisis has been spelled out by the British daily *Manchester Guardian*, which sees the possibility of a U.S. export-moratorium provoking a price boom on the London market. Such a scenario is highly improbable given the U.S. farmers' opposition to such measures and the necessity to get cooperation from Brazil, the second world soybean producer. Brazil is maneuvering to boost the prices of soy futures on the Chicago market and plans to withhold export registration licenses, but it cannot go too far in this direction. At this point, U.S. Agriculture Secretary Robert Bergland has discarded a replay of the 1973 American export moratorium as politically infeasible when confronted last week.

If commodities prices have not continued to fall after April 5 it is because of West German monetary initiatives. Bonn is now engaged in a short-term stabilization of the currencies of the weak European sectors through a loose money policy. As a consequence, the Eurodollar Euro-DM interest rate spread is now about 1.25 percent, the highest in more than a year, which means that West Germany is voluntarily maintaining its interest rates at a relatively low level. The low Euro-DM interest diverts capital outflows from West Germany into Italy or Great Britain, helping to stabilize their currencies. But this in turn keeps the whole world structure of interest rates lower, thus making still more attractive the short-term speculation on commodities despite a general adverse long-term trend. Hence the "technical stabilization" on the commodities market by the end of this week, the West German policy acting as a ceiling.

This situation on the commodities markets cannot of course last very long. Well-informed market sources believe that the worst test will come in about three months. Not coincidentally, that is when the biggest debt payments of Third World countries start coming due — and when the European-Soviet negotiations for the broad use of a transfer ruble are said to be coming to a successful issue.

Farm Sector Pre-Empts Trilateral 'Food War' Scenarios

AGRICULTURE

Carter Agriculture Secretary Bergland announced this week that he had "set up a U.S. grain reserve" — long sought by Carter advisors as the firepower for a State Department-National Security Council controlled "food weapon" for use against recalcitrant Third World debtors and their European and Japanese pro-development allies.

While Bergland's decision to extend the 1976 crop loan program for two more months, and add a three-year loan option, may net the Carter Administration several hundred million tons of wheat if the current wheat price collapse is enforced, it is unlikely to survive even as a foot-in-the-door for the "food weapon" in the face of upcoming congressional action of new omnibus farm legislation. As one Capitol Hill source commented, "This is not really a major grain reserve move. The Secretary just wants to get the idea out."

The truth behind Bergland's "grain reserve" talk is that Bergland is virtually hog-tied by a congressional farm bloc steadfastly opposed to Carter's manipulations to gut the farm sector — whether by sacrificing American agriculture to a destructive foreign policy, or bankrupting farm producers by dismembering the target price and crop loan support system.

To function, a "strategic reserve" would require a top-down executive takeover of domestic grains production and marketing. Significantly, Carter-Bergland have not dared to whisper such a proposal, much less push for it, despite more than three years of Rockefeller propaganda for the "food weapon."

It is this same potentially explosive opposition to Carter which has so far nipped a less complex "food weapon" tactic — namely a mooted soybean embargo — in the bud. Fears have been reported in Europe and elsewhere that the Administration might try to take advantage of the widely-puffed soybean shortage to wield political economic muscle against Europe and Japan, who are stubbornly resisting Carter Administration pressure to support a hyperinflationary IMF bailout of the Lower Manhattan banks. Carter is also painfully aware of the fact that an embargo is one move that would catalyze the entire farm belt into opposition to the Administration.

Otherwise, Europe and Japan are now in a position to rebuff such a Trilateral strongarm gambit. Europe has already moved to subsidize the use of its more than 1 million ton "dry milk mountain" as an alternative feed base, a measure which the U.S. government is desper-

ately protesting. Japan, overwhelmingly dependent on U.S. soybean imports for its protein source, has already taken delivery on more than two-thirds of its expected 1976-77 imports, and has nearly all of the balance in contracted commitments.

On the home front, Bergland's presentation of the Carter farm program to Senate and House Agriculture committees in recent weeks was roundly denounced. "You have destroyed the target price and loan system," an astonished Senate Agriculture Committee Chairman Talmadge (D-Ga) told Bergland, after hearing the Secretary state that the Administration intended to hold the line on target price increases. The severe price collapse, particularly in grains, over the past year has already forced many producers out of business, and drought conditions and soaring production costs — especially energy — have put the rest to the wall.

"If Earl L. Butz had offered this, he would have needed a body-guard to get out of here," Senator Dole (R-Kan) told Bergland, in a pointed reference to the former Agriculture Secretary watergated by the Carterites as a friend of "big" agriculture and industrialization.

Dole, an outspoken critic of Bergland's provocative efforts to set up an international "wheat cartel" to face down OPEC and the developing nations, is a co-sponsor of the Talmadge omnibus bill that would raise target prices in the context of extending the other provisions of current Agriculture and Consumer Protection Act of 1973. The 1973 Act introduced the key target price mechanism, a transfer payment that guaranteed farmers for the cost of full production, and functions, at the same time, as an alternative to government stockpiling.

The Talmadge bill, together with a similar bill authored by Senator Bellmon (R-Okla) which contains precisely worded provisions for a strictly farmer-held and farmer-controlled reserve at greatly reduced loan rates, are the focus of Senate legislation due to begin final mark-up on April 19. Whatever the fine points of the final legislation, it is certain that the Senators will insist on maintaining a viable cash-flow in the farm sector.

This week, the House also voiced its intention to hold the line against the Carter-Bergland wrecking operation. The House Agriculture Subcommittee on Grains and Livestock voted 9 to 2 in favor of setting the 1977 wheat target price at \$2.90 per bushel (30 cents above the Bergland austerity level), raising it to \$3.20 for 1978.

The consensus that farm income levels must be defended, at the risk of throwing the entire farm sector into depression collapse, is but one indication of the suspicion, if not outright hostility, for the Carter Administration that pervades the farm belt. The Administration did not enjoy a solid farm bloc mandate from the outset. Now severely squeezed financially, farm producers are not about to be swept back into the horrors of the 1930s by a President who does nothing more than claim to be the friend of the "family farmer."

Europeans Issue Loud 'No' To Carter Energy Program

European capitals were getting angrier and angrier this week as the date approached for U.S. President James Carter to announce his official energy savings and anti-nuclear proliferation program on April 6. Within 24 hours of the press conference delivered by Carter press secretary Jody Powell, where the details of the program were confirmed, the West German government stepped forward and forcefully registered Europe's disgust with Carter's commitment to undermine nuclear power development.

On April 7, Chancellor Helmut Schmidt announced that West Germany's controversial nuclear export treaty with Brazil is now in effect, and that shipment of all the agreed installations in the treaty will begin shortly. The West German-Brazil treaty has been heavily attacked by Washington officials. Its most controversial feature is inclusion of a nuclear fuel reprocessing installation, which challenges the central point in Carter's energy scheme: to guarantee U.S. and Canadian monopoly control over nuclear fuels as the means for aborting all nuclear technologies.

British, West German and Italian spokesmen could not have been more explicit this week in the warnings they issued to Washington that Carter's program would not be welcome. Guido Brunner, the European Economic Community Commission's chief energy negotiator, delivered a press conference at the Biblis nuclear center April 4, where he stated that the U.S. "may obligate the Federal Republic to reach an accord with the Soviet Union for joint enrichment of this energy source." The threat of a European counter-attack based on making the Soviet Union its chief enriched uranium supplier was also hinted at in statements issued by Schmidt's personal secretary Armin Gruenewald and West German Research and Technology Minister Hans Matthofer, both of whom warned that if the cutoff of uranium is maintained, West Germany will be forced to renegotiate its present supply treaties with the USSR.

Right-wing West German circles are frantically signalling that Carter Administration policies across the board are simply compelling Europe to strengthen its ties with the East Bloc. Herbert Kremp, a chief editorialist in *Die Welt*, has just sounded this alarm in response to Carter's "human rights" campaign: "The ruling circles of Western Europe are not going to join" Carter's dissidents propaganda drive, he wrote. In fact, "all this could lead to further arrangements with Soviet imperialism."

Obvious Trap

Carter's energy program is an obvious trap for all governments and corporations pursuing advanced

technological development in the nuclear industry. The president is simultaneously cutting out the production of highly enriched uranium plutonium extraction in the United States, and demanding that all U.S. treaty partners who want to receive U.S. deliveries of non-enriched uranium do the same. While Carter fallaciously asserts that extraction of plutonium would permit an uncontrolled "proliferation" of nuclear weaponry, the reality of the situation is that plutonium is an extremely valuable by-product of the initial nuclear generating process, which can be rescued as nuclear fuel.

The plutonium extraction process would permit all nuclear-power using nations to create their own fuels, and help to break the U.S. monopoly. At that point, no nation would have to pay attention to Carter's unfounded objections to nuclear technology.

European governments were apprised of the contents of Carter's energy program by the early release of a special Ford Foundation report entitled "Nuclear Power: Issues and Choices." The reaction of European commentators to the report was bristling. On April 1, *Frankfurter Allgemeine Zeitung* correspondent Robert Held mentioned the report and Ford Foundation head McGeorge Bundy in a lead editorial devoted to "the extraordinary conflict now confronting Bonn and Washington." He dismissed Bundy's authority on nuclear questions by stating: "The new President is told what he wants to hear from these men."

London's prestigious *Financial Times* was just as direct in two days of virulent commentary on U.S. energy policy April 7 and 8. Noting that the Ford Foundation study presents a "case for abandoning reprocessing and fast reactors," the *Times* remarks that Europe sees these technological advances as necessary in order to prevent a "uranium OPEC" under U.S. control. The *Times* asks: "...how will the rest of the world see the Carter Administration's proposals with their strong implications that nations need only put their faith in Uncle Sam and all will be well?"

The *Times* predicts that a full-scale confrontation with Carter may erupt following the April 28-29 meeting of the London Group, a conference forum of European nuclear-energy dependent nations, excluding the U.S., but including the Soviet Union. Asserting that "Britain is expected to take a tough line in opposing the American plans, which will involve tight curbs on further progress in nuclear technology," the *Times* also spelled out the logic of Europe's case: "(The) London Group of nuclear exporters all see reprocessing and the recycling of plutonium in the fast breeder reactor in quite a different light. All have highly developed fast reactor programmes. Britain and France and the USSR have large-scale de-

monstration reactors already running. West Germany has one under construction; and Japan has the 300 MW Monju project which it hopes to launch shortly. France and Germany have recently embarked on the commercial-size (1,200 MW) Superphenix reactor."

Finally, the *Times* brushes off the veracity of Carter's concerns with nuclear weapons "proliferation" by emphasizing that this dispute is no less than three decades old, dating back to the U.S. exclusion of Britain in the crucial wartime Manhattan project.

Since the effects of the Carter program are so clear, support for energy cutbacks and conservation dropped dramatically across the continent this week.

One of the most surprising turnarounds was the endorsement of nuclear energy issued by West German Metalworkers' President Eugen Loderer, a former member of the Trilateral Commission who has continued to be a very sympathetic spokesman for U.S. policies. The Italian financial daily *Il Sole* recognized the significance of Loderer's changing of line, and devoted extensive coverage April 7 to what the journal described as the consolidation of joint working-class and industrialist interests in West Germany on the energy problem. Importantly, Loderer also issued an attack on West Germany's environmentalist organizations, called the "Citizens' Initiatives," emphasizing that their zero-growth platforms are "egotistical" and contrary to working-class interests.

The conservative daily *Die Welt* applauded Loderer for the move, stating "The German Trade Union Federation has finally woken up." Rubbing in the fact that Loderer's previous opposition to nuclear power had nothing to do with any domestic constituency pressure, *Die Welt* sardonically added, "after months of worker protests, going into the hundreds of thousands, and factory council delegations at (Federation) headquarters demanding a pro-energy stance from their own leadership," the Federation finally caved in. Deriding the "Citizens' Initiatives" anti-growth efforts, *Die Welt* noted: "The (Federation) leaders obviously underestimated the strength of these 'worker initiatives.'"

The promise of a late April open fight with Carter was seconded by Italy's *Il Sole*, which like the *Times*, predicts that the London Group meeting will be the organizing grounds for that confrontation.

West German Nuclear Proliferation Position Reaffirmed

Dr. Werner Ungerer, New York Consul-General of the Federal Republic of Germany, has graciously allowed the Executive Intelligence Review to reprint the following condensed version of a speech he delivered March 28 at the Conference on the International Regulation of Nuclear Energy at Columbia University. Dr. Ungerer fully confirms his government's rational policy of world economic growth through the broadest dissemination of the most advanced nuclear technologies, which of course includes safeguards against their misuse.

It should be recalled that (a) in 1954 the Federal Republic of Germany renounced the production of nuclear weapons, (b) in 1957 it accepted the international safeguards on all its nuclear activities, (c) in November 1969 it signed the Non-Proliferation Treaty (NPT), and (d) in May 1975 it ratified the NPT.

Before the signing of the NPT, this treaty was criticized in my country because of its discriminatory features. Non-nuclear weapon states would be obliged to accept infringements of their national sovereignty by submitting their nuclear activities to international safeguards, while weapon states would not. There were also fears that the treaty might impair and hamper nuclear energy for peaceful purposes. Therefore, great importance was attached to such provisions in the treaty which affirmed the right to develop research, production, and use of nuclear energy for peaceful purposes without discrimination, as well as the right to participate in the fullest possible exchange of equipment, materials, and scientific and technological information for peaceful uses of nuclear energy. At that time, my country was furthermore reassured by the U.S. government, which stated that there were no grounds for concern that this treaty might impose interdictions or limitations on non-nuclear weapon states concerning the possibility of developing their expertise in the field of nuclear science and technology.

I also recall that my country, together with other member states of the European Community, concluded an agreement with the International Atomic Energy Agency (IAEA) in 1973 providing for verification of Euratom safeguards by IAEA inspectors. It also participated constructively in a committee of 15 supplier nations, including the United States, which in 1974 reached an understanding on a list of nuclear materials and equipment, the export of which would trigger application of safeguards. This list included enrichment and reprocessing plants.

I want to emphasize that the agreements with Brazil on the supply of nuclear reactors and other plants, are not only fully in line with the international commitment of the Federal Republic of Germany, but even beyond them. The cooperation agreement not only contains an affirmation of the principle of non-proliferation, but also a commitment on Brazil's part not to use any of the nuclear equipment and materials it receives, as well as relevant technological information, for the production of nuclear weapons or other nuclear explosives. Furthermore, there are stringent obligations as to re-exportation, application of safeguards and the protection of installations and materials against third parties. The safeguards agreement concluded with Brazil is more stringent than any safeguards agreement concluded by the United States on the exporting of nuclear reactors and other nuclear products.

Non-proliferation has been my country's consistent policy, and my government will act in accordance with its international contractual obligations. My government would also be ready to negotiate on new aspects of non-proliferation, with a view to making non-proliferation even more effective.

I now want to refer to economic and technological problems such as reprocessing, breeder reactors and

waste disposal. The energy situation in my country is different from that of the United States. The Federal Republic of Germany has hardly any oil and gas, and only very expensive coal resources. It therefore has to rely on nuclear energy, and to make most economical use of this implies the recycling of plutonium. Apart from economic reasons, reprocessing is viewed in the Federal Republic of Germany as an effective means of waste disposal. There exist plans to unite all relevant facilities at just one site above a salt mine, which offers the safest prospects of depositing the final waste. These plans would also ensure that no plutonium is transported outside the plant except the inaccessible plutonium contained within the fuel elements.

Regarding exports, the Federal Republic of Germany does not believe in denying technology to developing countries. The technology of reprocessing plants is known, and any country which has reached a certain industrial-technological level is able to build a reprocessing plant for weapons purposes. We therefore find that it is better to export a reprocessing plant for peaceful purposes under very stringent international controls, rather than deny it. The world economy is more and more based on mutual dependence. There is no alternative to more cooperation and the responsible use of technology. This implies technology transfer along

with the appropriate controls.

As long as there is no world government, the world will have to rely on international treaties as instruments and building-blocks of world order. Treaties are binding, and my country has no reason to assume that the agreements it has concluded will not be respected by Brazil. The deterrent force exerted by international safeguards represents great progress in the area of international law. Many countries were at first hesitant to accept such infringements on their sovereignty. I recall that the United States only reluctantly entered into an agreement with the IAEA to extend safeguards to American nuclear plants, and that the Soviet Union flatly refused to admit international inspectors into its territory. There is still much room for improvement in the present safeguard system, and voluntary contributions to the IAEA would allow this agency to deploy enough inspectors to any plant in which continuous inspection would be required.

In conclusion, new solutions are called for in order to make non-proliferation more effective. In order to make the NPT even more attractive to non-nuclear states, I suggest the strengthening of physical protection of nuclear material and IAEA safeguards, and I also envisage multinational solutions for sensitive plants, as well as a reassessment of the usefulness of nuclear weapons.

Trade Unions And Human Rights In The USSR

by Spartak Beglov,
Novosti Political Observer

April 5 — The 16th Congress of the Soviet Trade Unions, which has just ended in Moscow, provided another chance to look at the human rights issue from the Soviet point of view, despite the West's claims that it has a monopoly on this perspective.

Ironically, the Moscow Congress was dominated by the question of what are the best ways to enlarge the role of the Soviet trade unions in social progress and human rights. On one hand, this is an organization which represents those who work, and on the other, it is a school of production management belonging to all the Soviet people collectively.

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Do an individual's rights stand before society's or does society stand before an individual? Many Congress delegates agreed that the answers to these questions are not necessarily opposite. "The more you do for society, the more society returns to you" was one of the keynotes of their speeches. If a social system proves it can ensure essential human rights, realizing them in keeping with the Constitution and the laws of the country, no better way can be expected. Conversely, any human rights which do not rest on a constitutional foundation guaranteed by society and are not reinforced with the advancement of the material and social base make no sense.

Hence the different approach to the two international covenants on human rights — the Covenant on Civil and Political Rights and the Covenant on Economic, Social and Cultural Rights, both drafted in 1966 — becomes more clearly defined. For the Soviet Union and many other socialist countries of Europe, the signing and ratification of these covenants was only natural, since everything contained in them was already guaranteed by the development of socialist society. However, the USA delayed their signing and ratification, and when President Carter stated his intention to begin ratifying these covenants, he did not conceal the difficulty of his decision.

The difficulty is that these additions to the Declaration of Human Rights of 1948 not only proclaim ideals, but also demand guarantees of their realization, especially

regarding the essential rights to work, to free education and to social maintenance in old age and in case of disability. But the level of ensuring these rights does not only mean what actually exists at the moment. One of the aspects of Soviet reality is that the dynamics of its development inspires confidence in the future.

All of this was discussed at the Trade Union Congress. The guaranteed right to work is backed up by the growing scope of the short and long-term economic development plans. In fact, the planned and steady growth of production is the best guarantee of employment but it also brings about a difficulty for society, because the society can't always keep pace with these plans due to the demographic situation and because the shortage of labor is growing. Dismissing a worker is one of the most difficult problems for a manager because the dismissal can be effected only with the consent of the trade union. The right to a guaranteed wage or salary, equal for both men and women, is ensured both by legislation and the growth of the gross national product. It was said at the Congress that 31 million workers will have their pay increased by an average of 18 percent in the next few years.

The right to education concerns not only the free 10-year program for children but also includes the right of adults to improve their professional skills. As a result, one-third of the Soviet population is studying.

The right to social maintenance? Social insurance does not require any payments from the working people, while it provides sick benefits (up to 100 percent for workers with a long record of work) and old-age pensions as well. The minimum pensions are regularly increased and the total social insurance fund, which is at the disposal of the trade unions, now amounts to 28 billion rubles.

Leonid Brezhnev stressed at the Congress that what is being done by the trade unions in the sphere of production, in involving more and more working people in management through workers' meetings, production conferences, collective agreements and so on is only one manifestation of socialist democracy. "Being an influential social force, the trade unions play an important role in our entire political system and in promoting socialist democracy. The pivotal thing for us is that there has been and will always be what is literally expressed in the word democracy," the General Secretary of the CPSU Central Committee explained, citing what Vladimir Lenin said about genuine self-government by the people, which lies in the working people's participation in running state and social affairs.

Arbatov's Institute: Rockefeller's Lobby In Moscow

The abrupt rebuff to Cyrus Vance's SALT negotiating team in Moscow last week is causing upset stomachs and sleepless nights at Moscow's Institute of USA and Canadian Studies (USA Institute), according to reports from the Soviet capital. The institute, run by Central Committee member Georgii Arbatov, has served for some years as the easiest channel for Rockefeller interests to insinuate their needs into Soviet policy making. It has labored since its inception in 1968 for that version of detente which was stopped dead during Vance's mission: a detente which would create constantly new opportunities for Lower Manhattan interests to blackmail the Soviet Union and arrange bilateral deals to the detriment not only of Soviet security, but of the Soviets' own better conceptions of pan-European or international cooperation programs.

The shape of U.S. detente policy, in the Kissinger and the Brzezinski version alike, was determined in no small part by the concern to prevent an alliance between the USSR and potentially consolidated Western European forces against the hegemony of the dollar and New York banking interests. To this end, initial Soviet sketches for pan-European security and cooperation, put forward in the lifetime of General DeGaulle, were countered (after their first setback from the 1968 Czechoslovakia operation and the inevitable Soviet intervention against it) with a series of diversions. Foremost of these were the bilateral detente approaches first of West German U.S. agent Willy Brandt and then Kissinger. By 1973, France's Gaullist Foreign Minister Michel Jobert would observe with alarm that Moscow was sacrificing the possibility of a pan-European alliance to the exigencies of bilateral negotiations with the Americans.

The job of Arbatov has been support work for Soviet-American detente, supplying Brezhnev's staff with pre-digested analysis of U.S. political trends.

The chief source of information for the USA Institute analysts is the Communist Party USA, locus of a nest of Rockefeller intelligence agents in place for four decades. Outside of unpublicized collaboration of CPUSA operatives with USA Institute staff, the largest portion of Institute published analyses is rehashed from the pages of the Daily World or New World Review. The visible input of the CPUSA — bylines included — to the Institute's monthly *USA: Economics, Politics, Ideology (USA)* is rivaled only by that of another core "left" Rockefeller agent, Richard Barnet and his Institute for Policy Studies.

On another level, the USA Institute staff has been involved in ongoing and undisguised consultations with top-ranking members of the Rockefeller faction. One forum where this has occurred is the Dartmouth Conference, a series of bilateral meetings of experts and "leading citizens," in the words of a sponsor's brochure. The Dartmouth Conferences were one of the Rockefellers' first asays in detente; funded by the Ford Foundation, they were begun in 1960 for "off-the-record dialogue" in the interest of "preventing nuclear war." David Rockefeller personally does not miss a meeting. In this decade, the

Soviet delegations to the Dartmouth Conferences have regularly included half a dozen USA Institute staffers.

These hob-nobbing sessions serve for exchange of information and disinformation and for psychological profiling. At the Sixth Dartmouth Conference in 1971, for instance, when Arbatov was across the table from David Rockefeller and Senator Frank Church, the U.S. participants gave a briefing on how the U.S. advocates of East-West trade (such as Chase Manhattan) were struggling against the Cold War-vintage psychological blocks of American conservatives. Clearly this extremely disorienting schema is identical with the "military-industrial complex" vs. "realistically thinking forces" analysis handed out by the CPUSA and retailed in Moscow by Arbatov.

The next year, at the Seventh Dartmouth conference, held in the U.S., a heavily USA Institute delegation sat down with Rockefeller and this time Zbigniew Brzezinski and discovered "identity of views on the present stage of relations" between the U.S. and the Soviet Union, according to USA's own report. This warm atmosphere gave the Rockefeller side the chance to bring up Soviet participation in the International Monetary Fund and the World Bank. This fond Rockefeller dream, repeatedly rejected by the USSR, was discussed at this meeting.

Arbatov and his top associates such as USA editor V.M. Berezkhov make frequent individual trips to the U.S., to make the rounds of U.S. thinktanks and political luminaries. Berezkhov likes to call on veteran "Russian-handler" Averell Harriman, whose "accumulated wisdom" has been praised in USA. The USA Institute also backs tours for others; Foreign Minister Gromyko's son Anatolii Gromyko, for example, in 1973 contributed to USA his travel notes after visiting and discussing with "pro-detente" spokesman Henry Owen of the Brookings Institution and, again, Richard Barnet.

In the opposite flow of traffic, Cyrus Vance, Walter Mondale, and Marshall Shulman — to mention members of Carter's Administration — have been received at USA Institute headquarters in Moscow in recent years. Arbatov was certainly not expecting to find this group suddenly charged with trying "a dubious, if not cheap, ploy" in the SALT talks, as Andrei Gromyko said at his press conference!

Why Does It Work?

The USA Institute was an offshoot of the Institute on World Economy and International Relations (IMEMO), a larger thinktank also of the USSR Academy of Sciences. When IMEMO was established in the late 1950s, the Soviet leadership intended to create a political monitoring capability as counterpart to the proliferation of U.S. and West European thinktanks sifting through data on the Soviet Union. With the IMEMO and later the USA Institute, the Soviet leadership sought to acquire an improved and scientific reading on the rest of the world.

The USSR faced these projects, however, without a scientific method to base such research on. The ease with which USA bloated up with Rockefeller's own political

schema — reprocessed by the CPUSA and the likes of Barnet for a semblance of coherence with Soviet interests — highlights the inadequacy of Soviet “Marxism-Leninism” as a tool of political analysis.

It has been reliably reported that branches of Soviet intelligence are well aware of the disinformation cell located at the CPUSA. Nor can it be assumed that leading

Soviet politicians overlook the import of Arbatov’s warm relations with “the U.S. side” in exchanges of views, like the Dartmouth Conferences, in which he participates. Yet the USA Institute continues to function, with reason: with a certain slyness, Soviet leaders often prefer to leave agent channels in place and use them. Clever as this approach may be, it has done nothing at all to enhance the Soviet comprehension of U.S. politics.

What The Soviets Said About SALT

The full text of Soviet Foreign Minister Andrei Gromyko’s March 31 press conference, quoted only piecemeal in most Western reports but comprehensively excerpted here, reveals the vehemence and precision with which Gromyko rebuffed the Carter Administration’s attempt to win restrictions on Soviet Research and Development programs on unequal terms. Several days later, Leonid Brezhnev spoke out for the first time since the collapse of Cyrus Vance’s SALT mission. His remarks were seized on by the Washington Post and other newspapers as suggesting that Brezhnev was leaving a door open to compromise where he had refused to last week.

SALT negotiator Paul Warnke gave astounding confirmation that the Administration is thinking in terms of wooing Brezhnev away from the present Soviet hard line,

when in reported April 7 comments he said of Gromyko’s press conference: “I can’t believe he meant it.”

Brezhnev’s remarks, brief but essentially echoing Gromyko’s, give the lie to Warnke’s pretense. Brezhnev, Gromyko and Prime Minister Kosygin conferred at length with Fidel Castro this week, following Castro’s tour of the African continent and stopover in the German Democratic Republic. Castro’s visit to Moscow coincided with that of Palestinian Liberation Organization head Yassir Arafat (with whom he met there) and Tunisian Foreign Minister Nouira. The latter pressed the Soviet Union to make no separation between the cause of peace and that of a new world economic order, for which, he said, the USSR bears “great responsibility to humanity.” Castro’s speech in Berlin, excerpted here, was pointed along the same lines.

Gromyko: ‘Dubious, Not To Say Cheap’

The press conference given by Soviet Foreign Minister Andrei Gromyko in Moscow March 31, in which he explained the reasons for the Soviet rejection of U.S. Secretary of State Vance’s strategic arms limitation proposals, was heavily censored in U.S. press coverage. Excerpts from the press conference follow:

...As you know, there were quite a few reports — both official and semi-official — that after Vladivostok (1974 meeting between President Ford and Soviet General Secretary Brezhnev-ed) forward motion was achieved. There were also more restrained reports. But in general forward steps really were taken. The possibility existed of bringing the matter to conclusion. However this did not occur. Suddenly the question of the so-called cruise missiles arose. Now what was this? There is no need to take up the technical aspect. We began to be told that supposedly the Vladivostok agreement did not concern the cruise missiles, that these missiles are altogether free from any limitations and that the Vladivostok agreement only concerns ballistic missiles. We resolutely opposed this policy...

It had seemed that everything was clear, that all that remained was to sign the agreement... At first things moved forward. But suddenly a wall rose up, and the

whole thing was frozen. Evidently some influential forces in the U.S. were not pleased by all this. And, as you know, great difficulties arose, and these difficulties were not overcome. To speak frankly, these difficulties have increased in the recent period...

We are told, and were told in the most recent period, during the talks in Moscow, that one obstacle is the existence in the Soviet Union of a certain type of bomber (called “Backfire” in the U.S.) which, they say, can be used as a strategic weapon, and that this plane must be counted in the agreement. We categorically rejected and continue to reject such endeavors... Evidently there are some who are compelled to create an additional obstacle through this... We consider that this question is being artificially introduced in order to complicate the conclusion of an agreement.

... L.I. Brezhnev in various public statements has presented the policy of the Soviet Union... stressing its readiness to achieve this agreement. It was stressed that the agreement corresponds to the interests not only of the United States and the Soviet Union, but also to the interests of the whole world.

Really, what are we to do if everything positive that has been achieved in relations with other countries is crossed out when a new leadership comes to power in one

country or another? What kind of stability in relations with other countries can there be in this case? What stability can there be in relations between the USA and USSR in this case?...

Presently in the U.S. the story is being put out that some sort of broad disarmament program was advanced by U.S. representatives in Moscow, and that the Soviet leadership did not accept that program. I must say that this version does not correspond to reality. This version is false to the core. Nobody proposed such a program to us.

Let me mention a few facts from which you, most probably, will draw certain conclusions yourselves. It is now being proposed to us, for example, to cut the total number of strategic weapons launchers to 2,000 or even 1,800, and missiles with Multiple Independent Re-entry Vehicles (MIRVs) to 1,200-1,100. Furthermore, at the same time it is being proposed that we liquidate half of those of our missiles that some in the United States simply do not like. They are called various things: sometimes "too heavy," "too effective." They don't like these missiles — and so the Soviet Union must eliminate half of such weapons. One asks oneself, can such a one-sided formulation of the question be the way to an agreement?... What has changed since Vladivostok? Nothing, absolutely nothing has changed...

Further, in the negotiations with C. Vance it was proposed that we reconsider the point which is part of the presently operating agreement, as well as the Vladivostok accord, on the right of both sides to modernize existing rockets. This had been considered self-evident. No problems had arisen here at all. But no, now it is proposed to break the accord in this section too, and to do it in such a way that the United States gains advantages from it, and the Soviet Union ends up in a worse position. It is clear that we are not about to renounce the principle of equality in this regard either. And to put forward such a demand is a dubious, not to say cheap, device.

