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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

Panic on the money markets... The collapse of the dollar plunges out of control... in a speculative binge that threatens to decimate the U.S. economy... and world industry and trade... Our **International** report analyzes what happened to the U.S. currency this week... names the **villains** responsible... proposes a **two-tier credit market** as the **only way** to dry out speculation... without drying out funds to industry...

* * *

The **Franco-German** alliance for nuclear energy... in **opposition** to the "**Schlesinger line**" against "dangerous nuclear **proliferation**"... expanded to include **Japan** and **Italy** this week... with a series of **important energy deals**... see the **International** report for this **other side** of the world picture... including a **day-by-day rundown** of the deals involved... and the **demands** by Europe's leading **statesmen** for **more**, not less, energy development...

U.S. political leaders are also coming forward with calls for a **nuclear energy program**... Leading **Republican John Connally** told GOPers this week, "**Nuclear energy is the only solution**"... and called for a **labor-industry alliance** for **real economic growth** in a speech **blacked out** or **distorted** in much of the nation's **press**... You'll read about it in our **National** report... plus an **exclusive interview** with the former Texas governor... and **nuclear scientist Edward Teller's** warning that the **failure** to **spread nuclear technologies** to developing nations... will mean **war**...

* * *

But **energy czar Schlesinger** is **back** in the U.S. ... trying to **force** the U.S. to swallow the **no-energy blackmail**... that **Europe** **rejected** on Schlesinger's just-concluded visit... (see **Europe** for details on the **rebuff**)... In Schlesinger's **stacked deck**: "**Chinese water torture**" for Congress... **Mideast war** and an **oil embargo**... and **WEEP** comes out in the **open**, with a congressional boost... see **National**...

INTER-NATIONAL
NATIONAL
ECONOMICS
ENERGY
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EUROPE
MIDDLE EAST
ASIA
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Senator Russell Long is trying to judo the Administration's **shattered energy program** from the **other direction...** with a **proposal** for a **multibillion-dollar Energy Development Corporation...** Now the question is, **what kind of energy policy** will it be used for?... See the **Congress report** in this week's **National section...**

* * *

The maneuvers **against the dollar** will have **devastating effects** on the United States... Our **Economics report's Business Outlook** shows how the **Federal Reserves' interest rate hikes** will **flatten** productive investment... plus the **inside story** on how Western European motion **into gold** — and now, perhaps, **out of it** — is aimed at the **City of London...** and the **cartelization** schemes behind the brouhaha over steel **protectionism...**

* * *

Trouble is brewing in **Eastern Europe...** We offer a **full report** on strife-torn **Poland...** the

British-linked 'dissidents' who are pushing for a Polish **"Prague Spring"...** in-depth coverage of the **political failure** in the **agricultural sector** that underlies Poland's **explosive economic woes...** and an **eyewitness report** from **Warsaw...** see **Soviet Sector...**

* * *

In our **Labor section...** the **U.S. Labor Party's statement** on **"Labor's Just Demands"...** a rundown of the strikes that may be used to **impose Schlesinger's WEEP...** and a report on the **teachers' strikes** in the nation's **industrial centers...**

COMING UP...

A new surge of terrorism, against particularly West Germany and Japan, has deliberately focused on the volatile Middle East. Behind it: the City of London, the British monarchy, and the intelligence and counterinsurgency agencies they control. The motive: to destroy chances for Mideast peace and for European-Japanese cooperation on nuclear energy development.

Read about it in our next issue.

Dollar Speculation Goes Out Of Control

Two-Tier Credit System The Only Answer

The collapse of the U.S. dollar on the international markets broke out of the control of the U.S. Federal Reserve and other central banks this week, with potentially disastrous effects on the U.S. economy.

Instead of taking the form of a downward collapse of the dollar's value against other major currencies, the dollar's weakness has turned into an *upward collapse of interest rates*, outside the influence of the Fed's usual monetary gimmicks. Masses of dollars — including several hundred million per day on the Tokyo market alone — have been borrowed by international banks and corporations, and then sold for other currencies.

Speculators "sell short" against the dollar in expectation of a fall in the currency's market value, allowing them to repay their dollar loans at a profit. But the enormity of the speculation against the dollar has engulfed all the world's credit markets, to the point that speculative borrowing of dollars for short-selling has driven dollar interest rates through the ceiling.

The touchstone rates in the international market have risen by an extraordinary 1 percent in the last week — solely on the basis of the weak dollar. Eurodollar six-month rates are nearing 8 percent. More dangerous is the fact that U.S. commercial banks have found they can borrow short-term money in the U.S. banking system — so-called "federal funds" — and lend them out at much higher rates as Eurodollars.

In reaction, the speculation against the dollar has taken over the home credit system of the U.S. Federal funds, the money banks lend to each other, bore an interest rate of 7 percent at last night's market close — almost 1 percent higher than last week. This gigantic rise took place despite frantic efforts by the Federal Reserve to hold the Fed funds rate down. Several times during the Oct. 11 trading — and many times over the past week — the Fed's trading desk added funds to the banking system to reduce the intense demand for money.

But all these funds are disappearing down the Eurodollar sinkhole. The more Fed Chairman Arthur Burns adds funds to the banking system, the more the international buildup of dollars, and the weaker the dollar is on straightforward supply-and-demand terms.

Due to heavy central bank intervention, and even heavier political pressure on market participants, the weakness of the dollar did not force the rate below the record low versus the Deutschemark registered during August. The West German currency closed the week at 2.2855 to the dollar, down roughly one percent. The Swiss franc closed with a slightly greater gain. The real victim was the Japanese yen, now at 252.90 to the dollar (and 248 on the six-month forward), higher than the previous all-time record. The Japanese central bank did all it could

on Friday, absorbing \$500 million of the inflow, only managing to break the rise of the yen slightly. Total inflows into Japan this week probably came close to \$2 billion. Since Japanese corporations have tried to keep their foreign markets by holding dollar prices steady despite the rise of the yen rate, this week's events will either wipe out Japan's foreign orders, or corporate liquidity, or both.

Who Are the Villains?

Unlike most foreign exchange market crises, there are easily identifiable villains in the current situation. The most prominent is U.S. Treasury Secretary Blumenthal, who told wire-service reporters last night that the appreciation of the yen, deutschemark, and Swiss franc against the dollar had not been significant. (The aggregate depreciation against these currencies since the Organization for Economic Cooperation and Development (OECD) recommended strengthening of the currencies of payments-surplus OECD nations has been 3.5 percent for the mark, 7.5 percent for the yen, and 9.5 percent for the Swiss franc.) If the depreciation had been significant, then there would have been some impact on the worsening U.S. trade balance, the U.S. Treasury Secretary said, with a sort of logic that gives foreign exchange departments a very clear idea of what to do the following morning.

