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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

The joint U.S.-Soviet communiqué on the Mideast represents a **major shift**... and Jimmy Carter's **first foreign policy triumph** after a string of spectacular failures... says this week's **International Report**... Excerpts from President Carter's **UN speech**... and the **American-Soviet communiqué** ... show how the **way to a settlement** has been opened... An **exclusive interview** from the U.N. points up the **Western European support crucial** to the U.S. Peace drive...

* * *

... But a **plot is underway** to **wreck** the **motion to Geneva**... and leading it are Israel's **warhawk Moshe Dayan**... and Carter's own **Vice-President** and **Energy Secretary**... You'll read it here and nowhere else... their plans to "provoke" public opinion with **slanders and attacks** on supporters of the U.S.-Soviet accord... backed up by furious **condemnations of Carter** from members of the "**Jewish Lobby**" and the **Fabian press**... see **National**.

* * *

The Administration's **zero-growth energy package** has been **shot down** in the Senate...

with Vice-President **Mondale** forced to **bust** his Fabian allies' **filibuster**... Our **National Report** analyzes the **humiliating defeat**... and documents Energy Secretary **Schlesinger's** declared intention to **impose** the no-growth program **anyway**...

* * *

The **National Coalition of Independents on Issues** has come forward with **alternative energy legislation**... we present **The Nuclear Energy Development Act of 1977** in full in our **National Report**... plus an **open letter** from USLP chairman Lyndon H. LaRouche to the Republicans' Bill Brock... on the **ABCs of political leadership and policy-making**...

* * *

There's a **scramble** on for **petrodollars**... that has British and American bankers **at each other's throats**... over **who will survive** the **impending monetary holocaust**... read about the "**London Conspiracy Against the Dollar**" in our **Economic Report**... including **highlights** from the British financial press's **gleeful predictions** of a **U.S. crash**... The same **City of London** bankers... and their **Wall Street** cohorts... are behind the push for **im-**

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port quotas on steel... our report details the politics behind the protectionism line... see **Economics**.

* * *

Energy czar **Schlesinger's** talk about "energy shortages" gets ripped... in our **Energy** section's survey of the immense reserves of natural gas in the Mideast and North America... and how the **OPEC nations, Mexico, and Canada** are committed to developing them... despite sabotage by the **International Monetary Fund** and others...

* * *

The **Soviets** have offered a joint research program to the **U.S.** ... to achieve nuclear fusion power in the near term... we have the exclusive plus excerpts from **Soviet research reports** made available to U.S. scientists... showing the **USSR's breakthroughs** in the fusion field... see **Science and Technology**.

* * *

The energy issue is in the forefront in

Western Europe as well... determining politics, both foreign and domestic... this week's **Europe Report** tells how the coalescing **Franco-German** prodevelopment, antiterrorist bloc... is linked to the de facto "**Grand Coalition**" that is moving into power inside West Germany... around an aggressive energy policy... how the "second basket" of economics issues has been shoved to the fore at the just-opened **Belgrade conference**... details the fallout from the fight for industrial growth at the recent **British Labour Party conference**... As a special feature... the **European Labor Party's** just-issued statement on **French political prospects** after the collapse of the "**Union of the Left**"...

* * *

Indira Gandhi's arrest... and the cancellation of elections in **Pakistan**... both aspects of a **British intelligence** caper against the subcontinent, charges the **U.S. Labor Party's LaRouche**... in our **Asia Report**... plus the background on the plan to provoke **1948-style regional violence**... and how it may be backfiring...

Carter's Mideast Shift Clears Way To Peace

The Oct. 1 joint U.S.-Soviet communiqué on the situation in the Middle East, which opened the way for a reconvened Geneva conference and a howl of protest from the so-called Israel Lobby, represents the first clear foreign policy triumph for the Carter Administration after a series of spectacular failures. The Carter initiative in endorsing the text of the communiqué and the Soviet call for Geneva has created the basis for a sound and viable U.S. foreign policy.

But if the step forward on the Middle East, and related positive signs on disarmament and the ongoing Belgrade East-West conference are to be consolidated, it is urgently necessary that the Carter Administration develop — in conjunction with the U.S. Congress — a pro-growth energy policy to replace the fascist anti-industrial energy plan pushed by Energy Secretary James Schlesinger.

U.S. Peace Drive

The U.S. and the USSR jointly endorsed "the rights of the Palestinian people" as a crucial aspect of a reconvened Geneva conference and a settlement of the Middle East crisis. The statement was the first such mention by the U.S., which had previously referred only to the "legitimate interests of the Palestinians," and thus clears the way for rapid United Nations Security Council action to provide a basis for a Geneva meeting by later this year.

In addition, intensive contacts among U.S., USSR, Arab, and Israeli officials in behind-the-scenes talks have, it is thought, achieved a procedural consensus on a Geneva format. Analysts believe it likely that Carter gave private assurances that the U.S. will support a serious diplomatic solution at Geneva.

The key to the joint communiqué is that, in the opinion of observers, it is part of a package which includes a general improvement of U.S.-Soviet relations subsuming the Strategic Arms Limitation Talks (SALT), the Middle East, and the provocative human rights crusade which Carter appears to have soft-pedaled.

Western Europe has given whole-hearted endorsement to the turn toward U.S.-Soviet entente. The foreign ministers of France, Italy and west Germany immediately gave strong backing to the communiqué, and Western European diplomats at the United Nations called it a "breakthrough."

Even Great Britain, whose secret agents and financial power are vehemently opposed to the White House

initiative and its implications, was forced by circumstances to give qualified support to the U.S. move.

There is growing evidence that the French played a crucial role in the developments. French Premier Raymond Barre visited Washington and Moscow in turn late last month, and has been credited with mediating the U.S.-Soviet entente. It is France which, with Rumania, intends to introduce the UN Security Council resolution supporting the "rights of the Palestinians" as early as this month, and an envoy of President Giscard, Bordeaux mayor Jacques Chaban-Delmas, is in Israel for talks with Premier Menachim Begin.

Lazard Wreckers

Naturally, the U.S.-Soviet statement touched off a storm of protest from the "Israel Lobby." Hysterical attacks on Carter from the *New York Times* and the Lazard Freres-owned *Washington Post* and loud squawks from the pro-Israeli congressional faction reveal a coordinated counterattack by the City of London and its U.S. allies. Personally running the anti-Carter operation is General Moshe Dayan, Israel's foreign minister, who met in New York with 24 Israeli consular officials from across North America Oct. 2 to plan the upsurge of "public opinion." (See our exclusive story below.)

Within the Administration, the leading traitors collaborating hour-to-hour with Dayan are Vice-President Walter Mondale and Schlesinger. Mondale and Schlesinger are the chief architects of Lazard's domestic deindustrialization plan, and seek continued Mideast tensions, if not a shooting war, to force up oil prices while slashing oil production in the Persian Gulf — even via Israeli military action against oil fields.

The Dayan forces, Lazard and the Mondale-Schlesinger agents of the British Royal house do not, however, have a capability to reverse the current momentum of the Administration. A broad domestic coalition is shaping to continue the thrust begun by the U.S.-Soviet statement, including Republicans, conservative Democrats and southerners, some liberals from the Averell Harriman wing of the Democratic Party and apparent quiet support from the Rockefeller faction as well. To solidify this coalition, the U.S. Labor Party proposes that the White House and the Congress jointly support a program for Manhattan Project-style development of nuclear fission and fusion energy, with a heavy emphasis on high-technology energy exports, to replace the battered and broken Schlesinger plan.

U.S.-Soviets Issue Joint Statement For Middle East Peace

The U.S.-Soviet communique on the Middle East, issued by U.S. Secretary of State Cyrus Vance and Soviet Foreign Affairs Minister Andrei Gromyko Oct. 1, reads in part:

1. Both governments are convinced that vital interests of the peoples of this area as well as the interests of strengthening peace and international security in general urgently dictate the necessity of achieving as soon as possible a just and lasting settlement of the Arab-Israeli conflict. This settlement should be comprehensive, incorporating all parties concerned and all questions.

The United States and the Soviet Union believe that, within the framework of a comprehensive settlement of the Middle East problem, all specific questions of the settlement should be resolved, including such key issues as withdrawal of Israeli armed forces from territories occupied in the 1967 conflict, the resolution of the Palestinian question including ensuring the legitimate rights of the Palestinian people, termination of the state of war and establishment of normal peaceful relations of the basis of mutual recognition of the principles of sovereignty, territorial integrity and political independence.

The two governments believe that, in addition to such measures for ensuring the security of the borders between Israel and the neighboring Arab states as the establishment of demilitarized zones and the agreed stationing in them of UN troops or observers, international guarantees of such borders as well as of the observance of the terms of the settlement can also be established, should the contracting parties so desire. The United States and the Soviet Union are ready to participate in these guarantees subject to their constitutional processes.

2. The United States and the Soviet Union believe that the only right and effective way for achieving a fundamental solution to all aspects of the Middle East problem in its entirety is negotiations within the framework of the Geneva peace conference, specially convened for these purposes, with participation in its work of the representatives of all the parties involved in the conflict including those of the Palestinian people, and legal and contractual formalization of the decision reached at the conference.

Carter Opens Door For Greater Cooperation On Arms Limitation, Regional Conflicts

The following are excerpts from U.S. President Jimmy Carter's Oct. 4 speech before the United Nations General Assembly.

If we are to have any assurance that our children are to live out their lives in a world which satisfies our hopes — or that they will have a chance to live at all — we must finally come to terms with this enormous nuclear force and turn it exclusively to beneficial ends.

We can also start the crucial process of curbing the relentless march of technological development which makes nuclear weapons ever more difficult to control...

The United States is willing to go as far as possible, consistent with our security interests, in limiting and reducing our nuclear weapons. On a reciprocal basis we are willing now to reduce them by 10 percent or 20 percent, even 50 percent. Then we will work for further reductions to a world truly free of nuclear weapons...

The existence of nuclear weapons imposes two solemn obligations on the nations which have the capacity to export nuclear fuel and nuclear technology — the obligations to meet the legitimate energy needs and, in doing so, to insure that nothing that we export contribute directly or indirectly to the production of nuclear explosives...

Of all the regional conflicts in the world, none holds more menace than the Middle East. War there has already carried the world to the edge of nuclear confrontation. It has already disrupted the world economy and imposed severe hardships on the people in the developed and developing nations alike.

So, true peace — peace embodied in binding treaties — is essential. It will be in the interest of Israelis and the Arabs. It is in the interest of the American people. It is in the interest of the entire world...

Such good-faith negotiations must be inspired by a recognition that all nations in the area — Israel and the Arab countries — have a right to exist in peace, with early establishment of economic and cultural exchange and of normal diplomatic relations...

Negotiations cannot be successful if any of the parties harbor the deceitful view that peace is simply an interlude in which to prepare for war...

For Israel, this must mean borders that are recognized and secure. The commitment of the United States to Israel's security is unquestionable.

For the Arabs, the legitimate rights of the Palestinian people must be recognized...

As a result of these consultations the Soviet Union and the United States have agreed to call for the resumption of the Geneva Conference before the end of this year...

The major powers have a special responsibility to act with restraint in areas of the world where they have competing interests because the association of these interests with local rivalries and conflicts can lead to serious confrontation...

In order to reduce the reliance of nations on nuclear weaponry, I hereby declare on behalf of the United States

Italy, W. Germany Support U.S.-Soviet Accord

Following the joint U.S.-Soviet communique, Italy has dramatically stepped up its peace initiatives to facilitate the reconvening of the Geneva conference.

Last week, the Italian Communist daily *Unita* called on the European Economic Community to issue a new UN Security Council resolution recognizing Palestinian rights, to back up President Carter against his U.S. opponents. Following the *Unita* call, the UN correspondent for the Italian Communist evening paper *Paese Sera* reported that France will introduce the resolution into the Security Council and that the countries of the EEC will support it. *Paese Sera* goes on to applaud Carter's efforts in getting Israel to go to Geneva.

After the U.S.-Soviet declaration became public at the United Nations, Italian Foreign Minister Arnaldo Forlani stated his agreement with the decision by both the United States and the Soviet Union to acknowledge the "legitimate rights" of the Palestinians, saying "Even if Italy does not officially recognize the Palestine Liberation Organization, it is already as if Italy did." Likewise, Italian parliamentarian Francanzani, a close associate and special Mideast advisor to Prime Minister Andreotti, has asked the Italian government to recognize the PLO. The motion was endorsed by many Italian political figures in the Parliament's Committee on Foreign Relations.

A similar resolution was introduced to the EEC by Belgian Foreign Minister Simonet, who heads the Foreign Ministers of the EEC. He has called on that body to publicly support the joint U.S.-Soviet communique, and welcomed the fact that the U.S. "finally understands that the Soviets cannot be kept out of the Middle East."

Echoing Italy, a West German Foreign Ministry spokesman in Bonn told *Executive Intelligence Review* that West German Foreign Minister Hans Dietrich Genscher "welcomed" the U.S.-Soviet resolution. Foreign Minister Genscher mentioned the resolution to Israeli Foreign Minister Moshe Dayan at the United Nations on Oct. 2, the spokesman said, and also presented it to Crown Prince Hassan of Jordan when Genscher met him in Bonn on Oct. 3.

that we will not use nuclear weapons except in self-defense; that is, in circumstances of an actual nuclear or conventional attack on the United States, our territories or armed forces, or such an attack on our allies.

In addition, we hope that initiative by the Western nations to secure mutual and balanced force reductions in Europe will be met by equal response from the Warsaw Pact countries.

Second, an obligation to show restraint in areas of tension, to negotiate disputes and to settle them peacefully, and to strengthen peacemaking capabilities of the United Nations and regional organizations.

EXCLUSIVE

W. European Diplomat Outlines Course Of Mideast

This interview with a diplomat from a West European country was obtained in the United Nations delegates' lounge Oct. 5. The diplomat spoke only hours after the meeting between President Carter and Israeli Foreign Minister Moshe Dayan, a meeting whose implications had not yet been fully analyzed. He described the "scenario," as he called it, for the passage of a resolution supporting "the rights of the Palestinian people" at the United Nations Security Council. He was aware, and said that his fellow diplomats from the European Economic Community were also aware, of the political crisis in Washington, and he reported that the UN was filled with rumors that Vice President Walter Mondale was "on his way out."

Q: Do you think the joint U.S.-Soviet statement on the Middle East opens the way for UN action on the subject?

A: Yes, of course. In fact, I think it is the perfect scenario.

It would work like this: Sometime this month, or maybe in November, the Soviets, the Rumanians, and the EEC countries on the Security Council will introduce a resolution supporting the Palestinians, phrased to include "the rights of the Palestinian people as defined by the UN Charter," and so forth. We plan to use the exact phrasing of the U.S.-Soviet communique, which will ensure that the U.S. cannot oppose the resolution with a veto.

Then, the PLO will give its endorsement to the new resolution, and at the same time will endorse Resolution 242 (passed in 1967 —ed.) which means, effectively, that the PLO endorses Israel's existence. One of the by-products of this will be that the U.S. will begin talking to the PLO, as they promised. This will put tremendous pressure on Israel. What can they say? The U.S. will say to Israel, "Okay, the ball is in your court. Now you have to move." And perhaps we will get Geneva.

But for some reason the U.S. mission here is begging, pleading with the U.S. not to introduce such a resolution. "Don't put us on the spot," they are saying.

Q: When might this happen?

A: It's hard to say. It might happen as soon as later this month. There is already scheduled a meeting on Oct. 25 of the Security Council to discuss the General Assembly committee's report on Palestine. But that report is a

mess, and even the Arabs don't want to discuss it, really. Perhaps we can take that occasion to introduce such as resolution as I have described.

Q: What do you make of the U.S. position?

A: Ha, ha. Their people here are incompetent. Do you know that the people at the U.S. mission to the UN don't know what their own country's policy is? They are not

being briefed. They pretend to know what is going on, but privately they say that they haven't the slightest idea! I think this reflects the situation in Washington.

For instance, there are people here, many of them, saying — rumors, I would say — that Mondale is on his way out. Soon. And there are even reports that Vance might not last...

Euro Press Response To Moves Towards Geneva

Le Matin de Paris, "*The Pro-Israel Lobby v. The White House*," by Pierre Lesourd, Oct. 5:

...The joint U.S.-Soviet declaration urging the recognition of the "legitimate rights of the Palestinian people" is a proof for the powerful U.S. Jewish "lobby" that the Hebrew state no longer has its man in the White House. A growing anger is perceptible through the sharp rebuffs made by influential members of Congress and union leaders known for their pro-Israel leanings...

(after quoting Henry Jackson — "a cold warrior and a protégé of the U.S. Jewish community in Congress"; Alexander Schindler — whose Conference of Presidents Lesourd dubbed "a state within the state"; and "the aging chief of the tentacular AFL-CIA," Lesourd warns that time is running against President Carter:)

... 1978 is an electoral year in the U.S. Then the Israeli Lobby will exert irresistible pressure... Since last July it is clear that the American President has decided to move forward, even if it costs him a few points of his popularity in the opinion polls. Carter knows that the future reputation of his presidency is at stake, that his place in history is at stake...

Süddeutsche Zeitung, *Munich*, by Herbert von Borch, *Washington correspondent*, Oct. 5:

... Why has the Carter government taken on the alienation of Israel and pressure from Jewish circles in the U.S.... Perhaps there is a conceptual breakthrough coming in the SALT negotiations (at the cost of the European allies?). The White House is starting from the assumption that as a result of the SALT breakthrough, there will be positive effects on other agreements, such as the demilitarization of the Indian Ocean, and the nonproliferation of nuclear weapons... In contrast to Kissinger, the White House is saying that the Russians are more dangerous outside of conferences than when they are brought into agreements at the proper time. Mideast peace is not possible without the USSR.

The Financial Times, *London*, Editorial, "*Pointing The Way To Geneva*," Oct. 4:

... A welcome document... if it is analysed calmly and seriously, it could break the diplomatic deadlock which seemed to be looming in the Middle East negotiations...

The Guardian, *Manchester*, Editorial, "*Double Surprise For Israel*," Oct. 4:

Russia and America working together in tandem can impose — not immediately, perhaps, but eventually — almost any solution they like on the Middle East as on other parts of the world... President Carter is running a big political risk. It can so easily be maintained that America needed no Soviet buttress: why then, bring the Russians in after all this time? It is not obvious how the President will answer that question...

Die Welt, *Hamburg*, "*The Seeds For A Harvest of Dragons — Carter's Arrangement With Moscow Is At Israel's Cost*," by Herr Krämer, Oct. 5:

As a result of this declaration the Kremlin is once again entering political and diplomatic terrain from which it was squeezed in the previous decades with so

Expert: Carter Can't Back Down On Mideast Initiative

The following is part of an interview with a Middle East specialist at a major American university, who once worked for the State Department.

Q: What do you think are the prospects for Middle East peace?

A: I am sure that there will be a Geneva conference this year. The main thing is who the Arabs will be, and I think it will be a pan-Arab delegation with about half the Palestinians on it being PLO members.

Q: The Israel will accept the Carter peace drive?

A: Well, Dayan's arms were twisted. The problem is, we don't know what he'll do when the gets back to Israel. I think Israel will refuse to negotiate a Palestinian state... but will negotiate withdrawal from the West Bank and Gaza Strip. The Arabs will establish the state later. Carter asked Dayan to accept this sort of formula. The Soviets have accepted and they will erase any Arab opposition.

Q: So, Carter will go full speed ahead?

A: He has to. I don't see how he can back down from his Palestinian stand. If he were to do so, the Soviets would be dominant all over the Middle East. I don't agree with his doing this thing with the Soviets. And that has Dayan upset too. Egypt's Sadat wants the Soviets to play only a symbolic role, and I wouldn't be surprised if Dayan and Sadat are putting pressure on Carter to drop this Soviet collaboration. Sadat is really scared what the Soviets will do after Geneva — but he's finished either way, and the only question is, will he get it from the right or the left?

much patience by the various powers. What is all the more astonishing is that West German Foreign Minister Genscher explicitly welcomed the declaration... none of Carter's domestic programs succeeded... Something had to happen, and something did happen... A new agreement with the Soviet Union would be the great success that Carter wants to present to his people... this would be at

the cost of Israel. And... at the cost of world peace...

The Times, London, Editorial, "United States Policy And Israel," Oct. 4:

... President Carter's Middle East policy appears to be running full steam towards a brick wall...

EXCLUSIVE

Dayan, Mondale Tied To Sabotage Against U.S.-Soviet Peace Moves

Israeli Foreign Minister Moshe Dayan is working with leading U.S. officials, including Vice-President Walter Mondale, to undermine American-Soviet efforts for Mideast peace, say high-level sources in Washington.

Last weekend Dayan met with 24 Israeli consular officials from Canada and the U.S. to "map out a campaign against the Carter Administration," according to a report in the October 3 *Baltimore Sun*.

Then the following evening, the Washington sources say, Dayan met with four of the top operatives of Israel's secret service, veterans of the Eichman kidnapping and other major escapades, to discuss a campaign of slander, defamation, and possible physical attacks against supporters of the joint U.S. and Soviet peace moves and against "critics of Israel."

Dayan, according to these sources, has "gone on a rampage" after recent U.S. press leaks accused him of having ordered a nuclear attack on Arab cities during the 1967 Arab-Israel war and, more recently, of covertly working out a deal with Egyptian President Anwar Sadat by which Israel and Egypt would work jointly against the Organization of Petroleum-Exporting Countries.

The same Washington sources identify U.S. Energy Secretary James Schlesinger as "playing a prominent role" in arm-twisting support within the U.S. government bureaucracy for Dayan. Schlesinger, an advocate of drastic cutbacks in U.S. oil imports and of phased escalation scenarios for the Mideast, is reportedly "up to his neck" in trying to damage Carter's peace moves in collaboration with leading Jewish Lobby forces.

Vice-President Mondale's role has primarily been played out within White House inner-policy councils, where, according to highly informed Washington Jewish Lobby sources, Mondale is making a "tremendous input" to reverse the U.S.-Soviet Geneva push.

Mondale, says the October 2 *Washington Post*, is a close associate of the executive director of the Anti-Defamation League, Burton Joseph, whom the *Post* quotes warning of a "possible policy change within the Carter Administration." Earlier in the year Mondale and Joseph collaborated to map out a campaign against U.S. "Arab agents" such as Texas's John Connally, who are trying to expand U.S. financial and industrial relations with the Arab states.

Ulterior Motives

The Dayan-Mondale-Schlesinger blitz, a crucial policy offensive of the City of London and allied New York investment firms such as Lazard Freres, has almost nothing to do with honest concern for the security and well-being of Israel. These interests are intent on maintaining the necessary freedom of action in the Mideast to extort Saudi petrodollars away from industrial investment and into large-scale petrodollar swindles, and therefore intent on keeping the Soviets and Europeans out of the Mideast diplomatic picture.

Dayan, for example, has focused much of his public ire on the U.S.-Soviet statement for its recognition of the Soviet's crucial role in expediting an overall Mideast settlement. The statement "reinforces the Soviet role in the Mideast," Dayan said angrily October 3, a complaint widely echoed in certain Jewish Lobby circles during the past week.

A related plaint from the same crowd concerns the fate of Egypt's President Sadat, whose long-standing line that "the U.S. holds 99 percent of the cards" in the Mideast diplomatic game has been exposed as the line of a joker by the Vance-Gromyko agreement.

Washington's Senator Jackson, for example, was irked that Sadat is now in trouble, when Egypt is "the key to the Middle East." A senatorial aide close to Jackson moaned that Egypt is "taking a very dim private view" of the statement, and revealed that Egyptian officials had approached him for private consultations on how to oppose the U.S.-Soviet accord.

Jackson, New York's Senator Javits, and others are known to desire an immediate return to the "step-by-step" diplomacy associated with Henry Kissinger, i.e., separate deals between Israel and Egypt and Israel and Jordan — ironic, given Kissinger's own stated support for the Vance-Gromyko statement.