Another fact. It was proposed to us that we include an article in the agreement banning the creation of new types of weapons. At first glance there would seem to be nothing wrong with that. But I would like to remind you that the Soviet Union itself long ago put forward a proposal on banning the production of new types and new systems of mass destruction. Furthermore, we submitted a proposal to the UN for a corresponding international treaty. And what happened? Did the U.S. government support the treaty? No. They gave not a word of support to the treaty. And then at the talks in Moscow only generalities were spoken about, including an article in the agreement that would be tied to, or as they say, in a 'packet,' with other clearly unacceptable proposals. All of this left an extremely dubious impression... At the beginning, when we posed the question of banning new types of weapons, they asked us: what do you have in mind? How could it be possible to think of something even newer than nuclear weapons? When we introduced the relevant facts — and they are known not just to us, but to scientists of other countries too — their attitude toward our proposal changed somewhat. For this reason I cannot say that our proposal met with a negative response from all other states. No. But the major states, including the U.S., unfortunately did not support it.

Let us speak frankly. If both our countries are for banning new types of weapons of mass destruction, then let us discuss the draft treaty. If you have amendments to the Soviet draft, bring them in. Let's discuss these amendments. If there are no amendments — let us accept the treaty. I repeat — our draft treaty is in the hands of the U.S. government. And is it not better concretely to answer the question: is the U.S. government prepared to sign such a treaty, or is it not? But to tie up this idea with other questions, and to propose looking at all of this in one 'packet' means to bury both the 'packet' and the idea along with it... It seems to us that in general in international affairs, including in relations between the USA and the Soviet Union, it would be better to take up corresponding problems on a more realistic, an honest basis. The more games are played in these matters, the more attempts, so to speak, to step on the feet of one's partner, the greater the difficulties...

It is proposed that the cruise missiles and the Soviet "Backfire" bomber — which, as I already mentioned, is not strategic — be set aside. It's as if a concession were being made to us, but the concession is strange in the highest degree. They give to us what does not belong to the United States in the first place. They call a non-strategic plane strategic, and then say: we are now ready to exclude this bomber from the agreement if the Soviet Union agrees to give the green light for production and deployment of the American cruise missiles...

We do not intend to minimize the substantial differences which now exist between the positions of the USA and the Soviet Union. This was openly stated to the Secretary of State. But does this mean that there are insurmountable obstacles? No, it does not. We would like to express the hope that the leadership of the United States will take a more realistic position, and will take into account to a greater degree the security interests of the Soviet Union and its allies, and will not strive to achieve one-sided advantages....

Gromyko described the record of Soviet disarmament proposals, concluding with a recent Warsaw Pact appeal:

Not long ago at the session of the Political Consultative Committee in Bucharest, the member states of the Warsaw Pact jointly introduced a proposal that all the countries that participated in the All-European Conference (in Helsinki in 1975 — ed.) take upon themselves the obligation not to be the first to use nuclear weapons against each other. We ask, what was wrong with this proposal?...

However the NATO states, without any particular discussion — although it was said that differences in opinion existed — declared their negative attitude toward this proposal. We do not consider the discussion of this question finished. Maybe this question is not formally on the agenda of the NATO organization, but it remains alive, and it will be discussed until such a time as the problem of non-use of nuclear energy for military purposes has been solved....

(Another question) is the nuclear forward basing of American arms in Europe, around Europe, and in other regions from which Soviet territory is accessible. With

the conclusion of the first agreement on limitation of strategic armaments we made an official statement that we would have to return to this question. In Vladivostok, in the interests of reaching an agreement, we did not insist that an article be included on the liquidation of American nuclear forward bases. But now we look at this question differently in light of the recent U.S. proposals. This is a question of our security and the security of our allies. We have the right to pose the question of the liquidation of American nuclear forward bases. This means atomic submarines and bombers capable of carrying nuclear weapons, aircraft carriers in the corresponding region of Europe (you know very well what region I mean). Call this what you will: a hardening of position, a change of position. But, I repeat, this question is before us now because of the recent American proposals....

We will never forgo our legitimate interests, our security. We can only do business on the basis of equality, including with the United States of America, equality which does not damage our legitimate interests. If the other side acts likewise, then I think that both sides can look into the future with optimism....

Asked about President Carter's "human rights" campaign, Gromyko replied that it did not help the negotiations, and that the Soviet Union has no intention of allowing itself to be lectured to on its own internal affairs. He recalled how in 1933 President Roosevelt and Soviet Foreign Minister Litvinov signed the documents establishing normal diplomatic relations between the two countries, which included a provision for non-interference in one another's internal affairs.

The thesis of noninterference in the affairs of state is a component part of our general Leninist foreign policy. We will not abandon it. No kind of noise, squeal or screech addressed from abroad will detract us from this road. We will take our own road, and do not need any teachers....

Brezhnev: 'A One-Sided Stance'

The following is excerpted from a speech delivered by Soviet General Secretary Brezhnev at a dinner for Fidel Castro:

We greet the progressive role of the liberated countries, including the role of the nonaligned movement in international politics, since this strengthens the preconditions for a stable peace.

Our programmatic goal is to achieve a solution of one of the most important tasks of today — the task of limit-

ing and stopping the arms race, especially nuclear arms.

Objectively speaking, there would seem to be a good basis, in particular in Soviet-American relations, for practical steps in this direction. Of course, this must be strengthened and expanded. But, as recent contacts and negotiations have shown, our partners, instead of going forward, are losing a constructive approach and as of now are taking a one-sided stance.

A reasonable agreement is possible, but it is necessary that not only we, but the other side as well, fully recognize their responsibility in curtailing the arms race, and seek mutually acceptable solutions not just in words, but in deeds.

Castro: Peace Requires Social Transformation

The following is excerpted from a speech by Fidel Castro given in East Germany April 3, just before his departure to Moscow.

...I had the opportunity to speak with many people who are active in Africa....I observed (in Luanda) that our countrymen have become internationalists. The more we reflect on these problems, the more wonder we have for the cleverness, and extraordinary revolutionary character of Marx, Engels, and Lenin. (Prior to them, those who fought for justice in society were utopians.) It appeared to me that capitalist society was an entirely absurd affair, and so I began to read the Manifesto. At that time, I was still a utopian socialist, but became later a scientific socialist...The more I grew in my political consciousness, the more I admired Marx, for he saw the solution with heart and mind, with science and consciousness; at that time, he saw humanity as a single family which employs the natural wealth of the world in the service of all humanity....

In the course of the 1960s, the world progressed more than in centuries. Human society has come to know slavery, feudalism, capitalism, colonialism, imperialism. How very many crimes have been committed against humanity until the most recent period. Following the October Revolution, powerful changes occurred in the world. However, what still stands before us is indeed a great deal, and very complex. What humanity must do in the future is very much more than what it has done until now....We must continue to fight for a transformation of human society, for the revolutionary course, whereby we simultaneously secure peace....

EXCLUSIVE

April 30 Demos To Kick Off Nuclear Terrorism Drive

On April 30, a series of coordinated demonstrations against nuclear power, modeled on the anti-war movement of the 1960s, but with added "nuclear terrorist" elements, will begin at six or more locations. The main event will be a "civil-disobedience" occupation in Seabrook, New Hampshire at the construction site of a nuclear power station.

Demonstrations to support the Seabrook "occupation" are planned for the Diablo Canyon nuclear plant in California; the Trojan reactor near Portland, Oregon; the Palo Verde nuclear plant in Wintersburg, Arizona; the Caloway nuclear facility near Fulton, Missouri; and the Enrico Fermi nuclear power station in Monroe, Michigan.

These demonstrations, the start of an ongoing series of international "direct action" attacks on nuclear energy, are modeled on last year's aborted July 4th Bicentennial terrorism, which was cancelled, had been organized by leading members of the Institute for Policy Studies, Marcus Raskin, Noam Chomsky, Richard Barnett and others; it was planned to be series of "snowballing" terrorist incidents, merely beginning July 4th. At that time a National Security Council controller, General William Yarborough, described the situation as "inevitably" escalating to "nuclear terrorism." A mobilization to expose the plan, led by the U.S. Labor Party, made the nature of the operation clear to honest law enforcement officials defusing the situation.

Many of the same Maoist, anarchist and "zombie" elements involved in the July 4th Coalition of Noam Chomsky, the noted former Rand Corporation associate of James Schlesinger, and the People's Bicentennial Commission run by "radical" economist from the Fletcher School of Law and Diplomacy, Jeremy Rifkin, are now at the center of the emerging anti-nuclear "radical ecology" movement. The same tightly controlled leadership structure from the planners and controllers through to the gutter-level terrorists are now "ecology freaks."

"Nuclear terrorism," of course, is impossible without multi-million dollar complicity by a federal government agency or related private intelligence capability. The notion "nuclear terrorism" was developed in connection with an economic warfare (against industrial growth) scenario in the early 1978s by the Ford Foundation, Rand Corporation and Mitre Corporation, the Wall Street think tanks. The scenario was first publicly aired by a former Los Alamos weapons designer, Theodore Taylor, then working for the Ford Foundation. His version was refined and elaborated by David Rosenbaum, who now works for the General Accounting Office, in a Mitre Corporation report, and the Rand Corporation terrorism

specialist Brian Jenkins.

The scenario begins with a series of terrorist incidents of rising intensity, carried out under the cover provided by a "mass protest movement," and backed up by feature newspaper reportage, essentially psychological conditioning. The population is conditioned to believe that nuclear terrorism could actually be carried out by an isolated group of fanatics; the media has omitted mention of those facts of operational scale, expertise, and funding which prove a priori that such an incident could only occur with the full knowledge and complicity of the National Security Council, probably using Interpol and Institute for Policy Studies networks.

Command Structure

Laurence Rockefeller's Natural Resources Defense Council (NRDC) is the primary overseer of this nuclear terrorist network, backed up by the Friends of the Earth (FOE), an "environmentalist" intelligence network composed of the World Federalist Movement headed by Rockefeller CIA agent Cord Meyer. Both these groups have supplied extensive back-up to the New England based "Clamshell Alliance" which is directly running and monitoring all of the demonstrations in the country. Anthony Roissman, leading anti-nuclear lawyer for the NRDC, appeared as a featured speaker at a Clamshell, FOE, sponsored forum at Harvard in mid-March, organized to build for the action at the Seabrook reactor site. More recently, the *New York Times* has identified Roissman as the hired attorney of the Seabrook occupiers. The NRDC and several leaders of the Clamshell Alliance were deployed into West Germany in February and early March of this year to help the Friends of the Earth networks there prepare for their subsequent wave of anti-nuclear demonstrations and bloody confrontations with police in Brockdorf, Wyhl, Grohnde and elsewhere. These actions have been followed up with bombings, arson and other forms of industrial sabotage against companies with contracts to supply parts and equipment for nuclear facilities.

Institute for Policy Studies terrorist groups have received their instructions regarding nuclear facilities, specifically in support of the Seabrook occupation, through a new international terrorist communication newspaper, *Open Road* published in Vancouver, British Columbia, the location of a collective of fugitive U.S. terrorists of the Weather Underground including Joanna Zilsel and probably Kathy Boudin. *Open Road* is typical of previous above-ground terrorist publications such as the Weather Underground *Osawatomie*, the New World Liberation Front's *TUG (The Urban Guerilla)* and *Prairie Fire*, the journal of the Weathermen's above-

ground support group, the Praire Fire Organizing Committee, which was a part of the July 4th Coalition.

Open Road serves to centralize information on the activities of the zombie terrorist groups internationally and includes letters of support from every major international IPS terrorist group, including the Black Liberation Army and jailed Symbionese Liberation Army FBI control-agent Emily Harris.

The April 30 demonstrations and "direct action" events still in the planning stages are to feed into the national conference of the July 4th Coalition scheduled for the end of May. This conference is to include a major workshop on "resisting the threat of nuclear disaster" which will discuss both "the discipline of stopping construction of nuclear power facilities" in the US, and pacifist resistance to nuclear proliferation.

Training

Demonstrators are undergoing extensive military-type training for the April 30 occupation, under the direction of Sucki Rice or the American Friends Service's Quaker Project, which participated in Institute for Policy Studies seminars on community control run by Arthur Waskow and John Sprigel from the Lumburg Center for The Study of Violence. The War Resisters League-run Movement for a New Society is also marginally involved in this training as a part of their global training operation in pacifist "direct action civil disobedience" coordinated by Beverly Woodward, and held in seven countries, in various parts of the world.

Training for the Seabrook demonstration includes breaking demonstrators down into platoon size "affinity groups" each with a designated commander, called a "spoke" (for spokesperson) who, during the occupation, will transmit orders and information from a central command unit to his "affinity group." An "Occupiers' Handbook" has been published as a basic reference for this T-group battalion.

Funding

Funding for the "environmentalist movement" is managed primarily by the Ford Foundation, Rockefeller Brothers Fund and Rockefeller Family Foundation. However, for specific terrorist deployments, additional Wall Street-controlled foundations are used to conduit funds. The Friends of the Earth, for example receives its primary public funding from the Kaplan Foundation (identified in 1967 by *Newsweek* as a conduit for CIA covert operations money). The July 4th Coalition received heavy funding from a series of similar CIA conduit foundations and individuals including Cora Weiss, a member of the Coalition, and a director of the Samuel Rubin Foundation. The Stern Family Fund, Rabinowitz Foundation and Field Foundation have all funded participants connected to the new "radical ecology" operation. Confirmation of funding organizations and exact figures is an area of investigation that could be greatly facilitated through Congressional channels.

Seabrook

The Seabrook occupation on April 30 is being organized under the auspices of the Clamshell Alliance, a coalition

of 38 local groups spread across five New England states: Maine, New Hampshire, Massachusetts, Connecticut and Vermont. The Clamshell Alliance is the pilot project for the emerging "radical ecology" movement and is a participating member of the July 4th Coalition terrorist umbrella group, created in 1976 by the Institute for Policy Studies to provide a "mass" cover for Rockefeller planned professional terrorism starting July 4. In August 1976 the Clamshell ran a trial run occupation of the Seabrook site with 180 members occupying the site backed up by a support rally of 1000. All 180 were arrested on trespassing and resisting arrest charges and all have since been convicted. This year, estimates of the size of the occupation run into several thousands, bolstered by contingents sent in from ecology groups throughout the country, the July 4th Coalition in New York, and the Mass People's Organizing Committee, another Bicentennial umbrella concoction.

The local groups which comprise the Clamshell are an assorted selection from already existing anarchist, Maoist and Institute for Policy Studies-linked local community control groups. Most notorious of the individuals involved in the Alliance is Sam Lovejoy, a rabid anti-nuclear advocate who has had enough money to follow the Fusion Energy Foundation around the country counterorganizing; he is a former associate of People's Bicentennial Commission head, Jeremy Rifkin. Lovejoy is also the producer of a film, "Sam Lovejoy's Nuclear War," which advocates any means necessary to sabotage the future of nuclear energy. In a recent conversation with a reporter, Lovejoy responded to questions on the Seabrook saying, "They'll have to kill us to get us out of there." Lovejoy somehow recently escaped conviction and a jail sentence on Federal criminal charges stemming from his destruction of a meteorological antenna in Montague, Mass.

The Boston Clamshell selection is made up of an assortment of individuals from the IPS run Cambridge Institute with support from the Socialist Workers Party, infiltrated by the FBI who gave it to IPS and Wall Street lawyers in the early 1970s, and the Progressive Workers Party, a miniscule Maoist sect which has been involved in the Boston busing riots. This sectlet is conveniently housed in the offices of the American Friends Service Committee, one of the oldest of the "Fabian" conduits for covert intelligence operations in the United States.

In Storrs, Connecticut, the Clamshell affiliate is the Connecticut Anti-Nuclear Center (CANCER) which is run by local Naderites along with members of the Revolutionary Union, an organization originally set up in the San Francisco Bay Area to push "radical" zero growth and anti-Soviet propaganda and to serve as a provocateur apparatus in factories and urban ghettos. The Amherst, Massachusetts Alternative Energy Coalition affiliate is composed of the local trade union police countergang, New Unity, which led a physical assault on the Massachusetts State Assembly in 1975 seriously injuring several State Legislators; a few Naderites and members of Sam Lovejoy's communes are thrown in. Each of the remaining elements in the Clamshell Alliance is a similar, quickly devised assortment of chocolates, nuts and fruits regurgitated from earlier private intelligence projects.

Additional outside support to the Seabrook occupation is being built for by the Friends of the Earth coordinated by IPS associate and mid-Atlantic FOE chairman, Lorna Salzman and Boston FOE head Ann Roosevelt, a former energy aide to Senator Edward Kennedy.

National Support Demonstrations

* **Diablo Canyon:** There will be two demonstrations here organized under the umbrella of the newly founded People Against Nuclear Power, a coalition made up of the War Resister's League, Berkeley Students for Clean Energy and the AFSC, with branches in San Francisco, Berkeley, Palo Alto, Santa Cruz, Modesto and San Luis Obispo. The first demonstration will be on April 30 at the Lawrence Livermore high energy physics labs, around demands that the labs convert to "research" of wind-mills and solar collectors. The second demonstration will be on May 1 consisting of a march from the Bay Area to the Diablo Canyon nuclear power station and a rally in support of the Seabrook festivities. The Carter Administration's option to escalate this affair is quite visible, as David Hartsough, one of the leading organizers of the event and an AFSC member, described a contingency plan: a full occupation of the reactor if the Nuclear Regulatory Commission issues it an operating permit prior to May 1.

* **Caloway:** A mass demonstration and "Safe Energy Fair" is planned in Fulton, Missouri to protest plans to construct a nuclear plant in nearby Caloway County on April 30-May 1. Coordinating this event is the "Great Plains Coalition" created in January 1977 by "radical ecology" groups from Illinois, Iowa, Missouri and Kansas, including the Missouri FOE, "Missourians for Safe Energy," the "Peoples Energy Party" from Kansas and Illinois and "Free Environment" in Iowa. David Comey, an intelligence operative formerly with Princeton University (where he monitored Soviet scientific developments), and now a leading Naderite with the "Citizens for a Better Environment" in Chicago will also attend this event.

Demonstrators will march from Fulton to the Caloway site in a "procession of waste" (carrying garbage cans). At the site they will hold a rally against the plant and cheer the Seabrook occupation, and then return to Fulton on a "Parade of Safe Energy." Various estimations are given on the size of this event, ranging from 2,000-15,000, depending only on whether a famous rock band can be engaged to draw drug freaks and lumpen youth into the event.

* **Palo Verde:** There will be a small demonstration of about 200 in downtown Phoenix, Arizona protesting the

construction of a nuclear power station in nearby Wintersburg. The rally is coordinated by the "Environmental Clearing House," headed by Kevin Dahl, a Phoenix lawyer deeply involved in the IPS' Fund for Investigative Journalism and its Arizona Project" (to watergate leading conservative politicians, the Teamster's union, etc.). Participants in the demonstrations include representatives from the "Arizonans for Safe Energy," Sierra Club, FOE, "The Committee for Non-Nuclear Futures," a Naderite group, and "The Canadian Greenpeace Foundation," a heavily financed IPS linked organization which has been deployed against Soviet fishing vessels, and has claimed in the past to have "access" to stolen nuclear fuels.

* **Trojan:** This will be a small demonstration with little organizational support, to be held in downtown Portland, Oregon protesting the already operating Trojan reactor.

* **Fermi:** This demonstration is being organized from the Wayne State Energy and Environment Information Project. Investigation into the scope and complexion of this event is incomplete, but Michigan PIRG, the Sierra Club and FOE chapters each claim to have no knowledge of the event.

Beyond April 30

Depending on the extent of success in April 30 operations, there are a broad array of occupations confrontations and riots in the planning stages which may be conducted next across the country. Most prominent of these are plans in the Seattle, Washington area to stage an occupation of the U.S. Navy Trident nuclear submarine base (!) and "direct action" plans for the Skagit Valley nuclear site outside Seattle. These plans are each endorsed by the terrorist *Open Road*, and feature the involvement of Paul Zinsel, a known terrorist controller connected to the New World Liberation Front, Weather Underground and the Jonathan Jackson Brigade. Zinsel recently told a reporter that "things will get hot here" in reference to anti-nuclear actions. There are also rumors that terrorists are planning to break out of the Walla Walla state penitentiary in Seattle, including jailed Jonathan Jackson Brigade terrorist Ed Meade, and "steal nuclear fuel" from the Hanford nuclear complex nearby.

In the San Francisco Bay Area, anti-nuclear activists expect a full "confrontation" with authorities, but are no more specific than "this coming fall at the latest." Elsewhere, there are plans for further occupations in New England and no doubt other regions, which require widespread and in-depth investigation immediately.

Terror Expert Jenkins: 'Command Structure' Unpopular Until A Terror Incident

The following are excerpts from an April 6 interview with Brian Jenkins, Director of Research on International Terrorism at the Rand Corporation. Jenkins was the author of a March 27 Washington Post article which called for a "command organization" under the National Security Council to coordinate U.S. "responses" to terrorism internationally. That command structure would include active representatives from all U.S. military branches, who would be responsible for "Entebbe-styled" military response contingency plans.

Jenkins is a consultant to the State Department Office for Combating Terrorism and attended planning sessions at the State Department right before the National Security Council went into secret sessions to discuss "terrorism" beginning this week.

Q: Your article in the March 27 *Washington Post* outlined the need for a "command organization" under the NSC to coordinate responses to terrorism. I'm interested in the nuts and bolts of how such a structure would be implemented, and what problems you foresee in achieving implementation.

A: I would see the political difficulties, the obstacles, being two. One, simply overcoming bureaucratic satrapies, bureaucratic domains. Because we're talking about something which transcends these jurisdictional boundaries; ... The FAA claims jurisdiction, but if the doors are open and the plane doesn't have power, the FBI claims jurisdiction. All these departments and agencies — everybody says, "it's ours." ...It's just a matter of getting these senior bureaucrats to function together....

The other kind of a problem I'm afraid is one that just has to do with our government, the U.S. government, as is true of most democratic governments; they tend to react to crisis — and they don't really anticipate crisis. Is it going to require a major tragedy or blowing a very important incident before we will actually begin to seriously address the problem? Does it require a "Pearl Harbor" or terrorism in order to get the government to address a problem like this? The "command organization" I want may be to a degree unpopular except right after an episode. There's always a lot of rhetoric that follows any episode: "Gees, we ought to do this thing better," and then it fades into the distance no one does a damn thing, until something really serious happens and then they get around to dealing with the problem....

Now, we have been extremely fortunate thus far. We have not had major incidents of foreign terrorists operating in this country as, say, they had in Munich... Nor have we had any of the domestic incidents or levels of violence that ascend to anything near a major threat to public safety. We don't have in the United States ... a Belfast situation or a Beirut situation or even any group of political extremists that have the capacity of violence possessed by the Baader-Meinhof or the June Second

groups in West Germany. So, in that area we've been relatively free. Third, we haven't had an incident, domestic or foreign, of major consequences, say involving chemical weapons, nuclear devices, whatever.

Q: The high-technology terrorism?

A: We haven't had that....

The consequences of blowing a really serious incident are bad enough that you don't really want to do it and therefore if you can take some preliminary steps now to get your act together....

We have got the pieces, we've got the technology, we've got the capabilities.... What we don't have is our act together.

Q: Who is in a position to "get our act together"?

A: It really has to come out of the White House and the National Security Council. Now, there is the Cabinet Committee to Combat Terrorism, but it's met once. I suppose it could convene for a second time (laughter) and suggest to the President that a Presidential Memorandum on the topic be initiated....Now, any of the Departments or Agencies also could theoretically initiate it, but then we're right back where we started from. Is Defense going to listen to what State initiates? Is the Agency going to listen to what Defense initiates? And, we're right back into the domains, the bureaucratic domains.

Q: Do you foresee opposition to federal intervention plans from local law enforcement?

A: No, not really. The federal intervention... would come only in those cases where clearly the episode had transcended the capabilities of local law enforcement, or where the thing had clear cut national security consequences, and the FBI's involved anyway and they assume jurisdiction....If there's some incident on a federal reservation, or if there is some incident, say, involving nuclear material, again, it's going to be federal involvement in the thing....

Q: What about international agreements, say, between the U.S. and Mexico? Something on that order?

A: What I do see is sort of like-minded cooperation, limited cooperation among like-minded governments....In a sense, certain steps along these lines have already been taken, for example, among the Nine in the European Community — the Common Market countries have gotten together and have signed some agreements to taking joint stands on this thing to extraditing people passing on information as to the whereabouts of certain key people that people worry about. They've already taken steps in this regard. There is of course the intelligence services as well as Interpol. Member nations of Interpol stay on friendly terms, passing along certain kinds of information....

It would be feasible, for example, to have certain acts to have exemption to Interpol's political exclusion...one could say that for certain acts there would be an exemption to the political motivation as in say, for example, seizing hostages ... if not through Interpol, then through the EEC Nine — the European Common Market can cooperate on those if they don't want to pollute the Interpol thing with any political connotation — if they want to maintain it entirely pure, then they have other vehicles. But that can take you so far....

We ought to explore this thing internationally and concentrate on what really is realistic. For example, in the area of nuclear material, hell, it's in nobody's interest that this stuff be loose. In terms of measures to respond quickly to any crisis that may occur involving

this stuff, we probably can get a high level of cooperation and may even consider doing some contingency planning in advance — joint contingency planning with other governments. But, that would be limited to a handful of areas.

Q: What can we expect in the immediate future from terrorists and where?

A: I really wouldn't care to say....

That question is better answered by people who have current, on the bricks, intelligence.... All that one can say safely, I mean by that realistically, that the problem isn't going to go away. It may take new forms, it may go up, it may go down, but it is damn well going to persist....

Behind The Political Crisis In Canada: 'Balkanization' And Rockefeller's Common Fund

In the last month the Canadian government has been pounded with scandals, economic sabotage, threats of terrorism, and political splits cutting deep into Prime Minister Pierre Trudeau's own Liberal Party. The common issue around which this attack on Canada revolves is the call to carve up Canada into autonomous province-nations. The common underlying purpose is to force Canadian participation in Wall Street's Common Fund policy of international raw materials control.

This assault, which has threatened to develop into coup-scale proportions, is more than a blackmail operation. In addition to Canadian acceptance of initiatives such as the formation of a U.S. controlled international wheat cartel, the Rockefeller-led financiers who initiated the Common Fund policy seek an eventual political "balkanization" of the Canadian confederacy. The resulting loose collection of politically fractured national regions would be supervised by Wall Street-run "caretaker" governments, such as the present Parti Québécois government of Rene Levesque in Quebec, to oversee the conversion of what was once Canada into a Third and then a Fourth World nation. Such "command economies," in Rockefeller parlance, represent the only possible basis under which the Canadian economy could be subsumed within a global Common Fund policy. It is necessarily incompatible with the continuance of the present Trudeau government, or of any government committed to maintaining the integrity of the Canadian confederacy in its present form.

Why Canada is a Must for Rockefeller's Common Fund

When the Common Fund plan was officially put forward at last month's UNCTAD meeting — a recycled version of Henry Kissinger's discredited International Resources Bank — it was widely recognized that this scheme for worldwide raw materials commodity cartels represented little more than a means for powerful New York-based financial institutions to strengthen their hold over their Third World debtors and gain even greater potential clout worldwide through control of these cartels. Speaking at the New York Economic Club in March, Chase Manhattan Bank chief David Rockefeller announced that the Common Fund commodities plan, combined with a bailout of the International Monetary Fund and the lower Manhattan banks, constitutes the sole political means to prevent the collapse of Chase and its allies. Subsequently, Rockefeller policy spokesmen in Washington-based think tanks identified "command economies," which they defined as "fascism or author-

itarianism," as the necessary prescription for every nation important to the Common Fund policy.

The Common Fund plan is to secure full market and pricing control of all key international commodities and raw materials as the basis for securing the mountains of debt owed the Rockefeller banks. For it to be feasible, Canada must be a willing participant, for Canada has a lending role in world production of numerous mineral and fuel materials. (Table 1 locates Canada's position in the world market for the more important raw materials in question). Moreover, Canada is the most capital-intensive and advanced of the world's raw materials

COMMODITY	CANADA'S RANK IN WORLD PRODUCTION	% OF WORLD PRODUCTION PRODUCED BY CANADA
Nickel	1	34
Zinc	1	28
Silver	1-2	15
Copper	4	18
Iron Ore	6	6
Uranium	2	20
Lead	3	12
Molybdenum	2	18
Asbestos	2	33
Columbium	2	18
Petroleum (crude)*	9	2
Natural Gas*	3	5

From official government statistics, 1974 and 1975

* Oil and gas statistics from 1968. Note here Canada's position is much more significant in the present political context than the figures on a world scale appear to show, since petroleum statistics here **include** production from the OPEC nations. Subtracting those nations' output, Canada would rank much higher.

producers, making it a potential El Dorado for Wall Street plundering. Canada also produces, together with the U.S., 75 percent of the world's wheat, showing in yet another way Canada's crucial position on a map of prospective international economic warfare.

Wheat is, in fact, the most visible commodity arena around which Canada's participation in the proposed Common Fund is being fought. Following a February 25

meeting with Canadian Wheat Board head Otto Lang, Carter's newly appointed U.S. Agriculture Secretary Robert Bergland issued a call for a joint U.S.-Canadian wheat cartel, as a political wedge against the OPEC alliance. Although Canadian sources initially denied that the proposal represented Canada's policy aims, Lang has since proceeded to systematically collaborate with the U.S. Department of Agriculture in negotiations with both Australian and Argentinian wheat officials on just such a plan.

Officials from Lang's ministry in Ottawa, in interviews last month, advised that a joint Canadian, U.S., and Australian pricing agreement, if achieved through Lang's negotiations, will then be taken to the International Wheat Council, where it will be presented as the basis for forcing wheat-importing nations to "share the burden of stabilizing the international wheat market." What this means is that the wheat agreement will be used as an important bargaining chip to pressure the bulk of the Third World to accept the beginning of an International Resources Bank policy. And of course, such an agreement on Canada's part would serve as a foot in the door for future similar agreements regarding other key Canadian raw materials exports.

The Assault on the Canadian Confederacy

The pressures being directed against the government of Prime Minister Trudeau, centering around the increasingly strident threat of Quebec secession, make it clear that David Rockefeller means business. Over the last three weeks the call for secession has spread from Quebec to emerging parties in two provinces in western Canada, and has been combined with the beginnings of a potentially major "Watergating" initiative against Trudeau in connection with the 1970 La Porte kidnapping. (The kidnapping and murder of federal minister LaPorte, for which several members of the terrorist Front for the Liberation of Quebec were subsequently tried and imprisoned, provoked the imposition of the War Measures emergency decrees.)

At the same time, demands for a "revised" or "decentralized" form of the Canadian confederacy have been raised by spokesmen of diverse parties and provincial governments throughout Canada, voices whose only common note of agreement has been an avowed sympathy with the brazenly provocative behavior of Quebec Premier Levesque over the same period.

To establish a climate of insurrection sufficient to overpower pro-federalist forces in Canada, a wave of terrorism on the scale of Belfast or Entebbe has been projected as likely to erupt no later than May of this year, initially in connection with "radical separatist" layers in Quebec.

Most conspicuously, in the last two weeks a public campaign to build an anti-federalist movement behind former Finance Minister John Turner in Trudeau's own Liberal Party was fielded, timed for a special federal Liberal Party conference in Toronto.