The other villains are City of London merchant banks acting in an advisory capacity to Organization of Petroleum Exporting Countries (OPEC) governments, who have been recommending that OPEC governments sell off dollars. Foreign exchange market sources agree that OPEC sales have amounted to a substantial portion of total turnover, and that the Arabs are fleeing the dollar in all directions.

The *Executive Intelligence Review* interviewed a prominent British banker who advises one oil-producing state, who confirmed that the British advisors had major influence in the trouncing of the dollar. "But it's just my personal opinion, just like it's the personal opinion of my counterpart at Baring's (Baring Brothers, Ltd. investment bank — ed.) who advise Saudi Arabia. It's not like it was a City of London conspiracy or anything."

The same banker added, "The real problem is in your Administration. As long as it's divided as to what should be done about the trade balance, then the markets will remain extremely volatile." Considering that the present Walpurgisnacht of foreign-currency speculation, interest-rate arbitrage, and speculation on interest rates themselves is the first clean chance that the major U.S. commercial banks have had to make a buck since the collapse of the Eurodollar lending spreads a few months

ago, a relatively small kick would have been sufficient to set the last week's events into motion. Blumenthal and the British gave it a great deal more than that.

Swiss Shift

On the other side, Swiss National Bank President Fritz Leutwiler called reporters in Thursday and accused the U.S. Administration of intentionally trying to depress the dollar's rate, calling on them to support their currency instead. This marks a 180 degree shift in line for the Swiss central banker, who warned last month that the Swiss would not act to bail out the U.S. fund. Leutwiler's unusually strong statement probably had some calming effect on the foreign exchange markets Friday, when some traders wondered that the dollar had not been hit even harder than it was in continental markets. There have been unconfirmed reports from very good Western European banking sources that the European central banks, and the Fed, acted jointly to intervene to support the dollar and also to persuade commercial banks to stop speculating against it. There are also strong predictions from very good banking sources both in New York and Europe that the Europeans will impose exchange controls shortly to stem the inflow of dollars into their credit systems. If there were indeed such mitigating actions,

beyond the expected level of central bank reaction, their significance will be relatively minor in the overall scope of events.

A senior official at Bank of America commented, "The only people who benefit from this are the British." Sterling's strength this week despite the sharp rise in dollar interest rates indicates that a new ball game is underway for the sterling-dollar relationship. "There's been no direct reaction on the London market to the rise in dollar interest rates," said Peter Buer at Arnhold S. Bleichroeder and Company in New York. "There is no longer a direct relationship between sterling and dollar interest rates. The hot money that has flown into sterling will remain there, and keep rates at 5 to 5.5 percent," Buer added, even though dollar rates have risen higher. "A rise in dollar rates will have a positive not negative effect on sterling."

The explanation for this unnatural situation is that since the rise in dollar rates is a side effect of foreign exchange speculation against the dollar, funds will hedge against the dollar by moving into sterling.

On top of the short-term developments, the dollar is weakening on fundamentals. Comparing Jan.-Aug. 1976 with Jan.-Aug. 1977, the U.S. balance of trade surplus on manufactures collapsed from \$9.5 billion to \$3.3 billion.

British 'Boom' May Be Bust

The expected increase in the money supply and the continued inflow of short-term funds into the city of London has stirred fears even within that complacent community that the "British boom" is far from stable. As the Oct. 11 Financial Times noted, the gilt (government paper) market weakened in the beginning part of this week "following cautionary weekend press comment that the upsurge may be nearing its end and pointing to the problems facing the authorities in the wake of the recent heavy demand for sterling." Below are extracts from the London news alluded to by the Times.

Daily Telegraph, Oct. 8—In the "City Comment" column entitled "Gilt market starts to look dangerous," the Telegraph points to the danger of massive foreign intervention in the gilt market during recent international euphoria over the pound. "These overseas buyers have suddenly become convinced that the pound is a hard currency, and that it must appreciate as North Sea oil swings our balance of payments into massive surplus...The danger is that this foreign interest is fickle. Foreign investors on the whole do not know much about the London fixed interest market. Their buying is indiscriminate. They have been caught up in a swing in international fashion which for the time being favours Britain. All of which the more experienced

worrying. When newcomers take over a market, they normally drive prices to absurdly high levels. Then prices crack and fall very sharply. The fear is that we could soon see something of this sort hap-

pen in the gilt-edged market. . ."

Sunday Times, Oct. 9 — Sunday Times Business-news editor Kenneth Fleet writes in his weekly column that now is the "Time to Start Selling Gilts," suggesting that the foreign investors in London may soon start to leave the market. Of discussion of Chancellor of the Exchequer Denis Healey's speech at the recently concluded Labour Party conference, Fleet comments, "I would have felt distinctly uneasy that the vivid manifestations of socialist success are a boom on the Stock Exchange and a huge inflow of hot money from overseas. I would not have been reassured but the Chancellor's boast, made surely in cheek, that record reserves meant 'we can thumb our noses at the financial speculators.' The gnomes have made sterling suddenly a strong currency and stimulated gains in the gilt-edged market of perhaps £10 billion in a year. If for any reason, they make for the exits, I suspect Denis's thumb will be in his mouth rather than up his nose..." Calling the possibility of hot money outflows the "two billion pound question," Fleet argues that Wall Street may well be on its way to recovery, raising problems for the London markets. While no immediate drop in the gilt market is expected, he concludes that "I would not rule out further gains, though on a much more modest scale than in the past two months. But I would let others enjoy the final assault on the summit and the view from the peak. In three months, those looking back on the profits they took in October will be congratulating themselves on their perceptiveness."

By June, the traditional manufactures surplus of the U.S. with respect to the EEC countries turned around, leaving a \$1 billion deficit for the three months to August.

Effects on U.S. Economy

Within weeks, the effects of this self-feeding interest rate spiral on the U.S. economy will start to choke off activity in the U.S. economy:

1) Rising short-term rates have already started to undermine the long-term credit markets. New issues on the international bond market will virtually cease within a week if the trend continues, according to market specialists. Already, the prices of long-term U.S. Treasury securities have fallen to their lowest level for the year. Higher interest rates for long-term capital will push new capital investment in the U.S. economy below even currently prevailing recession levels.