The Jewish Lobby campaign has won a temporary tactical gain with Carter's October 5 joint plan arranged with Dayan. But while the Carter-Dayan talks were greeted exultantly by pro-Dayan circles, informed observers insist that Carter has simply made a tactical move to incorporate the reluctant Israelis into the Geneva diplomacy.

—Mark Burdman

Jewish Lobby Attacks U.S.-Soviet Agreement

The following is a representative sample of statements from the Jewish Lobby to the U.S.-Soviet Geneva plan:

Legislative aide, American-Israel Public Affairs Committee: It was very disconcerting of the U.S. to bring the Soviet Union into negotiations prematurely. In our view, the Carter Administration has made a real blunder in going with the joint Soviet communique. It was a major blunder, a huge mistake...Across the country there is anger about what has happened with Carter and the Soviets. Jews, Christians, everyone is up in arms. Because everyone knows that when the U.S. is talking about Palestinian rights, the U.S. is talking about the Arabs, is backing the Arabs. Many, many Congressmen and Senators have written letters to the President...A delegation will go to the White House too, to protest. Carter isn't going to get away with this, I can tell you.

Senatorial aide close to Sen. Jackson: There's a lot of caucusing going on on Capitol Hill, I can assure you. Carter's gonna get it out of his ear...This was an extremely crudely timed move by the Administration. And Brzezinski's statement on using leverage to get a Mideast settlement — Brzezinski has really screwed Carter! Carter is really vulnerable, this U.S.-Soviet agreement really stinks, plain and simple.

Aide to a prominent Northeast Senator: The Administration is really acting in a slapdash way. Carter is scrambling, he's got egg on his face on a lot of issues, he's scrambling with this Panama thing. Anything, especially this Mideast stuff, could quake under his feet.... Anyway, we can undercut Geneva. The Israelis can refuse to go, or the conference can be made to break down. These are two big possibilities and they may be pulled off.

Rabbi Alexander Schindler, Chairman of the Conference of Presidents of Major American Jewish Organizations, (scheduled to accompany Dayan on an organizing tour through Atlanta, Los Angeles, and Chicago): (For Israel to negotiate with the Palestine Liberation Organization is like) having a civil rights leader negotiate with the Ku Klux Klan.

Edward Koch, candidate for mayor of New York—a combination of the statement that Koch handed to Carter in New York and comments Koch made to the New York Times earlier in the week): I fear that in this recent agreement, the U.S. had abandoned its commitments to peace, to Jewish refugees, to the protection of Israel. (Carter is) under the influence of Arabists in the State Department. (The U.S. should) end its alliance with the Soviet Union on this matter.... Israel will never, nor should it ever, have to sit down with the PLO murderers...I believe that it is outrageous that the U.S. Government should associate itself in any way with the Soviet Union when it comes to the Mideast. (The Soviet Union is) bent on the destruction of the state of Israel.

Anti-Defamation League—Oct. 3 statement: (The Vance-Gromyko accord is a) shameful, dangerous change (in American policy, a) shocking about-face, (an) essentially pro-Arab position. (Renewed Soviet influence in the Mideast is being established when the Mideast was) comparatively well rid of it.

Rita Hauser, Chairman of the Middle East Committee of the American Jewish Committee—Oct. 5 New York Times: The State Department is doing everything in its power to get the P.L.O. to the table, in one guise or another.

The joint American-Soviet statement on an approach to the Geneva conference on the Middle East is but another move in this direction, shortsighted and bound to be counterproductive....

The reality in the Middle East dictates another avenue to Geneva. The P.L.O. is at its nadir, because of the past and current price it is paying in the continuing conflict in Lebanon. The Arab states, by common accord, are far weaker militarily than Israel, and the Soviet Union seems unwilling for the time being to get sucked into another losing battle on behalf of the Arabs. The conference table is thus far more important to the Arabs than to Israel, and it is *they*, not Israel, who must seek a way around the P.L.O. dilemma....

There is no historic precedent or sound reason to elevate the P.L.O. to the status of a representative delegation at a Geneva conference unless, of course, as many now suspect of the Carter Administration, it has already decided that the conference will create a state on the West Bank and that the P.L.O. will be anointed as its government.

Those who oppose this result are correct in joining issue now with Washington. Satisfying the P.L.O. would promote an era of conflict and destruction, and any peace conference premised on that result would be a hollow achievement for President Carter.

Fabian Press Rejects Carter's Mideast Diplomacy

New York Times, *editorial, "The Geneva Express (via Moscow)"*, Oct. 4

... So the decision to bring the Soviet Union into the action needs to be explained. To do everything possible to reach Geneva is one approach to a settlement, but is a Soviet-sanctioned deal the only path? The use of different language than appears in the universally accepted resolution of the United Nations also requires further explanation. The Israelis had a firm pledge that those terms would not be altered and now one wonders whether they have been. The hard decisions they would be asked to make in any negotiations require their confidence in American guarantees. When diplomacy begins to swirl over their heads, Mr. Carter must make sure that they understand.

Washington Post, *"Muddle in the Middle East"* by Joseph Kraft, Oct. 4:

A delicate compromise linking the Israeli, the Arab, and the U.S. positions seemed to be emerging after Foreign Minister Moshe Dayan visited Washington two weeks ago. Dayan indicated Israel would accept Palestinians as part of an all-Arab delegation in a preliminary conference. He said that the Israelis would not admit PLO members, but would not object if the Palestinians leaned toward the PLO.

The joint Soviet-American statement knocks that delicate compromise into a cocked hat. It implied that the United States and Russia were going to impose a Middle Eastern settlement that would begin with PLO representation at Geneva and inevitably end with a Palestinian state.

...The burden of proof is on the Administration. As of now, anyway, it is a mystery why the United States agreed with so much fanfare to the joint statement with the Russians. The explanation that comes to mind is that once again, the Carter Administration has muddled matters in the Middle East.

Washington Post, *editorial, "The Mideast: A U.S. Policy Shift?"*, Oct. 4:

... This (U.S.-Soviet) joint statement *suggests*—we would put it no stronger than that—a change in American emphasis in favor of the Arab side of the a

some years now the American game has been to try to keep the Soviets out of the Middle East...

Equally understand all quite differently. True, there were some concessions to Soviet demands... some passages in the statement actually break new ground in Israel's favor, and that in any case, a joint statement of this sort should be read not as a balanced, comprehensive statement of American policy, but rather as the most that the United States and the Soviets could agree to...

Perhaps so though we have our doubts. On the large question of whether the joint statement reflects some significant switch in U.S. policy, we are considerably more confident that it does not...

Washington Post, *"An Erratic Swerve in U.S. Policy," column by George F. Will, Oct. 4:*

...By collaborating with the Soviet Union, Israel's principal enemy, on a declaration of objectives for a Mideast settlement, the United States took a giant step toward imposing a settlement agreeable to Israel's enemies. The United States had undermined the Geneva conference, transformed the Soviets from passive to active participants in the diplomatic process, resuscitated a terrorist organization (the Palestine Liberation Organization), hardened Arab negotiating positions and emboldened those Arabs who say negotiations are unnecessary because, eventually, Israel's friend will sell her cheap.

...The policy of the preceding Administration, though flawed, rested on an obvious truth: The Soviets should be eased out of, rather than catapulted into, a central role in the diplomatic process. The Carter Administration's sudden and severe tilt in the Soviet direction (just when Egypt is completing its disengagement from the Soviets), reverses U.S. policy in several significant areas...

Israel's friends must ask if an administration this reckless or incompetent (or both) can be compatible with Israel's security...

Washington Post, *"...And the Anti-Soviet Roadblock"* syndicated column by Rowland Evans and Robert Novack, Oct. 4:

...In short, the President has handed Israel an ally of great potential importance: those anti-Soviet hard-liners who have taken an evenhanded approach to the Mideast until now. They fear Russian encroachment on the region's oil riches more than they fear that continuing Israeli intransigence will bring a war that could wreck the economies of the industrial democracies.

This country's pro-Israel lobby by itself has undermined peace efforts of recent American Presidents; Carter now must also face the full potency of the anti-Soviet bloc on Capitol Hill. Typical of conservative Republicans whose support the Carter Mideast peace plan has been undercut is Sen. Malcolm Wallop (R-Wyo.), who called the joint U.S.-Soviet declaration "an act of insanity"...

But U.S. diplomacy had labored for four years following the Yom Kippur war to keep Moscow out. So even if Moscow has made genuine concessions, the transition to a joint U.S.-Soviet policy is far too abrupt.

Oddly, Israeli Foreign Minister Moshe Dayan seems to have understood the American political process better than Carter and his aides. Preferring, above all, to keep the Russians out of the Mideast, Dayan warned the President and Secretary of State Cyrus Vance of bitter reactions in the United States. The handful of top officials in on the secret of the joint statement never saw the political issue in its true perspective. For that, Jimmy Carter may pay an exceedingly high price—and with him, the Western world.

The Washington Star, *editorial*, "Wishful Thinking on the Mideast," Oct. 4:

The weekend's joint U.S.-Soviet statement on the Middle East is at best an exercise in wishful thinking and at worst an exercise in the diplomatic art of saying little while appearing to say much. It calls the situation in the Middle East "unsafe," accurately enough, as if that were news to anyone. Beyond that, its notable effect was to incense the Israeli government and renew its fears that the Carter Administration is willing to trifle with Israeli security in a mindless push to reconvene the Geneva Conference by December of this year...

It is difficult, in fact, to view the joint statement of the past weekend as other than another mincing American step towards the accommodation of Russian views and interests in the Middle East...

We cannot imagine what the U.S. thought it was getting out of the joint statement, unless it fancied that the prospect of a U.S.-Soviet initiative might intimidate the government of Israel...

But these formulas leave us, still, a long way from peace and they are pointlessly provocative to the Israelis. Our friends in Israel take the gravest view of hints that there are "legitimate rights" to be cashed at their expense. And who can blame them?

New York Times, "The Deeper Israeli Issues" by James Reston, Oct. 4:

...The Israelis ask how they can be expected to leave the fate of their nation to the judgment of Washington: and Washington is beginning to ask—in private if not yet in public—why the United States should help finance a policy it fears will lead to another war, another oil embargo, and serious consequences not only for Israel but for the world.

One high official of the Carter Administration, reacting to Israeli criticism of the U.S.-Soviet statement on the Geneva conference, put the official Washington view this way:

"The notion that Israel can keep a million Arabs under occupation is just unreal. No way it can be done. And why

should the United States perpetually maintain that situation at tremendous cost to the international community, to its own security and eventually to the security of Israel if the Arabs become radicalized and modernized? This is why, ultimately, the present course really is disastrous for Israel."

...But it is probably too much to say that Mr. Carter has changed his commitments to Israel, he is closer to a guarantee of its modified 1967 borders than ever before, or that he calculated the U.S.-Soviet statement on the Geneva conference to impose an "outside" settlement on the Middle Eastern states.

New York Times, "Selling Out Israel," by William Safire, Oct. 5:

...For the selling-out of Israel is definitely a departure from the policy of previous U.S. Presidents. Mr. Carter has shown he is determined to take land lost by Arabs in wars against Israel, and to force the creation of a Palestinian state.

Under Soviet pressure, Mr. Carter has announced his embrace of the "rights" to a state demanded by the Palestine Liberation Organization...

Every step Mr. Carter takes is to create that state or "entity" or "homeland." The Israelis cannot tolerate it; the Saudis and the Egyptians and other moderate Arabs do not really want it; the P.L.O., after its defeat in Lebanon, is too weak to demand it. But Mr. Carter is pressing hard for it, with the cooperation of the Soviet Union, which undoubtedly will provide arms...

First, we can call for an end to duplicity. If Mr. Carter has a deal in his back pocket he plans to spring at Geneva, putting all the pressure of the superpowers and the Third World against Israel, then we ought to know its outlines now—in time to urge Israel to wait a year or two.

Second, we can expose the campaign to isolate and weaken Israel...

Third, we can lean back on those who lean on Israel. The President has shown, above all else, how susceptible he is to pressure...

Mondale 'Conservationists' Routed As Senate Scuttles Energy Package

In a humiliating defeat for the political tendency allied with Vice-President Walter Mondale, the U.S. Senate has scuttled the Administration's no-growth omnibus energy package. "The energy program is in shambles," Senator Abraham Ribicoff (D-Conn.), one of the proponents of the "conservation, not production" orientation, bitterly told a Treasury Department representative. "Shouldn't the President and (Energy Secretary James) Schlesinger go back to the drawing board and come up with a new program?"

The rout of Ribicoff and the rest of the Senate's hard core of Fabian liberals was made all the more painful by the fact that their most prominent ally, Vice-President Mondale, was forced to act as political hatchetman against the Fabian filibuster tactic over which he himself had earlier presided. The public wailing and gnashing of teeth by liberal spokesmen in the aftermath of the energy package's dismemberment in the Senate expresses their fear that the White House may abandon them completely.

Call For Public Pressure

The effective defeat of the Administration bill, has opened the door to a serious energy program — one of rapid development of nuclear power, on the scale required to defeat the economic havoc being wrought by the Anglo-American financier backers of the Mondale group.

But the same Senators who helped gut the zero-growth Administration bill, although privately eager to see a high-technology program introduced as legislation, are currently unwilling to *publicly* step forward with such a program themselves. These primarily conservative Congressmen are hoping to strike a compromise with the "conservation" formulas that will promote some sort of energy production. They are relying on the old no-win rules of political horsetrading and "clever" short-term advantage, when political leadership is what is urgently required.

To help bring these privately prodevelopment legislators out of the closet, the U.S. Labor Party is cir-

Schlesinger: Let's Have A Real Cold Winter

In defiance of the U.S. Senate which last week repudiated the Carter Administration's well-head tax on domestic oil, Energy Czar James Schlesinger told a national TV audience the Administration would 'do it any way.' Schlesinger delivered his threat Oct. 2 on the ABC-TV show "Issues and Answers" saying that a \$15-billion-a-year duty on imported oil could be enacted without legislative approval under the Trade Adjustment Act.

To back his threat, Schlesinger said: "The American people still have not recognized the nature of limits. In their heart of hearts they don't really believe that we're running out of gas and this could interfere with the freedom and independence of the nation..."

"Reality has a way of dissipating all the ideologies that you see scattered around the country. It's going to get worse, and I suspect it's going to get worse a lot sooner..."

"I think we'll be able to grapple effectively if we have a real cold winter... Otherwise we'll be skating on thin ice."

Schlesinger continued his ranting at the International Energy Agency meeting last week, warning that Western nations will face a major political and economic crisis in the mid-1980s as the world's "oil wells start to run dry and a physical scramble for energy developed." In a statement before the 19-member nation Paris meeting, which the U.S. officials acknowledged was intended as a bludgeon against Congress on behalf of "the international case" for the President's energy program, Schlesinger said the U.S. would see "a degree of political and social unrest of the kind we did not see in the 1930s."

While Schlesinger spoke in Paris, the Senate Finance Committee reaffirmed its rejection of the well-head tax. At an Oct. 6 meeting, the committee, under the guidance of Sen. Robert Dole (R-Kan), voted 10-to-6 to prevent Schlesinger from exercising Administration prerogative to impose the \$15 billion dollar duty on oil imports.

culating its own proposed legislative energy package on Capitol Hill, the Nuclear Development Act of 1977, as and the companion Energy Development Act of 1977, as exemplars of the program needed. The NEDA bill (see full text below) aims to "restore the United States to its long-held position as the world's greatest industrial nation" through "the provision of efficient, low-cost energy by means of the most rapid introduction of energy-dense technologies," primarily nuclear fission and fusion, while the EDCA bill is geared to developing a credit flow to all those areas of the economy tangential to energy production.

Several Senators have immediately responded by saying that they are open to introducing the bills — *if* they can first get a mass show of support from the American population. These Senators, and the U.S. Labor Party, are requesting that a flood of postcards, letters, telegrams, and support messages be directed to Senators Russell Long (D-La.) and Herman Talmadge (D-Ga.), respectively the chairman and second-ranking member of the Senate Finance Committee, which will have a crucial role in deciding what, if any, energy bill will come out of Congress.

"We hope to have these bills introduced before the current session of Congress concludes," a Labor Party spokesman explained. Congressional offices on the Hill are now saying that Congress will set aside its previous schedule for adjournment Oct. 15, and stay in session until at least Thanksgiving, and possibly even until Christmas.

Filibuster Flops

The energy package, which had breezed through the House of Representatives last July, hit the dust in the Senate Oct. 3 when the Fabians' filibuster against their conservative opponents' bill to deregulate natural gas prices was broken. Vice-President Mondale had presided over a two-week-long transformation of the Senate into a circus as his Fabian allies, unable to defeat the deregulation bill in a straight vote, loaded it down with over 500 amendments and demanded debate and sometimes roll-call votes on every one... all apparently with implicit White House sanction. But on Oct. 3 Mondale aboutfaced and helped Senate Majority Leader Robert Byrd (D-W.Va.) steamroll the filibuster by refusing all other debate and declaring one amendment after the other

"out of order." The next day the deregulation bill passed handily, 50 to 46.

Spokesmen for the Vice-President privately concede that Mondale was acting under orders. But as if to add insult to injury, Mondale was compelled to publicly claim he had taken the step on his own — and thereby set himself up, not President Carter, as the lightning rod for the Fabians' outraged complaints.

In addition to the deregulation bill, the Senate walloped the Administration package with a series of other defeats. The Senate Finance Committee tentatively agreed to eliminate all of the major taxes proposed to conserve oil and natural gas, including the wellhead tax and the oil and gas users' tax, and the utility rate bill gutted earlier by the Energy Committee has proved unsalvageable.

Finance Committee Chairman Long admitted Oct. 6 that the Senate will send a "skeleton energy tax bill" to the House-Senate Conference Committee, and appears to be hoping for some sort of compromise between a gutted Senate version of the bill and the virtually intact House version. But the prospects to be expected from this sort of wheeling and dealing are shown by the fate of the vital Clinch River fast-breeder reactor.

After the House voted overwhelmingly only three weeks ago to flout the Administration's request for a funding cutoff and restore the Clinch River project to full \$150 million funding, a joint House-Senate conference bowed to pressure from Senators Frank Church (D-Id.) and Henry Jackson (D-Wa.) and knocked the sum down to a meager \$80 million. Worse, they agreed that the Clinch River breeder would not enter the construction stage because of the (bogus) "plutonium danger." The breeder project's supporters rationalized this defeat by saying that the President would have vetoed any higher appropriation.

On the same day, the White House announced that it was deferring approximately \$85 million in funds already appropriated by Congress to the U.S. Energy Research and Development Administration, including the Los Alamos neutron facility. One source in the Office of Management and Budget pinned the decision on Energy Secretary Schlesinger, whose continued campaigning for an "energy crisis" and stringent energy cutbacks shows that the Mondale orientation is still powerfully represented in the Administration.

Nuclear Energy Development Act Of 1977

We present here the text of the Nuclear Energy Development Act of 1977, as proposed by the National Coalition of Independents on Issues last week. In motivating the bill, NCII chairman Col. Thomas McCrary issued the following statement:

"The United States right now verges on a crisis situation. Our factories are closing, our workforce is largely unemployed, our farmers are threatened with a loss of credit that would deplete operations. We have come to this situation through a real crisis of leadership, proven by the fact the U.S.—formerly the most productive country worldwide and the highest energy-consuming country—now has no energy policy.

"To let the current stalemate of energy policy continue is folly; letting James Schlesinger remain energy czar is almost treason."

Title I

General Principles of Energy Policy

Congress declares that the following principles are adopted as national energy policy:

1) The basic aim of a national energy policy is to restore the United States to its long-held position as the world's greatest industrial nation and the world's leading exporter of high-technology capital goods. This restoration necessarily entails the maximum employment of the U.S. population at living standards consonant with a commitment to the maximum rate of growth of the nation's industry and agriculture through the provision of efficient, low cost energy by means of the most rapid introduction of energy-dense technologies.

Congress recognizes that the depletion of any existing energy resource by means of a fixed technology, prominently today the fossil resources of coal, oil, and natural gas, tends to force the social costs of energy upwards as the more and more scarce supplies of energy are utilized.

Congress also recognizes that under current conditions of inadequate technological progress, which are exacerbated by the demands from environmentalist groups for conservation of existing energy resources, this tendency leads to a greater proportion of the net profit being required for energy production, leaving an ever smaller amount of the net profit for investment in new sources of energy, capital formation, jobs creation in industry, and general economic growth.

Congress also recognizes that the present economic realities feature vast idle capacity, obsolescence, and shutdown in basic industry, including the nuclear sector; collapsed exports; shrinking of the skilled labor pool; and the inability of Third World countries, laboring under a crushing debt burden, to import from the U.S. as well as the rest of the advanced sector.

Congress also recognizes that this slowing of economic growth leads in turn to a slowing of the implementation of new energy producing technologies and a further aggravation of the crisis. The results of such inadequate rates of economic growth and technological progress are a vicious circle of general price inflation, economic stagnation, rising unemployment and severe energy shortages.

Congress therefore declares that new energy production technologies must be developed and implemented as rapidly as possible.

Congress finds that the basic criterion for the selection of new energy technologies is that they reduce the total social cost of energy production and thus increase the amount of total net profit available for growth in the number of skilled jobs in the revitalized national economy. In scientific terms, to the extent that energy technologies increase the "energy flux density" of an energy source, in other words, to the extent that energy technologies increase the amount of megawatts of power per square meter, such technologies reduce the cost of energy production. By producing power more densely, these technologies, "energy dense technologies," reduce the total amount of capital and labor required to capture a given unit of energy, increase the thermodynamic efficiency of energy use, and decrease energy waste and loss.

Congress also finds that guided by a commitment to the most rapid introduction of energy-dense technologies, a national energy policy will be instrumental to ending the current economic stagnation as well as increasing the living standards of the American people and the availability of productive jobs. In the case of nuclear fission reactors, the construction of one 1,000 megawatt power plant will employ 4,000 skilled workers and 200 scientists and engineers at the plant, which would utilize 35,000 tons of steel, 300,000 tons of concrete, and 1,900 machine tools. This does not include the direct and indirect effects on other industries. Clearly, in the future, these requirements translate into full employment for the U.S. population, and significantly yearly improvements in the nation's standard of living and productive capability.

2) At the present time, the immediate goal of a national energy policy is a more rapid implementation of nuclear energy systems and technologies, while research and development into the energy source of thermonuclear fusion is expanded to meet the goal of a fusion power based economy during the 1990s.

Congress finds that the most energy dense production technologies known today are the technologies of nuclear fission and fusion.

A) Thermonuclear fusion power provides the highest attainable temperatures and thus energy flux densities of any known energy resource once it is fully developed. Fusion power is potentially far cheaper than any existing energy source. Fusion's high tem-

perature plasmas, a media of charged particles, can produce electricity through a direct conversion process at efficiencies of 90 percent or better. The fusion plasmas will offer in 15 to 20 years the complete solution to the problem of "limited resources" by revolutionizing industrial processes through the fusion torch, which is capable of reducing raw materials to their basic elemental ingredients.

The fuel supplies of fusion are abundant in sea water and virtually unlimited, providing sufficient energy for hundreds of millions if not billions of years at current world rates of energy consumption.

The production of fusion power is currently in an advanced stage of research and development and can, with sufficient effort, be commercialized by 1990.

Congress, therefore, declares the primary *National Energy Policy Goal to be the development of commercial thermonuclear fusion power by 1990 and its widespread implementation as an energy source as soon as is possible after 1990.*

B) In the transition to commercialization of fusion power, nuclear fission provides the most energy dense, safest, and cheapest source of power. Presently existing fission reactors, such as the light water reactors, must be vastly expanded in use which is possible through assembly line mass production. All impediments to their construction, including licensing time, court delays and hearings over alleged safety and environmental hazards, must be removed.