Although Turner's campaign appears to be at least momentarily slowed, and a rumored cabinet reshuffle indicates that Trudeau may be consolidating his own position, the ingredients of the operation remain poised for the next escalator.

The present crisis took recognizable shape in late Jan-

uary, with the now famous appearance of newly elected Quebec premier Rene Levesque before the New York Economic Club. At that time Levesque, who had won the election in November on a platform of "good government" which made no issue of language or separatism, suddenly announced that the main policy of the new Parti Quebeçois (PQ) government was going to be separation from the Canadian confederacy. This pronouncement touched off a tempest speculation about the imminent demise of Canadian sovereignty, and threats of immediate nationalizations of Quebec industry, and coincided with an abrupt cutoff of credit to Canada by the New York and European bond markets, which accelerated the decline of the Canadian dollar valuation to its present low level.

The situation intensified during the first two weeks of March, when forces outside the PQ began to spread the demand for "decentralization" and "a new form of confederation." Press reports began to retail scenarios for terrorism — scenarios formulated within U.S. State Department and Brookings Institution circles at least two months earlier — and Pierres Vallieres, leader of the terrorist FLQ, dramatically reappeared on the public scene with a book announcing that Trudeau was complicit in the LaPorte kidnapping. In this same period a series of scandals broke in connection with the Boeing Corporation and the government Canadian Atomic Energy corporation, the AECL, which claimed to implicate key Trudeau government ministers, including Energy Minister Gillespie and transportation chief Otto Lang.

As of this writing, all of the above aspects are in active play, with new ones appearing at an average rate of one per week. A number of indications suggests that a May-June timetable is planned for an all-out attack on the Canadian government; including terrorism backed by a broad secessionist front.

Levesque and the Parti Quebeçois

Both by his actions and the company he keeps, Rene Levesque is readily identifiable as a Rockefeller ally. The Levesque administration is heavily populated with members of Nelson Rockefeller's Trilateral Commission and of the C.D. Howe Institute, Canada's most important think tank, which is an affiliate of the Rockefeller-linked National Planning Association. One example is Michel Belanger, a member of the former and the director of the latter, whose monetary and economic policy proposals are in full accord with the zero growth policies of the whole spectrum of Rockefeller-dominated institutions.

Although at different times in the last three months Levesque has espoused both "hard" and "soft" lines on separation and other issues, each such shift has only served to signal a news escalation of the secessionist drive throughout Canada. Thus, a temporary "softening" of statements by Levesque and other PQers on the separation issue earlier this month acted to launch the call for a "revised confederation" throughout Canada.

It worked like this. While Levesque and his close PQ ally Gerald Godin asserted that the aims of Quebec "might best be served" through an overall revision of the constitution, anti-federalists within the federal Liberal Party immediately called for the same national policy. Premier Davis of Ontario and Liberal co-factioneer Ian

McDonald of Toronto's York University began a national organizing drive for a "constitutional conference" to be held at York no later than June of this year. Godin then initiated a tour of the provinces to build support for the "decentralization" policy. Then, once the "constitutional reform" movement was well underway — Levesque abruptly shifted his stance once again. In mid-March he declared that separation was a "non-negotiable demand" and insisted that the Ottawa government deal with the PQ on those terms. Now PQ delegates to various international conferences refused to represent themselves as "Canadian" delegates, only as "Quebeçois." Recently the PQ announced a language policy which will call upon "police powers" to enforce the exclusive use of French in Quebec business firms and other institutions, a move with no historical precedent in or out of Canada. Most provocatively of all, agent provocateur Levesque has in effect openly joined forces with FLQ leader Vallieres by announcing the reopening of the investigation into the LaPorte kidnapping and assassination at Vallieres' request, and echoing the Vallieres' book charges that "the events of 1970 took place under the jurisdiction of Prime Minister Trudeau, who has shown no interest in reopening the investigation."

The Terror Option

On January 13 Dr. Alfred Hero, director of the Trilateral-linked World Peace Foundation and a leading member of the U.S. Quebec Committee addressed a confidential meeting convened by the U.S. State Department at Arlie House in Virginia. He described a scenario for chaos that involved terrorism carried out by "extremists" within both francophone and anglophone elements in Quebec, escalating to Northern Ireland proportions. This, he predicted, would lead to either Canadian federal or joint U.S.-Canadian military intervention. This "assessment," he said, was shared widely by State Department officials and also by officials he had spoken to in the top Rockefeller-linked think tank, the Washington-based Brookings Institution. The *Toronto Star's* coverage of Hero's remarks early in March coincided with a flurry of similar "predictions," the reappearance of terrorist Vallieres on the Quebec scene, and an initiative to free FLQ members imprisoned for the LaPorte kidnapping. Numerous press reports foresaw near-term terrorist deployments into Canada involving the Japanese Red Army, the West German Baader-Meinhof gang, and the international gamut of Interpol-run terror operations. A recent report issued by the Currie Coopers and Lybrand consulting firm in Montreal projects a terrorist outbreak along the same lines outlined by Hero. Walter Lacquer of the Georgetown Center for Strategic and International Studies told an audience in Montreal last month that a wave of "super-terror" was to be expected, while H.H.A. Cooper, author of the Law Enforcement Assistance Agency's March "Report of the Task Force on Disorder and Terrorism," forecast in an interview in this journal (March 15) that Canada was one of the most imminent possibilities for near-term outbreaks of terrorism around the separatist issue which could then spread rapidly — including potentially into the U.S.

Such terrorism, which would by necessity be largely run directly through Interpol-connected networks, would serve to force the constitutional issue on a weakened Trudeau. He would be faced with the choice of either re-enacting the 1970 Ware Measures Act response — for which he is about to be watergated — or simply abandon the country to rampant chaos and so demonstrate his utter incapacity to rule.

Money War

All these initiatives against Canadian sovereignty have been reinforced by an ongoing credit squeeze against Canadian borrowings on the Wall Street and Eurodollar bond markets, active most prominently since January of this year. Using the Levesque provocations as their pretext, Wall Street financial circles have played "hard to get" in relation to the marketing of Canadian bonds so far this year, resulting in a speculation-forced 10 percent devaluation of Canada's currency against the U.S. dollar since December 1976. Although the Canadian dollar has recently tended to stabilize at around \$.95 U.S. and bond sales have picked up, spokesmen from Bankers Trust and other New York banks are predicting a further fall of the Canadian currency to as low as \$.80 because of continued "political uncertainties."

This economic warfare takes advantage of Canada's dangerously mounting foreign indebtedness and its rapidly deteriorating balance of payments status. Official 1976 figures for Canada show a fourth quarter balance of payments deficit at an all-time record \$1.36 billion and an equally record-breaking debt service requirement of \$7.9 billion. The credit squeeze consequently acts as a direct destabilizing factor on the Trudeau government by highlighting the purely stop-gap nature of Trudeau's economic policies with respect to the mounting long-term crisis.

Turner Leads Liberal 'Maoist' Wing

The most recently surfaced aspect of the pressures against the Trudeau government has been brought to the fore by the just-concluded federal Liberal Party Conference, chaired by Senator Maurice Lamontagne, a member of the Rockefeller-owned Club of Rome, with Trilateral Commissioner Maurice Strong chairing the foreign policy discussions. The conference served as a rallying point for forces within Trudeau's own party to endorse the same policy of "decentralization," that are being demanded by Trudeau's opponents in the PQ. The main theme of the conference was epitomized by one widely quoted paper that cried, "Get the government back to the people, get the bureaucracy under control." Energy minister Gillespie observed that Lamontagne, who had asserted a "governments can do anything" line at the 1960 conference which launched the anti-growth campaign of (later) Prime Minister Lester Pearson, now "is swinging back to small-is-beautiful." The conference was a boon to the secessionist movements of the opposition parties; one of its proposals called for a new parliamentary house to be created which "would recognize provincial premiers as national statesmen!"

Disproportionate press coverage was given to John Turner's presence at the conference; Turner had

reappeared from over a year's retirement from the political arena for the occasion. Significantly, Turner, a former chairman of the International Monetary Fund Group of Twenty, was mooted by sources within the New York Council on Foreign Relations several weeks ago to be a possible rival to Trudeau, who might even be chosen to replace the Prime Minister by the Liberals even prior to the next election call. Although the conference reports indicate that the Turner bid was rejected by the majority of delegates, the initiative nevertheless is to be taken as a "Statement of Intent" on the part of the Rockefeller forces.

Turner arrived at the conference fresh from a series of appearance in western Canada, where he was widely quoted espousing the Trilateral decentralization formula. Coinciding with the Turner tour of the west was a major upsurge of similar calls from within diverse political layers. Premier Peter Loughheed of Alberta effectively aligned himself with the PQ, and the Wall Street Journal of March 28 reported that the British Columbian "Western Canada Party" and the Albertian "Western National Party" intend to run frank secessionist candidates in the next elections.

— Peter Wyer

Christian Democrats Plan To Include Communists In Cabinet

ITALY

Latest reports in the Italian press, and recent motion in both the Christian Democratic Party (DC) and the Italian Communist Party (PCI) indicate that the Italian progressive forces are gearing up to bring the PCI — chief supporter of Premier Giulio Andreotti's one-party, minority government — officially into the government in some fashion probably after Easter. Simultaneously, a wave of terrorism, kidnapping, and assassination attempts has been unleashed in an effort to destabilize the government and provoke a collapse of Andreotti's cabinet after Easter, according to well-informed sources.

Guido De Martino, son of former Italian Socialist Party (PSI) Secretary General, Francesco De Martino, was kidnapped last Monday night in Naples, allegedly by the terrorist Nuclei Armati Proletari, southern division of the Red Brigades. The Italian press has universally recognized this to be a political kidnapping aimed at intensifying disorders throughout the country. Guido De Martino is provincial secretary of the PSI in Naples, and his father has been a factional ally of PSI pro-development leader and Andreotti ally Giacomo Mancini. As the news of the kidnapping went out, spontaneous general strikes and mass demonstrations occurred in the main Italian cities.

Following De Martino's kidnapping, further violence was reported by the press. A bomb exploded in the house of Italy's Interior Minister Francesco Cossiga and another one exploded at his office yesterday night. A large bomb exploded in front of the Regina Coeli jail in Rome which, although it did not cause any casualties, did serious damage to the building.

The PCI has responded to these provocations with a front page editorial in *Unità* today attacking those "well known intellectuals" who go around theorizing about a "sociological explanation of violence." This is a reference to Francesco Alberoni, sociologist brain-washer who created the notorious Red Brigades during his tenure as rector of the University of Trento during 1968. "Fascism and Nazism also have their cultural roots," stated *Unità*.

Coalition Government

Andreotti's speech at the just-concluded DC organizational conference in Rome was devoted almost exclusively to explaining the need for the PCI to hold cabinet posts. He warned against Italy replaying the Weimar Republic's economic collapse into Schachtian austerity and fascism. He said that since the national

level of indebtedness threatens to bring about a collective bankruptcy, political forces are now at a crossroads and all of those who move in the republican realm must push for a real recovery program.

Christian Democratic Secretary General Benito Zaccagnini, delivering the closing speech, backed up Andreotti — in "unprecedented friendly terms," according to Italian daily *Corriere della Sera* — but was ambiguous about the PCI. While stating that the DC is against bringing the PCI into the government, Zaccagnini envisioned a "Phase II" government in which the DC would give Andreotti a free hand in forming a new cabinet.

The PCI has stated its intentions to push itself into the government. Secretary General Enrico Berlinguer authored an article in *Unità* last Sunday, in which he charged that the DC cannot remain clinging to the current government formula. The present government has fulfilled a positive role, wrote Berlinguer, but it must be changed by reaching an agreement with the working class and its PCI representatives. Simultaneously, the head of the PCI parliamentary group issued statements early this week saying that the PCI was not born to be in the opposition but "bring the working class to power and the country to socialism."

The possibility being mooted by the press — a possibility that Andreotti himself advanced last month in an interview with the French daily *Le Monde* — is to have PCI "technicians" brought in as cabinet members after Easter. This hypothesis was picked up yesterday, approvingly but not happily, in a news article and an editorial by the conservative West German paper *Die Welt* giving crucial West German support to Andreotti's policy. Despite the fact that the PCI is not yet in the government, said *Die Welt*, the next step will be to have more programmatic coordination with the PCI by bringing into the administration people respected by the communists.

PCI Faction Fight

Die Welt, however, clearly refers to the continued factionalization process being led by the Stalinist "traditionalists" within the PCI which has reached new heights this week. In a language that, according to one media commentator, "had long been forgotten" in the PCI, Central Committee member Armando Cossutta, addressing a PCI regional congress last Monday, characterized as "grotesque" the fact that "American imperialists could attempt to make themselves the paladins of human rights" while the blame for the failure of the SALT negotiations falls completely on their shoulders. "Certain American circles," he said, are interested in an armament race that would shift funds

away from productive investment so as not to lose their blackmail capacity to interfere in other countries.

Reached today by *Corriere della Sera* for comment on the wide criticism that his statements have aroused, Cossutta reiterated his position point by point, adding that he completely shares Soviet policy and sees no reason not to express it freely: "It is unthinkable that a workers' party, a party like ours, could break its solidarity links with the CPSU and fulfill an anti-Soviet function." Cossutta's speech has been blacked out of *Unitá*.

PCI factionalization, however, is best reflected in *Unitá* on energy policy. Yesterday the paper carried one article which mirrored the Trilateral Commission line by attacking nuclear energy for its terrorism and pollution potentials; while a second article dubbed Industry

Minister Carlo Donat Cattin — who has been blocking the government's industrial reconversion and nuclear programs — as an "ecological danger...whom we find disgusting." The possibility exists that Donat Cattin will be replaced by a PCI expert in an eventual cabinet reshufflement.

Finally, *Unitá* today interviewed top Soviet fusion scientists from the Soviet Science Academy, including its Director Alexandrov, in an article presenting nuclear energy development as the only possible alternative to meet the world's energy needs. Alexandrov explains to the Italian readership that the anti-nuclear campaign in the U.S. stems from the fact that the construction of nuclear plants will "limit the profits of the oil companies."

Gov't Unions Negotiate 'Slap-In-Face' For IMF

BRITAIN

An apparently secondary aspect of the March 29 budget announced by Chancellor of the Exchequer Denis Healey, and one virtually ignored by the press outside Britain, gives the clearest proof yet that the Labour government of Prime Minister James Callaghan is embarked on an economic recovery policy for Britain which will directly contradict one of the most basic tenets of the IMF's conditions for its debtor countries.

Specifically, in upholding the view that "stable exchange rates" are crucial for the economy's recovery, Healey made a 180-degree turn from the provision he signed in the December Letter of Intent to the IMF. There he pledged that the government would "maintain stability in the exchange markets consistent with the continued maintenance of the competitive position of U.K. manufacturers both at home and overseas." According to the *Sunday Times* of April 3, to implement the spirit of this condition, the pound would have had to fall to \$1.56 in the recent period to maintain export competitiveness for British manufacturers. The pound has risen to \$1.72, although the government has intervened to keep its value artificially lower than the market demands.

The pound has been the focus of a fundamental disagreement between the pro-IMF "Young Turks" in the Treasury on one side, and Callaghan, the trade unions, and leading industrialists on the other, over what kinds of policies will best stimulate Britain's lagging economy. The Callaghan faction's standpoint: a falling pound, while perhaps giving some limited advantage to exporters, pushes import prices through the ceiling, thus fuelling a new round of domestic inflation and making any further settlement on pay increases with the trade unions impossible. And a collapsing pound would hardly spur confidence in the British economy abroad, and would tend to curb the recent monumental flow of money

into Britain, which has allowed the government to steadily decrease interest rates (down to 11 percent from a high of 15 percent last fall) and thus boost new industrial investment.

Pressure on Callaghan

The pressure for the government's outright rejection of the IMF's viewpoint is coming from the trade unions and the Labour base. The loss of yet another Labour parliamentary seat in the Stechford by-election April 30, coupled with the trade unions' near universal disdain of the budget, has put Callaghan on notice that concrete results from his much-heralded industrial strategy must be forthcoming if he intends to remain in government.

Leaders of Britain's major trade unions, already under intense pressure from their rank and file to reject any continuation of the social contract, dismissed the budget as absolutely unacceptable. Clive Jenkins, general secretary of the scientific and technical workers union warned that the budget's measures (which linked further tax breaks to a third round of pay agreement under the social contract) would "ensure the end of phase III." Even moderate trade-union leaders, like Jack Jones of the transport workers union and miners' leader Joe Gormley, say their memberships may vote to end compliance with the social contract at their annual conference this summer. Support in financial and press circles for Callaghan's continued residence at 10 Downing Street rests solely on his ability to negotiate with the trade unions.

The loss of the Stechford seat, while not immediately jeopardizing the government's future following their deal with the Liberal party to ensure parliamentary majority, does have major implications for the future of Labour Government control, since the Stechford constituency represents the heartland of the Labour party's base. Low voter participation, and swings of 17 percent and 9 percent to the Conservative party and National Front (fascist anti-immigration party) respectively indicate the anger of Britain's skilled and semi-skilled workforce which has seen their living standards eroded

away by two years of Labour rule. As one voter complained, "If you look in our purses you will see why we voted National Front."

Callaghan, well aware that the solutions to his internal problems cannot be found in purely domestic terms, has undertaken a major behind-the-scenes operation to drive the pro-IMF tendency from the Treasury. In addition to

the exchange rate coup, which the *Sunday Times* characterized as an "almost unprecedented victory for industrial over financial views," Callaghan has replaced top Treasury civil servant Derek Mitchell, who negotiated the IMF terms for the government from the Treasury, with a civil servant from his own team who has been responsible for coordinating the industrial strategy.

BRD Assassination Linked To Global NSC Terror Plan

WEST GERMANY

Information made recently available to New Solidarity International Press Service has provided prima facie evidence of an intended upsurge in terrorism and social violence, including possible nuclear terror scenarios, run through the Institute for Policy Studies (IPS) of Washington D.C. and Interpol.

An immediate investigation into the relevant facts has become an urgent issue following the assassination of the Attorney General of West Germany, Mr. Buback, on April 7.

The following elements form integral parts of the terror deployments:

1) Subject to open discussion within the Carter Administration is a possible new, and internationally coordinated, terror drive which would include activation of nuclear terrorism scenarios. Mr. Brian Jenkins, who is at present a consultant of the State Department's office on terrorism and is working for the Rand Corporation as a "specialist" on terrorism, has recently called for the creation of a special interlinked "command" for anti-terrorism by the National Security Council and the office of the State Department on Terrorism which would supersede existing police and military authorities. The latter command, according to the statements made by Jenkins in an article in the *Washington Post* on March 27, would have special authority to deploy international military operations on the model of the Entebbe raid. Jenkins stated as one probable use of the agency a case of so-called "nuclear bomb theft."

In a more recent private interview, Mr. Jenkins declared that such a command would meet with strong public disapproval and that as a result a "nuclear bomb theft."

In a more recent private interview, Mr. Jenkins declared that such a command would meet with strong public disapproval and that as a result a "nuclear Pearl Harbor" might be "required" to permit its implementation.

NSIPS and other relevant press sources in the United States have established a direct connection between these proposals and the initiation of "Operation Garden Plot" in the United States in 1967. "Operation Garden Plot," originally authored by the present Secretary of State Cyrus Vance and John Doar, who is mooted as the

Carter Administration's top choice to replace Clarence Kelley as FBI Director, created a military capability — independent of the Pentagon — for intervention into the major cities of the United States in case of "civil disturbances."

2) Carter Administration complicity in setting up this situation within the United States and Western Europe is proven by an abundance of circumstantial evidence to the same effect as the declarations of Jenkins.

Large scale "civil disobedience" actions are planned for the end of April by known terrorist or terrorist-oriented organizations to attempt to halt the construction of nuclear power plants in some 5 states of the United States. Front organizations of the internationally known Weatherman organization — a self-declared terrorist operation — are prime movers of the demonstrations. Violence is being planned against the power plants.

In Europe, primarily in West Germany, a similar deployment of "ecologist" organizations for demonstrations over the Easter weekend with similar plans is being used to create a climate of social violence and possible terrorism. Maoist organizations have made public their intent to use violence to stop European energy development.

Within the United States investigations are underway on the international links of these organizations and their planning of possible terrorism.

3) The relevant facts pertaining to the assassination of German Attorney General Buback provide prima facie evidence of high level coordination of these deployments by the U.S. National Security Council.

The most recent, and unique, example of a major successful crackdown on the international terrorist networks was provided by the arrests of an international group of known terrorists in Stockholm two weeks ago. Attorney General Buback was known to have largely led this successful operation, which was undertaken by the Swedish police on the orders of the Swedish Prime Minister. The operation which effectively halted planned terror deployments against the upcoming OPEC conference was undertaken totally *independently* of Interpol and against the explicit resistance of Karl Peershon, Chairman of the international organization of Interpol.

Following this successful operation the German Attorney General is known to have given a private press briefing some days before his death where he warned that international and domestic terror would be deployed to put "diplomatic pressure" on the West German government and others.

Dayan Coup D'Etat In Israel Raises Threat Of Lebanon War

A coup d'état by Israeli military circles linked to former Defense Minister Moshe Dayan, on behalf of the Trilateral Commission and the Rockefeller family interests, ousted moderate Prime Minister Yitzhak Rabin this week and plunged the Middle East into renewed crisis. The resignation of Rabin, ostensibly linked to a scandal involving illegal foreign bank accounts held by the Rabin family, is in fact the direct outcome of a raging factional battle in Israeli military circles between the moderate Rabin forces and the pro-"preemptive strike" faction led by Dayan, Defense Minister Shimon Peres, General Ariel Sharon and their allies.

The escalating fighting in Lebanon between the Palestinian-leftist alliance, backed by the Arab states, against the paramilitary forces of ultra-rightist Camille Chamoun, is the immediate object of the Dayanist coup against Rabin. According to reports from Lebanese officials, 16 Israeli tanks and some personnel carriers have already moved into southern Lebanon in the wake of the Rabin resignation.

An Israeli move into Lebanon would instantly create an uncontrollable crisis, beginning with inevitable Israeli-Syrian clashes and probably leading to a renewed Arab-Israeli war.

The stunning capitulation by Rabin to what must have been nothing less than an ultimatum from the Peres-Dayan faction opens the field to Peres to become the Labour Party's Prime Ministerial candidate. The Defense Minister was narrowly defeated by Rabin in a party congress in February. Rabin's resignation cannot take effect, under Israeli law, until after the May 17 elections, since a caretaker Prime Minister cannot resign office. But Rabin has taken himself out of the race, and is expected to seek a "leave of absence" that would turn day-to-day functions over to Deputy Prime

Minister Yigal Allon until the elections are over.

In 1967, when Rabin was Israeli Chief of Staff, a similar power play by Dayan forced then-Prime Minister Levi Eshkol to install Dayan as Defense Minister — which greatly helped precipitate the Arab-Israeli War of June 1967 three days later. At that time, under pressure from the Dayan forces in the army, Rabin reportedly suffered a nervous breakdown.

In recent weeks, there has been a spate of articles in the Israeli press, coordinated by Defense Ministry leaks, stating that Israel must adopt an active policy of advocating a pre-emptive strike against the Arabs. The scare campaign in the press was led by military correspondent Zeev Schiff of *Haaretz* — the paper which led the watergating campaign against Rabin. *Haaretz*, a "liberal" daily, is known to be a mouthpiece for the Dayan forces (see coverage in *Le Soir* of Brussels and the French weekly *Nouvel Observateur* below).

According to several sources, Rabin officially ordered a halt to talk about a pre-emptive strike in the Israeli press, which may have precipitated the Dayan power play.

The Dayan coup follows a chilly visit to Washington by Egyptian President Anwar Sadat. During the Sadat-Carter meetings, it became clear that the Egyptian leader "either cannot or will not implement U.S. policy in the Middle East," according to sources close to the Carter Administration. Sadat's unreliability apparently contributed to the Carter decision to pull an Israeli coup and force a showdown with the Arabs.

A Middle East war, with the accompanying threat of an oil embargo, may be the sole means for Carter to push through his soon-to-be announced "conservationist" energy program.

'I Guarantee You A War If Carter Handles The Middle East His Way'

The following is an interview with Joseph Churba, the former chief of U.S. Air Force Middle East intelligence, who was removed from his position after breaking protocol and publishing an article critical of the Pentagon for its lack of support for Israel.

Q: How do you assess the debate in Israel over the necessity of a pre-emptive strike against the Arabs?

A: Most of what is being said about a pre-emptive strike relates to the Lebanese situation. Gen. Ariel Sharon, for

one, sees a war this summer...Lebanon — that is a serious, potentially explosive, situation. If it is true that Syria is supporting the PLO and has become aligned with the aim of destroying the Christian buffer zone, we're in a new ball game. Will Israel regard this as a threat to its security? How seriously will the Israelis react? This is the big question.

Q: Might not there be some prior deal with Rabin to allow the Chamounist extremists to be pacified?

A: I think the Israelis would take a very, very conservative interpretation of Syria's actions. If Syria is helping the PLO and there is a Syrian PLO drive to make southern Lebanon a base for terror raids and to destroy the Israeli-created buffer zone, the Israelis will *drastically* revise their policy toward Damascus. The big question, then, is what is the reality on the ground.

The on-going southern Lebanon situation contradicts the diplomacy. Sadat seems to be a moderate; he wants peace. But southern Lebanon contradicts these words, and that is how the Israelis would read it.

The Israelis are not going to cooperate. Their allies are the Christians led by Chamoun. The Israeli interest is to maintain the buffer zone. No PLO units can actively work there if there is a Christian buffer zone. Assad is now realizing with the PLO his aim to destroy the south, and there can be no accommodation with Israel. The Israelis will have to decide whether to tolerate all this, and I don't think they will.

What is developing is an action-reaction cycle that can easily cause everybody to miscalculate and can quickly escalate into a crisis, and then a war, and negate the peace talks, and the diplomatic initiatives. Maybe, in fact, it's all part of the latter; it's pressure. Syria and Egypt may be coordinating on this. It's more than symbolic that Arafat is in Moscow while Sadat is in Washington. This is a clever stratagem. Sharon may be right. The Arabs are going for peace and for war simultaneously. Southern Lebanon is the flashpoint. They want to challenge the assumption that Israel controls the south...

Q: How will this shape up in terms of a possible U.S.-Soviet confrontation?

A: The Arab strategy suits Moscow's purposes. The military option is not dead. Egypt wants weaponry; the Syrians have weaponry — Egypt receives Soviet equipment through Eastern Europe. This is a very clever stratagem, closely coordinated, probably designed to force the U.S. to pressure Israel. It's the Rogers Plan. The diplomatic heat is on, while the southern Lebanon reality changes piecemeal. The Israelis are to get the message: You have to leave the territories.

Brzezinski doesn't understand what the Arabs are up to. The U.S. simply has to make up its mind whether a

physically and strategically insecure Israel is in the interest of the U.S. It's not a question of survival, but of vitality. I'm not sure the U.S. has made this determination. My outlook is that forcing Israel to give in to Arab terms would increase Israel's and the U.S.'s strategic vulnerability. I say that it's insanity from an American perspective to shore up totalitarian Egypt at the expense of democratic Israel.

Q: What effect is this U.S. policy having on Israel?

A: If Israel perceives the balance of power going against it, as in 1955, Israel will go to war. In Israel the sympathy is probably for the hawkish stand. The dominant party is hawkish. The power in control (Rabin) is more dovish; it's pushed into a helpless reliance on the U.S. What will be at issue in the elections is the position of dependence on the U.S. Rabin's opponents are far more assertive and want to go it alone. After the May 17 election, I see a stronger position emerging in Israel toward the U.S. and the Arabs. The public won't withdraw from the territories and accept a PLO state, regardless of who's in power; even if the U.S. cuts off economic ties. This is a fundamental question of security. Policy-makers here have exaggerated the Israelis' dependency on our weaponry, and Israel has contributed to this. Israel's dependency is greatly exaggerated and this leads to great miscalculations. The go-it-alone feeling is growing, and this is the heart of the issue.

Everything I see from Carter is the opposite of what he said it would be. This is the Rogers formula, except worse.... If the Geneva conference is prepared on the same bases as the SALT talks, there will be the same result — collapse, and war. This new style of diplomacy is absolute insanity: extremely secretive one day, extremely open the next. Carter really muffed SALT up. I guarantee you a war if he handles the Middle East his way.

Q: The Europeans are extremely unhappy with Carter. Will they take initiatives to work toward a Middle East peace?

A: European initiative? Never. We killed that in 1956. If they see us as strong, they'll support us. If they see us as weak, they'll go to Moscow and the Arabs. They watch our lead, and our relations with Israel are a damned good barometer of how we're operating.

Belgian, French Press Reports Fight Over Pre-Emptive Strike

Reporter Victor Cygielman has recently written two articles, for the Belgian newspaper Le Soir on March 27-28 and the French magazine Nouvel Observateur April 4-10 outlining the battle of Israeli Prime Minister Yitzhak Rabin against domestic warhawks trying to create a climate favorable to the launching of a preventive strike against the neighboring Arab states. In Le Soir, Cygielman reported that a leading Israeli newspaper carried the headline, "The Arab Armies On the Brink of

Attacking Israel By Surprise?" His report continued:

Having read this alarmist title in a Hebrew daily, one could ignore it, minimize it, or attribute it to the account of an irresponsible journalist lacking sensational copy. But when one finds the same motif in the principal Israeli dailies, under the byline of their military specialists, one cannot permit oneself to treat lightly a "warning" visibly inspired from on high.

Two other Israeli papers headline, on the same day, "The Spring of 1977 Recalls the End of the Summer of 1973," and "The Arabs Are Preparing Themselves For war." Forty-eight hours earlier, General Ariel Sharon warned the Israelis that the Arabs could easily launch a surprise attack this summer or in the autumn of 1977. The maintenance of Mordechai Gur in his post of Chief of Staff for another year, decided last week, could equally be due to the apprehensions in high places that a new war could break out in the months to come.

On what is the Israeli analysis based? Why have they judged it necessary to sound the alarm now, at the risk of creating tension and of frightening Israeli public opinion?

It is interesting that the same arguments are used by each of the specialists. The purchase of massive amounts of arms by the Arab countries. The intensive training and the modernization of the Arab armies. The affirmation that one must no longer take seriously the "complaints" of Sadat as to the absence of spare parts from the Soviets. The establishment of a unified Arab command and strategy, equally on the traditional fronts as on the extended front such as that of the Red Sea, which Egypt, Saudi Arabia, the two Yemens, and Somalia want to transform into an "Arab lake."

But why the trumpet of alert at this precise moment?

Firstly because the Israeli military circles fear that the Israeli population takes too seriously the offensive for peace of Sadat and the other Arab leaders, and trust too much in the American (and Russian) will to make this year a year of intense diplomatic activities — to the point of no longer envisaging, of no longer being ready morally for, the outbreak of a new war in the near future...

...Israeli military circles seem to want to prepare Israeli opinion, starting now, for the possibility of preventive war. "Israel has the moral duty to take the initiative to attack first, from the moment that it becomes clear that the Arabs are preparing to do it. It is necessary that the Arabs know that those who threaten and proclaim openly that they will go to war, court the risk to see themselves pre-empted..." writes the military specialist of Haaretz, Zeev Schiff, generally considered to be the best-informed and most serious military commentator in Israel.