In addition — as a number of leading British merchant banks predicted to NSIPS — the destabilization of the U.S. long-term credit markets will drive even more international money out of the dollar, by shutting off the main channel of viable dollar investments!

2) By the end of the month, the U.S. prime rate will probably rise to 8 percent (from 7.5 percent) in direct response to the jump in the cost of short-term money borrowed by the banks themselves. This will act as a brake on economic activity by raising the cost of accumulating inventories on borrowed funds. Bank loans to business are now rising at an 11 percent annual rate, mainly to finance purchases of higher-priced raw materials and other inventories. If the prime rate hits the ceiling, corporations will cancel orders in less-profitable areas, choking off production.

3) The interest rate rise will dig into the most important area of bank lending, credit to consumers. According to David Jones at Aubrey, Langston and Co., consumer loans are running at double last year's rate, and have a major effect on the increase of the money supply. Rising rates will discourage consumer borrowing, virtually the only remaining prop to the depressed national economy.

4) If interest rates rise much further, according to Jones, funds will begin flowing out of savings and loan institutions which finance home construction — the one active sector in the economy.

London's Scenario for Destroying the Dollar

NSIPS has documented London's central role in bringing on the dollar collapse. This week's trouncing of the dollar directly follows a script, written by International Currency Review (ICR), an elite London journal with close ties to N.M. Rothschild and Sons.

"While American bankers may show concern about the dollar's depreciation when the adverse international

news surrounding it becomes impossible to ignore," the London journal explains, "it is generally believed in U.S. banking circles that a really catastrophic run on the currency cannot develop, for a whole range of reasons," for example, that "the U.S. economy is fundamentally and relatively in a much stronger position than all other economies." Nonsense, says ICR.

"Today's international financial situation...is in essence little different from the German experience of 1920-1923," when hyperinflation ended up with the printing of trillion-mark notes. "The multiplication of dollars outside the United States has reached such proportions that it has begun to undermine the confidence of *foreigners* in the reliability of the U.S. dollar as a store of value." Can the Fed do anything about it? "It has not been open to the Fed for some years to restrict the domestic supply of dollars for the specific purpose of trying to preserve the dollar's international value. This is because domestic money supply restrictions would not affect the dollar-multiplication process that is taking place externally," *through the London markets*. Put another way, the U.S. authorities are in no position to employ conventional central banking techniques "to control the value to foreigners of their currency."

Two-Tier Credit Market

While traditional credit policies are now as bankrupt as the dollar appears to be, there is a policy that will stop the panic: creating a two-tier credit market, through the Federal Reserve itself. The problem is to dry out speculation against the dollar, without cutting off funds to industry. The solution is to open a second lending window at the Federal Reserve for long-term, low interest loans to industry for investment, production, and exports. A Federal Reserve spokesman confirmed that this is legal under Section 13, paragraphs 3 and 13, of the Federal Reserve Act, if an emergency exists — "but the Federal Reserve doesn't believe there is an emergency."

With a special credit tier for industry, the Fed could *successfully* tighten up on short-term credit for speculation. Foreign central banks are more than happy to collaborate with the Federal Reserve. The Banque de France, according to one of its officials, would be more than willing to second such Fed action by imposing a two-tier credit regime on the Eurodollar market itself, and restore the international viability of the U.S. dollar.

Some New York commercial banks, who are falling into London's trap by making a buck off the dollar's problems, might be mildly disturbed by such action. But several senior New York bank spokesmen have indicated their general sympathy with the two-tier proposal, initiated by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. The real losers would be the City of London banks.

—David Goldman

Franco-German Alliance For Nuclear Energy Reinforced By Japan

Japan and France have signed a long-term agreement involving French cooperation in reprocessing spent fuel from Japan's nuclear power plants. This deal formally links the future of Japan's nuclear policies to the joint French-West German drive for peaceful development and export of nuclear technology. France has already offered the same reprocessing services to the West German government, an arrangement which would greatly aid West Germany in breaking the environmentalist stranglehold on its nuclear industry.

The Franco-Japanese agreement represents a major setback for attempts by U.S. Energy Czar James Schlesinger and British-dominated monetarist forces to sabotage plutonium breeder reactor development. But it is only one part of a more fundamental effort by Japan to remove itself from U.S. efforts to brake its overall economic expansion. This cause was substantially furthered by the visit of West German Foreign Minister Hans-Dietrich Genscher to Japan this week. The trip, originally designed specifically to establish close cooperation between Japan and West Germany on nuclear technology and Third World development, quickly expanded to other topics.

Genscher and his Japanese colleague Hatomaya not only agreed to adopt a joint position on the export of nuclear technology and coordinate on the question of nuclear nonproliferation, but also discussed the creation of "independent industrial regions" in Southeast Asia to replace the "colonial hegemony" of the past. In particular, Genscher offered the countries that comprise the Association of Southeast Asian Nations (Indonesia, Malaysia, Thailand, Philippines, Singapore — ASEAN) ministerial representation at meetings of the European Economic Community's Commission. As Japan is the recognized major industrial power of ASEAN, the thrust of Genscher's proposal is clearly to draw Japan and ASEAN into active collaboration with Europe.

Cooperation between West Germany and Japan has been rapidly increasing around their common opposition to British-motivated demands to reflate their economies and cut steel exports. These ties were dramatically put to the test at the meeting of the International Monetary Fund last month, when West German Finance Minister Hans Apel publicly defended the Japanese against attacks from British Chancellor of the Exchequer Healey and his U.S. allies. Japan's ties with France were likewise expanded two weeks ago, when the respective Committees for Economic Development of the two countries met in Tokyo to discuss joint development of nuclear energy and oil resources, support for peace initiatives in the Middle East, and trade.

Link to Soviets

Close cooperation with the Soviet Union is rapidly becoming an indispensable component of these alliances. According to Japanese press sources, at a recent Japanese-Soviet cooperation meeting, Japanese big-business leader Toshio Doko accepted a Soviet offer to

provide Japan with enriched uranium in exchange for nuclear power plants.

The Soviet Union already enriches uranium for a number of European countries, and further steps are underway in this area. At the Belgrade European Cooperation and Security Conference, the representative of the United Nations Economic Commission for Europe (ECE), Stanovnik, called for the formation of an East-West bank or fund to finance trade and development among the participating countries (East and West Europe, the U.S. and Canada).