Congress, therefore, set as the second *National Energy Policy Goal the production and bringing on line of 1,000 nuclear fission plants by 1990.*

C) Existing fission reactors can only consume the relatively scarce uranium-235 as fuel. Therefore, reactors which breed fissionable fuel from more abundant natural uranium and thorium must be rapidly commercialized. The Liquid Metal Fast Breeder Reactor (LMFBR) is a proven method of breeding fissionable fuel and must be brought into widespread use quickly to supplement existing uranium supplies. The LMFBR is capable of converting the now unusable "fertile" isotopes of uranium-238 and thorium-232 to fissile fuel isotopes of plutonium-239 and uranium-233, respectively. Based on known resources of these isotopes, this would increase the available fissile fuel supply by nearly 200 times the present amount.

Therefore, Congress sets as the third *National Energy Development Goal the commercialization of LMFBRs by 1983.*

D) Given the technical limitations on the rate of fuel production in the LMFBR, and recognizing the great benefits to the research and development of fusion power of the hybrid fusion-fission breeder reactor, a realization of such a reactor as part of the fusion program. One application of the hybrid reactor, already proven technically feasible, is the production, at high rates, of fissile fuel for fission reactors while at the same time producing net energy.

Congress, therefore, sets as the fourth *National Energy Policy Goal the commercialization of the hybrid-fission reactor by the late 1980s.*

The above two principles of a national energy policy are based on the assumption that only with a policy of

energy research and development aimed at the commercialization of low cost, energy dense fuel sources the nation pursue a program of employing its citizens in productive jobs in industry and agriculture. Only on that basis can the funds from corporate profits and the federal revenue be freed from the ever more expensive production of scarcer energy resources to be invested in new energy resources, new technology, and overall economic growth.

Other proposals, not rigorously based on the introduction of new "hard" energy production technologies, such as price deregulation and the development of high-priced, low-yield, "soft" energy technologies (e.g., coal gasification, solar energy, wind, and geothermal power) cannot satisfy the principle of increasingly abundant, low-cost energy supplies. These proposals are not based on the development of energy dense technologies, and the cheapening of fuel costs for the nation's consumers and industry. The formation of capital and the increased availability of skilled labor are the critical determinants to the healthy economic development of this nation.

Title II

Nuclear Energy Research and Development Program

In order to implement the National Energy Policy Goals of Title I, Congress authorizes the Department of Energy to undertake the following programs of nuclear energy research and development:

1) *A crash program of controlled thermonuclear fusion development.*

The Department of Energy shall undertake a national crash program of basic and applied research and development, including demonstrations of practical applications, with respect to all applications of controlled fusion.

The Department of Energy shall review the current status of all U.S. and other efforts into controlled fusion and furnish a full report to the Congress and the nation within two months after the enactment of this bill.

The Department of Energy shall form a committee of the nation's leading scientists and engineers to review current and projected fusion research efforts and develop a detailed report on implementation of the crash program budgeted herein. The committee will further submit proposals for initiation and governance of the research centers budgeted herein. This report will be reported to Congress within two months of the enactment of this bill.

The Department of Energy shall under the authority of the Congress obtain all classified scientific information and other materials which relate to the development of controlled fusion (particularly laser and electron beam fusion) and make this information public.

This program is designed to bring on line by 1990 a commercial thermonuclear fusion reactor. Subsumed within this program is the development of a fusion-fission hybrid reactor by 1987, and the development to commercialization of all fusion technologies, in par-

ticular the fusion torch method for raw material extraction and processing.

2) *A program for fission breeder development.*

The Department of Energy shall bring all facilities currently engaged in research on fast breeder nuclear fission reactor technology under the fusion development program, and integrate breeder research facilities and personnel into the program of fission, fusion, and hybrid reactor systems.

The Department of Energy shall undertake a program to develop a commercial version of the LMFBR by the mid-1980s. Particularly the work on the Clinch River, Tenn. fast breeder project should be completed as rapidly as possible.

The Congress also authorizes the Department of Energy to:

1) Report all of its activities to the Congress and the nation on a monthly basis.

2) Set up a national communications and translation network to transmit scientific data and reports as rapidly as possible.

The Congress further authorizes the following appropriations for the implementation of the National Energy Policy Goals:

1) In the fiscal year of 1978, the present budget should be doubled immediately, and, as quickly as feasible, increased to \$6 billion to be appropriated for the following major categories of expenditure in the program for nuclear fusion development:

A) Basic Research: \$1.92 billion to set up and maintain ten National Fundamental Research Centers and adjuncts.

B) Applied Research: \$1.92 billion to construct and operate approximately 30 major confinement system projects, with the choice of projects to be determined on the basis of scientific feasibility by the committee of leading scientists and engineers specified in Title II, Part 1.

C) Engineering: \$948 million for technology development for reactors and experimental devices.

2) In the fiscal year of 1978 and every year

thereafter unless amended by vote of Congress, \$1 billion shall be appropriated for the development of standardized fast breeder reactors by 1983. These monies will be used to design, develop and test efficient and economic reactor components such as steam generators, intermediate heat exchangers, pumps, heat transfer and fuel handling systems. In addition, the floating nuclear plant concept will be developed into a practical system for the fast breeder reactor.

Title III

Nuclear Energy Development Fund

There is a critical shortage of capital for investment in the private sector nuclear fission reactor industry. Therefore, Congress hereby establishes a Nuclear Energy Development Fund to provide the credit for mass production of nuclear reactors, particularly the light water reactors that utilize off-the-shelf technologies. The fund is to have a duration of seven years and will provide credit for production of all types of fission reactors and for the construction of mass production facilities for fission plants.

Loans made by the fund are to be long-term, typically of 20 years, with interest rates of 2.5 percent per annum. The initial capital of the fund is to be provided out of the General Revenue and is to be set at \$10 billion; no more than \$100 billion per year shall be lent. The capital of the fund will be increased by Congress as necessary to ensure the completion of the National Energy Policy Goal of 1,000 fission reactors by 1990.

This fund should be part of a national credit policy as provided for by the previously established act: "An Act to Establish the Third National Bank of the United States."

The Third National Bank would assume the responsibilities of the fund and provide credit for fission reactor construction, as well as for other private sector energy development industries.

U.S. Labor Party Presents Evidence Of Massive Vote Fraud

The following analysis of the September-October primary vote fraud was issued Oct. 7 by the U.S. Labor Party.

Analysis of the September-October 1977 primary elections in New York City, Buffalo, Detroit, Seattle, Boston, and Cleveland, as well as isolated instances elsewhere, demonstrate that the mail registration and related "Vote Early, Vote Often" stratagems directed by Vice-President Walter Mondale have created an operational vote-fraud capability of massive proportions across the U.S.

The widespread perversion of local election processes evident from this report is grounds for Congress to act now, on an emergency basis, by making public the danger of vote fraud and calling for immediate investigation into the cases of Buffalo, New York City, Seattle, Boston, Detroit, Cleveland, and the U.S. Justice Department's failure to enforce the strong antifraud laws already enacted. The entirety of November elections now scheduled are threatened by this widespread fraud pattern.

Such action by the U.S. Congress is absolutely necessary at this time since the U.S. Supreme Court on Oct. 4, 1977 refused to hear the appeal of a case brought by the U.S. Labor Party, Rockland County (N.Y.) Conservative Party, and other independents against proven vote fraud in New York State in November 1976. In this refusal to call for a new election at that time, Federal Judge Jacob Mischler set the proof of criminal conspiracy as an additional burden of proof for vote fraud.

On Sept. 30, Colonel Thomas McCrary, chairman of the 1976 National Committee for Fair and Honest Elections, issued a call to Congress to act on the vote fraud pattern which he termed "a national emergency." Said McCrary, "Now we see that fraud is rampant in local elections. First, in Seattle and Detroit, individuals with known environmentalist-terrorist connections won primary rounds with astounding totals...(This) confirms that the results bear no relationship to the range of outcome consistent with vote preference. In Seattle, the demonstrated malfunction of the Computer Election Systems, is prima facie evidence of the need for a new election. If the fraud in these situations is not totally eliminated and fair and honest elections guaranteed for November, then this nation is headed for some form of dictatorship."

The fraud capability in evidence in the last month's primaries assumed varied forms. Aside from technical violations of vote fraud which will be cited here, and which have already been officially recognized in one court-ordered new primary election in Buffalo on Oct. 18, the main proof of fraud lies in the results of the elections.

Impossible Results

BOSTON — Black candidates and known probusing advocates did unaccountably well in white, strongly antibusing neighborhoods. In addition, U.S. Labor Party candidate George Geller finished last in a field of 30 for the city council race.

In 1973, U.S. Labor Party candidate Laurence Sherman, running in a non-partisan school committee race, won five percent of the citywide vote. In the 1974 partisan race for the 9th Congressional District, Sherman won approximately 19 percent of the vote (11,000 votes), and up to 28 percent of the votes in South Boston and Roxbury. In South Boston, particularly, Sherman won up to 160-200 votes per precinct, approximately 17 percent in the 6th ward.

In this year's non-partisan city council elections, U.S. Labor Party candidate George Geller won a mere 21 votes on Sept. 27 in ward 6 and came in last citywide. Meanwhile the Communist Party candidate, running on a proabortion ticket in South Boston, supposedly won 90 votes to Geller's 21 in South Boston.

Further examples include black school committee candidate John O'Bryant, who outran well-known antibusing candidate Kevin McClutskey and ran virtually even with antibusing leader Pixie Paladino in a strongly antibusing area, Savin Hill. In Savin Hill too, where otherwise well-known antibusing candidates topped the ticket, Communist Party candidate Polly Halfkenny, who voluntarily listed her address as Roxbury, won 163 votes, while Diane Jacobs, a Socialist Workers Party candidate who had dropped her campaign months ago, got 120 votes, double the USLP's 60 votes. Likewise in Charlestown, a strong antibusing area, black school committee candidate O'Bryant outran popular Hyde Park ROAR president Richard Law, 307-252, where otherwise busing opponents Louise Day Hicks, Ray Flynn, Albert O'Neil and James Michale Connolly topped the ticket.

Further, Geller got no votes in three precincts, statistically highly unlikely in an election where nine candidates could be voted.

SEATTLE — A named Weatherman terrorist coconspirator, Chip Marshall, led the field in the city council No. 2 position in this city in a significant segment of the territory which Republican Jack Cunningham won in the special congressional election in spring 1977. Cunningham's victory was recognized as a national progrowth mandate appropriate to Seattle's high-technology character. In the same Sept. 20 nonpartisan primary, the five U.S. Labor Party candidates' vote totals varied from 88 votes to 10,000 (10 percent) in the city council race.

Wayne Larkin, the political heir to Jack Cunningham, who had the endorsement of the United Republicans of Washington and strong support from the Seattle labor unions, was eliminated with a third place finish, while environmentalist candidates Royer and Schell finished first and second. In absentee ballots, Schell and Larkin ran dead even, with Royer winning 28 percent, and Schell and Larkin 21 percent each. In regard to the City Council position No. 2 race, which Weatherman Marshall led, despite the controversy, 25,000 fewer votes were cast than in the mayoral race.

There was deliberate negligence in Seattle in testing highly vulnerable computer elections systems. Only two of the four machines used to count votes were tested before the counting; both failed to input cards unless the "feed" mechanism was pressed down and one of these machines later broke down entirely. During the counting, the USLP asked for a random hand-count doublecheck procedure of three precincts, which Seattle Elections Chief Clint Elsom refused to perform. Elsom himself had lobbied the legislature that such a random check be law in 1978, and such checks had in fact been performed at the USLP's insistence, in the two previous elections. Three election officials were also heard to complain that "the ballots are wet," a circumstance known to effect the count. The votes of the five candidates of the USLP slate varied from 10,000 (Pat Ruckert) to 88 (Will Wertz). The *Tacoma News Tribune* ran the USLP's charges of fraud in a September 30 article entitled "Fifth Place Finisher Demands Probe."

Investigations Underway

NEW YORK — State Supreme Court Judge Kane of Erie County ordered the first new primary election out of the past month's round of vote frauds for Buffalo on Oct. 18, affirming officially over 1,053 irregularities. Judge Kane's ruling was a result of a case brought by defeated Democratic city council candidate James Dougherty alleging 1,800 irregularities, including numerous instances of more Democratic votes in precincts being recorded than there were registered Democratic voters. Judge Kane's ruling states: "The Court (orders a new election) in the belief that the election process is the cornerstone of our democratic system of government. Not only must it be untainted, but it must appear untainted or else the people will lose their confidence in and respect for not only the election process but also our system of government."

The court also ordered "certain protective measures" ordering that "The Board of Elections must establish

certain minimum standards for election inspection," that "inspectors should receive adequate instruction from the Board of Elections," that the Board of Elections should establish a system of communications to enable inspectors to gain an informed ruling as to the specific problem, and that there must be a system of spot checks during the Oct. 18 primary.

New York State Senator Jim Griffin, who lost the Democratic mayoral primary and is now the mayoral candidate of the New York Conservative Party, called last week for state and federal supervision of the November elections. Griffin assigned a team of ten supporters to look at the Masten Park ward, which turned out a huge plurality for Arthur Eve in a classic "Big Vote" operation, which found 450 irregularities.

Buffalo Common Council candidate George K. Arthur called for the resignation of Edward J. Mahoney, the Democratic Election Commissioner.

OHIO — Following the Oct. 4 primary, Ohio Secretary of State Ted Brown charged, "We'll never know who won the election," reported the Oct. 6 *Cleveland Press*. Brown said that vote tampering may have turned the election in the Cleveland mayoral primary. He charged that there were 10,000 new registered voters on the day of the election, and said that state inspectors had picked up evidence of people voting on any I.D. card or the testimony of any person who claimed that they lived in a neighborhood. Brown is now preparing a mailing to those who signed the poll books to determine whether they are indeed registered voters, and has placed a referendum on the ballot to defeat Ohio's new same-day registration bill.

DETROIT — Detroit City Clerk James H. Bradley completed his preliminary investigation into vote fraud and announced that evidence of illegalities found already, including three votes from one household where there is only one qualified voter, and one vote from a wrong address, mandates a wider and more detailed investigation. An ABC-TV news commentator said Oct. 6 that the investigation "may change the outcome of the primary." One individual doing an investigation into fraud has taken poll books from several precincts and added up the votes indicated by the signatures. First, more than one vote is indicated on some poll cards, and second, even when more than one vote indicated is counted the total from a number of precincts is 10-30 votes lower than official totals. Detroit, like Buffalo, has a pattern of higher voter turnout in inner city black ghettos (55 percent turnout in Detroit ghettos) compared to a citywide voter turnout in Detroit of 47 percent.

Open Letter to William Brock

Some Republicans Have Lousy Intelligence Sources

The following statement was issued Oct. 7 by Lyndon H. LaRouche, Jr., chairman of the U.S. Labor Party.

The statement by Republican National Committee spokesman William Brock, wildly asserting that the Carter Administration "is reviving a role in the Geneva talks for Russia," shows what a miserably incompetent quality of political intelligence information pours into key Republican — and some other — circles.

First of all, if Mr. Brock had been following even the press headlines during recent weeks, he would recall Prime Minister Menachem Begin's recent visit to Romania, and would recall that Israel welcomed a Romanian effort at mediation in the dangerous Middle East situation. Mr. Brock would also note that Mr. Begin has had some harsh things to say concerning the London *Times*. Mr. Brock would also note that following Mr. Begin's successful visit to Bucharest, France's Prime Minister Barre held extended talks with the White House, and that it was in this context that abrupt progress in talks with Mr. Andrei Gromyko occurred.

Second, Mr. Brock seems not to know the nature of longstanding relations between Moscow and Israel. Underneath the rhetoric, and behind the facade of a break in formal diplomatic relations between Israel and Moscow, Soviet policy toward Israel has been consistent at bottom since the Soviet Union first sponsored the United Nations resolution establishing the independence of a state of Israel. A number of Israel's leading figures have stressed the importance of that Soviet policy-doctrine concerning Israel both directly to me, in one significant instance, and otherwise to my closest associates. Every leading Israeli political figure thoroughly understands the nature and the political algebra of this long-standing Soviet policy-doctrine, and many of these Israeli leaders have regarded that Soviet doctrine as Israel's hidden asset — the joker — to be deployed into the game whenever Washington failed to provide Israel the sort of political assistance Israel urgently required.

Third, if Mr. Brock believes gossip to the effect that the Soviets were somehow "out of the Middle East," he has been taken in by the sort of fairy-tales Senator Henry Jackson peddles. Granted, the nature of Soviet influence in the region is far more complex than the editors of the *New York Daily News* might be able to comprehend, and

is a kind of influence which has undergone shifts in character and forms since 1967. However, if Mr. Brock were competently informed as to how matters actually operate from Capetown to Alma Ata and Istanbul, he could not have been guilty of so incompetent an observation as was recently seen in his public criticism of the White House on the Carter-Gromyko joint statement and Mr. Carter's United Nations address.

I suggest to Mr. Brock and others that they take into account the Soviet role in the Gulf area — a matter which has much exercised James R. Schlesinger, and which earlier evoked high excitement in Mr. Kissinger's State Department and the Brookings Institution. I also address Mr. Brock's attention to recent developments in Sudan, both in that country's internal affairs, and its shift in relation to both Ethiopia and Libya.

Fourth, Mr. Brock has acted with manifest ignorance of the constellation of forces immediately acting upon himself and his immediate associates, forces which include Vice President Mondale, Patricia Harris, Secretary Blumenthal, James R. Schlesinger, and of course the so-called Jewish Lobby. I do not know to what extent Admiral Stansfield Turner may be cooperating with those forces, or, alternatively, being governed by a sense of loyalty to President Carter, but of the wretched role of Mr. William Buckley's cronies, including Richard "fifty per center" Viguerie, I have no doubts.

To illustrate the latter problem, I propose to Mr. Brock that he state what he currently believes to be the extent of Mexico's accessible petroleum and natural gas reserves? I raise that point because the nonsensical depreciation of the extent of those reserves has been credulously swallowed by numerous Republicans and others. Does Mr. Brock know that in terms of known petroleum, natural gas, phosphate and uranium reserves, Mexico is one of the major "natural resources" powers in the world? Does Mr. Brock understand how false information circulated among his associates concerning Mexican natural resources helps to put U.S.-Mexican policy on a track contrary to the mutual interests of Mexico and the USA?

When is the Republican National Committee going to learn to discount disinformational garbage from indicated channels and to develop for itself a reliable set of intelligence sources?

The Strategic Situation

I offer Mr. Brock and others the following profile of the current strategic situation. I begin by outlining the general configuration of principal global forces, concentrating on ABCs. This simplification serves the double purpose of starting from the visible level of briefings-education enjoyed by Mr. Brock's associates, and also providing the sort of summary useful to the intelligent ordinary man in the street.

All basic analysis of the strategic correlation of political and related forces in the world begins with an identification of the following principal elements:

1. *The two great powers, the United States and the Soviet Union.*

All relations among states throughout the world center about this two great-power configuration, and there is no crisis in any nation, however specific or small, which does not in some important way intersect that great-power configuration.

2. *The Republic of China.*

With aid of Anglo-American political intelligence penetration in depth of the Communist Party of China, the peasant ideology within China has been grossly enhanced, to the effect of bringing forward an intensely racist impulse of "Great Han" national chauvinism. China bitterly hates the United States, and sees the United States as having been successful in containment of China, beginning with the Indonesia coup of October-November 1965 and continuing through the direct and indirect consequences of the protracted U.S. war in Indochina. China's basic foreign policy is to attempt to break out of that containment by fostering general war preconditions between the United States and USSR.

China's long-term policy to date continues to be the former policy of "the countryside encircling the cities" on a global scale. The failure of the Maoist strategy of "national liberation struggles" of the 1950s and early-through-middle 1960s has "taught" Peking that those struggles cannot succeed in face of the constellation of industrialized nations' power represented by the Warsaw Pact and OECD nations. Hence, Peking has gone over, most notably since the spring and summer of 1966, toward a policy of placing China's power in the balance between the two great powers in such a way as to favor the mutual ruination of both the NATO and Warsaw Pact powers.

3. *The potential for the reemergence of an Adenauer-De Gaulle power bloc of western continental European and (possibly) Japanese forces.*

This force is the natural strategic primary ally of the United States around a policy of global high-technology industrial and agricultural expansion in a capital-intensive mode.

4. *A supranational bloc of monetarist and their political intelligence forces centered in the City of London and extended internationally principally through such components of the London Round Table and Inter-*

national Institute of Strategic Studies as Lazard Freres.

The Fabian and neo-Fabian liberal-radical constellations inside the United States, featuring the so-called Jewish Lobby and the Institute for Policy Studies and its international networks, are the principal U.S. component of that British-centered network. That same British faction is otherwise centered in the neo-Fabian wing of the Socialist International, and the "Eurocommunist" subsidiary of the Socialist International. This is the command structure which runs the overwhelming bulk of environmentalism and international terrorism today, including the proterrorist factions of the Palestine Liberation Organization, the latter terrorists operating with participating complicity by elements of Israeli intelligence.

In general, the underlying configuration on economic-policy issues is an alliance of the anti-Fabian forces against the London-Peking axis. Concerning the issues of global economic policies, the factions in the United States committed to American traditions are in de facto potential strategic alliance with France, West Germany, Italy, Japan, and the Soviet Union, against the London-Peking axis. That may profoundly shock Mr. Brock and others, but that, contrary to headlines of the *Washington Post*, *New York Times*, and *New York Post*, happens to be reality.

To put the same point in another way, there is a fundamental dissymmetry in global power relations. On the one side there is the now-traditional adversary relationship between NATO and Warsaw Pact forces. This is not primarily but only in a tertiary sense a conflict between capitalism and communism. Primarily, the conflict is a great power conflict, in which the substance of the matter is the struggle to strengthen the political and military-strategic correlations of forces at the established adversary's expense on the same accounts. On the other side, there is agreement among the United States, France, West Germany, Japan, and the CMEA nations on the issues of prevailing global economic policy. This was understood, and in the broad sense correctly, by the late Charles de Gaulle, and is a predominant trend of policy outlooks organic to industrialist political forces in France, Italy, Luxemburg, West Germany, and Denmark.

This dissymmetry in the strategic situation promotes a corresponding "schizophrenia" of the sort plainly visible at present in France, West Germany, and Italy. Like the protechnology political currents in the U.S., the cited forces in Europe are concerned to maintain credible margins of political-military strategic advantage relative to Warsaw Pact forces, while simultaneously pursuing economic cooperation concerning global policies with the CMEA facet of the Warsaw Pact.

Hence, the essential art of politics which must be mastered by the White House and Congress at this crucial juncture is to recognize that reality of the dissymmetry without falling prey to the "schizophrenic" potentialities of that most ironical arrangement. Put otherwise, the task facing the White House, the Congress and relevant other leading institutions, is to be the master, not the victim of that dissymmetry in the problem before us.

The Communism Issue

For reasons developed in my *The Case of Walter Lippmann*, communism is not and could not be a substantial issue between the principal powers. The mass communist parties of Italy and France are essentially social democracies, organically impelled toward programmatic political alliances with Christian Democratic and Gaullist political representatives of industrial interest in those nations. Otherwise, excepting some very tiny Communist Parties, the Communist Parties of the OECD nations are nothing but a bad joke which communism has played upon itself. In many cases, such as the Communist Party USA, the Communist Party of Mexico, and elsewhere, the Communist Parties are predominantly under the ideological and practical control of intelligence agencies of the OECD nations, principally the combined forces of British intelligence and the U.S. neo-Fabians, working predominantly through channels of the Socialist International.

This prevailing impotence of communism is best understood by pinpointing the reasons the Bolshevik and Cuban revolutions succeeded despite the predominant flaws in the ideologies of the Russian and Cuban Communists. In both instances, the Communists prevailed because native capitalist forces and those forces' foreign allies blocked primary objectives otherwise identical with those of the American Revolution. In short, communism as defined by "Marxism-Leninism" succeeds only in exceptional cases, exceptions which arise only where no one but the communists acts as a credible force for the development of republican forms otherwise characteristic of industrial-capitalist development. For that reason, communist forces are endemically a potential force within the developing sector, and correspondingly have been intellectually and politically impotent over the past six decades in the industrialized sector.