When one knows the depth of the "trauma" of Israel due to the surprise attack of the Arabs in October 1973 and when one knows that two Israeli strategists of the first order — General Motta Gur and Ahron Yariv — have both recently evoked the possibility of an Israeli preventive war, one must lend an attentive ear to the psychological campaign launched in the past few days in Israel.

After outlining the same series of events in his Nouvel Observateur piece, Cygielman continued:

...The Arabs can decide from one day to the next to open hostilities at Sharm el-Sheikh, or on the Golan, or on all the fronts all at once, on the eve of the Geneva conference or during the conference, even if the new unified command is not quite consolidated, even if all the arms purchased have not yet been delivered.

But there is another reason that explains the cries of alarm. A faction of the Israeli leadership is convinced that the negotiations, at Geneva or elsewhere, are condemned to failure, and that it will be necessary to go to war sooner or later. It is therefore necessary to prepare international and Israeli opinion for the idea that an Arab attack is inevitable, and therefore that a preventive war launched by the Israelis is justified in advance.

There is resultantly no longer any hesitation in raising tension. The military expert of the daily Maariv estimates that tension is preferable to indifference, and the Israeli Minister of Defense, Shimon Peres, heats up the atmosphere by declaring that the Arab armies, once the decision is taken, can "pass to the attack in the following six hours"...

But there remains Israeli leaders who have a view that is more calm about things. Rabin is one of these. He distrusts the "scenarios" of experts: in 1973 these experts had insisted with joyous assurance that the Arabs would not be capable of making war for ten years. There is no reason to believe the "specialists" who — they are often the same — claim that the enemy is going to attack in ten days....

... We have learned ourselves, from a highly authoritative source, that "the deployment of the Egyptian and Syrian armed forces has practically not varied for three and a half years" and that there is nothing in the deployment corresponding to the eve of the October 1973 offensive.

Israeli Coup And The CIA Revelations About King Hussein Are The Same Operation

The following evaluation on the Rabin resignation was described to NSIPS by a leading U.S. Arabist recently returned from a Middle East and European tour:

I'm not very hopeful at all about this situation. But the Rabin thing is not surprising. When I was in Amman, I would have guessed it. There's a close connection between the Rabin thing and the recent revelations about King Hussein and the CIA.... I know this is true, I've seen all the evidence, it's a pretty bad situation.

Sadat Faces Egypt Empty-Handed

As was widely expected by informed observers prior to his arrival in the United States, Egyptian President Anwar Sadat has been thoroughly rebuffed during his stay in Washington by the Carter Administration. Sadat has received no serious commitment by the U.S. for a Geneva Mideast conference during this year nor was he able to budge Carter one inch on the Administration's insistent refusal to hold negotiations with the Palestine Liberation Organization. According to White House spokesman Jody Powell, no decisions on aid to Egypt, whether military or otherwise, have been made at all; but rather, several informed Washington observers say, that the Carter Administration was "disappointed" with Sadat.

The single most noteworthy fact of Sadat's trip is that the Administration did not succeed in breaking the Egyptian president's continuing support for the Palestinians and his insistence that a Geneva conference be convened in the immediate weeks or months ahead. Despite a good deal of what one source called "verbal dancing around" and moments of obsequiousness toward Carter and U.S. National Security Council head Zbigniew Brzezinski, Sadat, aware of the shaky ground he stands on internally in Egypt, strongly attacked Carter's support for Israeli "defensible borders" and the Administration's refusal to negotiate with the PLO. In his final press conference, Sadat commented that Carter is "very sweet and very alert, but (needs) some time to reflect on the whole picture."

The Egyptian President was reportedly frightened that even if a Geneva conference is convened, it might break down as a result of careless planning and set off a new war. He reportedly asked the U.S. to form a special task force to prepare for Geneva.

But this request is no more likely to be met than the others. An editorial in the April 7 *New York Times* happily comments that Sadat has no choice but to stick with the U.S. and that this "reality...will not be shattered by a polite deferral of his request" for arms and other supplies. Adding insult to injury, one of the few mooted proposals for Egypt was \$1 million allowance suggested by Hubert H. Humphrey (D-Minn.) to study Egypt's immediate needs, for which, Humphrey's office reports, no new funds will be allocated.

What Now For Sadat And Egypt?

Over the next days, the vital question will be how military, intellectual, and professional political circles in Egypt respond to Sadat's returning to Egypt empty-handed. Military layers are putting immense pressure on the President to prove that his six-year adherence to the global strategy of Washington has paid off.

Sadat's fears of an internal coup erupted in his statements to both Carter and French president Giscard d'Estaing of the "communist threat" to Africa. In an interview with the French journalist Eric Rouleau, Sadat declared that he was "very, very concerned" over the "somber Soviet maneuvers" in Zaire, the Sudan, and Egypt, and is in particular worried over "communist

subversion" in Egypt itself. While these crudely phrased complaints were meant for the ears of the Saudis as a means of squeezing liquidity from the Gulf states, the possibility that Sadat won't survive the next few weeks as President remains high. Anti-Sadat restiveness meanwhile, grows in Egypt. The deposed editor of the leftist *Al-Talia* magazine, Lutfi el-Kholy, has reportedly gone on an "offensive" to restore his position on the paper and is picking up significant support. Similarly, the leftist *Rose el-Youssef* magazine this week attacked other Egyptian papers for their criticism of Soviet Mideast diplomatic overtures. Former Nasser confidant Mohammed Hussenain Heykal drew fire from Sadat circles for his bitter attacks on the Egyptian leadership for being "duped" by Carter's previous Mideast policy statements, in an article appearing in numerous Arab-language press sources.

Sadat And The Europeans

After pulling the rug out from Sadat, Brzezinski is trying to prevent the Soviets and Europeans from establishing solid relations with the Egyptians. According to an informed Israeli source, Brzezinski regards European involvement in Egyptian affairs as a strategic threat to the U.S.

The NSC head was doubtlessly responding to Sadat's stopover in West Germany, where he and Chancellor Helmut Schmidt huddled for hours discussing the new world economic order and a shift in European Economic Community policy independent of U.S. policy. Sadat emerged from the meetings to tell reporters that "there must be a way to get the world economy out of the mess it is now in...We need a new world order." Unlike his performance in the U.S., Sadat avoided low bows to his host and stressed global, rather than narrow, Arab-Israeli issues.

According to an informed Egyptian source in Bonn, the entirety of Sadat's final West German press conference statements were authored by Schmidt. A Chase Manhattan Middle East expert told Congressional sources last week that "Egypt is beginning to look to the West Germans rather than the U.S. for aid — and we don't know what the West Germans are up to."

The Bonn Egyptian source reported that the Soviet transfer ruble is now an active subject of discussion in leading circles in Cairo.

Whatever the direction Sadat himself will now take, observers are careful to note that, in his final Paris press conference, Sadat warned that if something "concrete" does not emerge from his U.S. visit, Egypt would have recourse to "an alternative plan."

Sadat's Worries

The following are excerpts from an interview by Le Monde reporter Eric Rouleau with Egyptian president Anwar Sadat.

R: ...Mr. President, last week Mr. Carter's represen-

tative in the U.N. Security Council opposed the idea that the word "homeland" would figure in a resolution favorable to the Egyptian delegate.

Sadat: This is a delicate problem which I prefer not to discuss publicly. Both extremist Israelis and Arabs would profit from it in order to create new difficulties.

R: Do you think you can convince President Carter to recognize the Palestine Liberation Organization as a valid interlocutor in the negotiations?

S: This question was discussed at length in my talks with Mr. Giscard D'Estaing. I consider an American-PLO dialogue to be not only indispensable but also of crucial value to all the parties involved, including the Israelis. That will facilitate their task, as well as our own, in the search for a definitive settlement.

R: Nevertheless, the Israelis insist that they cannot negotiate with an organization the Charter of which calls for the dismantling of their country.

S: This is only a pretext. The resolutions adopted during the recently concluded National Palestinian Congress constitute a major turn in that the PLO is now qualified to negotiate a state in the territory of the West Bank and Gaza. I know that Arafat's position will be still more relaxed if he is invited to participate in the Geneva negotiations. In any case, it is clear that these negotiations will open up the possibility of a definitive peace which all Arab representatives will support, I repeat, all of them. What more is necessary? Guarantees for the future? They will be given on both sides."

In enumerating the points of discussion with Giscard d'Estaing, President Sadat suddenly referred to developments in Africa.

S: I am very disturbed with the turn of events in Africa, in particular in Zaire. The Soviets are conducting shady maneuvers from one end of the continent to the other. As for the civil war in Zaire, from all evidence, it is not a question of an internal affair, as stated. The Katangans are supplied with perfect Soviet tanks, the T-54s and T-55s, which are just as good as the American made M-60s. We know something about these tanks since the Egyptian Army used this Soviet material during the October war. Now, these tanks did not fall from the sky. The situation is critical. I wonder where the next coup will be in Africa.

R: Do you mean Egypt?

S: Yes, since the Soviets have already begun to incite trouble in my country. But I refer specifically to Sudan where any crisis would have repercussions in Egypt. We will be directly implicated because of our common defense pact with General Numeiry. Even though the unified political direction which was recently created among Egypt, Sudan, and Syria is pointed at no specific country, it is understood that we will forbid any subversion from wherever it comes, the Soviet Union, Libya, or elsewhere.

This Means War

The following is an interview with a Harvard oil expert:

Q: How do you think Carter will handle Sadat?

A: Carter will propose a plan to Sadat that even the extreme right-wing elements in the Egyptian cabinet will not accept.

Q: Yes, but this means war.

A: Correct

Q: But this does not make any sense.

A: Tell this to Carter and to the Jewish Lobby.

Q: Why the Jewish Lobby?

A: Look who supported the Carter campaign, the Jewish Lobby. Who funds the Jewish? The oil companies. Carter has to serve his masters.

Q: What about the Saudis, how will they react? There are reports that the Saudis are putting pressure on Carter for a Geneva conference because they are afraid of the radicalization of the Persian Gulf.

A: Carter is pushing the Saudis to believe this. The real question is, what kind of radicalization you can have in the Persian Gulf? Any radicalization in the area means terrorism, which gives the pretext for U.S. military intervention in the area.

Q: This means war too.

A: I know this. Carter thinks that the only way for U.S. policies in the Middle East is war. That is the only way that Carter can keep the U.S. alliances with Saudi Arabia together.

Soviets Quicken Diplomacy For Mideast Peace

Over the past two weeks, the Soviet Union has quickened its political and economic intervention into the Middle East arena. The Soviets have sent leading officials to North Africa and the Persian Gulf and have received visiting leading representatives from the Palestine Liberation Organization, Kuwait, and Tunisia. The aim repeatedly stressed in joint communique and in prominent articles in the Soviet press has been the necessity of convening a Geneva conference, with full Palestinian movement participation.

Among the imminent results of the diplomacy could be the beginnings of a rapprochement between the Soviets

and Egypt. London's Daily Express reported this week that Arafat intends while in Moscow to mediate between the Soviet and Egyptian leaderships. On March 30, a new Egyptian-Soviet trade pact was signed, increasing the volume of bilateral trade by 14 percent over last year's levels.

A second key angle in Soviet involvement in the Mideast is the likelihood that the groundwork is being laid for the incorporation of oil-producing and other Arab countries into the planned June-July transfer ruble multilateral trade relations. Knowledgeable observers also speculated this week that the subject of just-

completed Iraq-Soviet high-level economic discussions was to lay the groundwork for Iraqi use of the transfer ruble later this year. Italian Prime Minister Giulio Andreotti, whose country has been in the forefront of the ongoing transfer ruble discussions, is scheduled to travel to Iraq and Libya in June.

Soviet Mideast Diplomacy In High Gear

March 22 — Soviet Admiral Gorshkov in *Tunisia*

March 30 — *Soviet-Egyptian* trade pact signed, increasing bilateral trade by 14 percent over last year's levels.

March 31 — Soviet Defense Minister Dimitri Ustinov and Soviet Chief of Staff Nikolai Ogarkov reported by Soviet news agency TASS to be holding negotiations in *Algiers* with Algerian leadership, same day as Cuban President Fidel Castro arrives in Algiers.

March 31 — While in *Mozambique* to sign friendship pact, Soviet President Nikolai Podgorny insists that Geneva peace conference must "obligatorily" include Palestine Liberation Organization participation.

April 1 — *Kuwaiti* Defense Minister returns from Moscow with details of concluded arms pact between the Soviet Union and Kuwait.

April 2 — Soviet economic delegation arrives in *Iraq* to forward work of Soviet-Iraqi Joint Economic and Technology Committee. Completes joint protocol April 5.

April 4 — *Tunisian* Prime Minister Hedi Nouira arrives in Moscow, is told by Soviet Prime Minister Aleksei Kosygin that Geneva must "necessarily" be held with a "delegation of the Palestinian resistance."

April 4 — *Palestine Liberation Organization* head Yasser Arafat arrives in Moscow, with PLO Executive Committee. Arafat meets Soviet Communist Party Chief Leonid Brezhnev, Fidel Castro April 7.

April 4 — Pravda commentary on Middle East repeats last month's Soviet Mideast policy formulation of Brezhnev in front of a Soviet trade union congress, with addition that Israel's existence as a state is "beyond debate."

April 5 — Leading commentator V. Kudryavtsev strongly affirms Soviet support for Palestinian resistance movement, attacks Carter Administration Mideast policy.

Early April — *Syrian* President Hafez Assad expected in Moscow; exact date unspecified.

Palestinians, Syria Sweeping Chamoun From Southern Lebanon

LEBANON

Palestinian militia with military and political support from Syria, opened an offensive last week in southern Lebanon to destroy the extremist forces of right-wing warlord Camille Chamoun, who enjoys Israeli backing.

Heavy fighting is reported in the key towns and regional supply centers of Qlaia and Marjayoun, which, according to late reports, are on the verge of falling to the Palestinians, an event that will shatter Chamoun's hold on the south. Several villages, including the town of Taibe which the Chamounists had seized only last week, are now under Palestinian control.

The Palestinian military operation, which is also receiving strong support from the forces of the Lebanese left, was fully sanctioned by the quadripartite committee of Egypt, Syria, Saudi Arabia, and Kuwait, which oversees Lebanon. Hours before the offensive began, Palestine Liberation Organization leader Yasser Arafat met with Zuhair Mohsen, head of the Syrian-controlled Palestinian group Saiqa and with Syria's top officer in Lebanon, Maj. Gen. Naji Jamil, to work out the details of the offensive. Syria's agreement to give support is a

reversal of its role during the 1976 Lebanese civil war when Syria acted in concert with Chamoun and the Lebanese right ring.

Last week, Syria's official government daily *Al Baath* castigated Israel for supporting Chamoun and prolonging the Lebanon crisis. *Al Baath* warned: "This is a situation that we cannot tolerate any longer." A delegation of Lebanese rightists recently in Syria to solidify relations with President Hafez Assad were instead told by Damascus to "end their alliance with Israel."

Coordinated moves to liquidate the Chamounists began last month when Lebanese President Elias Sarkis maneuvered Chamoun's political isolation. Backed by Syria, Sarkis ordered a reorganization of the Lebanese Army in preparation for the operation in the south, ousting pro-Chamoun commander Hanna Saeed and replacing him with Col. Khoury, a moderate. In retaliation, Chamoun called a general strike, which never took place following a rain of denunciations from Falangist leader Pierre Gemayel, who in recent months has dropped his own extremist positions.

Danger

While the *New York Times* warned of the "acute danger of Syrian-Israeli military clashes" growing out of

the situation in southern Lebanon, Israeli Prime Minister Yitzak Rabin made concerted efforts to rein in his pro-war Defense Minister Shimon Peres. The Chamoun network has received considerable military backing from Peres and Israeli troops stationed in northern Israel. However, Rabin, through European mediation, reportedly gave a green light to the Arabs.

Although Israel has lobbed a few shells into Lebanon reportedly in retaliation for Palestinian shells landing in Israel, Israeli response has so far been marked by its restraint, with Israeli officials dismissing the PLO

shelling into Israel as "inadvertent."

The sudden resignation of Rabin as head of government now makes southern Lebanon a flashpoint for war, as a former Pentagon official has indicated: "Lebanon is a serious, potentially explosive situation. If it is true that Syria is supporting the PLO and has become aligned with them to destroy the Christian buffer zone, we're in a new ball game. The Israelis are not going to cooperate. Their allies are the Christians led by Chamoun.... The Israelis will have to decide whether to tolerate all this, and I don't think they will."

Saudi Arabia, Iran Form Gulf Security Pact

IRAN

Saudi Arabia and its traditional regional rival Iran have secretly agreed on terms for a Persian Gulf Security Pact, according to informed European sources. The Pact is reportedly soon to be extended to include Kuwait and Iraq.

The pact effectively destroys the standing National Security option for an armed invasion of the Gulf Oil states. As the military correlate of economic initiatives to bring the Comecon's transfer ruble into the region, the pact will help free the oil producing states in the Gulf to seek markets outside Rockefeller multinational control and break with the dollar. According to *Newsweek*, the pact was worked out in Europe with collaboration from European leaders.

The Saudis are reported to be negotiating a \$3 billion loan to the ailing Iranian economy. This news belies press reports that tensions have increased between Iran and Saudi Arabia as a result of the Saudis' adherence to its cheaper oil pricing system. Even this sore point has been smoothed over, according to last week's *London Observer*.

The Persian Gulf Security concept is linked with similar efforts to neutralize the Red Sea in keeping with the Non-Aligned Movement's commitment to transform the region and the Indian Ocean into a "Zone of Peace." Both the Soviet Union and Yugoslavia have been diplomatically active in the Gulf States in securing this goal.

Soviet approval of a Gulf State agreement which could eventually draw the region under the Warsaw Pact defense umbrella now shared by Iraq was indicated last week when Kuwait signed an agreement with the Soviet Union to receive its first shipment of Soviet built SAM-7 missiles. The agreement signed in Moscow by Soviet officials and the Kuwait Defense Minister, could only have been finalized with an assenting nod from Kuwait's regional partner Saudi Arabia. According to socialist bloc sources, Yugoslavia is constructing naval and air facilities in Kuwait, and has arranged to supply the Kuwaitis with arms.

Iraq

Iraq's role in a Persian Gulf peace zone is crucial. A

high-level Soviet economic delegation visited Iraq last week, and the Shah of Iran's brother arrived in Baghdad for a week-long visit and talks with Iraqi leader Saddam Hussein, mooting the possibility for a breakthrough in Iranian-Iraqi relations. In June, Italian Prime Minister Andreotti will go to Iraq prior to his visit to the U.S.

A surprise visit last month of the Iraqi Oil Minister to Saudi Arabia indicates the high level of cooperation between the two states on oil policy. An Iraqi oil analyst recently concluded that the Gulf producers including Iran, the Gulf's leading oil price hawk, are quietly lowering their prices to the Saudi level. Several reports indicate that a three-tiered price system may soon be inaugurated which may provide more flexible pricing arrangements.

The Arab Dinar

The Security Pact is being cemented with the adoption of a unified regional currency to substitute for the U.S. dollar and a policy of a closer cooperation with respect to oil. *Mideast Business Exchange* reports that Qatar, the United Arab Emirates, Bahrain, and Kuwait have agreed on the adoption of a unified "Gulf Dinar." Gulf Central Bank governors are working out measures for implementation of the new currency, according to the journal. A Gulf Dinar is the first step toward the adoption of a pan-Arab gold-backed dinar which European banking sources view favorably as a link-up with a renovated European golden snake and a gold-backed Soviet transfer ruble. According to Egyptian sources in Bonn, circles in Cairo are eagerly anticipating the extension of the transfer ruble and reported that Egyptian President Anwar Sadat's recent speech in Bonn endorsing a new world economic order was the result of pressure from West German Chancellor Helmut Schmidt.

A deal between Iran and all of its Gulf neighbors will soon be completed to fund the expansion of a refinery in South Yemen. In the past, regional antagonisms have been deliberately exacerbated to splinter regional political solidarity and prevent cooperation around oil production. Given Arab moves to undercut Rockefeller's ARAMCO, Washington's remaining option is terror operations in the Gulf which would disrupt oil flows through the Straits of Hormuz and risk the outbreak of war, say State Department Gulf watchers.

The Castro — Podgorny Diplomatic Offensive

The just-completed African tours of Soviet President Nikolai Podgorny and Cuban President Fidel Castro accomplished objectives far more terrifying to monetarist interests than any "Communist onslaught" on South Africa. In addition to creating the preconditions for a relatively peaceful transition to majority rule in Rhodesia — in tacit collaboration with Great Britain, West Germany and Italy — the Podgorny and Castro tours mobilized Africa's non-aligned leadership for a new offensive on behalf of a new world economic order.

Premier Castro's eight-nation, six-week tour, beginning in mid-February with strategy sessions with Algerian President Houari Boumedienne and Libyan President Muammar al-Qaddafi, was aimed firstly at eliminating a major trouble spot on the northeast Horn of Africa between Ethiopia and Somalia — both socialist countries; secondly, at ensuring the security and freedom of action of the southern front-line states facing white-minority-ruled Rhodesia, Namibia and South Africa.

Castro's discussions with African leaders specified the creation of the new world economic order as the basis for African liberation. Speaking at a March 22 press conference in Dar Es Salaam, Tanzania, Castro said that development is a "life-or-death" question for the Third World, asserting that "these peoples will not resign themselves to die. They will struggle for progress, and struggle for their lives."

At the opening of his tour, Castro visited Somalia, Ethiopia and South Yemen, all on the Red Sea, and shuttled twice between Ethiopia and Somalia in an effort to mediate the disruptive border dispute between the two countries.

In southern Africa, Castro visited Tanzania, Mozambique and Angola and met with the leaders of the Rhodesian and Namibian liberation movements. While there, he pledged that Cuba would place its resources at the disposal of the front-line states to defend them against any aggression from Rhodesia or South Africa, but specified that Rhodesia would be liberated by Rhodesians, not Cubans.

This strategic formulation is designed to allow the front-line states and the Rhodesian Patriotic Front to undertake a political-military offensive — with the expected collaboration of British Foreign Secretary David Owen — by seeking to prevent Rhodesian Prime Minister Smith from launching further retaliation raids against pro-socialist Mozambique. Smith now appears boxed in, and Owen will probably offer him the choice of a peaceful transition to majority rule or a certain unpleasant fate at the hands of the nationalists.

Castro indicated several times that the Carter Administration's offers for negotiations on diplomatic relations in exchange for a Cuban withdrawal of troops

from Angola were not even being considered in Havana. Such questions, Castro said, "are not subject to negotiations." Later he told an Angolan audience that Cuban troops would remain in Angola until the Angolan Army was fully prepared as a modern army to repel aggression.

Toward the end of his tour, Castro returned to Algeria, where he met again with President Boumedienne, and with Cuban Vice-President Carlos Rafael Rodriguez and Soviet Defense Minister Ustinov, who had flown in together from Moscow. Upon leaving Africa, Castro traveled to East Germany and then on to Moscow, meeting with DDR President Erich Honnecker and with Soviet leaders including President Podgorny, just returned from his own southern African trip.

Soviet Treaty with Mozambique

Podgorny's trip to Tanzania, Zambia and Mozambique backed up the Cuban-front-line states' strategy with Soviet power. Not only did Podgorny pledge increased aid to the Rhodesian, Namibian and South African liberation movements, but he later signed a Treaty of Friendship and Cooperation with Mozambique — similar to ones previously signed with Somalia and Tanzania — which pledged Soviet defense of Mozambique from external aggression or internal destabilization:

"In the case of situation tending to disturb the peace" in either country, an article of the treaty says, the two countries "will enter into immediate contact with the aim of coordinating their positions in the interests of eliminating the threat or reestablishing peace."

In his March 28 meeting with Joshua Nkomo of the Rhodesian Patriotic Front, Sam Nujoma of the Namibian SWAPO liberation movement, and Oliver Tambo of the African Nationalist Congress of South Africa, Podgorny was accompanied by Deputy Defense Minister Sokolov, KGB General Viktor Samudurov, and the architect of the Soviets' Africa policy, Vasili Solodovnikov. Although the meeting was a strategy session for armed struggle, Podgorny later made it clear that this was a last resort: "A peaceful settlement in southern Africa is desirable," he said, opening the way for a British initiative, "but the rights of the oppressed people are being ignored, so the armed struggle is understandable."

After signing the Friendship Treaty with Mozambique Podgorny returned for a second visit to Tanzania, where he met again with President Julius Nyerere, who is chairman of the front-line states alliance among Angola, Botswana, Mozambique, Tanzania and Zambia. In that second meeting, according to a diplomatic source, the front-line states "got what they wanted," a final specific commitment of military and economic support from the Soviets for the alliance.

The greatest success of the Podgorny tour was in improving relations with formerly pro-Western Zambia, a development that makes Zambia less susceptible to U.S. and South African pressure to split the front-line alliance. Speaking to a London Times reporter March 31, Zambian President Kenneth Kaunda rejected the idea of any new shuttle diplomacy stalling tactics from the West, asserted his country's non-alignment, and told the West that if it wishes to regain favor in southern Africa: "Remove Smith from power. Remove apartheid. Remove Vorster from Namibia (see box)." Kaunda's remarks are an implicit rejection of UN Ambassador Andrew Young's "trust me" stalling ploys over South Africa in the Security Council.

British Initiatives

British Foreign Secretary Owen has indicated that he will take full advantage of this new situation in southern Africa during his trip there starting April 10. With typical understatement, Owen told reporters April 3 that he planned a "slightly more self-confident British foreign policy and a bit more boldness.... We have been perhaps too cautious, too conciliatory, and I think, myself, over Rhodesia, we ought at times to have been firmer...." Owen also remarked, "I do not think... that the only person who can deliver a solution in Rhodesia is Mr. Smith.... he is not the sole aspect of white Rhodesian opinion." Owen has invited anti-Smith white Rhodesians to meet with him while he is in Cape Town, South Africa; and Prime Minister Callaghan has already met in Britain with a key Smith opponent, former Prime Minister Roy Welensky. In addition to outflanking Smith through his own white opposition, Owen has not denied reports that he will convene a constitutional conference for Rhodesia. Some reports added that this may take place with or without Smith.

Implicitly backing the British and, indirectly, the Soviet-Cuban-front-line states initiative, West German Chancellor Helmut Schmidt declared on April 3 that his government would not be a party to any Atlanticist attempt to get NATO involved — as a proxy for the U.S. — in any defense of the white-run south. "NATO has nothing to look for in Africa," said Schmidt, in a speech blacked out of the American press. "The sphere of activity of this alliance does not extend to Africa, especially not to the southern part of this continent." In addition, Schmidt's Minister of Development, Marie Schlei, has

just returned from a trip through Africa where she arranged indirect aid to the Patriotic Front through Zambia. The Italian government has already extended support to the Patriotic Front, in meetings between Joshua Nkomo and Italian Deputy Foreign Minister Ratti last month in Rome.

Zambian President Explains 'Hero's Welcome' For Castro, Podgorny

Speaking to London Times reporter Nicholas Ashford Mar. 31, soon after Soviet President Podgorny's departure from his country, Zambian President Kenneth Kaunda said that if the West was now concerned about the spread of communist influence in southern Africa, it had only itself to blame. The following are excerpts from Kaunda's interview:

If it is a choice between peace in slavery and armed conflict then we will choose armed conflict until genuine peace is established...

If the West is afraid that the visits of President Podgorny and Dr. Castro are going to end up in southern Africa being communist-influenced, it is the West that is to blame... The West refused to help remove the "shackles of fascism and imperialism, and neo-colonialism and racism.

The West not only refused to support us, they even refused to remove the cause of the conflict...

So what are you doing now you people in the West? You are trying to remove the effect before removing the cause. To think of communism now is to think of the effect and not the cause. Why are President Podgorny and President Castro receiving such a hero's welcome? Because the masses of the people of southern Africa realize that the Western countries are exploiters who are only interested in wealth and natural resources. It is the people of the Eastern countries who are supporting them.

Carter Plays His 'China Card'

CHINA

Apparently oblivious to the dangerous implications of such a policy, the Carter-Brzezinski Administration has reactivated the Rockefeller-Kissinger strategy of the "second front" threat against the Soviets eastern flank through the creation of a "Washington-Tokyo-Peking Axis," a Pacific-wide anti-Soviet entente.

Indications have proliferated in the last two weeks that the Administration desires to open negotiations with China leading to normalization of diplomatic relations at the earliest possible moment. The reason is indicated by Japanese Prime Minister Takeo Fukuda's deliberate alienation of the Soviet Union by his preparations to go along with China's anti-Soviet posture in the Pacific.

The timing of Fukuda's move reveals almost certain coordination between the U.S. and Japan, worked out during Fukuda's trip to the United States last month. Carter's conspicuous silence on the question of human rights in China, after his well-publicized provocations of the Soviet Union on this question, has been followed by the extraordinarily sudden announcement of a joint Congress-White House mission to China, organized within hours of the collapse of the Vance mission to Moscow.

The joint mission, which left for China April 7, was organized by the White House only on the previous Thursday and Friday, March 31 and April 1, just after the March 30 fiasco in Moscow. It is headed by Senator Schweiker (R-Pa) and Representative Brademas (D-Ind), who will be accompanied by eight other legislators, none of them with past experience in Far Eastern affairs. The haste with which the mission was assembled was such that one Senator was said to have "been startled to find out" he was going, and had already made alternate plans for the Easter recess; a Congressman's aide commented that the last-minute invitation "really is surprising." None of the designated Congressmen had an explanation for the lack of prior notice. It is known, however, that National Security Advisor Zbigniew Brzezinski, who was central in making the plans, holds the view that U.S. moves towards Peking can be used to extract concessions from the Soviet Union. Last week it was made apparent that he also believes gestures toward China can be punitive to Moscow as well.

The White House purpose in dispatching the team was made clear by the announcement that Michael Oksenberg, the National Security Staffer for China and a top aid to Brzezinski, will accompany the legislators. Oksenberg, who produced a detailed profile of China's new chairman, Hua Kuo-feng, after becoming Carter's

chief advisor on Chinese affairs last fall, is being sent to allow him to verify his profile. There is little doubt that Oksenberg, well known as a strong advocate of early normalization of U.S.-China relations, will also discuss with the Chinese means of removing the remaining obstacles to close Sino-U.S. relations, probably paving the way for an early visit to China by Secretary of State Cyrus Vance.

Carter personally certified that the trip is a major overture to the Chinese several days later with the announcement that his son Chip would also accompany the mission.

The indecent sprint to Peking is so obviously tied to developments in Moscow, in fact, that the *New York Times* felt called upon to rationalize it thusly: "However, last week's emphatic and harsh Russian rebuff of American proposals for the limitation of strategic arms ... would offer a plausible incentive for the United States to speed its efforts (for normalization)."

A further signal to Peking was the leaked story published in the *Times* April 6, on the eve of the delegation's departure, that UAW President Leonard Woodcock, fresh from his recent assignment to Vietnam and a supporter of normalization, might be appointed to head the U.S. liaison mission in Peking.