Stanovnik also endorsed East-West conferences on energy and transportation, similar to those put forward by Soviet President Brezhnev, who on this issue has received enthusiastic support from West Germany and interest from the French. France's policy, explained a lead editorial in the French daily *Le Figaro*, aims at making the achievement of commercial fusion energy reactors, with expanded intermediary use of fast breeder technology as the basis for establishing a meaningful East-West dialogue and reviving the failed dialogue between the advanced and developing sectors. At the Belgrade conference itself, West German delegation leader Günther van Well emphasized that it is not "human rights," but rather the economic aspect of East-West detente which is crucial, since "the highly industrialized continent of Europe cannot proceed without close, concerted action in energy."

Italy Also Pulled In

Both in France and in Italy the Communist parties are emerging as a powerful force for nuclear energy development. Now that the French Communist Party (PCF) has definitively broken with the zero-growth, deindustrialization policies of French Socialist François Mitterrand, the PCF is making overtures towards its Italian sister-party for an unprecedented cross-national programmatic alliance. Yesterday in Paris, the first session of the PCI-PCF Joint Commission was held on questions of agriculture, energy industry, disarmament, and education, and a draft joint program is expected to come out of subsequent meetings.

French President Valéry Giscard d'Estaing pointed in the same direction when he addressed a farewell dinner in honor of the Italian Ambassador to Paris, Malfatti. Giscard expressed his "appreciation for the consolidation of Italian-French relations" during the period of Malfatti's ambassadorship, and stressed the "particular consideration" the French government has for Italy.

The Italian Communist Party and its wing of the CGIL trade union federation continues to provide crucial support for the Italian government's resistance to the inflationary demands of the International Monetary Fund and their domestic agents Gianni Agnelli and Ugo La Malfa. Yesterday, CGIL chairman Luciano Lama called for the mobilization against this "party of inflation and stagnation," and asserted that "the alternative is not

Mexican Government Backs Nuclear Effort

A ceremony at the site of Mexico's major nuclear plant construction project Oct. 7 highlighted the 10-month-old Lopez Portillo administration's tenacious commitment to nuclear energy development. The government has now restarted construction of the country's first commercial reactor, officials have revealed in speeches at Laguna Verde on Mexico's northern Veracruz coast. The 1.3 million kilowatts facility had been stalled due to the changeover in administrations following Portillo's election and financing restrictions imposed by the International Monetary Fund.

According to Federal Electricity Commission head Hugo Cervantes del Rio, the government is determined to bring the reactor on stream by 1982.

It was first planned 11 years ago; construction began during the 1970-1976 administration of Luis Echeverria. It is expected that final cost, increased due to the delays, will be upwards of \$1.2 billion.

It was also announced that Mexico will push ahead rapidly with uranium exploration and new facilities for uranium processing in the northern state of Chihuahua.

In the days directly following the Laguna Verde tour and press conference, a flurry of articles in the Mexico City press publicized Mexico's nuclear energy effort, emphasizing that environmental considerations were adequately dealt with and that the key element in the program is the training of Mexican scientists and technicians.

inflation or stagnation, but rather selective credit for investments." Such views have been fully endorsed by Christian Democratic leaders like Flaminio Piccoli, who recently warned that any Italian government which attempts to exclude the PCI would immediately degenerate Italy to Weimar conditions, leaving the country politically open for a fascist (i.e., British monetarist) takeover.

The Battle for West Germany

Every new link in this international pronuclear alliance serves to help solve the predicament of West Germany, the industrial heartland of Western Europe, where nuclear energy plant construction has been virtually halted by a "moratorium" brought about by a combined deployment of environmentalists and saboteurs inside the ruling Social Democratic Party (SPD). Ironically, the opposition Christian Democratic Union (CDU) is performing a function similar to that of the Communist parties in France and Italy, since they are supporting the industrialization policies of Chancellor Helmut Schmidt "from the outside" against such inside saboteurs as SPD Chairman Willy Brandt.

In this spirit, CDU Chairman Helmut Kohl announced at a recent party congress that "Schmidt's thinking is along the lines also favored by the CDU" regarding

nuclear energy and antiterrorist policy. Kohl attacked the antinuclear movement as "the most reactionary force in the country," and proposed that a parliamentary debate on nuclear energy be held immediately in order to deal them a fatal blow.

The mainstream trade union movement fully share this opinion. In the industrial city of Dortmund this week, factory labor council members representing almost two million West German workers heard speaker after speaker emphasize the vital need for nuclear energy not only for their country, but for the Third World as well. "Cutting nuclear energy means to let the Third World die, since they depend on rapid energy development for industrialization," the head of the Association of German Electricity Plants told a cheering audience.

This support has made the Schmidt government feel strong enough to take a practical step towards ending the present court-enforced nuclear moratorium, by forming a commission to make proposals for bringing their "Nuclear Law" more into line with the necessity of technological progress. Chancellor Schmidt has also sent a letter to the Minister-President of the state of North Rhine-Westphalia, urging him to overthrow a local court decision obstructing the completion of a fast-breeder project at Kalkar.

West German Spokesmen Hit Zero Growth, Call For Responsibility Towards Third World

Die Welt, lead editorial, "Order in the Energy Theme," Oct. 10:

There are no limits to energy... an industrial nation like the Federal Republic cannot adopt the continually propagandized standpoint that already achieved levels of prosperity can be maintained without additional energy and additional growth. This last thesis, propagated by the Left, means in essence nothing more than that the sated person has abnegated his responsibility towards the hungry by having eaten.

In the developing nations, half of the population is under 20 years old. These countries however, are not thinking of giving up further population growth. They argue that the rich industrial nations have arrived at their wealth because they are especially thickly populated and are able to generate large markets which demand continually growing production. The student is following in his teacher's footsteps — is that surprising? The result of this, however, will be that at the turn of the century, 6 billion people will populate the earth, all striving for well-being.

... In the face of these considerations, the theories of zero growth and of giving up nuclear energy are exposed. The Third World needs the assistance of the industrial nations, it needs modern technology, expanded know-how, nuclear power plants, and sun collectors, since a population which is doubling in size cannot be satisfied with conservation.

For those to whom human obligation towards the Third World is not sufficient grounds; who feel it is unjust for the younger nations to develop through raw materials prices; these people should be convinced by uncorruptible, calculable arguments. Raw materials prices will rise, if necessary because raw materials are becoming more scarce. However, in order to pay for them, foreign exchange must be earned by exporting other goods. Exports however are only possible if the older nations have goods to offer which the younger not only need, but also cannot yet produce themselves.