However, especially in the developing sector, and for the same general reasons, political organizations oriented to Moscow intellectually are a significant element in the interplay of great-power encounters.

Hence, apart from habituated verbal posturings, it is emphatically correct to state that the communism issue is in fact only a tertiary feature of the principal great-power conflicts.

Ironically, the same logic governs the complementary feature of the dissymmetry. Although communist states are distinct from industrial-capitalist states in respect of the political form of ownership of basic means of production and distribution, otherwise they have identical internal economic-policy impulses: technological progress in industrial and agricultural expansion involving high rates of capital formation. This internal impulse leads, if consistently expressed, to a common interest in high-technology global economic policies.

It should be added that on the Soviet side that impulse toward economic cooperation within the continued adversary relationship is actively sabotaged, with varying effectiveness, by the Soviet and East Bloc currents associated with Georgii Arbatov and Arbatov's patrons.

At the moment, Arbatov and his ilk are following policies which exactly dovetail with those of the British MI-6 and related forces in their efforts to sabotage the progress of Soviet-West German economic cooperation discussions.

As I have noted in other published locations, the Arbatov impulse has three elements of the primary importance.

Firstly, in pedigree, Arbatov and his patrons are de facto British intelligence agents-of-influence within the East Bloc, and hence the current dovetailing of Arbatovian and MI-6 policies concerning West Germany is no coincidence. It should be emphasized that British Intelligence is used here both explicitly and generically, including, in its latter aspect, the Lazard Freres and allied networks inside the U.S., including the neo-Fabian Institute for Policy Studies networks.

Secondly, Arbatov and his known associates are proceeding from an expressed inner conviction. They are Orwellian Malthusians of the same "British philosophical radicalism outlook otherwise manifest by Karl Korsch or by Roy Jenkins et al., although of a communist variety. If a fascist transformation of the Soviet Union were possible, it would be forces of Mr. Arbatov's outlook who would lead it.

Thirdly, apart from the Arbatovians, there are Soviet nationalists who otherwise reject Arbatov's ideology, who foolishly gloat over environmentalist and terrorist destabilization and weakening of the NATO countries. This is an expression of Soviet national-chauvinist ("Oblomovist") tendencies which are mildly analogous to the "Great Han" lunacy radiating from Peking.

U.S. Military Strategy

An excellent example of the problem of "schizophrenia" is the folly of Defense Secretary Harold Brown in attempting to give notoriety to the development of U.S. weapons-systems.

Just as the Soviets are proceeding rapidly with the development of new generations of weapons systems, in both the deployment and pre-deployment phases, there is no basis for proposing that the U.S. turn away from research and development in these areas. It is one thing to quietly proceed with such work, and another to make great diplomatic noises concerning such research and development activity. This applies to the so-called neutron bomb. The neutron bomb is a product of a useful area of research, research which has all sorts of applications. This is quite apart from the strategic value of such a weapon, on which accounts the public pronouncements to date are properly subject to a morbid sort of ridiculing laughter. It is also quite apart from making a great diplomatic public-relations fuss over neutron bomb deployment, foolish chatter which aborts progress in diplomatic matters on all fronts.

I am not pushing preparations for war with the Warsaw Pact, I am merely stressing two realities. Most immediately, as long as the potential-adversary relations continues to be institutionalized policy, consequences follow in all areas of domestic and foreign policy. It would be infantile pacifism to pretend otherwise. More broadly, as long as we must have military weapons research, let us have the benefits of genuine research on the broadest basis. Everyone with brains

functioning knows that both we and the Soviets are so engaged: it is not necessary to introduce this theme in a reckless, wild manner on each Tuesday morning from the public relations office of the Defense Department.

The idea that military capabilities cause wars is the sort of nonsense one might expect from the evil Bertrand Russell. However, if the U.S. Secretary of Defense runs around like an hysterical common gossip, announcing new "wonder weapons" Goebbels-fashion, that is quite a different matter.

I set forth the gist of proper United States weapons policy in my remarks, submitted to the Congress, commenting on General George Brown's report earlier this year. Those remarks could be considerably amplified, but the essential point remains valid for the present and the foreseeable immediate future. As to the political solution to this situation, I believe my pertinent observations in *The Case of Walter Lippmann* suffice.

The Immediate Issue

At this point, we should turn our attention back to the immediate implications of Mr. Brock's unfortunate form of criticism of President Carter.

Immediately, the United States is confronted by a threatened collapse of the U.S. dollar. Although this collapse threat is the culmination of many problems and follies from inside the U.S. itself, especially over the past ten years since the sterling devaluation of November 1967, the immediate threat originates with the City of London and complicit U.S. circles, involved in what is, for U.S. citizens, an unpatriotic exercise bordering upon treason.

During the next 30 days, the White House's and Congress's principal attentions ought to be focused on immediate remedies for the threatened collapse. During this period, it is of considerable importance that the Middle East situation be stabilized, and that improvements be secured in the dangerous situation in South Africa. Whatever the shortcomings within Mr. Carter's approach to a Geneva Summit, his agreements with Foreign Minister Gromyko, made possible by Prime Minister Begin and fostered by Prime Minister Barre, represent the first major foreign-policy accomplishment of the Carter Administration, with benefits on many fronts, and at worst represents a context in which the Middle East situation can be stabilized over the immediate weeks ahead.

As you know, the U.S. Labor Party has had much stronger criticisms of the Carter Administration overall than have been forthcoming from the Republican National Committee. However, when that Administration acts in vital U.S. national interests one would think it the duty of all leading citizens to act in accordance with U.S. interests on such a matter. On such grounds, the U.S. Labor Party and numbers of both Republicans and Democrats came around to vigorously defend Bert Lance from the neo-Fabian gangsters because Lance's policies, against the lunatic policies of those who launched the calumny against him, were relatively in the vital best interests of the United States.

Instead, by a process involving Israeli Foreign Minister Dayan, the "Jewish Lobby," Schlesinger, Blumenthal, Senator Jackson and others—members of

the Republican National Committee who ought to have known better—allow themselves to be manipulated into acting as virtual pawns of the same crowd of London-centered forces acting to collapse the U.S. dollar. More or less, as Governor Connally has correctly observed, too many Republican National Committee members allow themselves to be manipulated into sideshows of gossip-mongering and imagined short-term Byzantine deals to petty advantage. Rather than basing commitments on fundamental policy issues, the essence of this pathetic manipulation of the Republican National Committees' members is epitomized by the case of Richard "fifty per center" Viguerie.

With France, Germany and Israeli radio now praising certain of the crucial first-fruits of Mr. Carter's foreign policy success—including Palestine Liberation Organization steps toward recognizing Israel—members of the Republican National Committee line up against Israel's chances for peace with those members of the "Jewish Lobby"—neither Israeli citizens nor among those Israelis who will bear the consequences of a new war—who don't like the majority-based government of Israel's Prime Minister Begin.

You align yourselves with those London-centered forces who are engaged in an attempted minority-based coup d'etat against the legitimate government of Israel, and whose only policy for the Middle East is a new holocaust capable of triggering general thermonuclear war. In fact, you offer no policy as an alternative to the White House's, and could not: as I know, *the present Republican National Committee has no Middle East policy.*

In fact, the Republican National Committee not only has no Middle East policy worth mentioning (only a collection of useless shibboleths), but also no energy policy, no monetary policy, and no foreign policy but the expressed hope, by some that Mr. Kissinger will permanently retire, and by others that he will prove capable of producing a policy for the Republican National Committee. Of course, there are prominent Republicans and Democratic leaders who have some elements of a policy on important questions, and an openness toward quickly acquiring a policy as well as some good instincts for that purpose.

It is notable that Nelson A. Rockefeller has made some open gestures in the direction of an energy policy, centering around his public interchange with Senator Russell Long. Overlooking the errors of omission and commission in Mr. Rockefeller's proposals to date, the philosophy he expressed—stopping the degradation of the U.S. into pastoral impotence by turning to policies of energy production—ought to be used at least as a point of reference for discussions at this juncture.

As you know, Mr. Rockefeller, like the Carter Administration, has not been exactly the cynosure of the U.S. Labor Party to date. However, when the White House and Mr. Rockefeller variously move in positive directions in behalf of vital national interests, we are not such "subjective" fools as to do anything but intervene to encourage such happy deployments. The Republican National Committee ought to be guided, we think, by similar perceptions.

What is needed right now? This weekend, this coming week?

We have to stop a breaking of the U.S. dollar, breaking of the dollar by London-centered forces to which Lazard, the "Jewish Lobby," et al. are directly allied. To this end, we have only one workable economic weapon, the marvelous reserve economic power of U.S. industry and agriculture.

Our vulnerability is not chiefly the flow of Arab funds through the City of London. Our vulnerability is the fact that we are generating unprecedented deficits on foreign exchange balance, deficits supported neither by gold reserves nor by tangible-goods exports.

This would be aided by moving in alliance with France toward a gold-reserve policy based on the current (and upward-moving) current market value of gold. However, a gold policy by itself would be a gesture in futility, albeit a golden gesture.

We need to turn loose the export-potentials of our idled industrial-output capacity and our agricultural capacities. By flooding the world market with the high-technology products in which the U.S. has the greatest potential competitiveness, we can make the U.S. dollar the most desired trading-currency in the world once again, and we could do it like turning on a dime.

If we take preliminary steps in that direction during the 30 days immediately ahead, and on condition that we mobilize forces now around a commitment to a short-term objective, we win. If we do not, the United States loses miserably to the City of London.

Although France, West Germany and Japan have the nucleus of a substantial nuclear-energy export program, only the United States commands the magnitude of productive and related resources to launch nuclear-energy exports on the scale immediately required. We could immediately establish an entity, modeled legally on the Reconstruction Finance Corporation, on the committed magnitude of between \$50 to \$100 billions — as an initial slug. This export effort should be undertaken in direct cooperation with France, West Germany, and Japan as keystone partners for the broad effort.

Our objective should be reaching over the immediate years ahead a level of thousands of gigawatts capacity starts in both nuclear-energy facilities and grid-systems each year, forseeing this nuclear thrust as laying the necessary basis for addition of combined fission-fusion and fusion energy production coming on line during the 1980s and 1990s.

If Mr. Brock and his associates will inform themselves of the bills of materials and process-sheet requirements for nuclear energy installations scaled up to the indicated order of magnitude, they will note the massive requirements for specialty-steel and other basic industry inputs. Such a combined nuclear energy plant and grid-system package, on such a scale, is the basis for a massive recapitalization of those upstream industries, and is, through multiplier effects, the obvious immediate solution to the unemployment and related economic problems of the United States.

Such a program would not be a charitable outlay, and inflationary WPA-type boondoggle, or an inflationary stimulus. Provided expanded energy-production is properly applied to the development of economies, it is the soundest long-term investment imaginable. By increasing the available cheap and useful energy available per capita for production, we multiply the productivities

of employed labor through the more advanced productive technologies this makes possible.

The basic policies of the OECD countries, under such a U.S. initiative, would turn around into directions already demanded by France, West Germany, Japan, and others, and also desired by many developing-sector nations. Nuclear and other modern energy systems, plus other high-technology capital goods and engineering, is swap for petroleum and other primary commodities.

Under those conditions, U.S. dollars become the most desirable possessions of other countries once again. Even the smell of such a policy coming down the White House and Congressional ways would shift the policy of every nation concerning dollar holdings and valuations.

For example, Mexico. Mexico has vast reserves of petroleum, natural gas, uranium, and phosphates. By pouring U.S. technology into Mexico, through agreements made with the Mexican government to this effect, U.S. investments will attract matching dollar-balances from other nations into these undertakings, enabling increased Mexican output to bring its own foreign exchange balance into a favourable position, with significant beneficial flow into the U.S. itself.

Colombia has vast natural resources for development. The Rio de la Plata potential is one of the greatest opportunities for combined quick results in industry and agriculture in a hungry world. The game Ambassador Young is playing with the British in Southern Africa is violently contrary to vital U.S. interests in that region, including our interest in peace. We require a direct settlement for the region among the Republic of South Africa with Angola, Mozambique and other states, a settlement which is possible on the basis of regional high-technology cooperation for development.

The great nation of India, despite the predictably miserable failure of Ford Foundation, World Bank, and International Monetary Fund policies in that nation, has vast potentials under a high-technology development program.

No nation but the United States has the margin of productive potential to fulfill the needs represented by immediate, viable opportunities of that sort. Let us then, get on with it. The looming dollar crash allows us no more time for Naderism and shilly-shallying.

The issue—the fundamental issue—before the United States and the world today is whether the American System or the fungus-covered British System will dominate the world's monetary and economic order. We need only turn the American System loose—the system founded by Benjamin Franklin and his collaborators, the system based on the principle of developing a mighty outpouring of real wealth through the promotion of science and technology as the lever for vastly increasing the productive powers of labor. That is America's fundamental strength and its fundamental weapon. Now is the time to use it, to bring the rule of the fungus-covered British System to an end.

We must do it now, or the dollar is headed for a bust.

We need time, free of other distractions, free of the threat of a Middle East war, to get that underway during the days and several weeks immediately ahead. Any other policy, any other course, is despicable nonsense.

Know this, Mr. Brock. If the United States and Soviet Union are agreed on enforcing peace in the Middle East,

with support from France, West Germany, and Italy, neither London nor all the Sheiks of Araby, nor all the hysterics of the London-influenced "Jewish Lobby," have the power to dare to launch a war against that combined firm intent.

Granted, if we pursue such a course, as we must, the City of London will collapse. No matter: at this juncture, that would be the greatest boon we could give to the British people. U.S. and continental European credit,

under conditions of global economic recovery, would follow Mr. Henry Ford's example, and not permit the productive potentials of even the presently-creaking British economy to go to waste.

Think clearly, Mr. Brock: think tough, Mr. Brock. The sort of soft, muddleheaded retailing of disinformation reflected in your recent statement are not the quality of which effective national leadership is made.

The London Conspiracy To Destroy The Dollar

Several of the leading City of London merchant houses and their foreign collaborators have positioned themselves to benefit from the collapse of the Eurodollar market and the weakness of the U.S. dollar. Intelligence received by *EIR* at several levels from London and elsewhere confirms that the City intends to pull off the great financial coup of the postwar period, capitalizing on the sterling-like collapse of the dollar and the vulnerability of the major American international lending banks. However, not much reading between the lines of the British financial journals (see box) is required to gauge the intentions of the London banks. The stated view of *Euromoney*, the *International Currency Review*, *Investors Chronicle*, the *London Times* and so forth is that the postwar economic growth "miracle" is finished, and that London will inherit the Malthusian horror to follow.

The conditions under which London hopes to emerge as the one dominant receptacle for world liquidity flows are the ones this publication has documented exhaustively during the preceding months. These are the fundamental weakness of the U.S. trade balance, which Treasury Secretary Blumenthal expects to continue at \$25-30 billion during 1978; the industrial downturn in the OECD countries; and the \$250 billion external debt of the Third World. In the simplest terms, London's expectation is that chaos everywhere else, and in particular the inability of the big U.S. commercial banks to intermediate international liquidity flows, will leave the field open to them. The situation is somewhat more complex, but that is the guts of the scenario.

Naive opinion — including that of several top commercial banks — is that the London market is too small, and the London merchant banks too puny, to compete with the American banks or with the big European universal banks. At high levels in Wall Street, the "London menace" has already been evaluated, and, to a certain extent, discounted. This is a grave error. The London banks are operating with far greater perspicacity concerning the fundamental weaknesses of the current monetary situation than others — as will be gathered by any reader of the *International Currency Review*, which directly draws on the foreign-exchange experts of one of London's most famous merchant banks. The second error is to view the London merchant banks as merely a financial operation; in fact, they are the financial arm of a worldwide political intelligence operation with considerable strength in Washington.

What is most easy to miss is the actual nature of the transatlantic ties of the British and New York in-

vestment banks. Nominally these consist of the historical relationship between Warburg-Pincus and S.G. Warburg's, the informal ties of Lazard Frères (New York) and Lazard Brothers (London), and the presence of subsidiaries of most of the big houses in both markets. In fact the financial connections are secondary. The policymakers of both groups are all veterans of the MI-6 and OSS relationship created before and during World War II by Sir William Stephenson, the evil genius of British Intelligence. As *EIR* continues to document, the leading individuals in these groups are the controlling influence in the Ford Foundation, its offspring the International Institute for Strategic Studies in London, the Tavistock Institute, Brookings, and other centers of policymaking.

Although they have great presence in the Democratic Party and its policymaking bodies in the United States, the faction concerned has a political home base in the institutions associated with the British Monarchy, in the strict constitutional sense that the British secret services are immune from parliamentary control, and continue to represent the vehicle of the City of London and related financial interests. At present these interests have the British government of Denis Healey and David Owen at their disposal. Their viewpoint, as stated by T.M. Rybczynski of Lazard Brothers (see box), is fanatically Malthusian. Their goal is to preside over the ruins of the world economy.

Squeeze on Commercial Banks

Especially since the washed-out International Monetary Fund meeting Sept. 26-30 in Washington, D.C., the configuration of the financial warfare situation is the following:

The Eurocurrency syndication market is running at the stupendous annual volume of over \$50 billion a year, with the commercial banks bearing virtually all the burden of recycling of international funds to deficit countries. There is no expectation except at the most credulous institutions — e.g. Citibank — that the Monetary Fund's Witteveen Facility will make any difference in this picture. International banking exposure is increasing by the week. Bankers insist that they have the process under control. A senior Bank of America economist says, "We haven't gone out of our minds — we know exactly what we can expect on the asset side, and what our sources of liabilities are." But he admits that few current loans will do more than refinance debt service, as in the case of the IMF's loan settlement with Peru. Despite bankers' assertions, there

is no evidence for optimism.

In fact, the commercial banks are in a terrific squeeze. U.S. official sources estimate a contraction of Arab deposits in the Eurodollar market during the last 18 months of close to 25 percent. This occurred, according to EIR's access to work in progress at a government agency, due to policy decisions by the Saudi Arabian Monetary Agency (SAMA). The decision was taken, according to the same sources, on the advice of the British merchant bank advisors to the Saudi Arabian Monetary Agency, who are White Weld, Baring Brothers, and Robert Fleming.

OPEC funds went instead, in increasing volume, to private placements of U.S. and European government and corporate paper. No estimates of volume are available, although Hambro's Bank's guess-estimate is \$5 billion in private placements out of London alone so far this year. (Guido Hanselmann of Union Bank of Switzerland says that the Swiss banks are in London's league, although he refused to make a comparison.) Ironically, most of the private placements have gone through American names, and Chase Manhattan Ltd. claims to have number one place.

In other words, on British policy guidance, the Saudis undertook a policy shift that caused virtually all the major international market operators to play the game according to London's rules. The result is that the American commercial banks' access to OPEC deposits has been diminishing relative to previous periods. Yet

their international lending — an activity which the perilous condition of their debtors locks them into — has increased. The official sources cited above believe that the funding for these international loans comes mainly from the transfer of domestic bank deposits to foreign branches. Earlier this year, for example, the foreign and domestic deposits of the twelve New York City clearinghouse banks were roughly even. However, by the end of September, the proportion had shifted dramatically in favor of foreign deposits by a ratio of roughly \$70 billion to \$100 billion. This is not a precise estimate of the net shift of liquidity from the U.S. banking system to the Eurodollar market, but the figures do indicate, in context, that a major shift is under way.

For self-evident reasons, any problem in liquidity in the U.S. banking system could undermine the liability position of some of the leading U.S. banks, especially institutions that have not succeeded in diversifying their sources of funds. Relatively speaking, Bank of America and Citibank are well diversified. Chase Manhattan, Chemical Bank, and Bankers Trust definitely are not, using criteria of retail deposit base, foreign currency diversification, etc., according to most bank analysts. Even though the drawing power of Chase Manhattan Ltd. (Chase Manhattan's London-based investment arm) is relatively greater than that of S.G. Warburg's or N.M. Rothschild's, any shakeout on the Eurodollar market would fracture all the operations of the U.S. commercial banks.

The Dollar Can Be Saved With A High-Technology Export Policy

Lyndon H. LaRouche, Jr., chairman of the U.S. Labor Party, has issued the following emergency program to save the U.S. dollar from the London-Mondale-Blumenthal conspiracy to send it and the United States back into colonial status.

"The manic attempt of the City of London and its agents in the United States to destroy the U.S. dollar is a direct blow at the industrial and agricultural productive potential of this country, and at recent moves by the Carter Administration to join with France and West Germany in using this potential for international peace and economic development. Emergency steps must be taken.

"Over the coming weekend two things must be done. The Administration and protechnology legislators must put the dollar onto a profile of high-technology exports by announcing a policy of high-technology, particularly nuclear exports. The City of London wants to turn the dollar into toilet paper to make the U.S. "bear the burden" of the current world economic collapse; rather we must build the dollar up with a base of burgeoning hard-commodity and high-technology production.

"Simultaneously the Federal Reserve System must move to implement this policy by establishing a two-tier credit system. One window of the Federal

Reserve would then provide low-interest, easy-to-obtain credits for hard-technology energy development, industrial production and agricultural investment. Another window would maintain punitively high rates of interest to clamp down on speculation and other monkey business. Such a policy requires no new legislation, and is fully consonant with the existing conditions of the Fed's charter.

"By Monday, this policy should be supplemented by the presentation of a bill calling for the formation of an Energy Development Corporation. This agency — to be formed on a similar basis to the Reconstruction Finance Corporation of the 1930s, but with a vastly different content — will provide credit for the buildup of production in all areas of the economy that the establishment of a high-technology energy program requires.

"In this situation of economic and political warfare, any manipulation of interest rates, money supply and other monetarist measures will only have the opposite of any intended "technical effect." To save the dollar, we must save the U.S. economy with a high-technology nuclear export program that will return the United States to its proper international leadership for science and technology."

Apart from the possibility of London winning "by default" in a crisis situation, or even using market leverage to help the crisis along, one other major strategic element that could work sharply in London's favor is the Mideast situation. The Saudis in particular have avoided concentrating their funds in the United States out of fear of the boycott issue in Congress, preferring London as more hospitable location. Any outbreak of hostilities in the Mideast adversely affecting U.S.-OPEC relations could have a devastating impact on U.S.-based institutions.

War Against London?

Western European financial circles are "wise" to the London operation, although perhaps not in every aspect, and the European press has issued a number of direct warnings to the City. *Handelsblatt* of Oct. 4 and *Die Welt* of Oct. 7 ran similar articles accusing the Bank of England of trying to intentionally manipulate the inflow of funds into London securities, warning that West German banks may react by pulling funds out. (West German and other European funds are, along with American funds, the major source of the \$13 billion growth of British reserves this year. Arab funds, by one reliable estimate, probably account for no more than \$6

billion.) British Savings Bank Federation chief Helmut Geiger toured London last week, warning his British counterparts that if the Bank of England undertook to artificially raise the sterling exchange rate, then West German banks would no longer invest their surplus funds in London.

Privately, some European financial circles are speaking of "financial war against London," particularly in France and Belgium. One of the big U.S. commercial banks predicts that when the speculative bubble on the London market bursts, sterling will get into deep trouble. In their estimate, \$10 billion of the total \$13 billion reserve increase this year represents hot money, and could flow out again just as easily. Exactly how badly London would be hit by a collapse of the bubble is hard to determine. At the moment funds are still coming in, although more cautiously, particularly into longer-dated gilt-edged bonds, taking advantage of the 400 basis point spread between short and long-term rates. Even the London banking houses expect the market to shakeout hastily in the near future. This is not of immediate concern to Lazard, Rothschilds, or Warburgs, since most of their operations are in dollars. But their financial opponents could use the opportunity to press home the attack.