The *Times* sent yet another signal to Peking by revealing that the Carter Administration is refusing to sell Taiwan any of the arms it would need for even a minimal program of modernization of its equipment. Presently lacking adequate surface-to-air or surface-to-surface missiles, modern anti-submarine weapons and modern jet fighters, Taiwan's navy, shore batteries, and air force are sitting ducks should China decide to invade. While there are no prospects for a near-term invasion, the Carter Administration's apparent decision to stall on rearming Taiwan — and the publicizing of this move — represent a device through which to find agreement with China on the "Taiwan question," the primary issue preventing close U.S.-China ties.

The Japanese Connection

The Japanese participation in Carter's "second front" became clear in late March, when Japanese Prime Minister Takeo Fukuda suddenly revived the long-stalled issue of a "peace and friendship" treaty with China shortly after his return home from the U.S. On March 22 Liberal Democratic Party member and Dietman Hideji Kawasaki delivered a written message from Fukuda to Chou En-lai's widow, offering to send foreign minister Ichiro Hatoyama to China "if circumstance required it" for negotiations on the treaty. China, as well as Western diplomatic observers, interpreted the note as an offer to conclude the treaty on China's terms, which includes the notorious "anti-hegemony" clause directed against the Soviet Union.

At the same time, Chinese Communist Party Chair-

man Hua Kuo-feng personally informed top Japanese industrialist Toshio Doko, in China for trade talks, that China was ready to conclude long-term trade deals to exchange Chinese oil and coal for Japanese steel, machinery, and equipment. But China made it clear that they expected the treaty to be signed as an implicit part of the deal.

This stipulation is not supported by Japanese businessmen, who want trade with both China and the Soviets. The Fukuda and Chinese moves are in fact a squeeze play against both Fukuda's factional opponents within Japanese business and the Soviet Union. The Soviets wasted no time in responding to the provocation by almost literally kicking over the table in the sensitive fishery talks with the Japanese. It is an open secret in Japan that Fukuda's purpose is to break Japanese-Soviet business ties.

China's Leadership Remains Locked In Factional Battle

China's top leadership is deeply divided over the most basic questions that face China today. According to one analyst on the scene, *Le Monde's* Alain Jacob, the split is between what he terms the "continuity" faction and the "radicals of the right," and is so deep that a resort to use of the armed forces of the PLA, China's army, cannot be ruled out.

Direct recent proof of the persisting inability to resolve basic questions was provided April 5-7, the first anniversary of the anti-Maoist, pro-Teng Hsiao-ping demonstrations that shook the regime last year, and of the subsequent purging of then Deputy Premier Teng. Teng's failure to make an appearance confirms that his return to power is strongly opposed in powerful quarters, while Politburo-ordered prohibition of any kind of public manifestation on April 5, the traditional Ching Ming festival, reveals the regime's extreme fear that any spontaneous expression of popular sentiment would get out of hand.

Jacob's characterization of China's faction fight comes as close to the truth as the very meager presently available information permits. The "rightists," according to Jacob, seek a fundamental shift in China's basic orientation, away from the Maoist program of the last two decades, while the "continuity" group wants to maintain the aura of Mao and Maoism, and stop the process of reforms begun after the October purge of Mao's four closest Politburo allies.

The "radical" group is centered around Communist Party chairman Hua Kuo-feng, the "continuity faction" around Teng Hsiao-ping, who is said to be very active behind the scenes, and Hsu Shih-yu, his military protector and the commander of the Canton Military Region. The alignments of most of the other ten Politburo members are not known for certain, although Peking Mayor Wu Teh and secret police chief Wang Tung-hsing are definitely "continuator" while Defense Minister and

Should Carter's Fukuda gambit succeed, it would confront Moscow not only with a hostile China on its border, but with a hostile India-China-Japan-U.S. "rectangle" comprising the three greatest nations of Asia, a more formidable "second front" than weak China represents alone, and a configuration designed to elicit a paranoid Soviet "hardline" response, leading to war.

The new pro-Carter regime in India has already leaked that a "second front" is in store for China itself, belying any assurances of real friendship for China emanating from Washington. The ruling Janata Party sent a telegram to the United Nations asking for implementation of the dead-letter 1959 UN resolutions concerning Tibet. The revival of this long buried issue, by the same people who provoked the 1962 Sino-Indian War, augurs poorly for continued peace along the Himalyan border, and suggests that the recent stability in the region may soon die a premature death.

second ranking Party chief Yeh Chien-ying is known to be close to Teng. Jacob reported that there have been substantial troop movements in several parts of the country that appear to be more than just a response to the serious North China drought, and concluded by saying that for the moment the "continuity" group seems to have a slight upper hand. But the divisions are so profound that no compromise is possible, and the latter group — centered largely in the military — may resort to use of the army to change the power balance if needed, he added, raising the specter of civil war and general chaos.

Underlying the faction fight is the existence of the most profound crisis of Chinese society in the last half century. The "continuator" are those who owe their current positions to their obedience to Mao and his policies. The anti-Maoists are those who have opposed, blocked, or gone along only unwillingly with Mao. Mao's policies are the issue now. The continuation of many of these policies even after the purge of the Maoist "gang of four" ringleaders has turned the heady enthusiasm displayed in the streets last October into apathy, demoralization, weariness, unease, and redoubled cynicism about the entire regime and the Communist Party itself. Indefinite continuation of this situation will eventually threaten the very existence of the regime, not to mention its economic development program. The anti-Maoists know this.

Foreign Policy A Major Issue

Since foreign policy disputes are almost never revealed directly in China, the best gauge of foreign policy conflict is significant increases or decreases in the intensity of anti-Soviet vituperation. The last three weeks has seen a sudden escalation in this department, confirming that Mao's Soviet policy is a factional issue.

An anonymous top official, in an interview attended by *New York Times* columnist William Safire, in mid-

March, said that there is no prospect of improved Sino-Soviet relations — a hardening of earlier positions. This was followed by an unprecedented for the record interview granted to the *London Times* editor in chief Denis Hamilton on March 27 by third-ranking Party official deputy prime minister Li Hsien-nien. Li expanded on the standard litany, accusing the Soviet Union of coveting control of the Cape of Good Hope, and said, "If the Russians try to expand anywhere in the world China will inevitably get involved..." Li also revealed Chinese support for Japanese rearmament — provided it is directed toward the Soviet Union.

Izvestia reported April 4 that China has been airing a long series of articles in the domestic mass media tracing the origins of Moscow's alleged "aggressiveness" from the dawn of Russian history, as a national character trait. Such propaganda barrages are always deliberate, provocative signals. And a member of a visiting Ethiopian delegation in Peking revealed to Reuters that the Chinese displayed "an almost obsessive preoccupation with Moscow's African diplomacy," revealing the extent to which China's entire policy toward the Third World is subordinated to their anti-Soviet campaign. Various news sources today reported that China is sending military aid to Zaire to help that country repel an anti-government rebellion in the area bordering pro-Soviet Angola. For the Chinese, this move is clearly thought to be a means to fight Soviet "imperialism."

The Soviet Union clearly perceives this intensification of anti-Sovietism. The Soviet government newspaper *Izvestia* carried the strongest Soviet attack on China since Mao's death on April 5. The article cited the recent statements made to Safire by an official of the Chinese Foreign Ministry, and added "Not a day passes without new anti-Soviet and anti-Communist outpourings from the Peking press. Its material, as in the past, greatly distorts the foreign and internal policies of the USSR." Significantly, the article quite satirically attacks the recent public statements of Li Hsien-nien. "Yes the inventions of Peking propaganda regarding Soviet intentions are so absurd that even the 'friends' of the Maoist clan among the most shameless of imperialist circles feel somewhat awkward when they meet such concoctions."

Illusion and Reality

But the more immediate crisis is at home. The contrast between illusion and reality is nowhere as stark as in China today. Nothing said in the mass media or spoken by China's leaders has fundamental credibility within China. The entire population knows that Mao Tse-tung was responsible for the corpus of policies that has

recently been repudiated and is now called a violation of Mao's will wrought by the "gang of four." The population also knows that Mao was the author of continuing programs that are no less universally hated. Systematic lying is still the standard for the press, as under Mao, which continues to be a mind-deadening eternity of the same lifeless phrases and slogans, repeated by precise formula in every location, on every occasion. Only now the slogans have been changed to encourage economic work and education.

The population is still condemned to go through the motions of hailing Mao Tse-tung and his "Thought," denouncing the present villains, mouthing the approved catechism. But the conditioning is skin deep, as last April's demonstrations and the ones demanding Teng's return last January, demonstrated. The daily life of 90 percent or more of the Chinese people revolves around staying out of trouble, avoiding responsibility, shirking work when possible, and devoting oneself to promoting one's own and one's family's well-being as best as conditions allow.

The crisis is most immediate for the intellectuals. China has turned out very few educated people since 1966, and far fewer trained scientists. It is a stated goal of the current regime to end the stultifying policy of preventing serious intellectual or theoretical work, and to allow considerable freedom of thought so as to encourage better work. But judging from repeated exhortations in the press, the intellectuals appear reluctant to commit themselves. They are no doubt fearful that if they express any thoughts not approved by the Party, they will be chopped down as in the past — and there have been so few real changes of intellectual substance that they are not reassured. Moreover, since they can perceive the still unsettled factional situation, they do not want to "come out" until total stability is brought to the Party leadership.

With respect to the press, the front page of the *People's Daily* in January even announced that there would be a total change of style and content, and accurately described the press as dull, stereotyped, uninformative, and so forth, a state of affairs which it blamed on the "gang of four." But since that time, there have been no basic changes.

In the absence of more information, it appears that whether or not to change the present *modus operandi* of Chinese political and intellectual life is the central issue of the continuing factional war. While the outcome is not yet determined, it seems certain that if the residue of Maoism is not rapidly eliminated, China could still find itself facing internal breakdown, chaos, and civil war in the not too distant future.

'Koreagate' - Taking The 'K' Out Of The KCIA

KOREA

Several weeks ago in off-the-record comments at the Rockefeller-founded Asia Society, the head of the South Korean opposition New Democratic Party delivered an interesting threat — on behalf of the regime of President Park Chung Hee, to be sure. Lee Chul-seung told a shocked audience of bankers, businessmen academics, and assorted spooks that whatever the United States could turn up concerning the activities of the Korean Central Intelligence Agency (KCIA) in this country was “chickenshit” compared to the activities of the U.S. CIA inside South Korea, Lee, whose command of English vernacular was impressive, made it quite clear that if the KCIA scandal in Washington continues, plenty of other trees in the forest could fall.

Lee was not bluffing. Similar threats to expose the U.S. CIA funding of the Korean dissident movement have been made by aides of President Park. But such revelations, even including the likely case of U.S. backing for the student uprising that overthrew the regime of South Korea's first President, Syngman Rhee, in 1960, would not be the true story.

The real story of the Korea scandal, and in particular the alleged dirty deeds of the KCIA — widespread influence-peddling on Capital Hill to influence Congressional votes on military and economic support for South Korea — is that most of those dirty deeds were carried out by that segment of the KCIA controlled and operated by U.S. intelligence agencies. This can be factually demonstrated.

However, *why* the Trilateral Commission-controlled Carter Administration is pursuing the Korea “scandal” in concert with other attacks on South Korea, including those against Park Chung Hee for his “human rights” stance and the threatened withdrawal of U.S. ground forces from South Korea, is a question that must first be answered.

Behind the “Koreagate” stands David Rockefeller's “watergating” machine and its attempt to further the process begun by the two “corruption” scandals that have shaken Japan in recent years: the scandal that toppled Japanese Prime Minister K. Tanaka in 1974 and the more recent Lockheed scandal, as well as the “corruption” scandals have paralyzed the pro-development forces in Indonesia grouped around that country's state oil company, Pertamina. The aim of those scandals was to sabotage the efforts of independent industrial and political circles to acquire sources of raw materials, especially oil, free of the control of Rockefeller family's multinational companies, and related efforts to promote widespread high-technology development. This independent “resource diplomacy,” spearheaded by the “Shigenha” (resource) faction of Japan under the direction of former Premier Tanaka, was well documented in the June and July 1976 issues of the Japanese magazine *Chuo Koron*.

One of the targets of the “Koreagate” is indeed the regime of Park Chung Hee, which was participating from at least 1973 in this “resource diplomacy,” largely under the influence of an independent faction in Korean ruling circles led by former Prime Minister Kim Jong Pil. Kim, who was the key organizer of the military coup that put Park in power in 1961, is known to have close ties with the non-Rockefeller Gulf Oil Company that pre-date the military coup, and has historically been the major proponent of independent industrialization for Korea.

In opposition to the efforts of Kim Jong Pil lies the network of the top U.S. CIA operative in Korea, former KCIA chief Lee Hu Rak. Lee is very closely associated with the Rockefeller oil multi Caltex, and was a key agent in numerous Rockefeller efforts — before the “Koreagate” — to sabotage the “resource diplomacy” of the Kim Jong Pil faction.

To this day, Park has continued to steer Korea along the resource diplomacy, high-technology growth course (including expanding ties with the Arab countries) advocated by the Kim Jong Pil faction. From the time of the 1961 military coup (a coup which all available evidence makes clear U.S. authorities did not know about in advance, although certain circles may have), Park has been middleman between the Kim Jong Pil faction and the anti-Kim factions dominated by Caltex's Lee Hu Rak. Support for Park has come from the United States only in direct proportion to Park's willingness to bestow favor on the more pro-U.S., less independent factions within the country's ruling circles. Park's 1973 alliance with the Kim faction in Korea and the Shigenha faction in Japan is the root of the “Koreagate.”

It is in the interplay of military and other ruling factions in Korea that the real story of the KCIA — the removal of the K — can be found.

Just as importantly, the “Koreagate” provides the Trilateral Commission with ammunition capable of doing more than simply overthrowing Park Chung Hee. The scandal is also to be used against the Shigenha faction, which was only wounded by previous slanderous attacks.

The planned withdrawal of U.S. troops from South Korea has provided the United States with the needed leverage to push for the remilitarization of Japan on an explicitly anti-Soviet basis. This was the real meaning of President Carter's calls for Japan to assume “a greater role in Asia” during the recent trip to Washington by the Trilateral Commission's top towel-boy in Japan, Premier Takeo Fukuda. One key to this will be the signing of a Japan-China Friendship Treaty, with the inclusion of the infamous “anti-hegemony” clause against the Soviet Union. Fukuda is presently pursuing such a treaty, undoubtedly following a gameplan worked out during his Washington visit. Such a treaty with China would all but eliminate the potential success of ongoing talks for economic cooperation between Japanese industrialists and the Soviet Union.

Finally, there is every possibility that the extensive money and other ties between factions of Japan's ruling

Liberal Democratic Party (LDP) and the Park regime will become part of the "Koreagate," a scandal that would dwarf the "Lockheed scandal" in terms of devastating impact on the party's domestic popularity. Such a scandal could destroy the single most important political institution, the LDP, through which Japan's industrialists have operated in the post-war period.

Thus if the "Koreagate" is allowed to run its course, it could have perhaps fatal impact on the pro-development forces in the Asian region. The key to diffusing the scandal — the publication and widespread dissemination of the facts of the U.S. CIA infiltration of the KCIA, and the purpose of the scandal — is outlined in this article.

However, it is believed that Kim Jong Pil recently stopped over in Miami, following an extensive diplomatic tour throughout Latin America, where he chaired a meeting held to reorganize the activities of the KCIA in the United States. If this reorganization of the KCIA leads to a follow-through on the threats of Lee Chul-seung, the full details of the real story of the KCIA scandal, including the Rockefeller-Caltex efforts to sabotage "resource diplomacy," will quickly come to the fore.

The Rise of Tanaka

The rise of K. Tanaka to the Japanese Prime Ministership in the summer of 1972 marked a major turning point for Japanese-Korean relations, and for the Park regime as well. With Tanaka in power, virtually all of the major Zaibatsu planned huge heavy industry investments in South Korea, as that country was to play a major role in the Shigenha drive for independent sources of oil. The major investment emphasis was to be building up Korea's petrochemical and oil refinery capacity. Mitsui, Teijin, and Mitsubishi all planned the construction of oil refineries in South Korea, following the guidelines set by the unofficial headquarters of the Shigenha, the Ministry of International Trade and Industry. These investment plans were made formal at the March 1973 Japan-Korean Economic Cooperation conference, which was then followed up by visits of several delegations from the big-business federation Keidanren, which cooperated with the Koreans in revising the country's five-year plans. Japan-Korean cooperation for nuclear power development was also planned at this time.

These plans marked a dramatic shift in the form of economic cooperation between the two countries — away from the labor-intensive industries, especially textiles, that had dominated relations in the previous years, toward the serious industrialization of Korea. The new emphasis was clearly reflected in Korea's economic plans, which more than ever before emphasized heavy industry.

New political ties between Tanaka and the Park regime were developing at this time as well. Previous to the Tanaka regime, the Japanese "chains of command" into Korea were controlled by former Prime Minister N. Kishi, his protegee Fukuda, Katsuo Yatsugi, and other leaders of the "Japan-ROK (Republic of Korea) Friendship Society." These chains of command in turn helped Wall Street to keep Korea under its thumb. In the words of one commentator, with Tanaka in power the days of the Kishi-Fukuda networks in Korea "were numbered."

For Park the move toward Tanaka and the Shigenha faction was a significant (though not total) break with the U.S. CIA controlled groupings and other pro-U.S. factions within the country's ruling circles. At the time, the United States went to tremendous efforts to sabotage these growing Park-Tanaka ties, and pull Park back into line.

The most important of these efforts was the famous 1973 "Kim Dae Jung Affair," in which then-South Korean opposition leader Kim Dae Jung, who was living in exile in Japan, was kidnapped from his Tokyo hotel room and brought back to Korea. As planned, the Kim kidnapping threw relations between Japan and Korea into a crisis within days, as the KCIA was almost universally held responsible for the Entebbe-style action.

Professional Plumbers Lead KCIA Probe

The subcommittee on International Organizations of the House International Affairs Committee is the inside-agency in the "KCIA scandal." Recently the subcommittee was handed powers to carry out an 18-month, "all encompassing" investigation into U.S.-Korean relations.

Better known as the "Fraser Committee" after its Chairman, Trilateral Commission member Donald Fraser (D-Minn), the subcommittee has been the meeting point for a coterie of liberals and think-tanks who were up to their necks in Watergating Richard Nixon. Much of the ammunition for the "Koreagate" is coming from these circles, which include most prominently the chain of think-tanks led by Morton Halperin, former Kissinger National Security Council staffer. From this circle come Anthony Lake, another former Kissinger NSC member and now Carter appointee to head the State Department Policy Planning staff, and Donald Ranard, a former State Department Korean desk officer and the source of many of the scandal allegations.

The subcommittee also has links with a Harvard University group of academics led by former U.S. Ambassador to Japan Edwin Reischauer and Professor Jerome Cohen. Both Ranard and Cohen will serve as advisors to the Fraser Committee.

The Fraser Committee has hired Michael Herschman to co-direct its investigation. Herschman is the former chief investigator for the Senate Watergate Committee, and more recently chief investigator for the Federal Elections Commission. Says Herschman, I've "attended numerous intelligence schools."

The House Ethics Committee will also soon probe charges that members of Congress accepted bribes from Korean agencies and representatives. Its chief investigator is Andrew Tartaglino. Tartaglino is currently the Justice Department's liaison to Interpol, the semi-private Rockefeller coordination center for international terrorism.

Perhaps more than any other example, the "Kim Dae Jung Affair" illustrates the extensive U.S. CIA infiltration of the KCIA.

Park had been foolishly pulled into backing (and probably funding) the 1972 campaign of Fukuda to succeed E. Sato as Prime Minister. (Park's being duped into backing Fukuda was undoubtedly partially a result of faulty intelligence provided by then-KCIA chief Lee Hu Rak.) When Tanaka beat Fukuda in the campaign and became Prime Minister, Park is said to have been "in an awkward position," and launched attempts to establish direct ties with the new Premier. Park assigned Minister Without Portfolio for Political Affairs Lee Byung Hui this task.

Lee was the former KCIA station chief for Seoul and is very friendly with Kim Jong Pil. He was a member of the famous "Eighth Graduating Class" of the Korean Military Academy, whose members played a key role in the coup and still make up the heart of Kim Jong Pil's power base in the country. Working with LDP "elder" Etsuburo Shiina, Lee established the Japan-ROK Friendship Association as a direct counter to Kishi's "Friendship Society," and in addition set up the Japan-ROK Parliamentarians League. Kim Jong Pil is presently the Chairman of the League from the Korean side. Shiina's ties with the Park regime reportedly became so close that the ROK knew Shiina would "choose" Takeo Miki to succeed Tanaka in 1974 two days before most informed Japanese. (The setting up of this Park-Tanaka network was well documented by Keiichiro Nomura in the January 1977 issue of the Japanese magazine Sekai.)

The Kim Dae Jung kidnapping was for Japanese-Korean relations precisely what the riots in Indonesia during Tanaka's 1974 visit to Jakarta were for Japanese-Indonesian relations. Similar to the moves in Korea, Tanaka also attempted to establish independent ties with Indonesia, a particularly important country because of its oil production. In cooperation with Indonesian President Suharto and ex-Pertamina chief Sutowo, the Shigenha planned to organize a Japanese-Indonesia Oil company to deliver Indonesia crude to Japan, thus breaking the monopoly that Rockefeller's Clatex subsidiary Nippon Oil had over Indonesian oil supplied to Japan. It is now public knowledge that then-Finance Minister Fukuda dispatched several of his agents from his faction inside the ruling LDP to help organize the unfriendly demonstrations that met Tanaka. The Fukuda-Kishi ties to Wall Street are so complete that Kishi's Tokyo office is even located in the Tokyo Caltex office building.

While the full details of the Kim Dae Jung kidnapping are still the subject of considerable speculation, it is known that the gangster networks which Kishi and Fukuda hold much influence over were involved. In particular, Korean gangster Machii, who is closely associated with Fukuda's current Minister of International Trade and Industry Tatsuo Tanaka (Tanaka is also a Fukuda faction member and believed by some to be Fukuda's liaison to the ROK), played a direct role in the action. Machii owned the hotel from which Kim was kidnapped.

While the plan to disrupt Japanese-Korean ties through the kidnapping was partially successful, the story of the "KCIA's" involvement was first carried

several days after the event by the Japanese daily *Yomiuri Shimbun*, which got its information from an exclusive interview given their Seoul bureau chief by none other than Kim Jong Pil. KCIA chief Lee Hu Rak was dumped in December 1973 for his role in the affair, which Park later told Jack Anderson was the act of "an extremist wing" of the KCIA. An anonymous anti-government Korean commentator, T.K., whose letters were published serially in Sekai beginning in January 1973, said in January of the following year, "At the moment Kim Jong Pil is bent on destroying Lee's political base....After the Kim Dae Jung incident, Kim Jong Pil waited for some disturbance to provide an opportunity to oust Lee Hu Rak. Now Lee's group is watching for another time of disorder to stage his comeback."

Who is Lee Hu Rak?

To understand the "extremist wing" of the KCIA, and how the present KCIA scandal has been molded, it is crucial to understand the role of Lee Hu Rak as an inside man in the U.S. intelligence operations in Korea. Lee has been a key coordinator of U.S. CIA controlled networks in the ROK, and has effectively manipulated President Park to either play him against Kim Jong Pil — who has always been seen as a potential successor to Park — or to get Park to back Lee's dangerous schemes. It is under Lee that the KCIA undertakes some of its more infamous operations, including the so-called bribery schemes, outside Korea, as well as escalated repression inside the country.

Lee Hu Rak had been arrested immediately after the 1961 coup as a suspected U.S. intelligence agent, but was released soon after and turns up as an official spokesman for the military junta. Lee's agency stemmed from the key role he played during 1960 in helping coordinate with U.S. intelligence agencies the formation of a Korean CIA. (The existing KCIA, which was organized by Kim Jong Pil in 1961, is for the most part actually Korean. It was Lee Hu Rak's KCIA, organized before the coup, that was U.S. CIA-controlled.) Prior to his role in forming the first KCIA, Lee served as military attache in Korea's Embassy in Washington. Lee was turned loose explicitly because of his connections with American intelligence circles.

Informed sources are divided on the exact reasoning for Lee's release, with some saying the United States made one of its conditions for support of Park's military government the release and high-placing of Lee. Others say Park knew of Lee's close U.S. CIA connections, and wanted a liaison to American intelligence circles. It is likely that both are true.

From 1963 to 1970 Lee functioned as "personal secretary" to Park. He was known even during this period for his pro-American feelings, and not surprisingly appears as a key leader of anti-Kim Jong Pil factions within ruling circles.

While it is difficult to definitively prove, there have been numerous press reports that Lee Hu Rak, together with Major General Yun Pil Yong, planned a coup against Park in the turning-point period of early 1973. Gen. Yun was at the time was chief of the Metropolitan Guards (capital area police), and had been the chief of the Tiger Division of South Korean soliders sent to Vietnam. (The United States heavily pressured Park in 1965

to send Korean troops to fight in Vietnam, which enabled the U.S. to establish more intelligence networks in the Korean armed forces.) While Lee Hu Rak escaped unharmed from his alleged role in the coup plotting, Gen. Yun was given a long jail sentence. Further, numerous bureau chiefs of the KCIA involved in plotting, including Lee Hu Rak's nephew, were reportedly dropped from their posts.

It is interesting to note that the period of 1973-1974 also saw a milder version of the present United States public attacks on Park Chung Hee for "human rights" violations. The U.S. State Department's measure for "human rights" in South Korea seems to be the degree to which Park Chung Hee follows the U.S. gameplan.

It is not surprising that Lee Hu Rak is known to be a virtual employee of Caltex, which has significant interests in the oil business in Korea. Lee was an in-law of the recently deceased president of Honam Oil, Caltex's subsidiary in South Korea, and is related by marriage to Kim Chong Hi, who heads the Korean Hankuk business group. Hankuk runs Kyung-In Energy, a joint venture with another Rockefeller oil multi, Mobil. It was Lee Hu Rak, according to Korean sources, who personally carried out the extortion of payoffs from Gulf Oil in the late 1960s and early 1970s to finance Park's 1971 election campaign. These payoffs were later used to "watergate" Gulf in an investigation authorized by the Securities and Exchange Commission and carried out by John J. McCloy, a lawyer for Standard Oil, and at the time head of Chase Manhattan Bank. Some observers believe that these revelations weakened Kim Jong Pil, who resigned as Prime Minister in early 1975.

Gulf had defied the Rockefeller multis by moving into Korea after the 1961 coup and building a major refinery which supplies the country with a large portion of its oil needs. The Korean Oil company is a government joint venture with Gulf. Gulf had a close relationship with Premier Tanaka and was involved with the Japanese in a joint project with Russia to develop Siberia's vast oil and natural gas reserves.

Despite the intensive U.S. efforts to prevent it, the ties between Korea and the Arab countries that began to expand under Shigenha influence during 1973 and 1974 have today evolved into extensive construction contracts with Saudi Arabia and Kuwait, shipbuilding contracts for the Kuwait national tanker fleet, and other oil refinery and transport contracts with Iran. In late March, Korea was awarded its first construction contract with pro-Soviet Iraq, itself a good indication of how Korean relations with the Arab countries have developed. (The shipbuilding contracts with Kuwait are particularly interesting, as Gulf gets much of its oil from Kuwait.)

And much to the dismay of the Trilateral Commission, Korea's relations with the Arab countries are being directly coordinated with Japan. A recent meeting of the Japan-ROK Joint Economic Committee of Private Business publicly affirmed that the two countries should coordinate with each other their respective relations with the Arab countries. Further, the Korean Industrial Development Corporation, a joint Japanese-Korean investment consortium, plans to funnel huge investments in South Korea, following closely the plans originally worked out in 1973. Included in these investment plans is further Japanese participation in the ongoing construc-

tion of a huge oil refinery in the Yosu region of the ROK.

The "Koreagate" is the latest in the long list of attempts to prevent the further consolidation of just such cooperative ties.

The Park Regime: U.S. Puppet?

That the "U.S. puppet Park Chung Hee clique" is capable of such significant independent action should not come as a shock to anyone familiar with the actual history of the Park regime. The military junta that took power in 1961, after a year of rule by an unstable civilian government which followed the overthrow of the Rhee regime, combined many elements. However, its character was clearly that of a proto-Nasserite formation shaped by younger officer, especially its organizer Kim Jong Pil, intensely nationalistic and moved by a Confucian moralistic disgust with the perversion of Korean society and of the Korean military by the mores of American hedonism.

Behind this very Korean face lay a determined circle, of which Kim Jong Pil is more representative than Park Chung Hee, which wanted to see the industrial development of Korea and looked to Korea's old colonial master, Japan, for aid in this process. Most of these officers, some of whom were trained under the Japanese when Korea was still a colony, could look back at the entire period following the end of the Korea war. What they saw was a Korea that in economic terms was completely backward, rural and almost totally undeveloped except for repair of war damage.

The U.S. chargé d'affaires (the acting U.S. Ambassador) in Korea at the time, Marshall Green, together with the head of the United Nations Command, U.S. General Carter Magruder, quickly tried to organize the Korean General Staff to undertake a countercoup, until it became clear that the coup had wide backing, and they received work from Washington to cool their rather open efforts.

That Wall Street was not happy about the coup is demonstrated easily enough. The "insiders" Council on Foreign Affairs journal *Foreign Affairs* carried an article in October 1961 which lamented the coup, and concluded, "It should not be excluded that the United States work toward an early dissolution of the present military regime. Nor should it be accepted that we do not have either the means or the right to do so." This article, with its drippy "liberal" moaning over the supposed loss of liberties and the ruthlessness of the junta, would today hardly be recognized as a 16-year-old document.

As for the efforts of Green and Magruder, it is clear that they were working for the Wall Street circles whose opinions were expressed in this article. Magruder had a long association with Rockefeller lawyer and former Secretary of State John Foster Dulles, having been a member of the famous Dulles delegation that visited Japan in 1950 (shortly before the outbreak of the Korean war). Green's skills were later applied in Indonesia, where he played a key role in organizing the 1965 overthrow of President Sukarno.

It was the threat of a combination of Japan and a more independent, and capitalist South Korea, both heading in the same direction — away from the United States — that made the Council on Foreign Relations stir. Seeing that they could not tackle Park head on, they

moved to activate the extensive networks in the Korean military and elsewhere to control, and no doubt eventually remove, Park and his circle.

Park himself, the senior officer of the junta and its recognized central figure, was allied with Kim Jong Pil (in fact they are related by marriage), but from at least 1963 onwards he was willing to compromise with the significant anti-Kim Jong Pil sentiment within the junta and its circles. Although much of this sentiment represented little more than personality conflicts, the anti-Kim groups were from the beginning heavily infiltrated by agents tied to the U.S. CIA. Lee Hu Rak was the most prominent. Throughout the years, Park's shifting back and forth between the Kim and anti-Kim factions has been a pattern, and his willingness to do this has provided the U.S. CIA with an indispensable lever against the Kim Jong Pil faction.