Stuttgarter Zeitung, Stuttgart, Oct. 10:

Commenting on U.S. Energy Secretary James Schlesinger's recent trip to Brussels and West Germany:

... the American government is fighting the Senate over its energy program, so no wonder Schlesinger is painting things in such dark colors... one should take Schlesinger's warnings seriously and set up the energy debate on a broad basis... perhaps industrial nations can conserve, but the 2 billion people in the developing countries who expect a better life, will need an unimaginable amount of energy... therefore industrial countries must increase their investment in energy supplies."

W. German Christian Democrats On Energy

On Oct. 11 and 12, the West German Christian Democratic Union held a special congress on nuclear energy in Hannover. CDU Chairman Helmut Kohl set the tone for the meeting in his opening speech, which denounced environmentalists as "the real reactionaries."

Kurt Riesenhuber, CDU energy spokesman in the West German Parliament, commented on the energy fight in the U.S., that since it looks like President Carter's energy program will be defeated, the U.S. nuclear industry will be in strong shape to take on all international competitors, even West German nuclear companies. Therefore, West German companies need all the support they can get, and environmental restrictions should be removed.

Gerhard Stoltenberg, leading spokesman for the CDU's industrial supporters demanded during the conference that "court permission for reactors be decoupled from the question of waste disposal." Stoltenberg's demand is an attack on environmentalism, since antigrowth "Citizens' Initiatives" have used the absence of a nuclear waste disposal facility to win court cases postponing construction of nuclear reactors.

A Survey of Franco-German Energy Deals, Sept. 1 - Oct. 5

Sept. 2: The West German consortium of fission power plant contractors, DWK, announces that it will build a 2.5 million mark (\$1 billion) nuclear waste reprocessing plant in northern France, in cooperation with the French government. In return for constructing and financing the plant, the West Germans will be allowed to reprocess 1,500 tons of nuclear waste per year. This agreement removes the environmentalist objections to West German nuclear energy that were based on West Germany's present limited waste reprocessing capacity. The French government also announces French nuclear construction engineers will aid West German construction firms in building the first permanent

nuclear waste disposal plant in Gorleben, West Germany

Sept. 6: At the Chemi '77 trade fair in Moscow, the Soviet government offers petrochemical deals totaling 5 to 10 billion marks (\$2 to 4 billion) for West German plants and equipment for the Tjumen oil field in Siberia. An order for a 1.2 billion marks (\$460 million) aluminum factory from West German suppliers was also discussed at the trade fair.

Sept. 8: The West German government confirms that an additional 10 billion marks (\$4 billion) worth of orders for West German firms have occurred since the

original order to West German firms came through for the Soviet Union's large steel complex at Kursk.

Sept. 13: The Deutsche Bank, West Germany's largest, announces that it will lead a consortium of 15 other West German banks in lending ENI, the Italian state-owned oil company, 460 million marks (\$180 million) for energy production outside of Italy.

Sept. 15: Mannesmann, the West German steel company which is the world's largest producer of large-diameter pipe, announces that the Soviet Union has given it an order for 200,000 tons of large-diameter pipe.

Sept. 27: The West German financial daily *Handelsblatt* reports France has initiated a program for mining uranium in Niger with West German financial backing. The program will be mining 8,000 tons of uranium by 1985.

Sept. 26: West German Economics Minister Friedrichs signs an agreement with the Algerian state energy company Sonatrach for 4 billion cubic meters of natural gas for West Germany over a period of 20 years, beginning in 1984. The West German firms Salzgitter Gas, Ruhrgas, and the Dutch firm Gas Unie will participate in marketing the gas.

Algeria indicates to West Germany that it is willing to pay for a nuclear reactor it is considering purchasing from West Germany with uranium.

Sept. 29: Japanese utility companies and French nuclear firm Cogema contract an agreement for 1,600 tons of Japanese spent fuel to be reprocessed in France at the La Hague facilities beginning in 1985.

Sept. 30: During French Premier Barre's trip to the Soviet Union, the two countries decide to share technical information on the reprocessing of fuel. The prospects of the French buying natural uranium from the USSR are being studied.

Oct. 5: The West German state of Rhineland-Palatinate plans include two nuclear power plants in its state energy program. The West German state of Bavaria also announces that of the 12 new power plants in its state energy program, it is keeping to its early plan in which at least two of the power plants will be nuclear.

France concludes an agreement with Iran for the purchase of two nuclear power plants, and four more are being negotiated. The total worth of the deal, which will include the training of 600 Iranian technicians in France, is 15 billion Francs (approximately \$3 billion). That amount breaks down as follows: Creusot Loire and Framatome will receive 4 billion francs for providing the core of the reactor; Altshom-Atlantique, 3 billion francs for Turbo-alternators; SPIE Batignolles, 4 billion francs for infrastructure and engineering; and Cogema, a subsidiary of the French Atomic Energy Commission (CEA) will receive 3.5 billion francs for the supply of uranium fuel.

Republicans Demand Nuclear Energy

Former Texas Governor John Connally called for the formation of a labor-industry-government alliance to promote the modernization and expansion of U.S. industry and the growth of U.S. industrial exports to the rest of the world in a speech to the Republican Governors' Conference in Bretton Woods, New Hampshire, Oct. 11.

Commenting on Energy Secretary James Schlesinger's program to restrict U.S. energy consumption and cut back development of new "hard" technology sources in favor of so-called "soft" technologies, Connally countered that "nuclear energy is the only solution."

The former Texas governor proposed the creation of a "Government Marketing Board" — a mechanism, he said, which he had adopted from an innovation of Charles de Gaulle's Fifth French Republic — to set export priorities and ensure increased trade.

Connally's call came a day after a call by physicist Edward Teller for massive exports of nuclear technology to the Third World. In view of the Third World's severe poverty, Teller warned, the only alternative to such a policy is war.

The statements by these two public figures intersect a major international push for nuclear energy development being led by the governments of France, West Germany, and Japan, and have given strong new impetus to efforts to defeat the no-growth energy plan being promoted globally by Schlesinger and British-centered financial interests.

Connally, in particular, is the first leading American politician besides the U.S. Labor Party's Lyndon H. LaRouche Jr. and the chairman of the National Coalition of Independents on Issues, Colonel Thomas McCrary, to step forward to rally labor and industry jointly around a program of industrial growth. The former Texas governor's most significant remarks were entirely blacked out in the major national press.

Nevertheless, Connally, currently on a national fundraising tour for the Republican Party, has already had a significant effect on the factional situation in the GOP, which is split between conservatives groping for a programmatic orientation and moderates urging that the party downplay issues in favor of appeals to minority groups, women, etc. While Connally received a standing ovation, "moderate" GOP chairman Bill Brock was lambasted for urging the party to concentrate on refurbishing its image rather than on substantive issues. Attacking Brock, South Carolina Governor James B. Edwards declared, "We don't want to be an issueless party."