British Manipulate Dollar Collapse, Move For Pax Britannica

Large-scale dumping of dollars in London, Tokyo, and European continental money markets sent the U.S. currency reeling last week in the wake of the International Monetary Fund's policy debacle. City of London bankers publicly gloated over the dollar's embarrassment, as the British pound soared above the \$1.76 mark for the first time this year. The Japanese currency recorded an all-time high of 259 yen to the dollar.

FOREIGN EXCHANGE

Although British Chancellor of the Exchequer Denis Healey failed in his efforts at the IMF annual meeting to impose a worldwide deflation to prop London's own speculative investments, British financiers have instead activated their "fall-back" option — maneuvers to "come out on top" in the context of a complete collapse of international markets and a new world depression.

Cheering on the dollar collapse, the Oct. 5 *London Times* boasted that a "a declining trend is inevitable because of the American trade gap...The dollar is still bolstered by the inflow of funds from oil-exporting countries, but more of these are being recycled into pounds, German marks and other strong currencies as the dollar drops."

Speaking in purely technical terms, the London banks also stand to lose by the dollar's fall. Due to the longstanding bankruptcy of the pound sterling, British

banks are forced to conduct most of their international lending in U.S. dollars. Nevertheless, London hopes that its strategic control over Arab petromoney deposits and the political clout of its intelligence apparatus will allow British finance to eventually preside over the ruins of the world's industry.

Ironically, major U.S. commercial banks have fallen in line with the British game. At least one large New York commercial bank and a San Francisco-based institution have been cynically speculating on a dollar decline. Morgan Guaranty's widely read newsletter *World Financial Markets*, authored by senior economist Rimmer de Vries, helped to spur on the dollar collapse this week. De Vries put out the self-defeating line that dollar instability was unavoidable and recommended as "solutions" the "selective" revaluation of the Japanese yen, energy czar James Schlesinger's proposed reductions in U.S. energy consumption (thereby destroying U.S. industry), and a U.S. export drive (protectionism).

Reflecting the massive buildup of "short" positions in the dollar by international banks and corporations, the six-month Eurodollar rate shot up to 7.5 percent on Oct. 6 compared to only 6.125 percent for the pound sterling.

No Monetary Solutions for Dollar

As *Business Week* columnist William Wolman, the *New York Times'* Leonard Silk, and other commentators recently pointed out, the U.S. Federal Reserve has been

placed in a "no win" situation where no amount of simple jiggling with interest rates or money supply can save the dollar. The apparent paradox is that short-term interest rates have soared while the U.S. money supply grows at double-digit annual rates, creating simultaneously an excess and shortage of liquidity!

The paradox is explained by John Maynard Keynes' so-called "liquidity preference" formula: in periods of extreme crisis of confidence, investors prefer to hold their funds in cash or shorter-term instruments rather than in illiquid assets. This has tended to accelerate money supply growth, causing the Federal Reserve to raise short-term interest rates in a futile effort to cool the inflationary expansion. At the same time, long-term rates have actually tended to decline or flatten as industrial corporations became increasingly reluctant to invest in new plant and equipment. This "flattening of the yield curve" — as short-term and long-term rates move closer together — tends to accelerate the flight of capital out of long-term bonds into short-term instruments.

Thus, Fed chief Arthur Burns' dilemma: if he continues to allow the money supply to expand, he will provoke an inflationary explosion; if he hikes up short-term rates even more, long-term rates will shoot up as well, destroying the U.S. industrial recovery. According to a spokesman for British brokerage house Arnhold S. Bleichroeder, the further jacking up of short-term rates in the U.S. would so destabilize the long-term U.S. securities market that OPEC investors would be forced to flee from the dollar into the pound sterling — even despite the fragility of the British gilt "bubble"!

The British and New York-based Lazard Frères could then emerge hegemonic in a global Keynesian paradise of government-sponsored "public employment" boondoggles financed through massive issues of short-term "Mefo bills"... while productive industry is cartelized and rationalized out of existence.

Incredibly enough, conservative commercial bankers in the U.S., relying on mechanistic economics of "Brazilian miracle worker" Milton Friedman, believe that the dollar can still be stabilized by simply raising short-term rates. One Mellon family-linked banker told West German businessmen in Frankfurt last week that the U.S. banks' prime rate will be hiked to 8.5 percent

and this will "save the dollar." What better recipe for knocking the props out of U.S. industry! Similarly, St. Louis Federal Reserve Vice-President Denis Karnowsky, in a recent interview, clung to the hope that investors will not desert long-term instruments as short-term rates rise.

Canadian Dollar — Another Casualty

Meanwhile, the Canadian dollar, which is closely tied to the U.S. currency for obvious reasons, has been swept along in the U.S. dollar's collapse. The Canadian dollar fell to a new eight-year low of \$.9195 on Oct. 6, after the Canadian Financier Minister "pulled a Blumenthal", in the words of a Citibank foreign exchange trader. The Canadian central bank, whose foreign currency reserves are at an all-time low, will not intervene in support of the currency, while Finance Minister Jean Chretien announced he did not mind the decline in the exchange rate since this would give a boost to exports!

Also on Oct. 6, the Bank of England decided to intervene only minimally in support of the dollar, in an attempt to cool — without breaking altogether — the inflationary inflow of foreign capital into the London gilts market. Previously, the Bank of England had been buying up huge amounts of dollars for its reserves, forcing it to print up pounds and creating an inflationary surge in British money supply. As a result, British foreign currency reserves hit a record \$17.2 billion in September. By allowing the pound to float upwards against the dollar to the \$1.76 level, the BOE hopes to avoid — at least temporarily — printing up more pounds.

A British-influenced West German journalist summed up the British currency strategy this way: "The pound can't move higher. It'll be stable but no stronger. With the oil money flowing, with the shocks the dollar is going to receive, the pound will be stable."

Some West German investors, however are threatening to call London's bluff by pointing out that there is no real substance beneath the gilt market fluff. Helmut Geiger, the head of the West German savings bank association, visited London last week and warned publicly that the British inflation rate is still too high. Although German banks have been placing their surplus liquidity into gilts up till now, Geiger said, they may decide to discontinue this practice in the future.

— Alice Roth

British, U.S. Banks Scramble For OPEC Funds

After plans to restructure the world banking system at the Washington International Monetary Fund meeting went under at the end of September, the first week of October witnessed international financial brawl for control over what all observers see as impending monetary holocaust.

The City of London has announced in every financial outlet at its disposal the most significant result of the IMF fiasco: the \$1 trillion-plus structure of international dollar debt, starting with Peru, Turkey, and a host of other Third World countries, is headed for default. As the excerpts below from leading journals indicate, the

British have decided that the U.S. commercial banks will be bankrupted, and that rather than mourning their failed IMF attempts at a dollar-sterling axis, London should make hay while the dollar slides.

"No safety net could save the dollar," said the top British bank Schröder's in London yesterday. "What's happening to it is what happened to sterling long ago. There's any number of ways to destroy the dollar. If the Arabs stop dollar purchases, here we are... You know what I'd really like to see? I'd like to see the big U.S. banks collapse. That would be great. They're far too powerful."

The British plan, plainly, is to become the bankers of the OPEC millions as the U.S. commercial banks fold, allowing the Arabs to pull out the overwhelming majority of their \$100 billion-odd invested oil dollars now in U.S. commercial banks and short-term U.S. Treasury bills. While the British realize that any such shock to the dollar will easily drag down the geriatric pound sterling with it, they don't care, and say so. The question is not which currency the Arabs will go into; they will go into all currencies as vehicles. The question is *which institutions will control* the Arab funds when the U.S. commercial giants fold? The British are determined that they, with their "close personal ties to the Middle East," will gather up the petrocurrency and broker it to U.S. and other corporations and governments around the world in "private placements." The British will then have political control — and the commission fees.

Two other viewpoints emerge however. First is the attitude of the dogged if shortsighted U.S. commercial banks themselves: We're bigger than all the investment banks in the world, and we will broker the private placements. With their tunnel vision, however, the men at Chase and other commercial banks naturally cannot deal with the overriding fact that the very existence of their institutions is threatened without a proper support policy for the U.S. dollar and U.S. exports.

The giant U.S. investment banks are not out of the picture, either. With their capital resources dwarfing the British "merchant" bankers, and their more extensive inside contact with the U.S. corporations and municipalities which will be floating the notes the Arabs will want to buy, London's Wall Street cousins, Jewish and otherwise, will be in there kicking for the spoils.

The \$40 Billion Noose

The following article by Ronald Nevans, excerpted below, appeared in the Sept. 15 issue of Financial World.

... "If the OPEC surplus continues for some time—as it will— then it's logical that the U.S., as the world's major oil importer, should bear the financial burden," claims Christopher Johnson, economic adviser to Lloyds Bank. "We in Europe have been asking the U.S. to grow rapidly. And in fact your economy has been increasing at the rate of 5 percent per annum—as fast as the Japanese and faster than the Germans. You just can't have growth of that magnitude without big oil imports. So I'm not concerned about the falling dollar."...

"The United States is now at the point that the United Kingdom was after World War I," continues the English economist over his Reform Club lunch. "The U.S. has begun its chronic balance of payments deficits—its long downhill slide." A farfetched comparison? Not entirely. "U.S. productivity is not increasing as fast as some others" — partly as a result of the switch in the U.S. economy from an industrial to a service base. The same switch we made earlier in Britain.

"But also: The pace of U.S. technological innovation has slowed, and the Americans are losing out to Germany and Japan. And besides that, energy costs have slowed productivity increases.

"The United States used to have 52 percent of the

world's output in the postwar years. It now has 45 percent. That figure will drop to 33 percent within the next quarter century. The period of American dominance—say, 1958 to 1965—as good for the world. It's the best period we've ever had for economic growth—largely 'because of enlightened, liberal U.S. policies, which allowed imports increasingly in while exporting capital. But now that period is over. The United States will have slower economic growth in the future and perhaps a recession in 1978. The recovery at least has already peaked.'...

"The long-term trend is not longer upward, as it has been since 1945," agrees the head of the international department at another Swiss bank. "We're faced with zero growth, sideways or slightly downward economic trends. Our recessions are no longer just a pause in the boom, but a permanent feature. So it would be normal to have a recession in 1978-79." The reasons? "We have reached a point of worldwide market saturation. The auto boom has to peter out because we have enough cars now. In construction, we have too much capacity. With a condition of population stability, we have solved the housing shortage. So the prospects for construction are for two-thirds of half of the former scale. And even consumer products, which have led the current recovery, are slowing down. Everyone has a television now. We don't need any more"...

"My colleagues at Oxford and Cambridge scoff at me," claims T.M. Rybczynski, economic advisor to the London-based Lazard Brothers and Co. Ltd. "But I believe the world has now entered the downward phase of the Kondratieff wave." The reference is to the theory propounded in the 1920's by the Russian economist, Nikolai Kondratieff, who held that the Western world had experienced two-and-a-half long waves, or upward and downward price fluctuations, since the end of the 18th century.

Among other changes, Rybczynski expects that, during the next quarter of a century, the economies of the West will grow at a slower pace than in the "Golden Era" following World War II; that inflation will continue at a relatively high rate, that unemployment will be at historically high levels; that rates of exchange will continue to fluctuate; and that the pattern of world payments will have been fundamentally altered by the fact that the OPEC countries will have emerged as the prime lenders to the world.

Underlying Rybczynski's thesis is the estimate that in recent years the amount of capital needed to produce an additional unit of output has been rising, partly because of the increased energy costs and partly because of a rise in the cost of other raw materials. Yet the need for additional capital comes at a time when various contractionary influences are at work: a reduction in savings due to increased consumer consumption; an increased demand by labor for a bigger share of national income; and an increase in debt by developing countries.

So it all comes a complete circle: the higher cost of oil produces bigger deficits, both in the U.S. trade accounts and in those of developing countries; and these deficits in turn contribute to inflation, unemployment and lower rates of growth. One wonders if the U.S. Congress knew what it was doing when it turned down the President's request for a standby gasoline tax.

“Growing protectionism, especially on the part of the U.S., is a very grave danger,” continues the London banker over lunch at the Reform Club. “There’s also the danger that many countries, including Spain, Italy and Greece, are having to borrow to meet interest payments. Over the next 25 years things will be more difficult, with greater tensions between the U.S., Europe and Japan. We’ll face increasing crises as pieces of the fabric give way—as countries default on their debt, and so forth. The commercial lenders—especially the U.S. banks—have already lent to the limit and are beginning to pull back. But the IMF can’t handle the problem—it lacks both the mechanism and the money.”...

The Economist, Oct. 1: Talking America Into A Recession

The determination of both labour and business to change the administration’s economic policy is making it hard for President Carter to keep his professed intentions. So is a spectacular trade deficit.

...business opinion remains determinedly unimpressed by Mr Carter; it has become almost sulky since Mr Lance resigned. Mr Blumenthal, although ex-chief executive of the Benedix Corporation, is not nearly so well regarded as the former Georgia banker. He is thought to be a maverick and some of the business leaders who met Mr Carter intend to make their telephone calls to Vice-president Mondale now that Mr Lance has gone....

For want of a more rational explanation, it seems that... the country is set on talking itself into a recession...

The United States is more dependent than most industrial countries on exports of agriculture and high technology for its foreign exchange earnings and both are in trouble. Big crops abroad have cut demand, and prices, for its agricultural exports. And the investment slump, especially in Canada and western Europe, has made it difficult to sell sophisticated machinery and equipment overseas....

The administration still seems to reject unequivocally the drastic alternatives of an induced recession and an across-the-board import surcharge to narrow the trade deficit, but there is much talk of more limited measures to “trim it around the edges.”...

It is conceded that such curbs will not make much of a dent without a robust effort to reduce oil imports, but the political will to do this is still lacking.

‘The Money Is Coming Our Way’

An official from Robert Fleming Ltd., one of the largest British merchant banks dealing in Arab Funds, had these comments:

Q: As the major British merchant bank placing Arab

funds in international markets, do you think that the fall of the dollar means a shift in Arab funds away from commercial bank deposits to investment banks?

A: Yes, there has been a fantastic rise, from nothing to \$1-2 billion this year, in Arab funds taking up private placements of U.S. and other corporate bonds, commercial paper, and general IOUs. Of course that is still small in relation to OPEC’s total \$40 billion annual investible surplus funds, but the rise is remarkable.

Q: If the commercial banks are hit by a confidence crisis, who will get the bulk of the Arab business?

A: Well, it’s clear that the investment banks are the ones with the connections, the ones the corporations already deal with for this, they can’t trust the commercial banks to be impartial, because commercial banks always want to do their own financing...and the British naturally are the ones with the close personal ties and personality fit in the Middle East, so we expect a healthy chunk...

Q: What about the U.S. investment banks?

A: Well, they do have the U.S. corporate connections...Salomon Bros., Goldman Sachs do huge Arab deals for commercial paper of U.S. companies, it’s true...but I think the British banks have a good historical record.

‘The Arabs Have Been With Us For Years’

The following is excerpted from a conversation with a director of Chase Manhattan Bank’s Mideast Advisory Service.

Q: Does the fall of the dollar mean a shift of Arab funds out of commercial bank deposits?

A: I don’t foresee more than a gradual shift of new funds — this is nonsense about the commercial banks being in trouble. Of course there are private placements being done, but we do plenty of those... the Arabs have known us for years, they listen to us first.

Q: But isn’t it clear that the investment banks like Lazard Frères, which sponsored the *Village Voice* attack on David Rockefeller recently, are attacking the commercial banks’ new attempts at investment banking activities like private placements?

A: Let them, it’s immaterial. Look, Chase Manhattan Ltd. is leading the syndication of Eurocurrency loans this year in London; the Arabs will never trust the really big money to any investment bank. N.M. Rothschilds? It doesn’t exist any more. If you’re the manager of an Arab central bank, shifting dozens of millions of dollars around the world each day, you’re never going to trust all those funds to an investment bank with a measly \$50 million capital. They’ll stay with the commercial banks, we have the banking power, the placing power, the liquidity....

Anglo-Americans Unleash Protectionist Drive In U.S.

After weeks of White House denials that actions limiting steel imports into the U.S. were in the works, including a Sept. 29 statement by President Carter that he was not certain imports were the problem, Special Trade Negotiator Robert Strauss told a group of reporters Sept. 30 that he would not rule out the possibility that the U.S. will seek import quotas on steel with Japan and the European Economic Community (EEC) before the end of the year.

Following this sudden reversal in Administration policy, on Oct. 3, the U.S. Treasury ruled tentatively that five Japanese exporters are selling carbon steel plate at 32 percent below their cost of production in the U.S. market. The Treasury will require importers to post bond on future shipments covering import duties equal to the 32 percent, while it proceeds with the investigation — a measure that will have the same effect as an actual tariff. The Japanese Ministry of Trade and Industry (MITI) will challenge the Treasury's finding on the grounds that it is based on a definition of dumping as selling below cost of production, which is recognized under the Trade Act of 1974 but not GATT — GATT defines dumping as selling below the home market price. Moreover, the Japanese maintain that the Treasury's estimates of Japanese cost of production are arbitrary.

Then on Oct. 4, Rep. Charles Vanik (D-Ohio), who has well-known "America first" proclivities, urged President Carter by letter to hold imports of foreign steel to 18 percent of domestic consumption in the future, claiming that unless the Administration acts to curb imports, a protection-minded Congress will vote up tough tariff and quota laws.

The impetus for protectionist measures, however, is emphatically not coming from the majority of the U.S. population, but from Lower Manhattan and City of London bankers who are wielding protectionism to put political pressure on Western Europe and Japan. The Anglo-Americans took up the protectionist weapon following the setback to their plans at the just-concluded meeting of the World Bank and International Monetary Fund in Washington, D.C., where Japan and West Germany refused cooperation with U.S. Treasury Secretary Michael Blumenthal and British Chancellor Denis Healey's program for an austerity-grounded hyperinflationary bailout of world debt. Last week an aide to Special Trade Negotiator Robert Strauss practically confessed that the protectionist actions are being orchestrated from the top for the purpose of exerting maximum political pressure on the recalcitrant Japanese and Europeans.

It is generally realized throughout U.S. industry that the imposition of import quotas on foreign steel would hardly protect the U.S. steel industry. The effect would be to precipitate trade wars between the U.S. and its major trading partners and further collapse world trade, which is the actual cause of the U.S. steel industry's problems to begin with.

Kuhn Loeb Pushes Cartelization of Industry

Leaving no doubt that Wall Street and the City of London's real intentions are to chop up the U.S. steel industry, Nathaniel Samuels, chairman of the advisory board of Kuhn Loeb, called for the implementation of Schachtian cartelization on an international scale in the pages of the *New York Times*, Sunday, Oct. 2. Put forward as an alternative to the growing tide of protectionism, Samuels called for the establishment of a broad range of "orderly marketing agreements" — bilateral trade agreements on prices, trading zones, etc. — to be backed up by a "domestic industrial adjustment process."

The so-called adjustment process, according to Samuels, would involve phasing out "nonviable" companies and relocation of workers to more promising industries:

"In those instances (where a company is nonviable) governments may have to engage in acquiring (and disposing of) assets from the owners and in assisting labor in the transition to new employment opportunities. Nothing could be more unproductive than keeping nonviable companies and industries in business indefinitely or drawing young labor into companies or sectors which have little or no future." Kuhn Loeb, of course, is the Anglo-American investment bank that taught Nazi Finance Minister Schacht his economics in the first place.

The aide to Special Trade Negotiator Strauss also revealed that there is outside pressure on the Administration — no doubt from the likes of Kuhn Loeb's Samuels — to move rapidly with a government-directed rationalization program for the U.S. steel industry. "There are no specific plans to change the anti-trust laws right now," he said, "but if the steel companies could talk to each other about production levels and pricing, that would help." On Sept. 24 the *Times* in its business section aired another proposal from the president of Carnegie-Mellon University to change the anti-trust laws to consolidate the steel industry.

'The Last Thing The World Needs Is Another Steel Plant'

The following interview with an official in the office of Special Trade Negotiator Robert Strauss took place on Sept. 30, while the Carter Administration-instigated OECD meeting on world steel trade was still in session in Paris. The interview was provided by an independent journalist.

Q: What is the U.S. delegation hoping to achieve at the OECD meeting on steel in Paris?

A: We are looking for an international monitoring system. As of last night's session there was no definition of what would be monitored. We're trying to find out what the Europeans will agree to. We think a full range of monitoring would be fine — who's producing how much, where is it going, how much does it cost.

Q: An article in the *New York Times* yesterday said the U.S. would give its approval to that feature of the European-wide steel rationalization program which monitors capacity and which forbids construction of new plants unless plants of equivalent size are shut down. Do you see anything like this developing in the U.S.?

A: I would hesitate to say yes, but you're beginning to hear people talking about government intervention in planning production controls. But it's still anathema to the steel industry. The idea is coming from outside, from the public interest areas.

Q: In his press conference yesterday Carter indicated that he wasn't going to take action against imports.

A: That's right. We basically don't want to go to quantitative restrictions unless we have legal back up. We would be subject to retaliation under GATT. But we have been encouraging the steel companies to file unfair trade practices with the Treasury and ITC (International Trade Commission — ed.). Then we'd have a basis for doing something. The second point is that if we restrict imports, then we would be hurt on the inflation problem.

Q: How successful will the efforts of the Congressional steel caucus be?

A: We realize that if we don't do something, Congress will react to constituency pressure. People are very emotional in the steel belts. We'd rather have a more rational solution.

Q: What kinds of measures are you discussing?

A: Changes in the antitrust laws, tax credits... There are no specific plans for changing the antitrust laws right now. But if the steel companies could talk to each other about production levels and pricing, that would help. It would involve government intervention like the Davignon plan (The European rationalization program — ed.). We've also been sending out polite signals to the Lesser Developed Countries. This past week the Soviets granted credits to India to build another steel plant. The last thing the world needs is another steel plant... No, I didn't know that the Japanese had just withdrawn from a steel project in Brazil. If they did, that's a good idea.

Q: Because of the Court of Appeals invalidation of the Environmental Protection Agency exemption of the old steel plants in the Mahoning Valley, many people are saying that all of the plants in that area — not just the Youngstown Sheet and Tube plant — will close.

A: Yes, things are probably headed in that direction. If they're not going to meet the standards, they're going to have to close.

Why Won't The Steel Companies Do It Themselves?

After Ambassador Strauss told a group of reporters that he would not rule out import quotas, a second interview took place.

Q: Why did Ambassador Strauss reverse himself on the import question last week?

A: First let me make this correction. Rowan and Farnsworth (the *Washington Post* and *New York Times* correspondents—ed.) chose to take off on that one point. What Strauss really said at the meeting with reporters on Friday (Sept. 30—ed.) was that we have to consider all possibilities. He was asked whether the negotiation of an orderly marketing agreement (OMA) in steel was out of the question this year, and he answered that in the present situation, all bets are off. OMAs would have to be considered, along with repeal of antitrust laws, government intervention in the direction of the steel industry, and removal of antipollution requirements... I just learned that the Justice Department is doing a study on the efficacy of antitrust statutes under current market conditions.

Q: What will be the impact of the Treasury's preliminary ruling on carbon plate imports from Japan?

A: The ruling will have a good psychological impact. It shows that our government is serious... We (Strauss' office—ed.) fought for four months to get the steel companies to file dumping suits with the Treasury... Why didn't they do it themselves? If I said that they didn't think they could make their case, then I'd be speaking out of turn...

OPEC Nations Urge Energy Growth, Not Cutbacks

Leading member nations of the Organization of Petroleum Exporting Countries (OPEC) have put the lie to U.S. Energy Secretary James Schlesinger's heavy-handed calls for drastic cutbacks in the energy consumption of the United States and Western Europe. The profiles presented below of the energy policies of Algeria and the Persian Gulf nations, as well as Mexico and Canada, demonstrate beyond any reasonable doubt that these nations are fully committed to exploiting their natural resources, be they natural gas or petroleum, to the fullest extent possible, as the primary means available for bringing their nations into the 20th century. To accomplish this feat, however, these leading Third World nations must rely on the willingness of the advanced-sector nations of Europe and the United States to invest in capital exports and to extend the credit for realizing this tremendous wealth.