Why was the United States so determined to prevent Kim Jong Pil from gaining the upper hand in the government? Sources close to the junta at the time report that Kim and his allies were the initial drafters of the junta's first five-year economic plan, and the draft was a very ambitious one, including provisions for widespread nationalization of industry as the best way to quickly accumulate desperately needed capital (a modified version of this original draft by Kim was adopted sometime later). It was also Kim Jong Pil who sponsored the famous debt moratorium measures for the Korean peasantry shortly after the coup. These sources report that especially the latter measure scared the U.S. Embassy in Seoul "half to death," as the Americans thought the coup leaders, especially Kim, were establishing a leftist government. Shortly thereafter, *Time Magazine* published a slanderous feature article on the coup in which, under prompting from the U.S. Embassy, Park was labeled a communist. (*Time* was subsequently banned from the country.)

For the United States Kim represented the same danger as did other nationalist "Bonapartist" Third World leaders, including Nasser of Egypt and Sukarno of Indonesia. He had joined the military in early 1949 following his graduation from Seoul National University. Seoul U. was set up in the early years of the U.S. occupation of Korea, and student groups there were sharply divided into the right faction — backed by the U.S. occupation authorities — and the left faction, which was associated with the South Korean Labor (Communist) Party. Kim was closely associated with the left faction. Many of Kim's student friends joined the military with him as a means of avoiding the vicious attacks on leftist sponsored by the U.S. authorities according to one source. Kim and his friends together made up the "Eight Graduating Class" of the Military Academy. (It is interesting to note that at the time of the coup several military officers refused their support because of alleged widespread communist influence among the coup leaders. While Park Chung Hee was probably included in this group accused of being "communists," the more likely targets were the ex-student leftists of the Eighth Graduating Class.) In his plans for the country Kim openly borrowed heavily from Sukarno and Nasser, as can be seen in his notion of "nationalistic democracy," and the more general plan for an elite to be the "guiding force" in the industrialization and cultural modernization of the country.

Included in the many U.S. efforts to maintain control of Korea was the push for a conclusion of the discussion between Japan and Korea for normalization of relations, especially in the 1964-65 period. While the U.S. did not want Kim Jong Pil to influence Korea's relations with Japan, it clearly wanted a rapprochement between the two countries, especially as part of the escalation of the U.S. intervention into Vietnam. The Wall Street-controlled Sato regime governing Japan at the time would be useful in establishing U.S. CIA-controlled "chains of command" into Korea. To "aid" the Japan-Korea negotiations, William Bundy, the former CIA official and present editor of *Foreign Affairs*, and Bobby Kennedy were sent to mediate.

Today, perhaps the most ironic testimony to the Park regime's willingness to buck the U.S. is its now-public efforts to establish diplomatic contact with the Soviet Union. Prominent American scholars favorable to the Park regime are being approached by Korean officials and asked to aid this effort.

Other CIA Connections

The Lee connection is only part of the CIA's operations against and within the KCIA. Intelligence community sources in this country say that the major activity of the U.S. intelligence agencies in South Korea has been to infiltrate the most important Korean intelligence agencies — KCIA, military intelligence (CIC), and several police forces. One source, who served in U.S. military intelligence during the 1967-68 period when North Korean guerrilla activity was at its height in the south, related that almost the entirety of his and his colleague's activity has nothing to do with the North — it focused on bribing, extorting, and otherwise "recruiting" agents, with the KCIA as the prime target. The same source further said that the number one aim of his operation's intelligence gathering was to get dirt on Kim Jong Pil, who at the time was known to be maneuvering to succeed Park. The U.S. intelligence agencies had thrown their weight behind Park as the lesser of two evils. (Lee Hu Rak, who had been Ambassador to Japan for a year, was called back to Korea specifically to organize the 1971 Presidential election. Park narrowly won — some say with massive fraud — over opposition leader Kim Dae Jung.)

Further evidence is provided by the Korea scandal itself. One early feature of the scandal which threw the Korean government into a fit, was the revelation that information passed by the U.S. State Department (i.e., Henry Kissinger) to the Justice Department included information gained from bugging South Korea's presidential mansion known as the Blue House. One informed source says that the Koreans themselves believe that this could only have been carried out through the KCIA, or alternatively, that there was no bug at all and the information came from U.S. informers within the KCIA.

The U.S. intelligence connection to alleged KCIA bribery activity is even more intriguing. The *Los Angeles Times* reported last month that a Securities and Exchange Commission investigation of an outfit known as the Korean Research Institute revealed that the KRI was a funnel for money for an electronics company based in Texas called E-Systems, which is a contractor in South Korea and a CIA-organized and controlled firm that is

part of the Air American network of CIA business fronts. The money paid E-Systems to the KRI never went to Korea — it was laundered through a bank in the Cayman Islands (a favorite CIA method) back into Washington, D.C., where it is believed to have been used for payoffs there.

Further, the *Executive Intelligence Review* has learned of two Korean ex-army officers who were among those with extensive dirty ties to the U.S. CIA: one was B.C. Lim (Lim died in September 1976), the other Lee Hyeong-geun. Both men held various high-level posts in the armed forces and Korean government. Most interesting however is the fact that both men were high officials in the World Anti-Communist League, an

association directly controlled by the U.S. CIA. The WACL stems directly from the old "Moral Rearmament" networks set up by Rockefeller private intelligence agent Frank Buchman.

Lastly, the Unification Church of "Reverend" Sun Myung Moon — often cited as a "KCIA front" — is in fact a direct descendant of the "Moral Rearmament" networks. Moon's operation is more Japanese than Korean, with much of its funds coming from such known U.S. agents as Japanese arch-rightist R. Sasagawa. It is no accident that *The Rising Tide*, a Moon publication published in the United States, was the first to print (before *Bungei Shunju*) the "facts" of former Prime Minister Tanaka's "corruption," the slanders that led to his downfall.

Wall Street Wants To Deindustrialize Latin America

Within the impoverished Third World, Latin America has historically been known for a relatively high degree of industrialization. Now, Latin America's illiquid creditors are demanding that the industrialization that has occurred over the past decades be promptly scrapped. Since the beginning of 1977, in particular, Wall Street has made it clear to every major Latin American nation that they must immediately sack their industrial sectors in favor of producing quick cash crops for export — as the only means of keeping up with their crushing debt service obligations. This focus on primary products exports, combined with manipulated commodity price hikes on these products, as in the current case of the coffee bubble, is the operational policy for insuring that a Latin American debt blowout of major proportions is postponed.

New York Times Latin America correspondent Jonathan Kandell laid out this Wall Street strategy in a March 25 feature article in which he recommends that Latin America scrap such "glamorous" industrial projects as steel and auto production. Forget the "irresistible allure" of unrealizable industrialization, advises Kandell, and get down to producing cash crops for export.

Argentina, one of the countries Kandell focuses on heavily, has adopted this strategy of agricultural production at the expense of industry, especially since the March 1976 coup of General Jorge Videla. Already a marked industrial decline is evident there. But, more significantly, a collapse of agricultural production has also set in, as the decline of industrial production and reduced capital goods imports are forcing the use of increasingly labor-intensive technologies on the land.

What is apparent, not only from the Argentine case but from Brazil and Colombia as well, is that any attempt to meet debt payments by sacrificing the meagre indus-

trial growth that is now occurring, immediately triggers a downward spiral of both industrial and agricultural collapse — a triaging of the productive economy to meet monetarist debt requirements.

The irony is that this "solution" to balance of payments problems is a short-lived process of self-cannibalization. Not only is the productive base and infra-structure of the Latin American economy being corroded at an accelerating rate, but the resulting impoverishment of the population and destruction of the environment is triggering tremendous social discontent long before the economy itself collapses. This is the story of Colombia today, where a decade of anti-industrial economic policies have destroyed that country's infra-structure to the degree that it is now literally being swept by wave after wave of droughts, energy shortages, epidemics and disease — and uncontrollable social discontent.

Far from being the necessary state of affairs in Latin America, there is in fact an entirely different strategy for developing the region which avoids both this economic devastation and its dangerous political consequences. The best recent example of this alternative — outside the oil-rich economy of Venezuela — is the industrialization of Mexico that occurred under ex-President Luis Echeverria (1970 — 1976). In the following economic survey, we include a study of that industrialization process fueled by the dynamic state sector, a process which Wall Street is now trying to dump overboard in Mexico as well. Unlike Argentina, Brazil and Colombia — where the monetarist policy of de-industrialization is now politically hegemonic — Mexico today is characterized by an ongoing political battle over which economic strategy to adopt: monetarism and primary product exports to pay the debt; or debt moratorium to permit accelerated rates of capital formation and industrialization.

Argentine Industrial Downturn Hurting Agriculture

ARGENTINA

The March 1976 military coup that put an end to the Peronist government found Argentina in its worst economic downturn ever experienced. The new Finance Minister and personal friend of David Rockefeller, Martinez de Hoz, was presented by Argentina's creditors with two policy alternatives: either dismantle small and medium industry to obtain liquidity; or channel all efforts behind an agricultural plan to increase production and exports, while maintaining industry at a zero growth level. The new government of General Videla opted for the latter, and the New York banks granted a six-month debt moratorium to give time for the expected "recovery."

One year later, the agricultural sector has indeed carried a significant part of the debt load. But the promised economic recovery has not occurred; further, industry has stagnated at the low levels of 1975 and is headed for a probable further downward turn during the

coming year. This is already directly affecting agricultural production as well. The following graph of manufacturing value added demonstrates that there has been a consistent decline since the fourth quarter of 1974. The index of general industrial production (Table 1) shows an identical trend.

The steel industry provides the most striking example of the effects of De Hoz' zero growth policy. From 1969 to 1974 steel production showed a steady average rate of increase of almost 5 percent per annum. In 1975, however, crude steel production fell to 183,000 metric tons from 196,000 metric tons produced in 1974, a drop of over 6 percent. Production levels for 1976 remained almost stagnant.

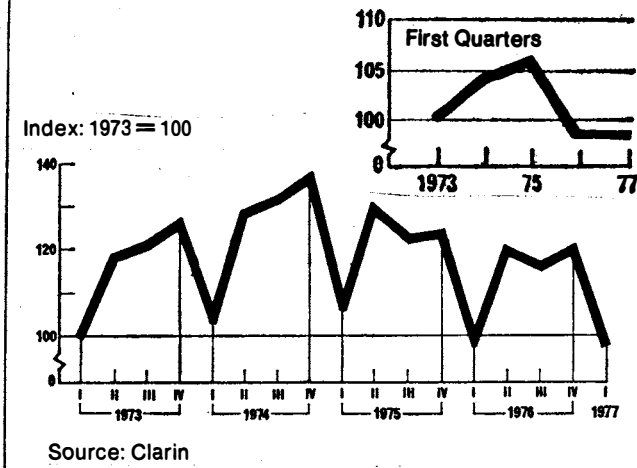
From July 1976 forward, the decline in production has resumed. This threatens to get worse throughout 1977, given that the main projects that have permitted the steel industry to survive are scheduled to be slowed or eliminated altogether. The government recently announced that the construction of four of the six state hydroelectric projects is going to be halted — as part of the austerity program for the state sector that is even closing existing state enterprises. Prospects for the steel

Table 1 — Industrial Production

	GENERAL INDUSTRIAL PRODUCTION 1970=100	MANU- FACTURING INDUSTRY 1970=100	CRUDE STEEL 1000s METRIC TONS	TEXTILE 1000s METRIC TONS	CHEMICALS 1000s METRIC TONS	CEMENT 1000s METRIC TONS
1974	130	131	196	0.81	20.2	435
1975	127	127	183	1.19	18.8	---
1976 JAN	---	---	160	0.41	14.5	457
FEB	---	---	160	1.05	19.1	441
MAR	112	111	195	1.24	20.2	488
APR	---	---	225	1.25	17.6	462
MAY	---	---	245	1.17	21.4	---
JUN	127	127	232	0.82	17.5	---
JUL	---	---	251	----	----	---
AUG	---	---	183	----	20.7	418
SEP	123	122	186	0.74	18.7	---
OCT	---	---	198	----	----	---
NOV	---	---	150	----	----	---
DEC	---	---	---	----	----	---

SOURCE: UN MONTHLY BULLETIN

Value Added of Manufacturing Industries (gross industrial product)



industry will depend primarily on the demand for exports of steel goods, and to a lesser extent on domestic motor-vehicle and tractor production.

Last year, railroad car production increased by 30 percent, due to increased foreign demand coming mainly from Cuba. However, this year foreign demand would have to show a similar and unlikely substantial rise in orders to even maintain steel production at 1975 levels. The motor-vehicle and tractor industry, two key sectors which absorb a lot of steel, hold little promise given their

own recent production declines, which show no signs of recovery.

The motor-vehicle industry was the most affected sector of the economy during last year. During the first eleven months of 1976, production declined by 22 percent over the same period of 1975. Domestic sales dropped drastically due to the tenfold price increase over the last two years, while motor vehicle exports also dropped slightly (Table 2).

The tractor industry presents a somewhat different picture, due to the increase in agricultural production which resulted in a slight increase for 1976 in domestic sales and production of tractors. Nevertheless, 1976 levels are far lower than 1974, when domestic sales reached the record figure of 20,650. Since then, however, mechanization of agriculture has dropped off. In 1974 9.9 million hectares were sown to produce almost 22 million metric tons of grain, whereas in 1976 it took almost twice the hectareage to produce only a minimal increase in production. The serious drop in yields (Table 3) is a direct reflection of lower mechanization in agriculture. In other words, even the traditionally highly mechanized Argentine agriculture is now deteriorating rapidly, paving the way for still more labor-intensive exploitation of the land.

De Hoz' Bumper Crop

The government claims that Argentina's 1976 bumper crop of 11.5 million metric tons of wheat is paving the way for economic recovery. So far the only thing that this 40 percent increase in wheat production has been used

Table 2 — Motor Vehicles

(NUMBER OF VEHICLES)

	PRODUCTION		DOMESTIC SALES		EXPORTS	
	1975	1976	1975	1976	1975	1976
JAN	25,325	18,668	21,205	14,710	1,035	1,193
FEB	8,432	8,239	13,110	11,850	657	2,041
MAR	22,758	13,573	21,068	11,112	669	830
APR	26,790	22,386	25,564	16,045	1,118	1,916
MAY	26,731	16,037	26,788	9,961	269	1,730
JUN	17,672	14,170	18,819	10,444	260	1,715
JUL	17,074	12,480	12,786	13,969	961	1,775
AUG	17,505	14,880	11,506	17,101	1,157	522
SEP	20,183	16,698	18,413	19,699	1,860	280
OCT	22,593	18,052	24,350	16,959	2,131	494
NOV	16,929	18,285	17,487	18,103	1,801	486
DEC	17,044	20,049	15,735	17,712	1,823	554
TOTAL	240,036	193,517	226,831	177,665	13,741	13,536

SOURCE: LA OPINION FROM BUENOS AIRES

Table 3 — Tractors Produced in Relation to Grain Production and Area Sown

	TRACTORS PRODUCED (UNITS)	DOMESTIC SALES (UNITS)	GRAIN** (MN. TONS)	AREA SOWN (MN. HECTARES)	YIELD (TONS/ HECTARES)
1973	21,306	18,782	21.4	9.6	2.2
1974	24,573	20,650	21.9	9.9	2.2
1975	18,827	15,208	20.0	10.6	1.8
1976	19,896*	17,378*	24.5	18.0	1.3

*PROVISIONAL

**WHEAT, CORN AND SORGHUM

SOURCE: BANK OF BOSTON AND FAO MONTHLY BULLETIN

for is to keep meeting payments on Argentina's \$12 billion foreign debt. Neither wheat producers nor the government were prepared for the bumper crop, and have run into serious problems of shortage of storage facilities and lack of markets for wheat exports. By mid-February 1977, only 3.8 million tons, or one third of the crop, had been sold, leaving 4.0 million tons for domestic consumption and 3.7 to be exported. The situation since then has been aggravated by a serious shortage of storage capacity.

Through the end of last year and the beginning of the current one, an unusually heavy rainfall in the entire Buenos Aires, La Pampa and Santa Fe wheat belt seriously damaged 30 percent of the wheat already

harvested. Most producers were forced to sell out their wheat at very low prices in an attempt to prevent further losses. A top spokesman for the agricultural producers recently demanded that the government adopt new policies that would integrate the agro sector with industry, in order to avoid problems like those described above.

De Hoz's policy is also coming under fire from industrialists, who had previously agreed to a year of "sacrifice." During that period the industrial sector has been forced to eliminate nearly all its imports of capital goods to save foreign exchange, and sharp raw material price increases have made it almost impossible for industrialists to kick off an actual recovery.

Brazil To Become A Soybean Economy?

BRAZIL

Brazil is in the process of degeneration to a "soybean economy," the price now being paid for the much-touted "economic miracle" initiated nine years ago. The phenomenal growth rates of 1968-73 were achieved through pyramiding debt and destructive accumulation off working class living standards, the labor power of the nation.

The "economic miracle" effectively shut down in 1973, but Brazil is only now feeling the full weight of its consequences. To meet steadily increasing servicing obligations on an external debt conservatively estimated at \$33 billion, the Brazilian government is systematically scrapping industrial growth in favor of light industrial and agricultural production which produces quick cash returns — either in export earnings or in import-substitution foreign exchange "savings."

Given the recent consolidation of political hegemony of

the "ultra-hard" Medici faction of the military in Brazil, the economic collapse of Latin America's "big power" has dangerous potential for the entire continent. Like Germany in 1937, Brazil is being primed as a war machine, to march against its continental neighbors and the socialist nations of Africa — driven by the need to take outright sources of wealth in order to meet its debt obligations. Already, the Carter Administration's "human rights" sanctions have provoked a call within Brazil to rev up the nation's small but rapidly growing military production industry, which could emerge as a significant prop to an industrial base otherwise headed for real trouble.

Return to "One Crop" Economy

The aim of the plan forwarded by Brazil's Finance Minister Mario Henrique Simonsen is to "slow down" or freeze the growth of those sectors of the economy which do not directly contribute to increasing the inflow of foreign exchange through production for either export or import substitution.

The primacy of debt payment has produced a stagnation of growth. This is primarily due to the fact that an increased percentage of total financial inflows to Brazil has been channeled into debt servicing at the expense of investment in production. Debt servicing has risen rapidly and continuously over the last five years, registering a 40 percent jump between 1975 and 1976 alone. Servicing payments on the country's more than \$33 billion foreign debt are expected to hit \$7 billion this year, and to reach \$8 billion in 1978. With absolutely no chance that the record 1976 gross loan inflows of about \$10 billion will be matched in 1977, Simonsen has turned to the deliberate and systematic removal of funds from the productive economy to pay the debt.

As a result of Simonsen's tight-credit and wage-cutting policies, industry producing for the domestic market — roughly 85 percent of the total manufacturing sector — is to cut back operations to a fraction of the 1969-74 levels. The prime targets are consumer durables — like the automobile, electric and electronic industries — which, as Brazilian Planning Minister Joao Paulo Reis Velloso bluntly put it, are "prohibited to grow in 1977." The accelerating downturn of the domestic market and locally-oriented production is already resulting in a slackening of demand for capital goods inputs.

The export-oriented sector of the Brazilian economy (roughly defined) is composed almost exclusively of producers of primary commodities including coffee, sugar, soybeans, iron ore and manganese ore (see Table 1). Nearly 75 percent of Brazil's total export earnings last year came from sales of these primary products. Of total mining and quarrying output, about 73 percent (mostly iron ore) was exported; about one-half of total agricultural output was sold overseas. On the other hand, the bulk of the manufacturing sector (and about one-half of the agricultural sector) produces for local consumption. The small but growing capital goods sector, while ac-

Table 1 — Production and Export of Manufacturing, Agriculture and Mining, 1976

(billions of U.S. dollars)

	PRO- DUCTION	EXPORT	EXPORT AS % PRO- DUCTION	PRO- DUCTION AS % TOTAL PRODUCTION
MANUFACTURING	23	3	13%	61%
AGRICULTURE	14	7	50%	36%
MINING	1.1	.8	73%	3%
TOTAL PRODUCTION	38.1	10.8	28%	100%

SOURCE: COMPILED FROM UNITED NATIONS MONTHLY BULLETIN OF STATISTICS, AND BOLETIM DO BANCO CENTRAL DO BRASIL

counting for slightly over 4 percent of total manufacturing, supplied about 58 percent of local demand in 1976; it has been scheduled for a (privileged) 15 percent growth rate in 1977 because of its import-substitution value.

The accompanying debt-equity tables indicate the precarious shape of Brazilian industry (Table 2). While the export sectors — agriculture and mining — have relatively low debt-equity ratios, those of sectors producing for the internal consumer market (food, textile, portions of the mechanical and electrical industries) are extremely high. Metallurgy — predominantly steel production — shows an increased ratio due to the high volume of foreign credits pumped in as part of the government program to achieve steel self-sufficiency by the mid-1980s.

Given these high debt-equity ratios, *accelerating* rates of growth, as occurred from 1969-73, are necessary simply to keep Brazilian industry solvent (Graph 1). Simonsen's objective is to *reduce* the growth of industrial production to a maximum 7 percent this year, which will set off a chain reaction of bankruptcies.

Stagnation in Industrial Growth

Although a real fall has not yet occurred, industrial production growth rates have been levelling off steadily

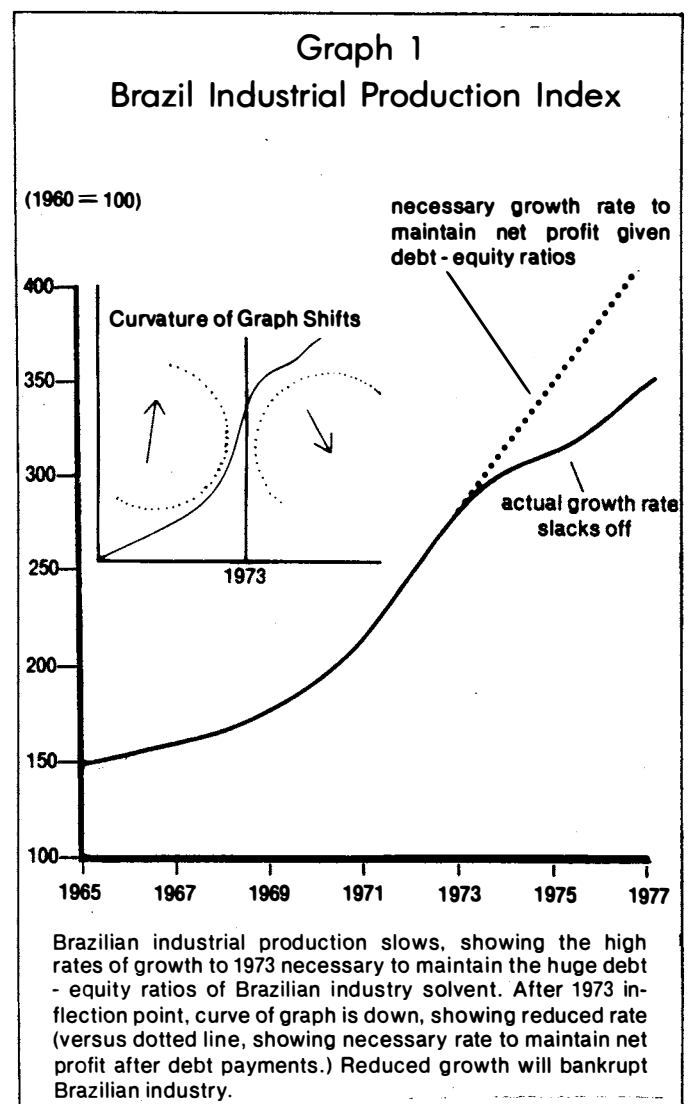


Table 2 — Evolution Of Debt/Equity Ratios

	AGRI- CULTURE	MINING	METAL- LURGY	ELECTRIC INDUSTRY	MECHANICAL	TEXTILE	FOOD
1966	.12	.43	1.02	1.28	.53	.57	.80
1968	.25	.34	.64	1.25	.51	.58	.68
1970	.24	.44	.67	1.09	.86	.74	.98
1972	.53	.59	.63	.70	.85	.96	.98
1974	.68	.67	1.10	1.47	1.16	1.14	1.48
1975	NA	.74	1.22	1.54	1.11	1.12	1.41
COMPARABLE U.S. DEBT/EQUITY RATIOS (1975)	NA	.58	.49	.41	.39	.51	.56

N.A.= NOT AVAILABLE

HIGHER NUMBERS MEAN HIGHER INDEBTEDNESS ON WEAKER CAPITAL BASE

SOURCE: VISAO: "QUEM E QUEM?", 1976.
U.S. FEDERAL TRADE COMMISSION

since 1974, as debt servicing has absorbed ever greater proportions of financial inflows. Most key production sectors and industries show average annual growth rates in 1975 and 1976 which are far below the "boom" years 1967-73 (see Tables 3A,B). Most striking are the cases of the auto industry, truck and tractor production, and non-housing construction. The shutdown in production of critically-needed housing units — never emphasized as a priority investment target — reflects the well-documented process of destruction of labor power in Brazil, which shows up as a real limit to the country's future ability to expand high-technology development.

Credit Crunch

Simonsen's primary weapons against an already battered industrial sector are tight-credit and import restrictions. His program began to be phased in in July 1975, with the introduction of 180-day 100 percent prior import deposits. The terms were subsequently extended to 360 days, and a number of "superfluous" import items were prohibited altogether. This strategy almost doubled the cost of imports, and stagnated their growth in 1975 and 1976. The extra cost to companies which depend on imports to maintain operating capacity was exacerbated by a swift drying-up of local credit. The problem worsened last year when commercial bank interest rates were allowed to float like a hot-air balloon. By the end of 1976, cruzeiro rates were topping the 60 percent per annum ceiling, while consumer credit terms were cut in half from 24 to 12 months.

The results of Simonsen's slowdown policy showed up in the nearly 25 percent drop in overall automobile production between January and February of this year due to inventory pile-up. General Motors of Brazil alone cut

production by 20 percent at their Sao Caetano do Sul plant in February, in order to pare down excessive inventory. The tractor industry is faring even worse, due to hefty cuts in agricultural credit. The Financial Times of London estimated recently that tractor production will be reduced to one-third of plant capacity.

In addition to import controls and credit restrictions, consumer-oriented industry is also going to suffer from a renewed push to drive down wages below the 50-60 percent drop in real wages over the last decade. Last month, the government established a dangerous precedent in wage policy by limiting wage increases for government employees to only 30 percent, a drop in real terms of 15 percent over the previous year. Income distribution patterns over the 1960-1970 period (see Table 4) already show a drastic depletion of middle income layers in terms of their share of economic growth. The slow-down policies now in effect can only result in a more rapid, severe depletion in the period immediately ahead.

Revising The Five Year Plan

The government is now scrapping the orientation toward industrial growth embodied in its five-year development plan, PND II (1975-1979), as the drastic revisions over the last six months make clear (Table 5). The government budget for 1977 has been cut by 25 percent in real terms from what was originally planned in the PND II. The infrastructure category — which effectively defines the parameters of industrial development and growth — is hardest hit by the scheduled \$3.3 billion cut in spending. The only industries spared are those — like steel, petrochemicals, capital goods and fertilizers — which contribute to alleviating balance of payments pressures. Of the rest, transportation and

Table 3A — Percent Rate of Growth of Production, 1967-1976

	PETROL		IRON ORE	MOTOR VEHICLES			HOME ELECTRICAL APPLIANCES	WHEAT	HOUSING UNITS	NON-HOUSING CONSTRCTN.
	CRUDE	REFINED		AUTOS	TRUCKS	TRACTORS				
1967-										
1972	1	16	13	24	30	43	20	-9	1	20
1973	0	1	77	18	35	80	16	15	-6	16
1974	6	0	48	7	6	5	-3	7	-19	-2
1975	-3	9	23	-2	-1	23	26	7	2	-6
1976 (EST)	-2	7	-4	1	5	10	38	8	---	---

SOURCE: BOLETIN DO BANCO CENTRAL DO BRASIL, JAN. 1977

Table 3B — Brazilian Industrial Production By Volume

(monthly averages)

	STEEL (1,000 METRIC TONS)	AUTOS (1,000 UNITS)	WHEEL TRACTORS (1,000 UNITS)	CEMENT (1,000 METRIC TONS)
1972	543	34.8	2.5	948
1973	596	38.8	3.9	1,117
1974	603	46.8	4.1	1,243
1975	694	46.2	5.1	1,358
1976 JUNE	735	46.9	6.5	1,460
JULY	796	46.0	6.7	
AUG	841	43.4	6.8	
SEPT	817	42.4	7.3	
OCT	732	46.3	7.1	
NOV	764	44.2	5.9	

SOURCE: UN MONTHLY BULLETIN

Table 4 — Percentage Change in Participation of Income, 1960-1970

POOREST 10%	- 5.13
NEXT 10%	-11.64
NEXT 10%	-13.16
NEXT 10%	-16.55
NEXT 10%	-20.32
NEXT 10%	-22.75
NEXT 10%	-21.68
NEXT 10%	-11.80
NEXT 10%	- 1.64
RICHEST 10%	+20.50

SOURCE:

Carlos Geraldo Langoni, *Distribuição da renda e desenvolvimento econômico do Brasil*.

communication equipment producers are expected to be the worst casualties.

The serious effects of cutting infrastructural investments — particularly in a developing nation like Brazil — show up most clearly in the case of railroads, electricity, and telecommunications. Investment in railroads was cut (based on projections of 50 percent inflation in 1977) by 33 percent. The Steel Railroad linking the nation's iron and steel center in Minas Gerais to the industrial hub of Sao Paulo has been abandoned in the middle of construc-

tion; completion has been postponed from the end of 1977 until the early 1980s. Spokesmen for the state-owned electrical company Eletrobras warned that the budget cuts mean that no new projects can be initiated this year, and that projects in midstream — like the giant Itaipu hydroelectric station — will be seriously slowed down. Eletrobras officials have projected the need for electricity rationing by 1980-81 if the current investment policy is not quickly reversed. Telecommunications will be crippled. One of the major equipment producers in Brazil

stated that the continued operation of the industry at only 40 percent capacity would show up as a bottleneck to overall growth by 1980.

Social welfare categories were similarly hit. Government investment in social welfare was cut by at least 26 percent from 1976 levels, while funds for the National Housing Bank were reduced by over 21 percent. What is more, assets of both the NHB and workers' pension funds are being channeled into the stock market — as a supposed prop to industry.

Export and import-substitution oriented enterprises received the only real increases in budget allowances. Allocation to Petrobras, the government oil company, is likely to be increased by close to 22 percent, while the state mining conglomerate Cia. Vale do Rio Doce received an increase of 32 percent. But even this "profitable" sector is not protected. The 4 percent decrease in investment in government steel industries reflects the

downward revision in projected steel output of almost 30 percent below original PND levels. And as recently as this month, the Steel and Non-Ferrous Ores Council (Consider), a state planning body, revealed that it is adopting an entirely new strategy toward steel production in order to reduce imports of coking coal considered a drain on foreign exchange. The government intends to scrap plans for the construction of major highly efficient steel complexes with full-sized blast furnaces that produce 100 tons per day, in favor of mini-furnaces with a capacity of only 10 tons per day, using char-coal or low-quality local coke. On the basis of expanded capacity statistics for steel complexes under construction, government planners have calculated that the additional imported coke requirements — estimated to cost \$300 million this year — would be a waste of foreign exchange already earmarked for balancing international payments.