Because of his ties to the Democratic Party, it is expected that Connally's public campaign for a policy of expanded industrial development will help to reorient the stumbling opposition to the Carter energy program with-

in the Democratic Party as well. The pro-Schlesinger *New York Times*, while blacking out the substance of Connally's speech, has obliquely noted that threat: "The string of defeats suffered by Mr. Carter on energy," the *Times* wrote Oct. 13, "has emboldened such Republican Party strategists as John B. Connally... to suspect that the President may prove so vulnerable politically that he could be defeated in 1980."

So far, the leading Democratic opponent of the program, Senate Finance Committee Chairman Russell Long, has been devoting himself to political horsetrading aimed at a "compromise" energy program which will still be acceptable to the rabidly anti-industry energy Secretary James Schlesinger.

Teller:

Nuclear Technology Export The Only Alternative To War

Dr. Edward Teller, a leading U.S. nuclear physicist known as the "father of the H-Bomb," told the Society of Research Administrators meeting in San Antonio, Texas Oct. 10, that war could result unless nuclear energy is used to help the underdeveloped world industrialize and eliminate poverty.

Teller, known as an advisor on nuclear questions to Nelson Rockefeller, stated in the keynote address to the meeting that the underdeveloped nations' poverty "leads to despair which leads inevitably to war." Reiterating a theme he struck at a joint U.S.-Soviet meeting on fusion energy earlier this year, and more recently in meetings with nuclear spokesmen in West Germany and Italy, Teller declared that nuclear power is needed to feed, clothe, and supply energy to the world.

The abstract of Dr. Teller's speech, titled "Today's Challenges for Tomorrow's Changes," stated:

"For the rest of the century the world is involved in a radical change: the spread of the industrial revolution throughout the globe. The great and often painful developments that are becoming necessary will determine the state of the world as a whole far into the future.

"Today's challenges for the United States are to cooperate in this worldwide development in a positive manner. Such cooperation is important in diverse fields, including technology, energy, food, medicine and the preservation of peace. Our activities cannot bear fruit unless we stimulate our interest and development in science, research, and technology. Unfortunately, recent trends in American thinking have broken the tradition of emphasis on technology. This is a dangerous trend for ourselves and for the world as a whole."

What Connally Really Said

The following quotes are taken from the text of the former Texas Governor John Connally's Oct. 11 speech to Republican governors.

"We have to appeal to the producers, to the iron-workers, steelworkers. Tell them how industry runs and how jobs are created... Over the years we have fostered dissension between labor and management while other countries fostered cooperation. Labor, management, and government are not competing. What we need is an alliance of labor, industry, and government to ensure that we have the kind of production we need..."

"Nuclear energy is the only solution..."

"We have to look back to the American Revolution, to what this country was founded on... We built this country on ingenuity, inventiveness, and the proper role of government was to foster this... We live in a new era, not the era of the Marshall Plan. And the Republican Party has to enter this era."

EXCLUSIVE

Connally Urges Nuclear Energy Development; Labor-Industry Alliance For Growth

Following his Oct. 11 speech to the Republican governors, John Connally met briefly with the press. The following excerpts are taken from his responses to EIR questions.

Q: The *Wall Street Journal's* Oct. 10 issue called for solving the problem of the "sinking" dollar through massive credits to gear up U.S. industrial capacity, expand hard-commodity exports; essentially go on a policy of growth until we get what we really need, a new monetary system. It would seem from your speech that the crisis you point to in the steel industry, and in agriculture would require those types of measures, including the proper institutions for ensuring credits for production.

A: Well, that is very interesting. I think that is clearly what we need. As I said, the depression in the metals industry and in agriculture is not just going to go away. Without more hard commodity exports, this country's economy is going to go under.

Q: Do you feel that the key component of a U.S. industrial expansion and export policy requires major development of our nuclear energy?

A: I don't think we have any other option but to go nuclear. Now, you hear a lot of talk about people saying how much coal we have got, but even to develop that we are talking about 15 years, and even then, we have not got the scale of energy we need. So, I would say certainly, we have got to go for a heavy buildup of nuclear energy.

Q: Many observers of the developments in the Middle

East have suggested that the only basis of actually winning a peace is predicated on economic development. **A:** Yes, that is the only way we could do it, and it is getting to this kind of thing which is one of the biggest difficulties of the Carter Administration.... The problem that Carter has is that he does not have a coherent global strategy. He thinks you can compartmentalize the world into separate problems and separate issues and deal with each one by itself. Take what he did on this human rights business. He locked himself into making a lot of statements of human rights, but the Soviets did not understand what he was saying. The Latin Americans didn't understand what he was saying. It was counterproductive and hurt our relations with numbers of existing and potential allies, particularly in South America.

Then, on energy Carter came out with a program that just created a shock in the nation and was not an energy program; it was a tax program. It was a wealth redistribution program. And the way it looks now is that we are not going to have any energy program because he is not going to get it through in Congress. Now he is going to come up with a tax program and that is just going to create another shock. He is not going to get it through either.

Q: Governor, I assume from your other remarks you would say that what is missing is a proper sense of real national self-interest and the ability of the U.S. to foster the self-interests of other nations around the question of economic development?

A: Sure, I think that is right. If we start gearing up this country for what it should be about, which is producing more and producing more cheaply than any other country in the world, then we can go to any country with a sound basis for assuring their taking down any narrowly restrictive conditions and opening up global markets to American goods.

Q: A number of circles in this country as well as in Europe are discussing a two-tiered credit policy of extensive low-interest credits for hard-commodity industrial and agricultural production and prohibitive interest rates on speculative activities. Do you feel that is a necessary measure for the kind of industrial development you are proposing?

A: Hell, the Europeans have got their snake haven't they? They want to stay with the snake, well so be it. But what you are talking about would be solved if we had more equity in the exchange rates.

Q: The exchange rate question would be merely an abstract answer. The problems of reorganizing the monetary system and of providing the monetary basis for a hard-commodity, hard-credit policy would still be needed.

A: There is no question but that the dollar and the economy will go nowhere without our building up production and getting the world markets... To get that done politically, we are going to have to talk about an alliance of labor, industry, and government. That means we are going to have to get more cooperation between labor and management around solving the problems of how industry really works and how you actually create

jobs. The producers of this country understand this. When I was in Pittsburgh, I talked to the steelworkers; I talked to the ironworkers. They understand what I am talking about. We have to make industry more efficient; we have to make agriculture more productive. That means we are going to have to invest in new machinery and equipment to do it.