Algeria:

Europe And U.S. Eager To Invest In LNG

As a major world producer of liquid natural gas (LNG), Algeria is currently being courted by Europe and the United States for its vast hydrocarbon wealth. According to World Bank statistics, Algeria's reserves amount to three trillion cubic meters or six percent of the world's reserves. Currently, Algeria's main purchaser of natural gas is Western Europe, but important contracts with the United States slated to go on line in the early 1980s have already brought the U.S. to the top of Algeria's list of customers.

Despite claims that Algeria has turned its back on Europe and now has a "marriage of convenience" with the United States for large LNG trade agreements, Algeria depends on Europe to purchase its output of LNG and will continue to do so well into the 1990s.

According to statistics from Sonatrach, the Algerian state-owned hydrocarbon industry, Algerian LNG is exported to Spain, France, and England. In 1977, Spain, Algeria's main customer, contracted with Sonatrach for a total of five billion cu. m. (cubic meters) per year over 23 years. Gaz de France is importing approximately four billion cu. m. per year for 20 to 25 years under the provisions of two contracts signed in 1965 and 1973. Finally, under terms of a 1965 contract British Methane has been receiving about one billion cu. m. per year of natural gas. Thus, Europe consumes more than 90 per-

cent of Algerian LNG out of total production of 11 billion cu. m. in 1977.

The future of the Algerian-West European energy relationship is even more certain. Two important Mediterranean pipeline contracts with Italy and France have been signed after many years of delay and a major trade agreement has been concluded between the Italian state-owned energy industry ENI, Algeria's Sonatrach and Tunisia. According to this arrangement, which Tunisia had blocked for three years in litigation procedures, a 2,500 kilometer gas pipeline will link Italy and Algeria via Tunisia and the Mediterranean. This multi-billion dollar project calls for the construction of the deepest underwater pipeline ever attempted. ENI authorities are counting on an annual capacity of 18 and 20 billion cu. m. of LNG per year for 25 years. Algeria also has agreed to cooperate with Spain and Gaz de France for the construction of another Mediterranean pipeline which will terminate in France by way of the western Mediterranean and Spain.

Algerian authorities have claimed that they will not have trouble selling their energy should the LNG agreements with the U.S. fall through. When the Federal Power Commission vetoed Algeria's contract with Easogas of New Jersey, Sonatrach immediately sold the gas to the West German consortium of Salzgitter Ferngas Ruhrgas. According to European sources, Gasunie Néerlandaise will enter into the agreement as a third party, sharing the eight billion cu. m. per year.

To finance its ambitious gas industrial program, Algeria has relied heavily on foreign capital, principally from the U.S. Export-Import Bank. It is thus in the interest of Algeria to realize a successful relationship with the United States by the conclusion of major LNG contracts. So far, only two of the four projected contracts with El Paso and Panhandle Gas have been passed by the Federal Power Commission, whose authority in matters of imported energy has been superseded by the newly appointed director of the Energy Department, James Rodney Schlesinger. Informed sources view this development as a stumbling block in the hoped-for approval of these contracts by the end of 1977. If the remaining contracts are approved, a total of 35 to 40 billion cu. m. of natural gas will flow to the U.S. over a period of 20 to 25 years.

By 1985, Algeria will have a projected production capacity of approximately 70 to 80 billion cu. m. Half of this is slated to be delivered to the U.S. in the form of LNG, given favorable decisions from Schlesinger's new Energy Regulatory Agency. Although a large part of this

projected sum is committed to the United States, the magnitude of the recently concluded gas agreements with Europe prove that Algeria is playing a very safe game, lining up future buyers on the continent in case difficulties arise on the other side of the Atlantic.

Algerian Oil Leader:

Exploit Total Gas Reserves

The vice-president of the Algerian Petroleum Company Ait Laoussine, speaking at the fifth International Liquefied Natural Gas Conference in Düsseldorf last month, urged massive capital investment in gas production for the Organization of Petroleum Exporting Countries (OPEC). Such a large-scale international capital investment in petroleum accompanied by a parallel commitment to nuclear energy internationally will assure that the world economy will suffer no future energy shortage.

“The utilization of OPEC’s total gas reserves would represent transactions 50 times larger than the present level. Here it is a question of the potential production of a valuable, noble and clean form of energy equal to 20 million barrels a day of oil — equivalent to two and a half times the current output of the USA and two-thirds of OPEC’s present production. Thus the export commitments so far entered into by the OPEC countries represent only a fraction of the possible volume... only 7 percent of existing potential for the Gulf countries....

“Having established that OPEC’s gas reserves are undeniably the major world energy source, it is appropriate to examine how they were exploited in 1976 when, although OPEC gas exports rose to 20 billion cubic meters (cu. m.), some 120 million cu. m. was flared. This wastage amounts to 2.2 million barrels of oil a day or more than half the potential energy conservation estimated by the OECD in 1985.

“We have calculated that in the Chicago area the cost of synthetic gas from coal, which is the most abundant resource capable of producing energy of as high a quality as natural gas, would be in the region of \$6.50 per million btu in 1985, which is almost double the highest price authorized by the Federal Power Commission for regassified imports from Algeria.”

Persian Gulf:

Major Investments In Advanced Technology

The Persian Gulf petroleum exporting states are engaged in major new gas extraction infrastructure construction and improving existing oilfield production by attaching gas capturing devices. To achieve projected future gas production targets, an estimated nine billion dollars has already been spent. Liquefied Natural Gas (LNG) plays a critical role both as a leading export and as a feedstock for developing the Mideast petrochemical industry.

Iran is making the most aggressive drive for expanded gas output with a projected target of 67 billion cu. m. a year, 23.5 billion of which will go to the Soviet Union by 1983. A new ten billion cu. m. pipeline will carry the gas to the USSR where it will be swapped for Soviet gas which will be delivered in turn to West Germany, France, Austria, and Czechoslovakia. Iran’s gas reserves, much of which is in the Persian Gulf, is second only to the Soviet gas reserves. Japan is expected to benefit from Iran’s offshore gas through the giant Kalingas joint venture project which will supply Japan with 25 percent of her gas needs by 1985. Spain and Belgium will also receive gas from Iran.

The tiny Persian Gulf federation of sheikhdoms, the United Arab Emirates, is also playing a pioneering role in utilizing the most sophisticated technology for its developing gas industry, through the development of the Das Island complex. Its first gas shipment was dispatched to Japan last April. The Das Island LNG plant, with a capacity of 500 million cu. m. a day, is designed to produce just over two million tons a year of LNG to go to the Tokyo Electric Power Company. Furthermore, the UAE has employed the U.S. companies, Bechtel and Fluor Corporation to build another LNG plant for onshore gas.

Saudi Arabia has employed the Arabian American Oil Company (Aramco) to undertake the largest gas gathering and processing system in the history of the oil industry. When completed, the system will have the capacity to gather and process about six billion cubic feet of gas a day, a figure close to the amount of gas Aramco presently burns off daily as a byproduct of oil drilling. The facilities are expected to come on line in 1979.

The UAE’s neighboring emirate Qatar has one of the world’s largest known gas reserves as a result of a discovery last year by Royal Dutch Shell. At present feasibility studies on extraction of gas from the field are being made by Shell and could dramatically augment Qatar’s LNG exports. Qatar has just raised a \$350 million loan to finance its development of natural gas and plans to build pipeline infrastructure from the inshore Dukhan field, which will yield 650,000 tons a year of liquefied petroleum gas and 150,000 tons a year of natural gas, mainly for export to Japan.

Mexico:

Still Committed To Natural Gas Pipeline

Mexican President José Lopez Portillo's Sept. 1 State of the Union address contained a sharp rebuke to monetarist critics of his government's commitment to build an 800-mile-long natural gas pipeline for supply to U.S. gas companies. The pipe would stretch from Mexico's enormous southeastern oil fields to the Texas border, and would constitute an excellent stimulus to industrial development in both nations.

"There are those who question the wisdom of this pipeline exportation," said Lopez. "We know that the right decision... is to sell our gas by pipeline. Not to do so simply because the buyer is our neighbor would... mean a useless sacrifice the country has no reason to make."

Lopez was pointedly addressing some Mexicans who have links to the Schlesinger U.S. "energy shortage" faction and identify with International Monetary Fund austerity constraints on Mexico. For instance, John Saxe-Fernandez, a representative of the Washington-based, terrorism-linked Institute for Policy Studies, and Herberto Castillo, head of the Mexican Workers Party, have charged that the pipeline could become Mexico's "Panama Canal," with the U.S. defining the gas supply as an element of U.S. national security. Mexico would thus be jeopardizing its sovereignty, and should instead undertake expensive, long-term development of LNG, whose major market would be... the United States!

The obvious fraud in these arguments does not obscure the real point: threatening "nationalist" terrorism against the pipeline project. In a Sept. 5 *Proceso* interview, William Flannery of the Institute for Policy Studies-linked Center for Defense Information stressed repeatedly that the pipeline will be "difficult to protect, vulnerable, and the target for attacks."

Apart from such threats, however, there is, as Lopez indicated, no sane argument to oppose the project. It was the unexpected richness of the natural gas deposits in the Reforma oil field district of the southeast's Chiapas and Tabasco states, currently yielding an extraordinary 6,000 to 7,000 cubic feet of gas per barrel of oil, which led the Mexican national petroleum company, PEMEX, to formulate plans in May of this year for a Reforma-Texas pipeline.

This does not portend well for James Schlesinger's "permanent energy shortage" hoax. The fact is that Mexico may produce four billion cubic feet per day by the end of this year, and in two to three years, the Reforma region's output could reach 10 billion or more. Domestic Mexican demand will not equal this capacity, and even when IMF constraints are removed, the nation will have every reason to propose additional pipeline to the U.S. by 1980.

Financing: Stumbling Block

Apart from the political impact of terrorist sabotage

and similar threats, the only stumbling block in the Lopez government's commitment to the project is financing. The government is presently forced to find ways of bypassing the crippling \$3 billion ceiling on new foreign loans imposed by the IMF for 1977. The price tag now placed on the pipeline project alone is \$1.5 billion. Some of it will come from the U.S. Eximbank, another chunk possibly from a U.S.-European bank consortium. The rest may be raised from the U.S. gas companies and Japanese firms, the former paying for gas deliveries "in advance," the latter accepting repayment in oil after 1980 (a sale, not a "loan").

No matter what, however, the project will not be completed without a confrontation — and break — with the International Monetary Fund program. Large as the pipeline financing is, it is only the beginning of outlays necessitated by the project in the period immediately ahead.

Canada:

Finance Minister Calls For End To Pipeline Moratorium

Newly appointed Canadian Finance Minister Jean Chrétien stated this week that the 10-year moratorium on construction of a natural gas pipeline through the Mackenzie Valley in northern Canada will be set aside if recently estimated gas reserves are verified. He was quoted in an interview with a Montreal daily, *La Presse*.

Recent explorations in the Beaufort Sea area have indicated that Canada has on the order of 20 trillion cubic feet of natural gas reserves in the Mackenzie Delta. "If such reserves exist," Chrétien stated, "there will no longer be any question of waiting 10 years to construct a pipeline...." He said that the environmentalist Berger Report which was the basis for the federal decision to defer a Mackenzie pipeline earlier this year "did not take reality into account." The report is contrary to the actual interests of the Eskimos and other native peoples whose "environment" it purports to defend against such a pipeline, said Chrétien.

This constitutes the first official Canadian acknowledgement of the actual extent of Canadian hydrocarbon reserves. Earlier this year the Canadian National Energy Board (NEB) ruled against the immediate construction of a Mackenzie Valley gas line, solely on the basis of the Berger Report and other environmentalist complaints. The trans-Canadian pipeline route that was sanctioned in its place by U.S. and Canadian officials on Sept. 8 would completely bypass the enormous national gas reserves to which Chrétien referred, tapping only the limited reserves available from the north slope of Alaska.

The Arctic Gas Consortium of U.S. and Canadian companies, which had proposed the pipeline route traversing the Mackenzie Valley as well as to the Alaskan north slope, dissolved following the NEB decision.

Soviets Offer Breakeven Fusion Experiment To Los Alamos Lab

The United States and the Soviet Union are on the verge of concluding a historic agreement that could mean construction of a joint breakeven fusion energy experiment that will be successfully tested within the next few months.

According to leading U.S. fusion researchers, during this summer's Joint U.S.-USSR Fusion Power Coordinating Committee Conference, held in Princeton, N.J., Dr. E. Velikhov, director of the Soviet fusion energy research program, suggested that the "magnetic liner" experiment, based on new Soviet breakthroughs, be carried out at the U.S. Los Alamos Scientific Laboratory. A team of scientists from Los Alamos is already scheduled to leave soon for the USSR to work out the details of the proposal which, if implemented, would take years off even the most optimistic existing timetables for online fusion generated power.

Soviet Crash Program

This program underscores the mutual resolve of U.S. and Soviet fusion officials not to let the U.S. program go down the tubes under the budgetary hatchet of energy czar Schlesinger. Even more important, it underscores that no matter what the U.S. decides, the Soviets are on the verge of launching a multifarious crash program to produce fusion energy in the 1980s. This intention is amply documented in internal Soviet reports (excerpted below).

The internal Soviet reports made available at the Princeton meeting detail the startling success of the USSR fusion research program, and their plans for future work. The reports give, for the first time, an economic analysis by the USSR demonstrating the necessity of nuclear fusion power together with the rapid development of the fission fast breeder reactors and hybrid fusion-fission reactors as transitional to near-term development of pure fusion. This combination of development projects is needed, if, according to the Soviets, the "energy needs of mankind, both at the present time and in the foreseeable future are to be met."

The proposed Los Alamos breakeven experiment consists of a small, hollow metal cylinder a few centimeters in diameter, in which a plasma of fusion fuel is

injected. The metal cylinder is then rapidly crushed or collapsed with a gigantic pulse of electric current and in the process the plasma is compressed to produce the high densities and temperatures needed to ignite the fusion reaction. The system would produce bursts of fusion energy in a fashion similar to that envisioned in laser and electron beam pellet fusion.

The Soviets have recently calculated that a "collapse" speed of 5 million centimeters per second is needed for a breakeven experiment and a total electrical energy of between 8 to 10 million joules. The ideal fast pulsed, stored electrical power supply system for such an experiment is located at Los Alamos Laboratory in New Mexico. It was previously used on the Scyllac theta pinch experiment which was shut down last year, and is not now in use.

Soviet fusion director Velikhov, recognizing the political importance of such a breakeven fusion experiment in the light of the Carter Administration's cutbacks in fusion research, shortcircuited the normal channels for initiating such proposals and went directly to the head of the U.S. magnetic fusion research effort Dr. Edwin Kintner, and the head of Los Alamos Laboratory.

It is clear that given the experimental successes, future plans, and economic analysis outlined in the reports that the USSR is contemplating not just a crash experimental program for the development of fusion, but a crash effort to bring practical fusion power on line. In particular the hybrid fusion-fission system for the breeding of fuel for fission fast breeders and conventional nuclear fission reactors can certainly be developed within the next decade, practically and economically. The scientific basis for the electron beam pellet and the magnetic liner systems has already been demonstrated and experimental demonstrations for reactor grade systems is between two months to three years away.

The Soviets are clearly making plans to begin the construction of the infrastructure needed for bringing this energy technology on line within the next decade — a technology which on the basis of existing knowhow can have 20 percent rates of *economic* growth.

— Charles B. Stevens

USSR Hands Nuclear Research Data To U.S. Scientists

A lengthy and detailed Soviet research report has been made available to U.S. scientists, in a breach of normal "classification" procedures that dramatically underscores the Soviets' push for the most rapid possible breakthrough to commercially feasible fusion power. We present here exclusive excerpts from the U.S. Energy Research and Development Administration's translation of the report, titled "Results of Research in Controlled Thermonuclear Fusion Performed in the Soviet Union from May 1976 to April 1977."

Straight Z-Pinch-Liner (Atomic Power Institute): A study is made of the schematic of the thermonuclear device based on the straight Z-pinch-liner in which the heating and confinement of the plasma are realized directly by the pinching cylindrical shell-liner. The actual magnetic field serves only for thermal insulation of the plasma in the radial direction. In the longitudinal direction the plasma is confined by the stationary ends. The departure from magnetic confinement of the plasma arises primarily from energy arguments.

A numerical experiment was set up considering both the real properties of the liner material and all of the losses. As a result it turned out that in order to obtain more than 20 percent burnup a liner speed of about 5 million centimeters per second and an energy on the order of 10 million joules are needed....

Fuel Problem and Hybrid Reactors (Atomic Power Institute): A qualitative analysis has been made of atomic power in providing for the power needs of mankind both at the present time and in the foreseeable future. It is emphasized that atomic power based on the use of U-235 cycle has proved its economic competitiveness...

However, an analysis of the prospect for the development of atomic power engineering only on light water reactors indicated that subsequently it will encounter the problems of supplying the reactors newly built with nuclear fuel and burial of the radioactive waste....This problem can be solved using fast neutron reactors. However, this type of reactor has limited applications...

Therefore, it would be more expedient to consider other generators of nuclear fuel along with breeders. They can turn out to be the electronuclear and thermonuclear (fusion-fission hybrid) generators....The thermonuclear generator can theoretically provide very large values of K when the self-supporting fusion reaction is achieved....It is proposed that the nuclear power engineering with the use of the LVR breeders and thermonuclear generators be developed as reasonable variations.

Estimation of the Basic Parameters of the Impulse Thermonuclear Generators of Plutonium (NIEFA Institute): Today the thermonuclear electrical powerplants with hybrid reactors appear to be entirely realistic in which the basic proportion of the generated energy is generated as a result of fission of the heavy nuclei by the thermonuclear neutrons....

In the case of using the relativistic electron flux the basic problems today are shortening of the pulse, the frequency operating regime of the generator, transportation and focusing of the relativistic electron flux. Considering a number of new propositions of interest with respect to transportation of focusing, it is possible to state with sufficiently great certainty that the reactor generator based on the relativistic electron flux is realizable on today's level of engineering.

European Terror Networks Threatened But Not Broken

Western European nations, especially West Germany and France, have gone a long way towards rooting out some of the crucial connecting links in the international terrorist networks. Numbers of terrorists and terrorist supporters have been rounded up for questioning or prosecution in the murder of Dresdner Bank head Jürgen Ponto and the kidnapping of industrialist Hanns-Martin Schleyer. An informal "Grand Coalition" of West German parties has gotten together to begin overhauling their national and regional police structure. A potentially disastrous hijacking was nipped in the bud in France.

But as is proven by this week's hijacking by the Japanese "Red Army Fraction," Europe's measures will remain only partially effective until the known international control points of terrorism — the British and Dutch monarchies, the Lazard Freres investment house, and their offshoot, the Institute for Policy Studies — are politically exposed and destroyed. West Germany, with its growing international strength, is in the best position to pursue this course, but instead it has almost compulsively labeled its knowledge of terrorist networks a state secret, hoping that in this way it will not drive the terrorists "deeper underground."

After one month of experience in examining the kidnapping of Schleyer, knowledgeable officials are arriving at the sound conclusion that terrorism is not a domestic product, but is imposed upon them from "the outside." Yet at the same time Willy Brandt, head of the Social Democratic Party and a leading outside agent of international terrorism, is still allowed to play a role in formulating West Germany's national and foreign policy. At a party last week, Brandt even knowingly predicted that "it is only a matter of time until a nation is blackmailed by a terrorist group which has gotten hold of nuclear bombs."

"Lawyer" Croissant Arrested In Paris

Eight weeks after he fled West Germany because of evidence connecting him with the Baader-Meinhof gang, terrorist lawyer Klaus Croissant was arrested on September 30 by French police. This represents not so much a feat of detective work, but rather a political decision to round up some of the major interlinks between parts of the international terrorist network and British and Dutch monetarist forces. Catching Croissant was in fact absurdly easy, given the fact that since his escape to Paris he has been repeatedly interviewed by the television and press media. French police simply followed a reporter from the leftwing newspaper *Le Matin*, who was on his

way to see Croissant in a South Paris apartment. Six others suspects were also arrested there.

That same day, West German authorities arrested two close collaborators with Croissant's Stuttgart office, Arndt Müller and Gabrielle Hein. Three days later, two other suspects in the terrorist kidnapping of industrialist Hanns-Martin Schleyer were picked up near Bremen. One of these, Volker Speitel, is high on the wanted list and is the husband of Angelika Speitel, who has in the past worked closely with Croissant.

Whether the French courts will allow West Germany to reclaim Croissant will be decided within the next week. Croissant's choice of lawyers in this case reveal that French Socialist Party leader Francois Mitterrand is behind an effort to protect him. This week's *Stern* magazine reveals that one of his lawyers, Roland Dumas, is a longtime collaborator with Mitterrand, and has even been under discussion as the Justice Minister in a new "left" French government. Dumas, a graduate of the London School of Economics, has ties to British intelligence.

Anti-Terror Legislation in West Germany

With unprecedented speed, both houses of the West German parliament pushed through a compromise package of anti-terrorism measures last week. The measures featured a law which would allow the government to hold imprisoned terrorists incommunicado under certain emergency situations, thereby giving a firmer legal basis for what was in fact implemented following the September 6 Schleyer kidnapping. But the real significance of the legislation is that it was passed unanimously by all four parties, the ruling Social Democrats (SPD) and Free Democrats (FDP), and the opposition Christian Democratic Union (CDU) and Christian Social Union (CSU). This has been widely seen to be the first step in a more formal "Grand Coalition" between the SPD and CDU.

A new package of noncontroversial antiterror measures is already under discussion. West German Chancellor Helmut Schmidt has already proposed altering the federal constitution in order to facilitate a reorganization of the country's decentralized police forces. An all-party watchdog parliamentary committee has also been set up to monitor the activities of the secret services. All of this is reminiscent of the last "Grand Coalition" of 1966-1969, in which the SPD and CDU collaborated on West Germany's first set of "Emergency Laws."

Last week's vote was particularly useful in singling out

parliamentarians and other officials who either support or actually control terrorist operations. Those who voted against the measures or abstained were all the members of the SPD's and FDP's left wing, and they are now under attack from all parties for their "obstruction of the functions of the government." The legislation itself was also directed against Jürgen Baumann (FDP), West Berlin's Justice Senator, who has refused to tighten up prison security in his city.

But the opposition parties have had their share of sabotage as well. The CDU's Executive Committee last week called for the wholesale outlawing of all Maoist groups, thereby giving even more ammunition to the "antifascist" proterrorist groupings. To make things worse, two CDU leaders have in addition called for outlawing the West German Communist Party (DKP), provoking an outraged response from certain Soviet circles. Other still wilder proposals call for the outlawing of the European Labor Party (the U.S. Labor Party's co-

thinker group) and for designating slander against the state as a crime.

In the spirit of the Grand Coalition the CDU's group in the Bundesrat (upper house) has stated that it will not take action on any of these suggestions. Nevertheless, West Germany's Maoist groups are planning to take maximum advantage of the situation by holding a mass demonstration this week, making up for their miserable failure at last month's anti-nuclear demonstration at the Kalkar fast-breeder site.

Schleyer Still Alive

Dr. Hanns-Martin Schleyer, Chairman of the West German Industrial Association, has now been held by his terrorist kidnapers for one month. The very fact that he is still alive (as proven by occasional videotapes) is both a testament to the steadfastness of the West German

Japanese Red Army Surfaces Again In Destabilization Of Japan

Last week the terrorist Japanese Red Army successfully hijacked a Japan Air Lines's plane, netting the terrorists \$6 million as well as the release of six terrorists from Japanese prisons in exchange for the lives of 151 people.