Table 5 — Capital Investment Budget, 1976-77

	1975 TO 76 % INCREASE IN CURRENT CRUZEIROS	1976 TO 77 % INCREASE IN CURRENT CRUZEIROS	1975 TO 76 % INCREASE IN REAL TERMS	1976 TO 77 % INCREASE IN REAL TERMS
TOTAL CAPITAL INVESTMENT	22	17	-21	-22
PRIORITY AREAS (AVG)	30	NA	-13	NA
IRON ORE (V.R.D.)	129	39	53	32
STEEL	NA	4	NA	-4
PETROBRAS	56	93	4	22
INFRASTRUCTURE	30-40	NA	-7 TO -13	NA
ELETROBRAS	62	31	7	-13
TELEBRAS	NA	26	NA	-16
RAILROADS	54	1	2	-33
PORTOBRAS	NA	22	NA	-19
ROADS (D.N.E.R.)	NA	17	NA	-22
AMAZON DEVELOPMENT	NA	-3	NA	-35
LOANS TO PRIVATE INDUSTRY				
NATIONAL ECONOMIC DEVELOPMENT BANK	NA	17	NA	-22
HOUSING (B.N.H.)	NA	18	NA	-21
HOUSING (C.E.F.)	NA	4	NA	-31

REAL % CALCULATED ON THE BASIS OF 50 PERCENT INFLATION IN EQUIPMENT COSTS DURING 1976 AND 1977.

SOURCE: PLANNING MIN. VELLOSO ON EXPECTED 1976 INVESTMENTS IN VEJA, OCT. 27, 1976

World Bank Success Story: Lights Out In Colombia

COLOMBIA

Colombia has long been considered the World Bank's "success model" for Latin America and the Third World. So successful has this experimental case been that the country's two leading cities — Medellín and Cali — are now being subjected to water and electricity cutoffs for up to 12 hours per day. Gastroenteritis cases have sharply increased even in the industrial centers, and dramatic shortages of everything from rice to chocolate to toilet paper are now a fact of life throughout Colombia.

The current collapse of the Colombian national economy, complete with intensive decapitalization and Fourth World epidemics, is the predictable outcome of more than a decade of deliberate primitive accumulation under the dictates of the World Bank. Under the rubric of "export-orientation," Colombia is looting its own rich natural resources and labor power to guarantee payment of its foreign debt.

In 1967, the Colombian government under Carlos Lleras Restrepo passed into law a World Bank "suggestion" that the Colombian peso, which until then had operated on a fixed parity with the U.S. dollar, be allowed to float freely. As a result, the peso to dollar exchange rate was pegged to the domestic cost-of-living index, effectively instituting a system of continuous devaluation of the peso (see Graph 1).

This government decree, the "launching pad of Colombia's success story," according to a Citibank survey of the Colombian economy, has over the last decade succeeded in aborting Colombia's budding industrial potential while reshaping the economy on a strictly export-oriented agricultural basis. The constantly-rising exchange rate has meant a significant expansion of Colombia's agricultural production for export under the incentive of a high peso return on the export dollar, while imports of capital goods have been reduced to a costly trickle. The ten-year stagnation of the industrial sector as a percentage of the entire economy has been the result (See Table 1).

Even more significant is the fact that, for Colombia's agriculture sector, the prohibitive imports market forced a growing reliance on feudal, labor-intensive methods of production, while making fertilizer, modern irrigation systems, etc., increasingly inaccessible. The lack of adequate technological input into Colombia's program of intense exploitation of the land inevitably led to a grave crisis in production on all fronts.

This policy of primitive accumulation has claimed the country's industrial and energy-producing infrastructure as its first victim. Many of Colombia's key industries are today operating at 50 percent of capacity or less, unable to renovate, much less expand, installed capital and technology because of the high cost of imports and the lack of available credit. Colombia's vast coal reserves have gone untapped, substantial uranium

reserves for the development of nuclear energy are untouched, and ambitious plans for the expansion of Colombia's hydroelectric power grid have stalled for lack of investment. World Bank dictates have forced the channeling of all available funds into Colombia's export and subsistence agriculture.

The effects of this "cannibalization" of Colombia's human and natural resources are revealed today in a crisis of unprecedented proportions. An unusually severe drought during the last nine months has triggered a holocaust of food shortages, epidemics and industry shutdowns due to draconian rationing of available electric power. Colombia's deteriorated urban centers — themselves the victims of a policy of deliberate financial triage which has forced the collapse of health and education facilities and paralyzed basic social services — have been hardest hit. Colombia's four largest industrial centers — Medellín, Cali, Bogotá and Barranquilla — are exemplary:

Medellin

The local government of Medellín has imposed a brutal regimen on this city of over one million people. Elec-

Graph 1 — Peso/Dollar Exchange Rate & WPI

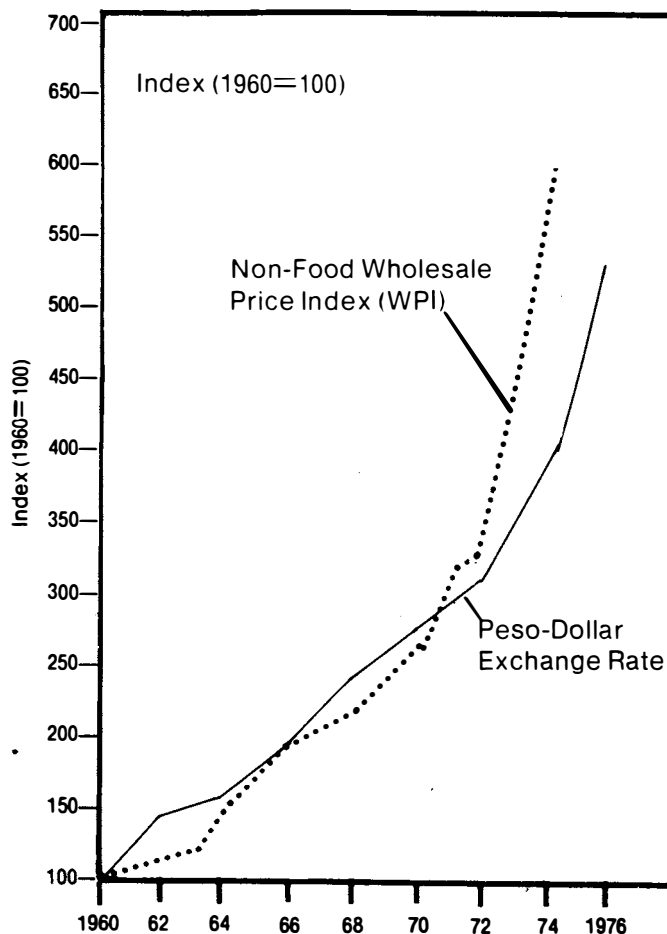


Table 1 — Percent Distribution Of Gross Domestic Product By Sector

	(percentage of GDP)					
	1968	1969	1970	1971	1972	1975
AGRICULTURE	29.0	28.6	27.7	26.9	26.5	32.3
INDUSTRY	18.8	19.1	19.2	19.6	20.1	21.7*
CONSTRUCTION	3.7	3.9	3.9	3.7	3.7	*
MINING	3.0	3.3	3.0	2.9	2.6	*
COMMERCE	15.7	15.8	15.9	16.1	16.2	16.6
TRANSPORTATION	5.8	6.0	6.2	6.3	6.3	6.1
OTHER	24.0	23.3	24.1	24.4	24.6	23.3
GROSS DOMESTIC PRODUCT	100.0	100.0	100.0	100.0	100.0	100.0

* 21.7 INCLUDES ALL THREE CATEGORIES; INDUSTRY, CONSTRUCTION AND MINING

SOURCE: FEDESARROLLO (COLOMBIAN ECONOMIC RESEARCH INSTITUTE)

tricity is turned off for a full 12 hours a day, from 6 am to 6 pm. Water supplies are cut off for 8 hours, from 8 am to 4 pm. Neither the press nor the local officials have as yet released any estimates of the damage to production caused by such drastic rationing, nor of the number of workers idled, but losses are considered immense.

The scarcity of potable water has begun to take its toll on the population as well. The water rationing has forced many of the city's ghetto dwellers to resort to drinking the "black waters" out of open sewage ditches, and has also created horrendous sanitary conditions throughout the city, with people unable to wash themselves or their food. Energy cutoffs during the hot daytime have prevented food markets from providing adequate refrigeration. A reported 800 new cases of gastroenteritis are being discovered weekly in Medellin, with that number expected to grow exponentially as conditions worsen.

Cali

Cali, a city of close to one million, is suffering cutoffs of electricity and water supplies for eight hours a day. Gastroenteritis has become the number one disease. This city, located in Colombia's fertile agricultural heartland of the Cauca Valley, has been faced with severe food shortages for weeks. Housewives reportedly spend their entire day roaming from marketplace to marketplace in search of sugar, salt, coffee, cooking oil — even toilet paper — to no avail. Making matters worse is a three-week long shutdown of the region's slaughterhouses and butcher shops in a coordinated protest against the government-imposed price ceiling on meat. Newspaper columns praising the joys of eating fish have failed to console working class mothers who are unable to provide their children with adequate meals.

Barranquilla

The poverty-stricken Caribbean coastal cities of Barranquilla (700,000) and Cartagena (400,000) are suffering even worse conditions of collapse. The Barranquilla reservoir was discovered to be contaminated earlier this month and a slew of infant deaths has been traced to the use of those waters for making baby food. While unknown bacterial infestations are blamed for the tragedy, the city's inhabitants report that garbage collection, health facilities, sewage disposal, etc., are virtually non-existent. Medical authorities in the city have already reported numerous outbreaks of typhoid and hepatitis in addition to widespread gastroenteritis.

The nearby city of Cartagena is also without drinking water as the reservoir has dried up. In addition, the drastically-reduced water level in the port has turned Cartagena into what one newspaper termed "a cemetery of ships" as the barges and tankers which filled their holds with goods for export weeks ago are still unable to leave the port, idling more than 10,000 dock workers.

Pacific Coast

Perhaps suffering the worst is the Pacific coastal region of Colombia. This historically-underdeveloped region has been struck with an uncontrolled epidemic of malaria; several people are already reported dead from the disease and the small amounts of medicine available in the bankrupt area are considered useless against the unusually resistant strain. Several cases of malaria have also appeared in Cali following an invasion of wasps and mosquitoes into that city from the infected Pacific coast. The neighboring regions of Tolima and Narino, almost totally without water supplies, are making preparations for expected outbreaks of disease.

Food Shortages

The combined effect of the drought and underproduction of several crops has led to severe food shortages in many of Colombia's cities. The shortages have been artificially aggravated by market manipulations, transportation foul-ups, provoked strikes within the distributive and commercial sectors, and large-scale hoarding. This has fostered widespread desperation on the part of a population which is already suffering a marked deterioration in its living standards. That desperation, exacerbated by a flurry of articles in the national press warning of worse crises to come, has been manipulated by the government for the purpose of imposing a hyperinflationary spiral of price increases intended to gouge working class incomes.

The most blatant example of this strategy was demonstrated last month when the country's notorious shortage

of sugar, allegedly due to underproduction, was solved with the stroke of a pen. An agreement between the sugar producers and the government to raise the price of sugar some 70 percent — half-way between the officially-established price and the black market price — was given front-page coverage in all the national press under the headline "Sugar Shortage Ended!" A renewed flow of sugar into urban and rural marketplaces was immediately guaranteed by the government. Within the week, the same "solution" was being mooted within official circles for meat, salt...etc. In Colombia, releasing price controls is defended as guaranteeing normal commodity supplies. In Argentina, where this same policy has been pursued by the military dictatorship since it came to power one year ago, economists have described the measures as "officializing the black market."

Investment Crisis In Mexican Industry

MEXICO

For the first time in almost 25 years, the growth of the Mexican economy in 1976 failed to match population increase. Accustomed to annual growth rates of 6 percent or higher, the country was stunned when the Banco de Mexico announced last month that Gross Domestic Product grew only 2 percent last year, well below the population increase of 3.5 percent. Further, the figure of 2 percent reflected a few sectors of extraordinary growth such as oil and refining (9.0 percent) and electrical energy (8.2 percent); consumption goods production increased only 1.5 percent, and investment goods declined 5.0 percent.

These dismal figures were the product of a first half which showed growth on the order of 5 percent combined with a second half in which overall industrial production declined in absolute volume (Table 1). The \$4 billion taken out of the country by right-wing businessmen as an economic warfare measure against then-president Luis Echeverria and the 40 percent devaluation of the Mexican peso announced August 31 contributed greatly to this downturn.

But longer-term factors were equally important. Private-sector investments stagnated from at least 1973 on, after historically providing a critical component of economic growth. The state tried to compensate for this by vastly increasing its investments, but this was not sufficient to prevent declining rates of overall industrial growth during the latter portion of Echeverria's six-year term. During these same years, a rising percentage of total financial inputs were absorbed by debt service, reducing the financing available for productive investment. Rising inflation has been one important consequence.

There are two irreconcilable strategies now in circulation of how to deal with the crisis in the Mexican economy. One, that of the New York banks, the International

Monetary Fund (IMF), and newspapers like the *New York Times*, urges maximum exploitation of Mexico's newly announced oil reserves to pay the foreign debt while essentially ignoring the rest of the economy. The IMF signed a letter of intent with Mexico at the beginning of 1977 which focused on slowing growth and expenditures in order to maintain balance of payments stability. Leonard Silk, the *New York Times'* international financial analyst, reported March 24 that "... the job of stopping inflation might mean no growth or negative growth for Mexico for a few years . . ." The March 9 *Business Latin America*, newsletter of the consulting firm Business International, wrote hopefully that "If pol-

Table 1—Volume of Industrial Production
(% VARIATION OVER SEMESTER PREVIOUS LEVELS)

	%CHANGE 1976/1975	% CHANGE	% CHANGE
		1ST HALF 1976 OVER 1ST HALF 1975	2ND HALF 1976 (E) OVER 2ND HALF 1975
MANUFACTURING	1.9	4.3	-0.4
OIL AND DERIVATIVES	9.0	13.3	5.1
PETROCHEMICAL	3.5	13.1	-4.7
MINING	3.5	0.5	5.5
ELECTRICAL ENERGY	8.2	9.5	6.9
CONSTRUCTION	0.0	4.1	-3.9
GENERAL	2.3	4.7	-0.2

(E) ESTIMATES BASED ON JULY-NOVEMBER PERIOD

SOURCE: BANCO DE MEXICO

icies slide back toward austerity in time, a difficult but therapeutic slowdown would mean a real decline in GDP, the price of stability down the road.”

The second strategy, that of Echeverría's political sympathizers, a substantial faction in the current government of José López Portillo, and of some private business groups, is to use oil and its revenues to acquire technology and other capital imports to turn around the present collapse and launch a new period of substantial growth. Carlos Tello Macias, Minister of Planning and Programming, spoke for this faction when he told bankers in March that “stagnation is not an option for the economy.” The daily *El Sol* expressed clearly in mid-March that Mexico's oil must be used to acquire “the influx of industrial products and technological resources indispensable for the development of our industrial plant and agriculture.”

Downturn In Investments

During the Echeverría years, the state shouldered a steadily increasing portion of investment. In his sixth State of the Union address Sept. 1, 1976, Echeverría declared that public investment in constant prices increased at 16 percent per annum during his term, private investment only 4 percent. The extraordinary strength of government investment sufficiently overcame the poor private performance to increase total investment as a percentage of GDP from 21 percent to 24 percent.

The Center for Economic Studies of the Private Sector (CEESP), using Banco de Mexico statistics for “investment in physical capital” (machinery, equipment, tools, buildings and other installations including residential construction), computes private-sector investments as increasing at only 1.3 percent yearly from 1971-1975, against 1961-1970 rates of 12.1 percent. Public rates increased during the Echeverría period to 13.8 percent per annum versus 11.3 percent during the preceding decade.

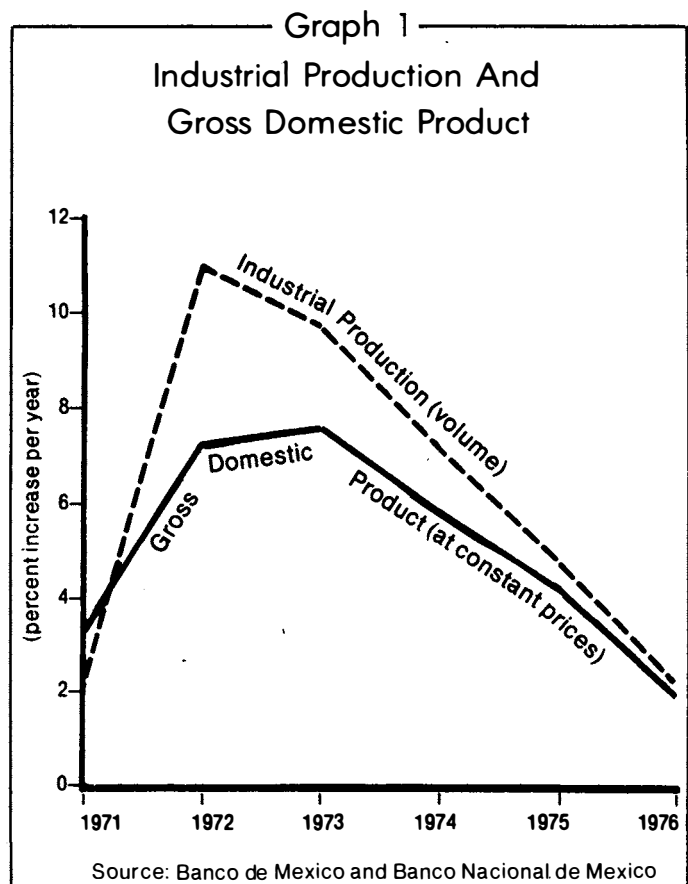
The result is that in 1976, public investment equalled (or in some estimates, surpassed) total private investment for the first time. Centerpieces of the government investment strategy included infrastructural industries such as oil (\$4.66 billion invested)*, electricity (\$26 billion), and steel (\$3.6 billion, almost entirely public-sector).

But the public-sector growth effected by Echeverría was not sufficient to compensate for the private sector's inaction. The 1960s average of 9.7 percent yearly increase in investment in physical capital fell to 6.3 percent in the 1970s. By 1976, the rate of growth of this key indicator was negative in real terms.

The effects of this secular downturn in investment have been felt in both industrial production and real GDP (Graph 1). It is important to note that industrial growth has led overall GDP growth until now when it threatens to dip below it. The picture is grimmer with a look at the Banco de Mexico's “investment goods” category: a 5 percent decline in 1976, after 20 percent growth in 1974, and 7.6 percent in 1975. Tractors and agro-machinery, electrical equipment, office machines, and passenger busses registered the largest declines.

So far, four months into IMF oversight for the Mexican economy, the investment picture continues to worsen.

* All figures are expressed in U.S. dollar equivalents using exchange rate of Mex \$12.5 equals US \$1.0 for pre-September 1976 figures, and Mex \$20.0 equals US \$1.0 for later figures.



*** The second stage of the giant Lazaro Cardenas-Las Truchas steel mill on the Michoacan coast has been deferred because investment needs conflict with a \$3 billion national ceiling on increase in foreign debt imposed by the IMF for this year.

*** The enormous 2.4 million KW Chicoasen hydroelectric project on the Grijalva River in Chiapas and the 1.3 million KW nuclear facility under construction at Laguna Verde, Veracruz are both far behind schedule, and Federal Electricity Commission (CFE) efforts to get them moving again are facing severe budget constraints.

*** The Fundidora Monterrey steel plant, the nation's third largest, has successfully restructured and rolled over its debt obligations with U.S. banks on the proviso that it *abandon* plans to invest in a stainless steel plant — Mexico's first.

As these longer-term projects run into trouble, near-term production is equally jeopardized by cut-backs in imports. The 1976 trade figures (Table 2) show that imports in primary materials needed for domestic industry have fallen sharply and imports of capital goods, stagnant in current prices, have declined in real terms. At the same time manufacturing exports are giving place to agro and raw material exports. John Elek, head of Citibank's operations in Mexico, captured the essence of this regression to a pre-industrial economy when he commented recently, “How fortunate that the Virgin of Guadalupe gave Mexico coffee and oil.”

State Sector Versus Private

The commonplace argument that the private sector can only take a larger role in investments if the state sec-

Table 2
Export and Import Levels by Sector

(MILLIONS OF CURRENT US \$)

	1974	1975	1976
EXPORTS			
AGRICULTURE AND FORESTRY (1)	581(154)	596(184)	909(343)
CATTLE, HONEY AND FISHING	222	176	257
EXTRACTIVE INDUSTRIES (2)	465(123)	737(460)	835(557)
SUB-TOTAL (3)	1,268(277)	1,509(644)	1,801(900)
PROCESSING INDUSTRIES	1,434	1,202	1,192
UNCLASSIFIED	148	148	105
TOTAL (4)	2,850	2,859	3,298
IMPORTS			
CONSUMER GOODS (5)	676	600	311
PRODUCTION GOODS			
RAW MATERIALS	3,007	2,903	2,706
INVESTMENT GOODS	1,726	2,391	2,510
UNCLASSIFIED	647	686	503
TOTAL (4)	6,057	6,580	6,030

(1) COFFEE EARNINGS IN PARENTHESES

(2) OIL EARNINGS IN PARENTHESES

(3) COFFEE AND OIL SUBTOTAL IN PARENTHESES

(4) TOTALS DO NOT NECESSARILY MATCH COLUMNS DUE TO ROUNDING OFF

(5) INCLUDES APPROXIMATELY 50% FOOD IMPORTS

SOURCE: BANCO DE MEXICO

tor is cut back is at best misdirected. More often than not, this argument has been floated as a thin rationale for a policy of deindustrialization according to IMF specifications. The fact is that during the Echeverria years, the state sector did invest, shouldering a large share of the capital formation responsibilities *by default* of the private sector. There is no reason why the private sector should not share this commitment as well, since there are more than enough investment opportunities to go around. Cutbacks in the state sector will simply result in declines in basic investments disastrous for the economy and business climate as a whole.

A quick look at the composition of the state sector clarifies the issue. As of August 1976, a total of 795 public-sector enterprises broke down as follows; 126 decentralized organizations, 403 with majority state participation, 96 non-credit granting trusts, 55 companies with minority state participation, and 115 credit-granting trusts. All told, these enterprises contributed 11.2 percent of GDP.

Most of these are small operations of significance to very localized aspects of the economy. The heart of the sector is the 26 enterprises included in the federal budget. Their expenditures represent an estimated 90 percent of the total of state enterprises. Within this group (Table 3) a handful — PEMEX, the state oil company,

Table 3
Spending of State Enterprises Included in National Budget

(IN MILLIONS OF CURRENT PESOS)

ENTERPRISE	1975	1976(e)	1977(b)
Petroleos Mexicanos	54 268	73 494	96 362
Comisión Federal de Electricidad	29 928	36 792	45 915
Compañía de Luz y Fuerza del Centro	9 765	7 412	10 813
Ferrocarriles Nacionales de México(f)	12 737	19 529	15 145
Caminos y Puentes Federales de Ingresos y Servicios Conexos	1 243	1 479	2 123
Aeropuertos y Servicios Auxiliares	897	878	1 309
Aeronaves de México	2 874	3 811	4 717
Compañía Nacional de Subsistencias Populares	18 761	24 825	25 267
Instituto Mexicano del Café	2 837	6 016	8 045
Productos Forestales Mexicanos	54	196	113
Forestal Vicente Guerrero	108	364	153
Guanos y Fertilizantes de México	6 994	10 422	17 207
Productos Pesqueros Mexicanos	5 200	5 586	10 541
Instituto Nacional para el Desarrollo de la Comunidad Rural y de la Vivienda Popular	172	464	59
Instituto Mexicano del Seguro Social	25 064	35 613	42 602
Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado	10 858	19 311	16 924
Lotería Nacional para la Asistencia Pública	5 319	6 243	7 672
Instituto Mexicano de Comercio Exterior	483	492	579
Diesel Nacional	5 584	8 284	12 253
Siderurgica Nacional	607	1 147	1 889
Constructora Nacional de Carros de Ferrocarril	2 408	2 384	2 809
Siderurgica Lázaro Cárdenas-"Las Truchas"	4 073	6 277	5 123
<i>Total</i>	200 234	271 019	327 620

(e) estimated

Source: Comercio Exterior

(b) budgetted

(f) Includes 4 subsidiary lines joined with the National Railways 2-77

CFE, the state electricity company, National Railways, Fertilizers, and the two top social security institutes — account for just under 75 percent of the total 327 billion pesos budgeted in 1977. In terms of infrastructural investment, oil, steel, fertilizer, electricity, and sugar sectors of the state sector represented 95 percent of total state-sector investment of \$4 billion in the year ending August 1976.

Of remaining major state-sector enterprises, several are designed as subsidies for popular consumption. The most notable of these is the food subsidy and distribution network run by CONASUPO.

Despite some private-sector efforts to distort the record, the government of Echeverria was anxious to offer lucrative concessions to private-sector participation in areas of government investment priority. This is in fact part of the solution to the current economic crisis and eliminating inflation. The private sector domestically and multinational corporations internationally can take a larger role in investments through expanded joint ventures between government and private capital. A promising variant on such projects is being developed in certain Comecon countries, where multinationals contract and sub-contract the complete installation of certain plant and equipment, and the

national government "buys the investment back" with the profits of operation of direct exchange of production over an agreed-upon time period — ten years or so.

Areas of special investment opportunities include irrigation projects generally and the Motz desalination process in particular to meet Mexico's urgent water needs; and in reconversion of Mexico's steel production to the Jordan process.

Investment Outlook By Sector

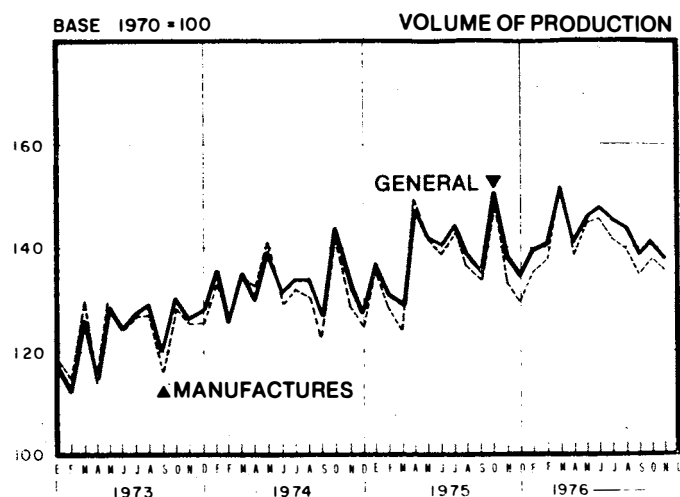
Capital Goods:

This sector is crucial for overall development of the economy, and one where Mexico's own productive apparatus is most deficient. It continues to enjoy top priority in government planning, as reiterated most recently by Lopez Portillo in an April interview with the Spanish magazine *El Pais*.

The Mexican capital goods industry between 1970 and 1974 increased at a rate of 10 percent per annum, but gained only slightly in terms of percentage of total industrial production — 4.3 percent to 4.9 percent. In 1976 the value of capital goods climbed toward \$1.6 billion, 40 percent of a total \$4 billion market otherwise satisfied through imports, but its percentage of industrial production remained constant. For contrast, it should be noted that the capital goods sector in Brazil accounts for over 7 percent of industrial production, and in advanced sector countries customarily for more than 20 percent.

This relative stunting of Mexico's capital goods industry is a product of: 1) emphasis on import substitution of consumer goods; 2) deliberate efforts in technologically advanced countries to limit exports of sophisticated productive apparatus to developing countries; and 3) the limited domestic market for certain capital items, making local manufacture too costly.

However, there has never been any doubt of the enormous composite demand for capital goods within the country. Over the past six years imports of investment goods, overwhelmingly machines, tools, and instruments, have never comprised less than 40 percent of total imports. In 1976, it was 45 percent (Table 2), or \$2.5 billion. Over 60 percent of total imports come from the U.S., and Mexico is one of the U.S.' most important international markets.



Capital goods dominate the items appearing on the U.S. Commerce Dept's 1976 "Product Priority Listing" of good U.S. export prospects to Mexico (Table 4). The metalworking machinery category is particularly important as a measure of the growth potential of the economy. In 1974 domestic production totalled \$14 million out of total consumption of approximately \$100 million. The age of machine tools currently in use is an indication of a strong modernizing drive: as of 1974, 27 percent were less than five years old and 33 percent less than ten.

Table 4
1976 U.S. Dep't. of Commerce
'Product Priority Listing'
(top ten items by Mexican import levels 1975)

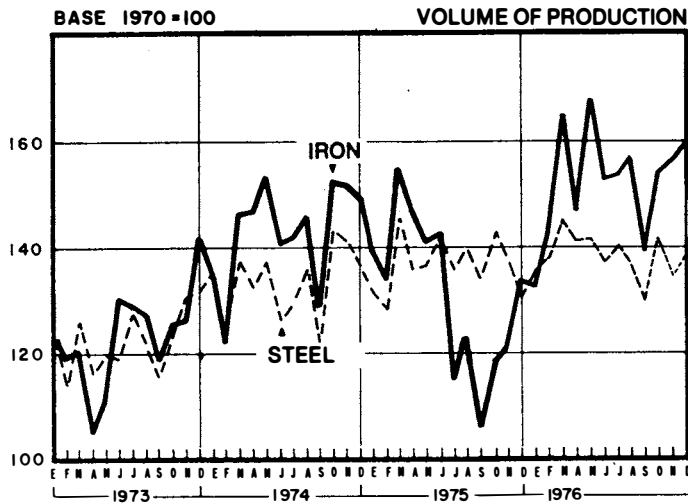
(MILLIONS OF US \$)

	DOMESTIC PRODUCTION	IMPORTS
AUTOMOTIVE EQUIPMENT	228	760
ELECTRONIC COMPONENTS	530	600
ELECTRICAL POWER EQUIPMENT (1)	522	311
CONSTRUCTION AND MATERIALS HANDLING EQUIPMENT	N.A.	232
ELECTRONIC PRODUCTION AND TEST EQUIPMENT	N.A.	216
CHEMICAL/PETROCHEMICAL PROCESSING EQUIPMENT	N.A.	159
OIL DRILLING EQUIPMENT	105	118
AGRICULTURAL EQUIPMENT	N.A.	107
TEXTILE INDUSTRY EQUIPMENT	0	98
METALWORKING MACHINE TOOLS	N.A.	88

(1) INCLUDES GENERATORS, TRANSMITTERS, DISTRIBUTORS
SOURCE: U.S. DEPARTMENT OF COMMERCE

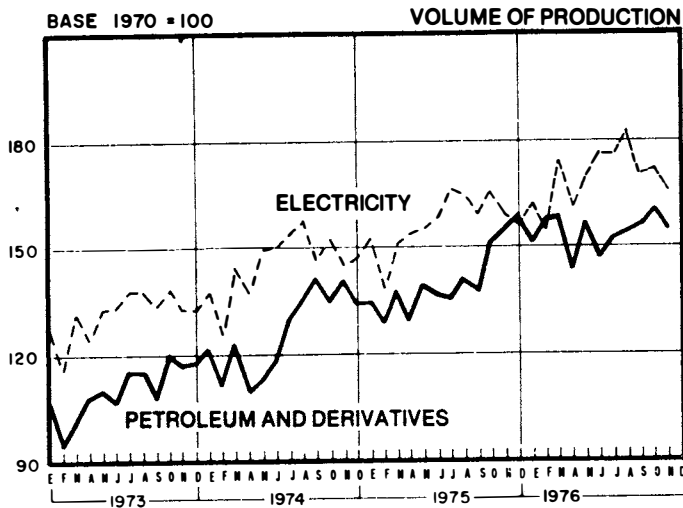
Oil:

\$4.6 billion was invested in PEMEX (drilling and refining) during Echeverria's term. Crude output doubled; refining was up 62 percent. Projected investments 1977-1982: \$15 billion, \$5 billion in capital imports. This is the only sector in which financing is assured.