What Other Papers Said He Said

The Baltimore Sun: The white-haired Texan... told the governors that national issues such as the Panama Canal had no effect on their futures... said the American steel industry is in difficulty because its foreign competitors receiving help from their governments place it at a disadvantage... declared 'the future of the Republican Party lies with the producers of this country.'... declared, 'We can't promise anymore than the Democrats can,' and said the best service Congress could perform would be to convene Jan. 20 and adjourn Jan. 21 and

leave the American people alone.'

The New York Post: John B. Connally says South Africa has become an armed nuclear power as a result of trading with Israel...

The New York Times: His broad-based assault on Mr. Carter's foreign and domestic policies brought the several hundred Republicans... to their feet, applauding... Mr. Connally said he would decide this weekend whether to go ahead with plans to form a political action committee to raise funds... on behalf of Republican congressional and gubernatorial candidates in the 1978 elections...

The Washington Post: Connally's suggestion that GOP candidates concentrate on issues of state interest, such as prisons and welfare programs, and stay away from national issues, such as the Panama Canal treaties... 'I don't know why any governor, unless he wants to pick a fight, needs to get involved with the Panama Canal,' said Connally.

Schlesinger Organizes For Oil Embargo And Energy Dictatorship

Energy Secretary James R. Schlesinger returned to Washington this week after his unsuccessful bid to force Western Europe to bend to his no-energy dictates, to blackmail the United States into accepting its own destruction. In this capacity, Schlesinger emerges as the chief operative, along with other Cabinet members, in the City of London-Lazard Freres operation to destroy the U.S. economy and dollar. Schlesinger's primary weapon is to incite an Arab oil embargo and if, necessary, a Middle East War.

Within hours of his arrival in Washington, the Energy Secretary made clear through reports to the *Washington Star* that he intended to force passage of the Carter April 20 energy program which the Senate has left "in shambles." En route from Europe, Schlesinger had told reporters that his strategy for salvaging the program "is a Chinese water torture. We decide what is right and then stick to it."

The next day, congressional sources report, he emerged on Capitol Hill to circulate the lie among Congressmen and their aides that European leaders would "bolt from the dollar" if his no-energy program is not adopted.

At the same time, Sen. Edward Muskie (D-Ma.), chairman of the Senate Government Affairs Committee, joined by Sens. Sasser (D-Tenn.), Glenn (D-Ohio), and Roth (D-Dela.) are preparing legislation required by Schlesinger to enlarge his already broad emergency powers. They will propose to extend indefinitely the

Natural Gas Emergency Act which was passed last winter and expired in August, giving Schlesinger the power to allocate natural gas as he sees fit.

Squeeze On Carter

The Energy Secretary's high pressure tactics were not limited to Capitol Hill. On Oct. 13 at his weekly press conference Jimmy Carter, who has conspicuously refrained from intense lobbying for his energy program since its passage through the House, suddenly issued a vehement attack on the oil and gas industries for the sabotage of his energy program. Carter charged the companies with "potential war profiteering" and claimed that oil companies were intent on staging "the biggest rip-off in history." Congressional offices report this line was conduited into the White House by James Schlesinger.

The President also warned that gasoline rationing and an import tax of foreign oil — both first proposed by Schlesinger, were among the alternative actions he would take if Congress failed to pass acceptable legislation.

Carter's sudden shift was induced by Schlesinger and Vice President Walter Mondale who, according to sources, had pressured Carter to believe that his future political credibility was dependent upon his "saving his energy program" through a populist attack on the oil industry. This inside job was aided by continuing attacks in New York-linked media on Carter's "weaknesses" on

all fronts, and additional pressure on his close aide Press Secretary Jody Powell.

Crisis In The Making

The *Baltimore Sun* commented editorially the day after Carter's statement that the population did not believe there was a real energy crisis and blamed the oil companies for ripping them off; therefore, Carter's attack may have justified their opposition to his conservation, not production, program. According to the Energy Secretary's plans, an oil embargo is precisely the crisis required to shock the U.S. into accepting an energy dictatorship.

A page one article in the *Baltimore Sun* of Oct. 10 reported ominously that "the immediate goal of the Carter energy policy is to prepare the United States for another oil embargo if war breaks out again in the Middle East, administration officials confirm privately. Their grim assumption is that war is likely sometime during Mr. Carter's term, and the pessimists believe it could erupt within a year or two."

The article further quoted a recent private memo by Canadian Energy Minister Alastair Gillespie as saying that "Schlesinger is just as pessimistic about the stability of the Middle East as I am. He thought the chances of another embargo, or major interruption of supply from the Middle East were somewhere between 40 and 60 percent in the next five years and almost certain before 1990."

Schlesinger's determination to stage another oil embargo has placed him in open insurrection against the White House initiative for a Geneva Mideast peace conference, undertaken jointly with the Soviet Union.

Schlesinger is "purple and green" over Carter's Middle East policy, former Undersecretary of State

Eugene Rostow said in an interview today, confirming earlier Capitol Hill reports that the Energy Secretary is a major figure among the Administration "insiders" seeking to wreck the peace drive that has emerged so far as the President's only major diplomatic success.

In his column in today's *Washington Post*, Jack Anderson quotes "confidential sources" as saying that "Energy Secretary James R. Schlesinger, Jr. has concluded that the continued flow of Middle East oil into this country is less certain than at any time since the 1973 Arab oil embargo."

Anderson reports that, under Schlesinger's prodding, President Carter commissioned a secret study of the nation's vulnerability to such a boycott in June. The study, now nearing completion, will likely prove too lurid for declassification, Anderson states. But the summary provided by the columnist indicates the study will follow squarely in the lunatic tradition of Schlesinger's dangerous and irresponsible NATO MC 14-4 and Hilex war scenarios of 1975, which contributed to his firing as Defense Secretary by President Ford. According to Anderson, Schlesinger's "security analysts... are particularly concerned, for example, that a sudden disruption of the international oil flow could cause a confrontation in Europe between the Soviet bloc and NATO nations over oil."

With Schlesinger's claims of an "energy shortage" to justify his energy program discredited and ridiculed, sources quoted in the *Sun* now state that the threat of an Arab boycott is the real "if unspoken" reason for his energy program, including his "tough gasoline rationing plan" and "legislation giving the federal government extensive control over natural gas supplies that are now under state control."