The atrocity is a first step in a British-directed campaign against Japan. According to BBC radio, a Red Army spokesman in Cyprus announced that the Red Army from now on would focus on Japan and Israel as the two prime targets of Red Army terror. The spokesman then announced a "hit list" of 200 prominent Japanese leaders.

The Japanese Red Army first came to world attention in their machine gun and handgrenade massacre of scores of people at Lod airport in Tel Aviv in 1972 in a protest against "Zionism." The Red Army was initially formed out of the merger of a proterrorist, Maoist group which was expelled from the Japanese Communist Party in 1967 and Kyoto-based anarchists heavily involved in Japan's "SDS" known as Zengakuren.

Coincident with the Lod massacre, Takahashi Takemoto, a professor of French literature at St. Pauls University in Japan and a director of Japan's major New Left "pacifist" group Beiharen, became the director of the "political committee" of the Red Army. Takahashi was previously involved in organizing the defection of U.S. servicemen from U.S. bases in Japan to Sweden via the Soviet Union. In Europe, Takahashi's closest associates in New Left circles were the group of future Weathermen around Institute for Policy Studies agent Bo "Arlo" Burlingham in Paris. Takahashi served as the liaison man between the Institute and Beiharen operations in Europe. These same groups today provide the "support" operations for the no more than 40 hard-core "soldiers" inside the Red Army.

Terror Climate

The Red Army operation is the most visible wing

of a British-directed operation to create a controlled prozero-growth "left" opposition to the industrial-based Liberal Democratic Party (LDP). Central to this operation is the attempt by a group around Hideo Den, who a week ago announced his resignation from the Socialist Party of Japan, to create a new party explicitly modeled on François Mitterrand's environmentalist Socialist Party of France, to compete with the LDP. Den is an active collaborator with pro-British Fabian circles inside the U.S. centered around the Institute for Policy Studies. Den's new party is to set the political climate which is central to the success of Red Army terror.

As for the Red Army itself, the organization is undergoing a major reshaping exactly along the lines of the Weatherman operation inside the U.S. During the hijacking, the Red Army demanded the release not only of some of its hard core members but also of terrorists from the "East Asia Anti-Japanese Armed Front" which conducted terror bombings against Japanese industry, as well as of two convicted murderers with no past political record, who were merely "sympathetic" to the jailed "East Asia" crew.

Importantly, the Red Army did not demand freedom for Takahashi, who was arrested in Sweden earlier this year. According to Japan's second largest paper *Yomiuri*, this is because Takahashi is now saying his group is "different" from the Red Army.

Takahashi is now being promoted as a hero in Japan's radical press and will be used to reorganize Japan's now hopelessly splintered "New Left" as a political auxiliary to the Red Army, and can be counted on to target progrowth industrialists as "big business fascists," to be subject to kidnapping and murder by the psychotic "soldiers" of the Red Army.

government in the face of terrorist threats, and to the pressure building against the kidnapers' British-controlled networks. Over the past week reports have been heard that this gruesome episode which resulted in the deaths of four of Schleyer's bodyguards, will be forced to an end next week.

Because the West German government is maintaining its strict silence on all aspects of the investigation, the public media have been dominated by a series of deliberately misleading rumors. The first of these centered around the Netherlands, where 11 members of the Baader Meinhof gang were reputedly hiding in the countryside. Dutch Prime Minister Joop den Uyl immediately instituted a full "search and seal" police operation, declaring his "full solidarity" with West Germany's Chancellor Helmut Schmidt in the anti-terrorist effort. As a result, Knut Folkerts, a collaborator with the Baader Meinhof, was arrested September 22 following a bloody shoot-out. Since then, Schleyer has been rumored to be on a boat in or near Holland, and a number of yachts in the English Channel have actually been searched.

Informed intelligence sources report, however, that none of these actions are aimed against terrorists, but rather are "preemptive" maneuvers on the part of the British and Lazard Freres networks which themselves control the terrorists. The recent activities of Michel Poniatowski, former French Minister of the Interior and a British Interpol agent, point to his involvement in such maneuvers. Poniatowski was sent to the West German capital Bonn last week as a "special emissary" on joint French-West German antiterrorist operations. Upon his return, he told an interviewer that the "ugly German" problem is real — the same accusation being made by supporters of terrorism throughout Europe. Poniatowski has subsequently shown up in Tehran.

One further rumor concerning Schleyer has come from

a Bonn correspondent of the Lebanese weekly newspaper *Al Watan Alarabi*. It states that an agreement between the kidnapers and the government has been worked out through the mediation of the Palestinian Liberation Organization's External Affairs Minister Kaddumi. The details have supposedly been worked out by two PLO members smuggled into Bonn especially for this purpose. PLO spokesmen refused to comment when asked about the report.

French Act Quickly to End Orly Hijacking

In a show of political determination, the French police ended a hijacking of a French jet at Orly airport September 30, only hours after the ordeal began.

That morning, known terrorist Jacques Robert hijacked a French jet on a domestic flight after its takeoff from Orly airport, and forced it to land again. Among the 90 or so passengers was Lucien Neuwirth, a Gaullist official and former Minister of Information of De Gaulle's 1958 government. Brandishing a grenade and other weapons, Robert demanded that he be allowed to broadcast a message over two radio stations in exchange for the safety of the passengers. After several hours, special intervention units, the "antigang brigades" and the gendarmerie stormed the plane and overwhelmed Robert who set off his grenade. Several were injured, and one died later.

Early in 1974 Jacques Robert had invaded a radio station, taking hostages in order to broadcast a statement. Sentenced to 30 months imprisonment, he was released after 18 months and was processed through various psychiatric clinics. These types of clinics for prisoners are generally run by "left-wing" psychiatrists who brainwash their patients into committing further terrorist actions.

France, W. Germany Coordinate Efforts For Nuclear Development

The now emerging Franco-German alliance on the question of nuclear energy is facilitating the strengthening in West Germany of an informal "Grand Coalition" between Social Democratic Chancellor Schmidt and the progrowth faction of the opposition Christian Democratic-Christian Social Union.

The CDU-CSU published this week a nine-point program on energy development for discussion at a special October 10 energy congress to be held in Hanover. The program is a complete repudiation of zero growth, and demands "intensive promotion" of fusion power research and fast-breeder technologies. Significantly, the program "supports all efforts for peace in the Mideast" as a basic feature of guaranteeing energy supplies.

The level of cooperation between the SPD and the CDU was underscored by the presence of leading SPD member and Mine Workers Union leader Adolf Schmidt on the podium. CDU energy spokesman Heinz Riesenhuber commented on the importance of the question to the Social Democrats' working class base,

"Isn't it funny that the Christian Democracy now represents the real interests of the workers."

Negotiations for the "Grand Coalition" accord were sparked by a national security crisis around the September 6 terrorist kidnapping of Hanns-Martin Schleyer, head of the German Association of Industry. On October 1, government-opposition cooperation in the Schleyer affair resulted in a groundbreaking all-party vote in the national parliament for more stringent anti-terrorist regulations.

This joint action against the terrorist threat has produced a national consensus in all parties that a direct connection exists between "environmentalist" organizations (which have succeeded in halting an ambitious government program for nuclear power development) and terrorist organizations. This consensus was voiced on October 4 by Finance Minister Hans Apel in a nationally circulated interview. The antinuclear forces, through a series of court actions banning power plant construction, had "created a national state of emergency," Apel declared, "in preventing 25 billion marks in desperately needed investments."

West Germany's CDU Proposes Nuclear Development Program

On October 5, West Germany's Christian Democratic opposition party issued a groundbreaking nine-point program for nuclear energy development and petroleum imports to be discussed at its October 10 special energy congress.

Supported by leading industrial spokesmen such as Frankfurt Chemical Industries Association spokesman Heinz Riesenhuber, the program has made rapid development of nuclear energy the central issue of debate in ongoing negotiations between Social Democratic Chancellor Schmidt and the Christian party opposition for an informal "Grand Coalition" accord around pressing questions of national security and economic development.

The nine points of the CDU program are:

- Increased security in provision of energy resources than in the past.
- More rapid transition from petroleum to alternative energy sources.

- Support for all efforts for peace in the Mideast and the world.
- Encouragement of diversification of petroleum importing sources.
- Bilateral and multilateral cooperation with OPEC and other raw materials states.
- Establishment of greater security stockpiles.
- Further development of crisis management in the International Energy Agency.
- Usage of oil, natural gas, nuclear energy and regenerative energy resources.
- Usage of all technologically feasible forms of uranium as an energy supply, including breeder reactors, and intensive promotion of fusion power.
- Introduction of a fair relationship between industrial and developing countries, on a free market economy basis, within the framework of a New World Economic Order.
- Cooperation within the European Economic Community, and with other western partners for the development of nuclear reprocessing and waste disposal facilities.

French Support

In August, the French government offered to West Germany usage of its nuclear waste disposal facility in La Hague to hasten West German fast breeder research and construction. This week, the provincial governments of Rhineland-Palatinate and the Saarland announced that they will join the federal Franco-German commission on nuclear power construction in border regions.

The province of Bavaria has also given official implementation orders to a regional program for construction of 12 power plants, previously stalled by environmentalist action. Rheinland-Palatinate will similarly begin construction "in the near future" of two nuclear plants on the planning board.

These provincial decisions have been encouraged by a recent decision by the Federal Parliamentary Committee on Research and Technology to defend construction of the Kalkar fast breeder reactor, in opposition to a Münster court decision earlier this year imposing a construction moratorium on the site. The committee stated in its recommendations that the present "Atomic Law" should be changed to include provisions for technological development, if the court decision is not reversed.

The effort to develop nuclear fusion technology has been another major focus of cooperation. In a major article in the Oct. 5 *Le Figaro*, Alain Vernay heralded the goals of France's nuclear energy industry with a call for a full fusion-based economy by the year 2020.

In West Germany, the parliamentary research committee has held a private hearing on the prospects of fusion power. According to the commercial daily *Handelsblatt*, Christian Democratic members of the committee were "very positive and optimistic" about fusion in spite of the collapse of talks over the European "JET" project. More and more Christian Democrats are reportedly in favor of either developing fusion technology unilaterally or else proceeding with one other partner, presumably France.

Le Figaro:

Fusion Required To Solve Energy Crisis

The article here was written by Alain Vernay, economics specialist for the Paris daily Le Figaro and appeared on that paper's front page Oct. 5 under the headline, "Energy: To Avoid The 'Great Crisis'."

How to avoid a great energy crisis in 1985 when oil demand will have become greater than supply? This is

the anguished question which the ministers in charge of energy in 19 industrialized countries will have to study today in Paris on the occasion of the second session of the Executive Committee of the International Energy Agency (IEA).

The 19 believe that a serious shortage could only be avoided through double action on two levels, to begin without delay: on the one hand through an increase of uranium production and an effort to catch up after delays recently incurred in the area of nuclear electricity; on the other hand, through new attempts to save petroleum by fixing a global Western import target for 1985...

Progress comes via getting rid of illusions.

The first illusion, which explains, without excusing, the prolonged absence of France from the IEA Council, is to think that it has remained as in the times of Henry Kissinger. For him, in 1974, the energy problem was brought down to a confrontation whose stakes were the fixing of crude prices between a producing cartel, OPEC, and a cartel of consumers which should be formed to stand up to it. The enemy, for the industrialized democracies, was OPEC... This view of the world has been overcome, in Washington as elsewhere. The enemy is now the laws of the market. If the conditions in which these laws function could be changed through an effort towards energy diversification, these laws would cease to be threatening...

The second great illusion which must be dismissed for the IEA, is that it is only interested in hydrocarbons and not in the totality of the energy field... In the energy field, it (the IEA) has passed from a product strategy to a market strategy. To satisfy the increased petroleum needs, it is essentially counting on a tripling of uranium production, at least until 1985...

Then a new grave deadline would come towards the year 1990, if between now and then a sufficient number of fast breeders — wasting less fuel and producing more thanks to recycling — have not been made operable. Another danger of shortage would occur between the years 2000 and 2020, if we have not passed from fission to fusion.

Perhaps we must see an even broader perspective. An attempt to respond to the energy needs of the next generation is undoubtedly the only task which can permit a rapprochement between statesmen from the Northern and Southern countries, and perhaps in the shorter term, between West and East. Recently — notably in Paris — there are those who think that such an enterprise could give meaning and content to the ambiguous proposal by Leonid Brezhnev to study energy problems in a conference which would follow up Helsinki...

'Basket 2' Economics Up Front As Belgrade Conference Opens

The Belgrade Conference on Security and Cooperation in Europe (CSCE) opened Oct. 4 with an emphasis on East and West European economic, and especially energy, cooperation. Milos Minic, Prime Minister of the conference's host country, Yugoslavia, told the gathering—which brought together the U.S., Canada and the 33 European nations which signed the 1975 CSCE accord in Helsinki—to seek “generous international credit extension” for regional cooperation on energy development. Minic's appeal to West Germany to make a special contribution to this effort was reciprocated Oct. 5 in the presentation by West German delegate Van Well, who said that only concerted pan-European planning can provide energy on the scale needed by “the industrial continent of Europe.” Van Well, echoing a proposal made many times by Soviet President Leonid Brezhnev, suggested a special conference be held on energy development.

The three sections, or “baskets,” of the Helsinki document are up for review at the Belgrade conference. These are: military and defense matters (Basket 1), economic cooperation (Basket 2), and the area of cultural and other exchanges, including “human rights” (Basket 3). The Belgrade conference had been slated as a battlefield for East-West confrontation over “human rights.” But the Carter administration's attempts to downplay the provocative “human rights” issue in order to ensure collaboration with the USSR on strategic arms and Middle East peace may force the Basket 3 talks to take a back seat.

The importance of discussions in Belgrade on economic program is underscored by the presence there as observers of delegations from the non-European Mediterranean nations of Israel, Egypt, Algeria, Morocco, and Syria. Outside the official CSCE framework, Bel-

grade has also played host to Saudi Oil Minister Sheikh Yamani and other Arab financial delegations in recent weeks. Yugoslavia is an obvious crossroad for European and Arab factions whose sights are set on radical new financial arrangements. Indeed, Yugoslav Premier Minic reiterated in his speech the nonaligned nations' stand in favor of “international financial reorganization.”

This flurry of diplomatic activity in the Yugoslav capital in the opening weeks of October directly complements the earlier high-level Franco-Soviet and Italo-Soviet discussions on financing tremendous increases in world trade, and significantly, have included representatives of the powerful Communist Parties of France and Italy as well as regular government delegations.

General Secretary Enrico Berlinguer of the Italian Communist Party traveled to Budapest, Hungary and then to Belgrade recently, where he conferred with President Tito. The communiqués from Berlinguer's discussions in both capitals stressed economic issues; with Tito, he called for establishing a new world economic order. Berlinguer will be followed on the Budapest-Belgrade route by his French counterpart, Georges Marchais.

This pattern of diplomacy has led to informed speculation that Moscow is in the process of resolving its polemics with the so-called Eurocommunists, by giving precedence to the issues of economic development on which the USSR, the Andreotti government in Italy, the government of French President Giscard d'Estaing, and the healthy sections of the Italian and French Communist Parties can agree. Italian press commentaries observed that during his latest trip to Eastern Europe, Berlinguer distanced himself from the extreme Eurocommunist leader of the Spanish Communist Party, British agent Santiago Carrillo.

Britain: Unions Give A Qualified 'Yes' To Callaghan

In answer to party leader and Prime Minister James Callaghan's ultimatum “back us or sack us,” this week's Labour Party annual conference had little choice but to affirm its support for the beleaguered Labour government. But the trade-unions, the largest bloc delegation to the conference, are far from enthusiastic supporters of the government, whose economic policy, sired by Chancellor of the Exchequer Denis Healey, they feel is driving a wedge between the unions and industry, supposed allies in the Callaghan strategy for the regeneration of British industry.

Ironically, it was at last year's conference that Callaghan launched his then near-revolutionary strategy for tripartite support in rebuilding the British economy through investment in high-technology industries and export-led growth. While the other half of the strategy — below-inflation rate wage increases and cutting of government expenditure in social services — has been vigorously adhered to in the past year (real incomes

have declined by nearly 6 percent), the collapse of world trade and the giant speculative paper bubble in the City of London has precluded any serious success in the government's regeneration strategy.

Not surprisingly, Healey, just returned from his trumpeted reception at the International Monetary Fund meeting in Washington, D.C. the previous week, met with a decidedly cold reception at his own party conference. The government's so-called economic miracle for which Healey received high praise at the IMF meeting, was disclaimed as a “financier's recovery” by delegates whose constituencies face growing unemployment and further collapse in industrial investment.

Labour, Nonetheless

Yet, at the vote, the unions backed the government's wage-control, “regeneration” program; not because there is complete acceptance of the strategy, or even sim-

ply out of fear of a Tory government. But because without union support, the Callaghan government would be forced to resign, leaving the way clear for the destruction of the Labour Party as a viable working-class party in Britain.

Little attempt is being made to hide efforts to split the Labour Party into two opposing factions, neither of which would pretend to represent Britain's large trade-union movement, which in contrast to the U.S., has practically 80 percent of all workers within it. The right-wing social democratic faction, led by Healey and European Commissioner Roy Jenkins, would be free to align with the Liberal Party and factions of the Tory party under a strict monetarist economic program which would leave Britain a deindustrialized wasteland. The other, a "neo-Marxist" faction based on grassroots constituency parties, would form a zero-growth, "left" alternative.

The trade unions' support for the Callaghan government, therefore, signaled their intent to keep the Labour Party firmly committed to a proindustrial growth strategy. Successive interventions by trade-union representatives at the party conference registered their commitment to growth by blocking constituency party resolutions demanding a ban on nuclear power development. Electricians Union leader Frank Chapple warned of cold, starvation, and world war without nuclear power, while Miners' union general secretary Joe Gormley predicted "a return to the Stone Age" if the zero-growth proponents were successful.

Healey Under Fire

Preliminary attempts to weed out the monetarist faction of the party were made by Transport Workers Union general secretary Jack Jones, who launched a bitter attack on the corruption within the Labour Party — corruption which directly involves former Prime

Minister Harold Wilson and his Jewish financial friends in the City of London. Following the suicide of ex-Second International Treasurer Sir Eric Miller (knighted by Wilson), evidence concerning Miller's connections and shady transactions with several of Wilson's top aides, including Chancellor Healey, has become public knowledge. When asked if he was implicating Healey in his attacks on ministerial conduct, Jones only replied "draw your own conclusions," but proceeded to charge that the government's lack of credibility with traditional Labour voters could be directly linked to its hypocrisy. He called on the Labour party to "come out as a clean party, a party of principle... above suspicion."

Jones' attack on Healey is just an extension of general discontent over the way the Chancellor has deliberately driven a wedge between the unions and industry over wage policy. Healey announced in his August budget that any company which contravened the government's "suggested" pay increase of 10 percent would immediately face withdrawal of all governmental aid, export credits, or investment assistance. While several smaller companies have already been hit by Healey's sanctions, the largest, and most recent industrial rebel is Ford Motors of Great Britain, whose announcement only last weekend that it would provide 7,500 jobs in a new engine plant in South Wales was greeted by the government as "a major boost for our industrial strategy."

While the government's position against Ford is still undecided, major trade-union support has already been mobilized for the companies caught in Healey's de-industrialization squeeze. Moss Evans, general secretary-elect of the Transport workers, denounced the Healey strategy as "blackmail", charging that it "smacks of the corporate state" and might destroy the government's hopes for collaboration with the unions on the industrial strategy.

Union Of The Left Break Means PCF Must Renew Program

The following policy statement from the European Labor Party (ELP) on the current programmatic debate threatening to fracture the Union of the Left, the French Communist Party's electoral alliance with the Socialist Party of François Mitterrand, was released in the Oct. 4 issue of the ELP's bi-monthly publication Nouvelle Solidarité:

The break in France's Union of the Left and the new forward motion taken by Franco-Soviet cooperation are creating an entirely new political configuration in France. In view of this historically decisive situation, the French Communist Party (PCF) and its allied trade union, the CGT, can only respond by becoming a center of prodevelopment programmatic initiatives to which other forces will have to define themselves, or else disappear as representative institutions of the working class. There is no other choice for them now.

This immediately raises the question of the Common Program of the Left. Officially, it is in the name of the

letter of this program that the PCF broke with the Socialist Party (SP), by demanding, against SP leader Mitterrand's will, the nationalization of all the subsidiaries of the nine industrial groups that are listed in the text of the 1972 accord between the two parties.

Reality, as militant Communists well know, is quite different. In effect, it was not a certified public accountants' dispute over the number of nationalizations which provoked the split, but a surge of morality which spread from the rank-and-file up to the leadership of the party.

This surge was made possible by the intervention of the Soviet Union, which unequivocally condemned any complicity with the "decentralization," zero-growth, Atlanticist policies defended by François Mitterrand in the name of the City of London, rightly counterposing to him the positive elements offered by the governmental majority, generally close to Prime Minister Raymond Barre on the one hand, and the Gaullist movement on the other.

Contrary to Mitterrand, these forces have taken a stand against NATO activities on several precise points: the development of energy, national defense, the role of the Palestinian Liberation Organization in a Middle East peace, and the struggle against terrorism. Industrial growth founded on the expansion of the nuclear industry sector, which the Gaullist party (RPR) defends, is the motor force of this policy.

The side that is hidden — at least from the public at large — in this new situation, is the growing influence of the themes developed by the European Labor Party (ELP) which notably contributed to launching the fight against the “environmentalist” operation.

However, there is a danger if, as a basis for its polemic with the Socialists, the PCF invokes the letter — and not the spirit — of the Common Program. The Maginot Line which Communist General Secretary Georges Marchais is using as a rampart — “we will yield to no pressure, either from the outside or from within,... we will not budge an inch” — cannot hold up any better than any other defense of the same nature. Were such an attitude to continue, at best it would bring about political paralysis, at worst it would lead to a new, purely electoral, compromise with the Socialists. In either case, it would purely and simply be a betrayal of working class interests.

As any good Resistance fighter from World War II will tell you, an effective defense can only be based on a strategy of the offensive. In order to elaborate this strategy, the PCF must take the real reasons for its break with the Socialists (as opposed to those reasons publicly evoked by Marchais) and forge them into a weapon for war.

The “Common Program”

The Common Program is a useful reference point. In its general conception it is not really a “program,” but a gross catalogue of needs inspired by the most backward Fabian redistributionism, as particularly the first section of the “program” shows. This fruit of backroom compromise reflects the image of a world governed by an unchangeable system of fixed laws converging towards a predetermined point. This is the dead world of little shopkeepers, of finite technological resources. To accept it is to inevitably be led to a 19th century Malthusian view, when redistribution reaches its “physical” limits, and reaches the point of eliminating the “useless eaters.”

However, the Common Program also contains the pale reflection of a diametrically opposed conception, as the Preface signed by Marchais explains in the following manner:

The resolution of the new problems raised by the development of the productive forces, the satisfaction of needs which this development engenders, require a profound transformation of the economic and political structures of the country... Others are trying to bring back that old reaction-

ary theory which is Malthusianism, and propose to deny the progress of knowledge, the increasing of social wealth and the expansion of humanity.

This is in fact the worldview which motivated the break with Mitterrand, the worldview that in part inspired the second part of the program, that defined the parameters of a “dynamic and efficient industrial society” as implying “a considerable development of research” and “an appropriate credit policy.” What we are proposing to the PCF and the CGT is that they put this worldview in the command center of their policies.

A concoction of Fabianism and progrowth policy only produces, in the final analysis, obscurity. In that kind of intellectual algebra, minus times plus can only add up to a minus. No matter how resourceful the author, a little or even a lot of growth cannot be introduced through the back door into a whole whose logic is foreign to it.

On the contrary, it is only by basing itself on a *global* conception of the universe in expansion, a universe not seen from the standpoint of an enumeration of existing resources — which the senses perceive — but from the standpoint of the revolutionary technological forms necessary for the formation of social surplus permitting the maintenance of existing capacities and the creation of the new forces necessary for the survival of the human race that the Communist Party will rapidly be able to become a center of programmatic initiatives guiding the development of the French Republic.