Steel:

\$3.6 billion invested 1970-1976, increased capacity from 4.8 to approximately 10 million tons. Production went up from 3.6 million to 7.2 million tons, the largest per capita consumption in Latin America. Current expansion plans: \$3 billion for Las Truchas Stage II, deferred. Capacity needed by 1985 if pre-1976 levels of growth are regained: 16.8 million tons. Estimated cost: \$8 billion.

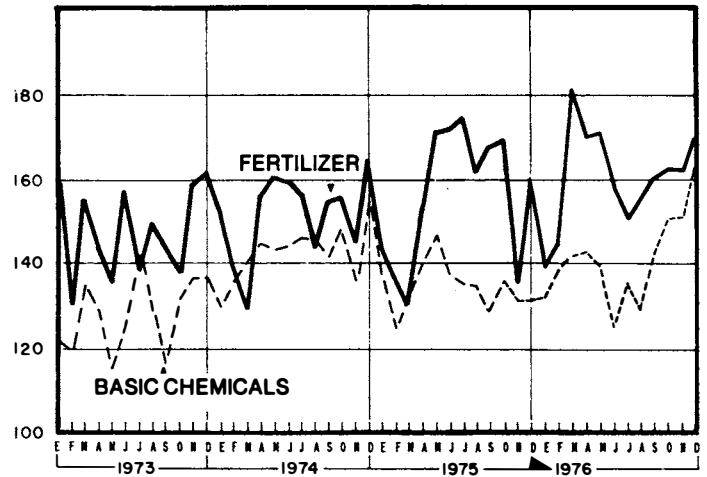


Electricity:

Power capacity increased from 6 million KW to 12 million KW at investment cost of \$2.1 billion during Echeverria's term. Currently scheduled projects — if funded fully — will raise generating capacity to 20 million KW by early 1980s. Minimum new investment yearly: \$500 million.

BASE 1970 = 100

VOLUME OF PRODUCTION



Chemical-Petrochemical:

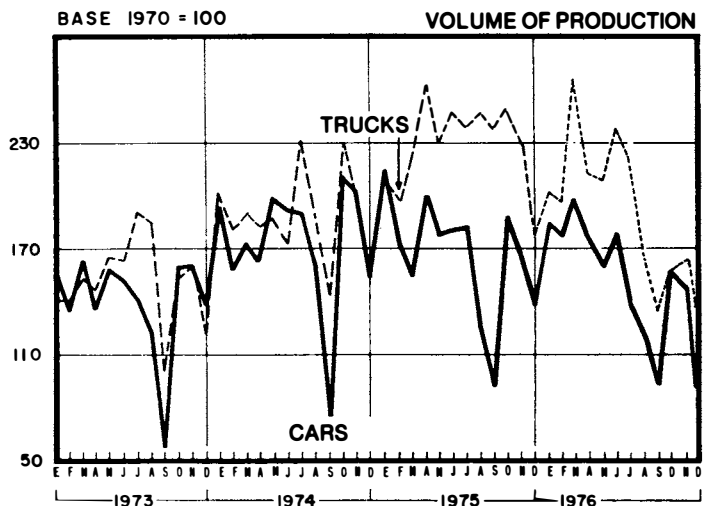
Averaged 15 percent production increase per annum for the last 15 years. 1974 investment: \$472.8 million. 1975: \$411.6 million. Estimate for yearly investments needed 1976-1980: \$616 million (National Association of the Chemical Industry). Annual production volume: over 5 million tons, valued at \$3.0 billion. Plastics (within chemical industry): \$311 million in 1975, 300,000 tons. Projected investment in synthetic resins per year for rest of decade: \$100 million.

Fertilizers:

1976 production: 1.7 million tons, up from 1.0 million in 1970. Consumption: 3 million tons. Major expansion efforts underway require sustained financing.

Cement:

From 1965-1975, average annual increase of 9.6 percent. Capacity in 1976: 13.5 million tons. Minimum investment needs 1977-1982: \$150 million per year.



Automobile:

In depressed conditions since 1974. Average yearly auto production 1974-1976: 240,000 units. Truck and bus production: 100,000 units. Tractors: approx. 10,000 units. Further downturn at end of 1976. Investment needed for conversion of auto capacity to tractor production.

Coffee Bubble Props Up Latin Debt

COFFEE

Colombia's President Alfonso López Michelsen warned during a state visit to Costa Rica March 19 that "the fate of the capitalist world is at stake with coffee." López warned the Carter Administration that a sharp drop in coffee prices would endanger "the stability of 14 (Latin American) countries, which could be demolished by grave upheavals and could fall into the hands of communist economic systems . . . as the African continent has already fallen. . . . If the U.S. does not have a positive position towards the price (of coffee), 14 countries that depend on coffee, among them Colombia, Brazil and Costa Rica, will see their economic and market systems utterly destroyed."

While López Michelsen's outburst reflects the gravity of Colombia's own economic crisis and the weakness of his government, his characterization of the role of high coffee prices in keeping Latin American producer nations afloat financially is no exaggeration. A debt default by Brazil or Mexico, which would put the New York commercial banks in the "most seriously effected" category, is only being prevented in great measure by the coffee bubble. Despite the claims of U.S. coffee boycott advocates, Brazil and the other major producers are reaping little direct benefit from almost trebled coffee earnings — the bulk of which are being recycled right back to New York to meet payments on outstanding foreign debt. The case of coffee prices — which have jumped more than 300 percent over the last two years — is a paradigm for the operation of the Carter "Common Fund" and Kissinger "International Resources Bank" schemes, which would establish "price supports" for pri-

Table 1
Coffee Export, Volume and Earnings

(MILLIONS OF BAGS, AND US \$ MILLIONS)

	1975	1976	1977 (EST)
BRAZIL			
VOLUME	14.6	15.6	12.0
EARNINGS	934	2,360	4,200
COLOMBIA			
VOLUME	8.2	6.3	6.5
EARNINGS	635	918	2,171
MEXICO			
VOLUME	2.4	2.7	3.0
EARNINGS	184	334	1,002
CENTRAL AMERICA			
VOLUME	7.5	7.2	7.7
EARNINGS	476	959	2,569
LATIN AMERICA			
VOLUME	32.7	31.8	29.2
EARNINGS	2,320	4,750	9,942

CENTRAL AMERICA INCLUDES NICARAGUA, COSTA RICA, HONDURAS, EL SALVADOR, AND GUATEMALA

SOURCE: COMPILED FROM BANK OF LONDON AND SOUTH AFRICA REVIEW, REPORT OF MEXICAN COFFEE INSTITUTE

Table 2
Foreign Debt and Debt Servicing

(US \$ MILLIONS)

	1975	1976	1977 (EST)
BRAZIL			
DEBT SERVICE	3,600	5,000	7,000
TOTAL	21,200	28,000	34,000
COLOMBIA			
DEBT SERVICE	N.A.	N.A.	600
TOTAL	N.A.	2,536	3,000
MEXICO			
DEBT SERVICE	2,000	3,000	5,000
TOTAL	25,000	32,000	35,000
CENTRAL AMERICA			
DEBT SERVICE	N.A.	N.A.	N.A.
TOTAL	2,000	N.A.	5,301(1)
TOTAL			
DEBT SERVICE	---	---	12,900
TOTAL	53,000*	66,036*	77,301

(1) 1977 FOREIGN DEBT FOR CENTRAL AMERICA ESTIMATED; OFFICIAL PUBLIC = \$3,301 BILLION

*TOTAL DEBT OF MAJOR COFFEE PRODUCERS IN 1975-76 ESTIMATED

mary Third World raw materials exports to cover a portion of otherwise uncollectable Third World debt.

This is the case, most graphically, with Mexico and Brazil, which have a combined foreign debt of upwards of \$60 billion (Table 2). The two nations face combined scheduled debt service payments of approximately \$12 billion (conservatively estimated) in 1977 alone; expected coffee export earnings, due to the price hike, amount to about 60 percent and 20 percent, respectively, of the two nations' debt service requirements this year (Tables 1,3).

Coffee export earnings for the major producers (Jamaica, Venezuela, Dominican Republic, Ecuador and Peru are not covered here, due to their relatively small production levels) have generally trebled from 1975 to 1977, despite a levelling-off, or even reduction, in volume exports (Table 1). Coffee ranked, for the first time in 1976, as Mexico's number one agricultural export earner and number two overall export commodity. Production was doubled in 1976 to take advantage of the coffee bubble.

Central America, which ranks third in world coffee production (it produced about 11.7 percent of the 1975-76 world crop) registered coffee export earnings of over \$400 million above 1975 levels, despite a decrease in volume exports in 1976 of about 300,000 bags. Coffee earnings are primarily responsible for the region's net foreign reserve gain of \$400 million last year, and the first

Table 3 — Coffee Revenues as Percentage of Debt Service Obligations, 1977

BRAZIL	60%	MEXICO	20%
COLOMBIA	350%	CENTRAL AMERICA	49%
		TOTAL (AVERAGE)	76%

significant balance of trade and payments surplus since a disastrous slump in 1974.

Colombia is a somewhat different case, since its foreign debt is relatively low at \$2.6 billion. Government officials are, however, planning to increase the rate of repayment of foreign debt obligations, based on the country's "coffee bonanza," and are now floating a proposal to increase the country's foreign indebtedness by \$1.2 billion during the 1977-78 fiscal year. Scarcely a penny of the bonanza has yet been applied to productive investment in developing Colombia's stagnating industrial or agricultural production.

To Restore Constitutional Elections In The USA

The following guidelines to restore constitutional elections in the USA were prepared by the staff of the Labor Organizers Defense Fund and released by the U.S. Labor Party last week for action by Congress.

The electoral reform proposals recently submitted to Congress by the Carter Administration constitute a gross intervention into those judicial proceedings currently underway in a number of states to ascertain the legality of the election practices that sent Jimmy Carter to the White House. Before the issue of fraud in the 1976 presidential elections is decided in the courts, the Carter-Mondale reforms will legitimize and institutionalize those successful fraud methods of November 1976 while simultaneously making fraud undetectable in future elections.

These proposals endorse the abolition of the Electoral College, monitoring of congressional campaigns by the Carter-controlled Federal Elections Commission, and unverified voter registration procedures. With the acceptance of these proposals, the Carter Administration intends to insure the outcome of every future election. Not coincidentally, simultaneous with the submission of these proposals, the U.S. Supreme Court has declared valid a Michigan law designed to eliminate third party electoral opposition by mandating run-off primaries between third party and major party candidates as a ballot status requirement for third parties.

Congress has the weighty responsibility to protect free and honest elections. Our unique government, a constitutional republic established on the principles of progress and development, derives its strength from an educated electorate which deliberates on fundamental questions of national policy and acts on these deliberations through the electoral process. Administrative safeguards are essential to the protection of the electoral franchise. Those safeguards must enhance the electorate's ability to make informed decisions on critical issues of economic importance to the nation rather than restrict and eliminate it.

We urge Congress to demonstrate its commitment to restoring the faith of the American people in constitutional processes by swiftly opening a full investigation of the abuses of the electoral process perpetrated during the 1976 presidential elections. The best deterrent to vote fraud actually lies in immediate investigation and prosecution of its perpetrators. From the perspective provided by a full investigation, we also urge Congress to establish federal safeguards to protect the electoral process from further encroachments. The U.S. Labor

Party and the Labor Organizers Defense Fund propose the following guidelines for those safeguards:

VOTER REGISTRATION

The Carter Administration has submitted a bill to Congress for implementation of Universal Voter Registration in federal elections which would provide every citizen of voting age with the ability to vote simply by appearing at the polls on election day. The implications of this proposal are clear. Rather than appeal to the deliberative processes of an electorate which weighs alternatives on policy questions of fundamental importance to the continued growth of the nation, universal voter registration opens the way to election campaigns based on slick public relations for candidates, herding to the polls of a demoralized electorate and ultimately, election padding through fraudulent registration and voting. The ultimate goal of the Carter Administration proposal for universal registration is the ability to cajole and coerce the voter to the polls or vote for him if he fails to respond to such inducements.

A sound policy which mandates that potential voters register *in person* at local board of election facilities and provide verification of their identity is the first step in insuring valid voter registrations. By terminating the period of registration two months prior to the election, an essential system of statistically sound spot verification checks of new and old registrants can be completed to further insure the validity of current voter registration rolls. Finally, copies of voters' signatures must be on hand at the polls on election day for identification purposes. Computer printouts of registered voters, as provided by some states, which are not accompanied by identifying voter signatures are insufficient in a final verification of voter validity.

Investigating Fraud

Currently, U.S. Attorneys have discretionary power to investigate vote fraud under 18 U.S.C.; 241, 242. Congress must mandate those investigations when complaints of fraud come under the jurisdiction of the federal courts.

Federal grants should be made available to assist the 50 states in implementing sound registration and verification procedures. These monies would also assist boards of election to expand programs of convenient, but supervised, personal voter registration.

THE ELECTORAL COLLEGE

For the first time in history, a President and Vice President of the United States have called for the abolition of the Electoral College. The Carter Admin-

Ghosts Vote In The Bronx

On the complaint of New York Congressman Edward Koch, the U.S. Attorney for the Southern District of New York, Robert Fiske, has authorized an investigation of illegal use of federal funds by Roberto Munoz and his heavily funded methadone program SERA (Hispanic Association for a Drug Free Society) in New York City. The U.S. Attorney's first reports charge that SERA, which receives \$3.2 million a year in federal, state and city funds, has been billing the government for hundreds of non-existent outpatients and residents. While the investigation is not yet complete, SERA now claims over 100 residents in treatment while census of patients could uncover only 29.

The New York Post aptly summed up the situation in a front-page banner headline April 6: "Bronx Drug Program: \$4 Millions Go To 'Ghost' Clients." But this isn't the first time SERA has been caught dealing with the netherworld. New York's Committee for a Fair Election investigated Munoz in November 1976 and found that SERA was involved in creating a great bulk of the thousands of tombstone registrants uncovered in the Bronx who "voted" in the November 2 presidential elections. In a series of interviews, Munoz and his associates revealed how they "registered" over 8000 people in the four-day period preceding the close of mail registration Oct. 4. Of the newly "registered" people who voted in Munoz's area of the South Bronx, a full 15 percent were verified as "tombstone" voters.

The following is an interview with Munoz by the Committee for Fair Elections in January 1977:

Munoz: Let me tell you how we did this, which is in effect, what I've done. I took my staff and I told them, "How many would like to volunteer in terms of we're not committed to any political structure, ok? After 5:00?" And I said for them to, first, orientate all the residents, get them registered to vote, in the house. Then we went out and we drafted the services for SERA. And we went door to door.

Q: What services for SERA?

A: All of the services. Treatment of addicts, jobs for people, the health clinic care, etc. We had a small little giveaway that we put under the door. If no one would answer, we always took females with us. We would knock on the door and say, "Look, we're from SERA, these are the services we're providing, if any one's sick, or affiliated with drugs, etc., you can call this number, we'll have you picked up. By the way..."

Q: What does that have to do with registering people?

A: ...are you registered to vote?" Get it? We're out there, knocking on doors, particularly with females cause our people to open doors. "Oh, by the way would you like to register to vote?"... "Look, I don't even — I don't understand. I only come over here a short time. Look, I'm on welfare, I don't know if I want to be bothered." "Listen, if you are on welfare, you should be registered to vote."

The best thing that happened now is that you had these mail-ins. You seen the mail-in ballots? That was fantastic. We would just tell the person, "Well, look you haven't voted in a long time. So now you've got to register again. We'll do it all for you. Call us if you don't get your card in the mail." We just did it door by door. Those what would open the door.

Q: How many people did you register?

A: We registered something like a little over 8,000 people... "Let me tell you the importance of voting. Get out there, get counted. Do you expect any subsidies? Any programs that's coming in, get out there and do your thing... There are two sources of power — economic power — which we're limited to because of education... the other is the grebbie, it's the power of the vote, that you can have if you just register and vote and do the right thing." And that's how we sell them.

Q: Vote for the right person.

A: Exactly. Pool your vote, don't give it away... We have a list of people who we registered... we divided them up among coordinators... these are all staff persons here... The idea was to get them registered, find out who they were, and pull in the vote. That was the key. Pulling the vote — we had all our people here request some time. You know, vacation time, or time they had coming, on Election Day. The agency — I think three-fourths of the people were out on the street... then you wait for them in front of the polls and you tell them what to do when they walk in... What happens when we were losing in a certain area, we would just send five guys in here (as pollwatchers), that's all. Anybody that walked in — 'Hey don't forget, do the right thing.'

Q: Those guys were —

A: pollwatchers, which is illegal so —

The Committee for Fair elections has arranged to present its evidence on Munoz's use of federal funds to generate thousands of fraudulent postcard registrations and to facilitate illegal vote herding on election day November 1976 to the U.S. Attorney for further investigation.

istration has wholeheartedly endorsed an amendment before Congress to abolish the "indirect" and "outdated" Electoral College, substituting direct election "by a simple majority of the popular vote" in its place. One might wonder why Carter challenges the "winner take all" advantages of the Electoral College system when it so usefully determined the level of vote fraud necessary to insure his questionable election. The answer lies in a closer examination of his current proposal to abolish the Electoral College altogether.

A system of direct popular voting for presidential contests totally eliminates the ability to isolate voting irregularities in contaminated areas for investigation before the victor is certified. Under a popular vote system there would be no constitutional provisions to decertify a President who was elected by means of vote fraud.

The Founding Fathers in their deliberations, including the U.S. Constitution, established the Electoral College voting system with a clear view to neutralizing the threat of fraud. The Electoral College system places the final decision in a presidential election before a mediating, deliberative body qualified to judge the legality of the balloting process. In a tainted election, the Electoral College functions to postpone certification while isolating contaminated regions of fraud for investigation.

The Electoral College is far from archaic or outdated. The reasons for its creation are far more valid today, following the vote fraud documented in the 1976 General Election, than in any other time in the nation's history. Carter's proposed abolition of the Electoral College would eliminate the final safeguard which the Founding Fathers deemed fundamental to the protection of the electoral process. Any attempt to abolish the Electoral College or weaken its functions must be prevented by Congress.

CAMPAIGN FINANCE LAWS AND THE FEDERAL ELECTION COMMISSION

The Carter Administration has called for an extension of the Presidential Campaign Finance Laws of 1976 to congressional campaigns. This, it asserts, will eliminate the influence of "special interest groups" on all federal

campaigns. Contrary to popular myth, the 1976 Presidential Campaign Finance Laws were established to legitimize a built-in Watergate capability, while restricting selective campaigns of major and minor party candidates by drying up support from their pro-industrial constituencies who feared selective Watergate prosecution under arbitrary financial contribution disclosure laws. In the political vacuum that resulted, the practical consequences of the Finance Laws were the proliferation of pseudo-public interest groups whose unrestricted spending limitations allowed them to seize the opportunity to place voters in a position of defining political issues in the narrowest terms of self-interest.

The Federal Election Commission, created by Congress to guarantee honest campaign practices, abrogated that responsibility and was instead complicit in covering up fraudulent election practices and creating the Watergate environment necessary to control pro-industrial programs and candidates in the 1976 elections. The FEC complicity could not have been more obvious with the appointment of Michael Hirschman, a professional Watergater who is now leading the Carter Administration's KCIA scandal against Congress, to oversee campaign contribution practices.

The practices of the FEC have been grossly arbitrary and malicious. According to a former FEC employee, no candidate has fulfilled the multitude of regulations under the 1976 Presidential Campaign Finance Laws and therefore prosecution can only be highly selective. To this day, the FEC has refused to investigate the highly irregular Carter Campaign expenditures which fell under the heading, "Get Out the Vote." Yet, the FEC mounted a vicious campaign of harassment against contributors to the Committee to Elect Lyndon LaRouche, culminating in a denial of Federal Matching Funds for which the Committee had fully qualified.

Congress must initiate an immediate investigation of *the Federal Election Commission's own unfair campaign practices* in the 1976 presidential election. That investigation will establish beyond doubt, the illegal methods and operating procedures of the FEC. With that knowledge Congress must abolish the Commission and the Presidential Campaign Finance Laws to restore active participatory elections in this country.

Teamsters Nat'l Meeting Rips News Media Unionbusting Drive

The following are unofficial transcripts of two releases issued by the Brotherhood of Teamsters on April 6:

WASHINGTON, D.C. — Meeting here today, April 6, are representatives from Teamster local unions and joint councils from throughout the United States and Canada. The meeting was called by the General Executive Board because it is apparent that a certain degree of confusion exists in the minds of the local union officers and members concerning matters of substantial importance to the international union. Members of many local unions have asked for an opportunity to speak out on the persistent media attack on this union and on certain inconsistencies and questions about the action of government concerning the Teamsters Union.

False and ambiguous press reports are primarily responsible for much of the confusion; for example, persistent reports appearing in the press that Teamster General President Frank E. Fitzsimmons is going to resign. These reports persist despite the fact that Mr. Fitzsimmons has repeatedly denied them and has issued definitive statements asserting that he will not resign but will be a candidate for reelection when his current term expires in 1981. The single element causing confusion which exists today is the never ending parade of a false and ambiguous press reports about the Central States Pension Fund. As recently as March 14 the press carried banner headlines that the Central States Pension Fund is in financial trouble. The administration of the fund testified before the Legislation Oversight Subcommittee of the House Ways and Means Committee that under present funding, the fund would need additional funding from employer contributions to meet its obligations some 10 to 15 years in the future. Despite this very clear and precise statement, the following typical headlines appeared in the press: "Teamster Pension Chief Asserts Commitments Exceed the Fund," *New York Times*; "Deficit Seen for Teamster Pension Fund," *Washington Post*; "Teamster Pension Fund Not Sound," *Las Vegas Sun*; "Teamster Concedes Pension Fund Weak," *Lodi California News Sentinel*; "Teamster Fund Called Un-sound," *Atlanta Constitution*.

All this despite the fact that the Central State Pension Fund maximums pay a retiree 450 dollars a month for life for 20 years service at age 57, or 550 dollars a month at age 60 with 20 years service, and all this despite the fact that no retiree has ever missed a payment and despite the fact that 20 years of government investigations have never revealed a funding shortage.

In another area, the Teamsters is not the only segment of organized labor to experience an assault from outside sources seeking to capture labor for a political power

base. The steel workers, UAW, Machinists, and the United Mine Workers all have experienced this.

The recent steelworkers election is a classic example. A local district officer sought the election of the President of that organization. He was surrounded by a Harvard professor and a Washington lawyer who has been involved in almost all outside efforts to penetrate high commands of labor. Corporation and liberal millions financed the campaign of the district officer. Fortunately the rank and file of the steelworkers still hold power in their union as they voted a mass majority against outside influence in their internal affairs. Radical liberals, splinter parties, academic liberals, fringe lawyers, rich with extra money, to purchase excitement and others are assaulting organized labor.

That is a very important reason for the meeting today of the representatives of the International Brotherhood of Teamsters. The recent hearings of the Legislative Oversight Committee is a classic example of a news imbalance. Media gave top billing to testimony of individuals, some of whom are and some of whom are not participants in the Central Committee Pension Fund. They were called to testify. Yet in the hearing room were nearly 100 retired teamsters who came from out of state to support their union and their pension plan. In fact, without their presence in the hearing, it would have taken a free lunch to draw a crowd. None were asked to testify by the committee and were ignored by the press.

Under the Supplement of the Master State Freight Agreement, the hourly rate is \$8.50 per hour. Employers' contributions to the pension will reach 31 dollars per employee per week in the third year of the agreement. Workers on April 1 received a 24 cent per hour cost-of-living increase. They have paid sick leave and medical and doctor insurance providing for major medical, vacations and holidays — all paid for by their employers. All this was negotiated by Teamster President Frank E. Fitzsimmons' negotiating committee which includes members of the executive board. That blue-ribbon credibility never makes the headlines — or if it does, it is under the headline "Teamsters Negotiate Inflationary Wage Hike."

While the performance of the Central States has been the ingredient for sensational, false, ambiguous and careless reporting, money mismanagement and illegality and in other areas of the economy have received scant notice by the press.

Corporate money is used to support campaigns for candidates for federal office, in violation of the law. Foreign payments are made to members of the Congress. The Securities and Exchange Commission is between a rock and a hard place, trying to police illegal

stock and bond deals. Major banks are failing because of mismanagement (Chase Manhattan — ed.). A scandal exists in government. Government military pensions are more than 90 percent underfunded. Social Security's liabilities exceed assets by a ratio of 40 to one. Social Security now has liabilities in excess of \$2.4 trillion. The Senate Finance Committee, according to an A.P. dispatch of March 2, 1977, considers the tax increase necessary to keep Social Security solvent. Under directive from the Federal Reserve, bank loans to real estate investment trusts increased from \$6.5 billion to \$11.4, despite the fact that bank losses have increased ten-fold since 1965. In 1972, aggregate loan losses were \$800 million. In 1974, losses rose to two billion dollars. Bad real estate loans are, for example, attributed to the failing of the National Bank of Long Island.

And through it all, aging working Americans contemplating retiring are unduly and cruelly worried about their Teamster Pension Fund because of the false, ambiguous and ignorant reports. This malicious and sloppy job of journalism has even confused rank and file members as to which pension plan they belong to. The Central States Pension Fund is only one of many pension trusts negotiated by affiliates of the international union but an ambiguous headline such as "Teamster Pension Chief Asserts Commitments Exceed the Fund" not only creates unfounded doubts in the minds of Central States participants. It also makes those covered under other pensions wonder which fund the headline is talking about. These are some of the reasons the General Executive Board of the International Brotherhood of Teamsters has called this meeting today. The falsehoods and ambiguities and out of context reporting by the media will be discussed. Frankly, we are tired of the distortions and tired of being the national whipping boy.

We fully understand that when criticism is deserved we can weather the storm and benefit from it, but that is not what the present media attack is all about. For example, the NBC six-part series last year during the National Master Freight Contract were designed to disrupt this important national collective bargaining. Our members recognize our achievements. Every day we get requests from members of other unions seeking to become Teamsters. Despite the fact that we have no national organizing campaign to organize municipal police forces, we are contacted by them every day seeking membership.

So, workers do not believe what they read about the Teamsters in the press — when the representatives return to their local unions and Joint Councils they will know the truth and report it to their membership. That is why the meeting is closed to the press. We are here today to clean up the misconceptions spread by the mass media. We certainly did not call this meeting to give the press another opportunity to misreport. We do not share this view of the media alone. Consider the report which appeared on page 2, of the March 11 edition of the *Washington Post*. The executive editor of the *Washington Post*, Ben Bradlee, recently in Cuba, just turned up in Ogden, Utah and told students at Weber State College "just because you don't read it in the paper, that doesn't mean it didn't happen. Conversely, just because you read it, doesn't mean it did happen." Bradlee said newspapers try to print the truth but sometimes face

Fitz: 'I Won't Quit'

*Statement by Frank E. Fitzsimmons
Concerning His Tenure In Office*

Over the past several weeks, the U.S. news media has persistently reported that I will resign my position as President of the International Brotherhood of Teamsters. These reports are absolutely false and, often, I believe, maliciously circulated. In more recent days, there have been reports that the meeting of representatives of the Joint Council today in Washington, D.C. was called for the purpose of announcing my retirement. These reports, too, are false. Therefore, through this statement, I want it known that I was elected at our international union convention June 1976 for a five-year term. It was an unanimous election by 2,254 duly elected delegates to that convention.

I did not accept that office intending to only serve part of a term. Nothing has happened since, to erode that intention. And not only will I complete my present term but I will be a candidate for reelection as the General President of the International Brotherhood of Teamsters at the union's next convention in 1981.

Perhaps my pending resignation as trustee of the Central States' Pension Fund has whetted the imagination and dulled the accuracy of those preparing the news. My resignation as the trustee of that fund was not a spur-of-the-moment decision. After the passage of the Employer Retirement Income Security Act of 1974 (ERISA), it became obvious month by month that no one could fulfill the duties of both pension trustee and president of an international union. Even after my resignation is effective there will be union trustees as there will be management trustees. There will be a collective bargaining process to generate money to fund the Central States Pension Program. Union and management trustees will set benefit levels and pass on eligibility of retirement applications. These will be demanding and time consuming duties. Now that these arrangements satisfactory to both union trustees and government have been completed, I am now free to devote my full attention to the demanding duties of the President of the International Brotherhood of Teamsters and I will be striving daily to make membership in the Teamsters even better than it is today.

insurmountable obstacles including deadlines and lack of personnel.

Perhaps a retired Teamster in Kansas City best summed it up recently in a letter to the editor of the *Kansas City Star*. Retired from local 838, Kansas City, Robert L. Schleininger wrote "Benefits Tell the Tale." "It's time the public becomes informed of the fact from someone who is directly involved concerning the Teamster Central States Pension Fund and the government investigations into the fund. For too long, the public

has received information from ambitious news reporters or lockerroom lawyers who have only thought of taking cheap shots at the Teamster's union leadership.

"Let's take a look at the record. The Teamster Union Central States Pension Fund has been in existence since 1957. The last report stated there was \$1.4 billion in the fund. Social Security has been existant since 1937 and the last report read said that it is practically broke. Now let's take a look at the funding of these two funds.

"The last week I worked before I retired \$25.70 was deducted from my check as Social Security. My em-

ployer paid the same amount, this totalled \$51.40 paid to Social Security in my behalf. The same week my employer paid \$19.40 into the Teamsters Union Central States Pension Fund. I paid nothing. At the age of 60, I was eligible to receive \$550 a month from the Teamster Central States Pension Fund. However, after reaching 62 years of age, I am only receiving \$293.50 from Social Security. After looking at the benefits of the two funds, I don't have to be a mental wizard to figure out I just can't afford to have the government protecting me from the so-called bad guy."

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