To deliberately assume this creative role implies more precisely an epistemological revolution. To use the example of the Common Program again, it would first require breaking with the imbecilic addition of specific “measures” and wholly rebuilding it according to a programmatic content changing its entire geometry. The parameters of “international cooperation” — a new international monetary system breaking with the dollar and a corresponding international credit mechanism for development — is the foundation for the construction of a planned national economy in which institutions and services can be defined, and not the reverse.

The present international crisis can only be resolved within the framework of a new world economic order; thus the French Communist Party, which has an international vocation, must establish the outline of its program keeping in mind the contribution that the French Republic can make to this order. From this standpoint, it must be said, Gaullism has a relatively more advanced view of the world than the “socialism with French colors” in whose name Marchais does not hesitate to cite the fascist leader of the Action Française, Charles Maurras. It is up to the PCF to take up the challenge. Scientific creation and national education are the pillars on which it must build. This, in the final analysis, requires the *political* promotion of a whole French scientific élite which, having a *universal* vocation, represents the best of France’s national culture, contrary to the existentialist “literary” culture which pollutes, among others, the PCF itself and its youth organizations in particular.

Front-Line Alliance Endangered In Southern Africa

The United Nations Security Council on Sept. 30 passed resolution 415, authorizing the appointment of a United Nations representative alongside a British-appointed Resident Commissioner "...to enter into discussions... with all parties, concerning the military and associated arrangements that are considered necessary to effect the transition to majority rule in Southern Rhodesia."

While the resolution did not endorse the entirety of the Anglo-American settlement, the qualified authorization was another hurdle passed for British Foreign Secretary David Owen's "one hurdle at a time" approach to ensuring the installation of a British puppet government in Rhodesia. The actual intentions behind the Anglo-American plan are expressed in the men who will impose the settlement: it is presumed that the UN's representative will be Indian General Prem Chand. Chand was involved in the Belgian Congo independence struggle and helped set up the assassination of Patrice Lumumba, and then did service in Cyprus. He will work with Britain's Field Marshal Lord Carver, who is Owen's representative in Rhodesia. Carver was the commanding officer of the British forces in Kenya during the "Mau Mau" emergency of the early 1950s, and oversaw the "pseudo-gang" operation run by Capt. (now Brigadier) Frank Kitson. The Kenya experience was later codified in Kitson's book *Gang and Countergang* and was adopted by the Rhodesian government's Selous Scouts regiment.

Mozambique the Target

Now with the protective coloration of the United Nations, Owen and his U.S. allies, Vice-President Walter Mondale and United Nations Ambassador Andrew Young will proceed with a campaign to isolate the socialists in the Patriotic Front, Rhodesia's dominant nationalist coalition, and the governments of Mozambique and Angola in the front-line states alliance. This stratagem is being undertaken not only because of the Soviet influence in Mozambique and Angola, but because of Mozambique's closer relations with France, and the related fact that France and West Germany are leading an independent European approach to a comprehensive settlement of the southern Africa situation.

While objecting to provisions such as the dictatorial powers granted to Carver as British Resident Commissioner, the black leaders have fallen into Owen's trap by their acceptance of the basic premise of the plan: that Owen and company have any business in Rhodesia at all. They have thereby obligingly provided Owen with legitimacy and a base of operations.

Patriotic Front Split

Also this week several British newspapers "exposed" the fact that Zambian President Kenneth Kaunda, a member of the front-line alliance, had held a secret eight-hour meeting with Rhodesian Prime Minister Ian Smith on Sunday, Sept. 25. The reports uniformly speculated that Kaunda and Smith had discussed a deal whereby Joshua Nkomo, co-chairman of the Patriotic Front and President of the Zambia-based Zimbabwe African People's Union (ZAPU), a constituent organization of the Front, would sell out the Mozambique-based National Union (ZANU) headed by the Patriotic Front's other co-chairman, Robert Mugabe, in return for a guarantee of the Prime Ministership in independent Rhodesia.

Mugabe has indicated his openness to an independent European initiative in southern Africa as he did in a meeting with French Foreign Minister Louis de Guiringaud in September.

"It is clear now," said the *London Times* Oct. 3, "that Kaunda would like to detach Nkomo from Mugabe...." The *Manchester Guardian* took an editorial stand on the matter: "...an unusual alignment presents itself in which Smith, the front-line presidents and the UN Security Council all offer their qualified support to Field Marshal Lord Carver and General Prem Chand... Nkomo's wisest move, if Carver and Chand appear to be getting anywhere, would be to end his link with Mugabe, give up his unconvincing role as a guerrilla leader, and put himself where he belongs, in mainstream Zimbabwe (Rhodesian) politics."

To drive home the point, Prime Minister Smith's army launched two attacks on Mozambique this week.

Whether the newspaper reports are fanciful or not — and both Nkomo and the Zambian government vehemently deny them — is irrelevant to their purpose: to poison relations between ZAPU and ZANU, and, as a Western European source put it, "to deal Mugabe out of the game."

The leak on the meeting emanated from the Rhodesian government, a week after the fact and the day before Nkomo and Mugabe were to have a conference on the closer unification of their movements. The Nkomo-Mugabe meeting was then postponed for two weeks, according to some sources, specifically because of the Kaunda-Smith meeting.

In the Future

With or without Nkomo's cooperation, the Anglo-Americans mean to transform Carver and Chand from

negotiators into the transitional governors of Rhodesia. Once installed, Carver would provoke the incidents necessary to credibly undertake military operations against Mugabe's Zimbabwe People's Army (ZIPA). Such operations are to be carried out by the "United Nations Zimbabwe Force" under Chand. The successful isolation of ZIPA in Mozambique would create a repeat of a "North Vietnam" harboring the "communist guerrillas" trying to overthrow the "majority" rule government.

It is no wonder that Smith welcomed Carver's appointment with an invitation to come to Salisbury and meet the Rhodesian General Staff. The surprise is that not one

of the black leaders protested the appointment.

In a collateral policy, according to Western European sources, Britain and the United States are overseeing the destabilization of Angola by "pouring millions into UNITA," the liberation movement in southern Angola founded by the Portuguese secret police in the late 1960s and based in South Africa's illegally held colony of Namibia. The recent upsurge in UNITA's random depredations in Angola, and the Anglo-American drive into Southern Africa in general, prompted Angolan President Agostinho Neto to pay a visit to Moscow last week for consultations with Soviet leaders.

India In Turmoil After Gandhi Arrest

Prime Minister Indira Gandhi was placed under arrest by the present Indian Home Ministry October 3. Also arrested were other former cabinet ministers and three industrialists. Less than twenty-four hours later, following Gandhi's refusal to accept release on bail, a New Delhi High Court judge humiliated the Desai government by ordering her release without bail. The judge declared emphatically that the charges were flimsy, unsubstantiated, and insufficient to warrant her detention.

The arrest, ordered by Home Minister Charan Singh, came less than a week after progrowth Janata Party executive member Nandini Satpathy was similarly

detained on "corruption" charges. The offices of newspapers and associates of Mrs. Satpathy were ransacked.

Both arrests are conspicuous features of a campaign by the Home Ministry to discredit all institutions, particularly the Congress Party, which represent organized resistance to International Monetary Fund policy for India. Scientists, economist, planners and leading journalists have all experienced this harassment.

Also immediately at issue is the ascendancy of the chief actor in the affair, Home Minister Singh, a caste-chauvinist in the worst colonial tradition, the effect of whose hegemony would be to promote overtly com-

LaRouche: British MI-6 Runs 'Sunni Caper'

The following statement was issued October 4 by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman.

The Oct. 3 arrest of India's former Prime Minister Indira Gandhi, coming in the context of the Pakistan military dictatorship's announcement indefinitely postponing elections, portends a British effort to set into motion a religious war between Pakistan and India. British MI-6 operatives centering in Saudi Arabia and Peking are the key points of the projected general destabilization of the Asian subcontinent.

On the Moslem side of the British MI-6 operation is British promotion of the most reactionary potentialities among right-wing Moslem fanatics. In general form, the British manipulation of its Islamic dupes is based on the precedent of the Seljuk Turks' destruction of Arab culture during the eleventh century, through the promotion of the corrupt Seljuk demagogue, Al-Ghazali. Just as Al-Ghazali's burning of the books of the great Ibn Sina signaled the resulting general collapse of Arab civilization, so the Al-Ghazalis of the modern British MI-6 have manipulated poor Islamic dupes into resuming that suicidal course in a general anti-technological witchhunt against the influences of "Western culture" in the Islamic world.

On the subcontinent, the key to British MI-6 operations is the military overthrow of Pakistan's Bhutto by a military clique being manipulated by British agents into a frenzy of Al-Ghazalian religious fanaticism. To get the fight going, the same British MI-6 is heating up the Hindu right-wing fanatic crowd within the Janata ruling alliance. In order to get a religious India-Pakistan war going, British MI-6 rightly considers it indispensable to get such responsible, sane figures as Mr. Bhutto

and Mrs. Gandhi well out of the way. Hence, Pakistan elections have been cancelled on orders from London, and Mrs. Gandhi has been hustled off to the slammer.

The Peking-Saudi link is most relevant to this. Peking is deploying its significant agent networks in the Indian Ocean region, including Pakistan, Bangladesh and India, as well as Cambodia, to generate as much nastiness and general destabilization from Vietnam to the African Horn and elsewhere as it can contribute, all in a pragmatic co-conspiracy with British intelligence and certain Saudi factions.

The whole operation is as obvious as a skunk at a Baptist Sunday School picnic. The only general capability for this sort of operation is British intelligence, and the only force with such capabilities which thinks along such lines are the old British imperialists, who fostered cultural backwardness and fostered religious and ethnic fanaticism since the days of William Pitt the Younger, as the characteristic British method for keeping the natives under British Colonial Office subjugation.

The damnable fools in London (and other Lazard-affiliated quarters) responsible for this general atrocity are committing a very foolish mistake if they imagine that progrowth forces in the United States and Western Europe will not get down to some very relevant conniving with the Soviet leadership to put a halt to such monstrosities. The applicable principle is that no 85-year-old man ought to undertake carrying off the bulk of the world's wealth in a brown paper bag. If necessary, military means will and should be used as required to put a stop to this nonsense, if other remedies are not adequate. The human race will not sit by and suffer indefinitely, out of respect for the pretensions to sovereignty of a handful of raving lunatics.

munalist tendencies throughout India.

The Charges

Accusations by Gandhi and the Congress Party that the arrest order was "politically motivated" are substantiated by the nature of the charges. According to one charge, Gandhi, and the former Petroleum Minister K.D. Malaviya, also detained, awarded a major oil contract to the French national oil company (CFP) instead of a U.S. company which bid lower. "Every decision was taken in the national interest," said Mrs. Gandhi, far from denying the charge. "One does not bother about a little money when national interests are involved."

The second, more serious charge is corruption and misuse of power through all government levels and ministries — an attempt to implicate the entire Congress Party in the excesses of the 1975 "State of Emergency" engineered actually by a small clique around Sanjay Gandhi.

The Congress, as a party, has already countered, by organizing mass demonstrations.

Why the Arrest

During the last month Mrs. Gandhi has strongly re-emerged from her election defeat of last March, to tour the country, denouncing the Janata government, particularly its economic policies, to crowds of peasants. Gandhi has ridden the wave of discontent with the government among the landless peasants, "untouchables," and other layers who have been victimized by the communalist, prolandlord policies for which the Singh wing of the government has pushed hard. With the flush of the Janata coalition's victory now faded into strident factionalization among the coalition's members, Mrs. Gandhi's pointed attacks on the Janata's communalism and her defense of the Nehru tradition of industrialization and "self-reliance" are having a considerable impact.

Presently, the outcome of her arrest is clouded in ambiguities. Home Minister Singh's action has served to discredit the actual investigations into the "state of emergency" period, and has already resulted in calls for his resignation for misuse of power. The main "Emergency Period" investigatory panel has suspended work in protest. Singh's own future now seems to hang on the success of a flimsy case against Mrs. Gandhi.

The Janata cabinet generally is wholly split on Singh's

action. One cabinet meeting has already been cancelled. A group which includes Defense Minister Jagjivan Ram, and possibly Prime Minister Desai, has abstained from providing support for Singh.

There are now, however, fears among certain Indian circles that the main outcome will be to make Mrs. Gandhi a political martyr, polarizing the political situation around her personal position, and obscuring the actual programmatic issues.

Prospects for the Subcontinent

Observers can recall only one period in the subcontinent's history when political and communal turmoil was so near the surface. In 1946, when British Viceroy Lord Mountbatten masterminded the India-Pakistan partition, communal violence exploded. The Hindu, in particular the Rastriya Sevak Sangh (RSS) — "cultural" arm of Singh's Jan Sangh party — provided the fire on the "India" side, aided by the procaste elements of other British duped sections and parties. (The "Muslim" answer was the Jamiat-Islami, which in 1971 split in two with the creation of Bangladesh.)

However, within the nations of the subcontinent subjected to the MI-6 operation, there is already indication of a backlash against the chief operatives in the destabilization.

In Pakistan, the "clean military" image of the MI-6's General Zia is now destroyed by the double arrest of Bhutto, the cancellation of elections, and by Bhutto's denunciation of Zia's "regionalist" plotting which has been underscored by the resignation of a top officer in Zia's junta.

In India, similarly, two outcomes are now evident possibilities. One is the intended MI-6 outcome, communalist violence, and war with India's neighbors. The second, now a demand of sections of the Desai government, is the resignation of Home Minister Charan Singh. Such a demand could result in an alliance of progrowth factions in all major parties around their common secular commitment to a national development strategy. What direction the trials of Mrs. Gandhi and Mr. Bhutto take will depend largely on this fight. The uncertain factor, however, in the demand for Singh's resignation is the Jan Sangh right wing of the Janata Party. This group is calling for Singh's ouster and a special tribunal trial for Gandhi.

Mexico, Brazil, And Venezuela Fight IMF With Energy Policy

Mexico, Venezuela and Brazil are rapidly preparing to break with the International Monetary Fund and its allies in London and Wall Street. United around a policy of capital-intensive energy development, the three giants of Latin America last week emphatically rejected the no-growth policies promoted at the recently concluded World Bank-International Monetary Fund Annual Meeting in Washington, D.C.

With emphasis on the need for transfer of advanced technologies to the third world, particularly in the area of energy development, the three countries are now leading the resurgence of the Third World's fight for a new international economic order in coordination with prodevelopment forces in Europe, the OPEC countries, and Japan.

Mexico's No to the IMF

The most direct rebuff to the IMF came from Mexico. Speaking before the IMF meeting Sept. 28, Mexican Finance Minister Rodolfo Moctezuma Cid declared that Mexico will seek financing for the expansion of oil production over and above the \$5 billion limit on net borrowing for 1977 and 1978 imposed on Mexico last year by the IMF.

The Mexican position was further defined by President Lopez Portillo at a roundtable discussion Sept. 26. After outlining the three "conditions" established in the agreement with the IMF to limit foreign indebtedness, public spending, and currency issuance, Lopez Portillo noted that while these conditions might help to prevent inflation, "they are insufficient to get out of a recession." Therefore, Mexico must focus on the development of its oil, he concluded. "We will have to find other ways to finance the growth of the oil industry, which will help us out of this financing trap in which the IMF accord places us."

The Mexican leader ended his statement by attacking the IMF for being "tied to the past. Mexico," he added, "will fight for modifications to improve the system."

With proven oil reserves of 17 billion barrels and projected reserves as high as 60 billion, the Mexican move to break the stranglehold on energy development will insure that the Lopez Portillo government can carry out its six-year program to more than double production of oil to the 2.2 million barrels per day level and turn Mexico into one of the world's leading oil producers. Plans to expand nuclear energy production using recently discovered large uranium deposits are also on the drawing board, but depend as well on large scale capital inputs from abroad.

At the same time Mexico's commitment to the new international economic order, largely abandoned since Lopez Portillo took office from former President Luis Echeverria in December of last year—was strongly reaffirmed by Foreign Minister Santiago Roel in his address to the United Nations General Assembly Sept. 30.

Venezuela Backs Brazil Nuclear Development

The same commitment to industrial development based on intensive energy production was voiced by Venezuelan President Carlos Andres Perez. In an interview with the semiofficial daily *Jornal do Brasil* on Sept. 26 Perez declared that "Brazil not only has the perfect right to develop its nuclear energy, but it needs to do so." Emphasizing that he wants to make Venezuela's position "clear" on Brazil's nuclear development program — and the Brazil-West Germany nuclear technology transfer accord — Perez stated that nuclear energy "will ensure and strengthen the industrial and economic development of that great neighboring country."

In a second interview with the *Jornal do Brasil* six days later President Perez stressed the need for Latin American "economic integration...from Mexico to the southern cone," and again denied Brazilian "expansionist" designs. (See below)

Perez's unequivocal stand is a severe blow to what has been the very core of White House policy toward South America. In line with Wall Street and City of London schemes, the Carter Administration since the beginning of this year has feverishly attempted to divide the continent between the "human rights" governments of the north, led by Venezuela, and the "human rights violators" centered around Brazil to the south. This splitting campaign has aimed at provoking Brazilian invasion of oil-rich Venezuela, and also at duping the Caracas government into helping U.S. Secretary of State Cyrus Vance sabotage Brazil's nuclear energy program.

Perez's statements, however, have laid the basis for Latin America-wide cooperation around the common interest of economic progress. This was made clear when the Brazilian foreign ministry quickly responded, praising Perez's support. Perez has shown "a perfect understanding... of the Brazilian nuclear policy," the ministry declared.

The possibilities for significant Brazil-Venezuelan cooperation were advanced with the surprise visit to Venezuela Oct. 4 by Brazilian Foreign Minister Azeredo da Silveira. Returning from the United Nations General Assembly, Da Silveira stopped in Caracas for a lengthy

meeting with Perez. After stressing friendly relations between the two countries, da Silveira enthusiastically accepted Perez's invitation to President Geisel for a Venezuela-Brazil summit meeting.

In his speech to the General Assembly da Silveira helped collapse the "human rights" gambit as a dividing tactic between the two countries. Locating economic well-being as the basis for human rights, da Silveira asserted that U.S.-led efforts to block the establishment of "a more just international economic order... is a factor that cannot be minimized or covered up in the interest of respect for human rights."

Da Silveira also attacked the White House campaign of preventing Third World access to nuclear technology under the guise of nonproliferation. Such "discriminatory" policies—i.e., U.S. opposition to the Brazil-West Germany nuclear agreement—he said, are tantamount to "destroying the very foundation of the defense of human rights."

Coordination with Europe

Key support for this renewed fight for a new international economic order has come from prodevelopment forces in Europe and Japan.

Italian Foreign Minister Arnaldo Forlani's visit to Mexico last week provided the groundwork for cooperation in oil development. The accord signed at the end of his meetings with President Lopez Portillo and other high officials called for exports of oil to Italy, and technical cooperation with Italian state-owned petrochemical company, ENI. Italy also pledged to serve as an intermediary for closer European-Mexican relations.

Italy's key role in Latin America was highlighted by the celebration of a four-day "Italo-Andean meeting" in Italy last week with leading government representatives from Italy and the five Andean Pact countries in attendance. The meeting was described as a "model of cooperation between the Italian industrial sector and the Andean group." The organizer of the meeting and head of Latin American-Italian Institute, Carlo Perrone, stressed that the current world situation demands an end to speculative operations and their replacement by "a policy of long term investments in internationally guaranteed industrial activities." The agenda included discussion of advanced technology transfer to the Third World and "Industrial cooperation as an instrument of development and equilibrium in international relations."

Among the leading attendees at the meeting was Reinaldo Figueredo, chairman of the Venezuelan Foreign Trade Institute, who last year called for a moratorium on Third World foreign debts. Before his visit to Italy Figueredo led a trade mission to Lyons, France for "high level colloquia" with government and private industry officials.

A second high-level delegation led by Gonzalo Barrios, president of the Venezuelan Senate and of the ruling Accion Democratica party, was also in France last week. Barrios met with French Premier Raymond Barre shortly before his departure for Moscow. In his statements Barrios praised the growing French cooperation with the Soviet Union and underscored the necessity for increased French technology transfers for Venezuela's booming industrial development.

Immediately following Figueredo's and Barrios's visit the French foreign trade minister arrived in Vene-

zuela for meetings with President Perez and other top officials.

As a member of OPEC, Venezuela is also playing a key role in the European-OPEC effort to set up a new world monetary system. Jean Blondeel, president of Kreditbank of Luxembourg and one of the top European bankers involved in establishing this "counterpole" to the London-New York monetarist alliance, arrived in Caracas Sept. 20 for meetings with government and private banking officials. Blondeel was an associate of murdered Dresdner Bank president Jürgen Ponto.

Other OPEC-Latin American input into the European progrowth alliance is expected to come at a meeting of European, Mideast, and Latin American bankers scheduled for Oct. 6 in Caracas. And Venezuelan Energy and Mines Minister Hernandez Acosta leaves for Iran, Abu Dhabi, and Kuwait Oct. 8, and will welcome Saudi Oil Minister Sheik Zaki Yamani to Caracas at the end of the month.

Perez: Sovereignty Depends on Integration

The following is drawn from an interview with Venezuelan President Carlos Andres Perez by the Brazilian daily Jornal do Brazil, Oct. 2.

According to Perez, Latin America will either integrate economically or "the transnationals will do our integrating for us, continuing our dependence. Economic sovereignty cannot be attained nor will we be able to enjoy it... if we don't achieve integration." The Andean Pact, he said, "is telling Latin America and the world... to begin in earnest an authentic South American integration."

The Venezuelan head of state firmly denied that political differences among Latin American governments could impede continental economic integration.

Latin America will arrive at the conclusion that economic sovereignty "is an essential priority to accomplish in order to establish political stability... by fighting for a new world economic order," he said.

To speak of the expansionist pretensions of a country is to be thinking in the ancient geopolitics of the Old World, Perez said.

"No country in Latin America is looking for that (kind of) unilateral predominance," responded Perez to a question on the alleged existence of Brazilian "expansionist and imperialist aggression." "I don't believe in any Brazilian expansionist policy, nor even in the possibility that they intend to undertake (such a policy), because that is no longer even possible in the world we are living in now."

Brazilian Official Ties Human Rights to Progress

Translation of excerpts from the speech given by Brazilian Foreign Minister Antonio Azeredo da Silveira before the United Nations, Sept. 26.

Brazil is a peaceful country. The dominant concern of the Brazilian nation is its integrated and harmonious eco-

conomic and social development... We believe that the true meaning of nonproliferation is to halt the dissemination of nuclear weapons, and not to impede the spread of nuclear technology. Access to technology for peaceful uses of nuclear energy, provided adequate controls, should not be subject to discriminatory restrictions.

... The International Atomic Energy Agency, whose long accumulated experience over the past two decades has shown it to be so useful, was conceived and established precisely to seek to accelerate and increase the contribution of nuclear energy to the peace, health, and prosperity of the entire world, guaranteeing that such cooperation would not be used in a manner that would contribute to military ends.

... A second component of our common wealth is the conviction that the question of human rights has a uni-

versal character. To justify discriminatory treatment on the basis of national interest, is to destroy the very foundation of the defense of the rights of man.

... The creation of conditions conducive to the generalized respect for the rights of man will depend on the substantial improvement of political and economic security on an international level. As long as the nuclear arms race remains unrestrained and as long as the just intentions of the developing countries within the framework of the relations between the North and South remain unsatisfied, the basic requisites for allowing the rights of man, in their widest and truest sense, to be effectively respected on a global level, will be lacking.

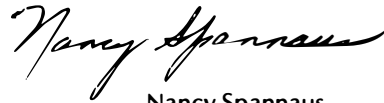
... Social justice and economic progress are essential to the system of guarantees among States, and, therefore, inseparable from the objectives of peace and security.

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