Schlesinger's WEEP Powers To Become Operational Nov. 1; Senate Ctte. Wants Them Even Tougher

Department of Energy spokesmen announced this week that Energy Secretary James R. Schlesinger's still officially secret Winter Energy Emergency Plan (WEEP), intended to impose a "crisis management" energy dictatorship, will become operational by Nov. 1. A WEEP interagency task force working with organizations representing state and municipal governments, including the National Governors' Conference and the United States Conference of Mayors-League of Cities, has reportedly completed a WEEP planning guide.

Schlesinger intends to use WEEP, a plan whose existence was first revealed by this news service, to militarize the economy and impose no-growth energy conservation through extraconstitutional means. Conceptualized directly by the Rand-trained Schlesinger, the specifics of the plan were spelled out in a Sept. 21 speech by John F. O'Leary (see excerpts below), then Federal

Energy Administration Administrator, before the Senate Governmental Affairs Committee. O'Leary explained that WEEP would become operational if fuel supplies are threatened by (1) cold weather draining limited fuel supplies; (2) an Arab oil embargo; or (3) labor strikes, particularly a threatened coal strike. Contingency plans proposed include gasoline rationing; bans on the use of natural gas as an industrial boiler fuel; and access to intrastate natural gas. The Department of Energy has awarded the N.Y. public accounting firm of Price, Waterhouse and Co. a federal contract to determine the feasibility of a gasoline-rationing plan that would involve the use of credit cards, the Oct. 12 *Baltimore Sun* reported.

WEEP Out Of The Closet

Leading members of the Subcommittee on Intergovernmental Relations of the Senate Committee on

Governmental Affairs, which held hearings on WEEP in late September, have found the plan "basically sound." However the subcommittee, chaired by Sen. Edmund Muskie (D-Ma.) has issued its own report (see excerpts below) suggesting that the still-secret WEEP proposal has not gone far enough. The report paints an even more pessimistic picture of natural gas supplies than does Schlesinger.

Sen. Muskie will introduce legislation this session aimed at enlarging the Energy Secretary's already broad emergency powers. The legislation — cosponsored by Sens. Sasser (D-Tenn.), Glenn (D-Ohio), and Roth (R-Del.) — will extend indefinitely the Natural Gas Emergency Act, passed last winter but since expired, which gives the President the power to allocate intrastate natural gas as he sees fit. The legislation, now being drafted, will also contain certain legislative "sweeteners," including money to help the poor pay their fuel bills and federal loan guarantees to help near-bankrupt utilities, particularly in hard-hit New England. Several Senate offices are defending their support of WEEP on the grounds that it will provide an "aid" package for their constituencies.

A series of regional hearings are planned throughout the U.S. as a way to rally grassroots support. Schlesinger has delegated a number of Department of Energy personnel to attend an Oct. 15 hearing in Nashville, Tenn. organized by Sen. Sasser.

Testimony of John F. O'Leary, Administrator, Federal Energy Administration before The Senate Subcommittee on Intergovernmental Relations

Mr. Chairman, members of the Subcommittee, I am pleased to appear before you today on behalf of Secretary Schlesinger to describe the Administration's plans for dealing with any energy emergencies that are likely to occur this winter....

In view of the difficulty in making reliable long-range weather forecasts, it is impossible at this time to predict the nature and magnitude of any cold-weather related energy shortages which may occur this winter. As Chairman Curtis of the Federal Power Commission testified yesterday, the total supply of natural gas available to the interstate market this winter will be approximately the same as last year. This means that if temperatures are near normal this winter there will be no significant adverse economic impacts. In the event of colder weather, those states that experience abnormal cold could experience local shortages.

It also appears at this time that there will be sufficient propane, middle distillate, and residual fuel oil supplies to satisfy the winter demand, providing that temperatures are near normal. Local problems could develop, however, if freezing conditions again prevent us from using the normal distribution channels to deliver energy products.

A second potential problem area this winter arises

from the expiration of the current contract between the United Mine Workers and the Bituminous Coal Operators' Association on Dec. 6. A walkout could occur at that time if contract negotiations are not successful.

A major petroleum supply disruption would also lead to an energy shortage. A repeat of the 1973-74 oil embargo could be particularly damaging, since we now depend on foreign sources for nearly one-half of our total petroleum requirements. Nor should we forget that damage to energy production and distribution facilities could bring about an energy shortage or higher energy prices in this country.

The purpose of the Winter Energy Emergency Planning Guide is to lay out the strategy options in the event that one or more of these contingencies actually develops....

If a very severe and prolonged natural gas shortage develops, we may wish to consider banning the use of natural gas as a boiler fuel for those facilities that have an alternate fuel capacity. If fully implemented, this measure could effect an immediate demand reduction of 50 bcf per month, or 15 percent of the total interstate curtailments last winter, although reimbursement procedures would have to be worked out. In order to ensure sufficient supplies for home heating and plant protection, it may be necessary to implement an emergency natural gas allocation program. Standby authority for this action is contained in the National Energy Act, which has been passed by the House and is pending in the Senate....

Extracts from the Committee's Report On 'Preparedness for Winter'

INTRODUCTION

The United States faces the prospect of another winter plagued with energy shortages and resulting large-scale unemployment, if temperatures fall significantly below normal in the months ahead. And the Federal Government will not likely be in a position to help very much....

During its hearings and investigations, the subcommittee found that the Federal Government's preparations for the winter of 1977-78 are seriously deficient in certain respects. The subcommittee therefore recommends that the Administration and the Congress assign the highest priority to the prompt improvement of such plans....

The Executive branch has made important progress in the development of a comprehensive plan for the winter — The Winter Emergency Energy Plan (WEEP). The subcommittee is impressed with both the detail and the scope of the plan. Further, the subcommittee acknowledges that mere existence of the plan in any form indicates a higher level of concern for this issue than has been shown by the government prior to any previous winter....

RECOMMENDATIONS

Based on the above conclusions, the subcommittee

makes the following recommendations....

(1) That the Department of Energy immediately reassess the impact of actions the government can take to combat anticipated natural gas curtailments in the coming winter and that the Administration and Congress begin immediate implementation of these actions. In particular, the subcommittee recommends that... the Congress enact new legislation granting the President authority to allocate natural gas supplies similar to that contained in the Emergency Natural Gas Act of 1977, the major provisions of which expires earlier this year;... the Congress consider giving the President the authority — similar to that in the Petroleum Allocation Act — to order natural gas pipelines not experiencing shortfalls to set aside small amounts of gas for reallocation to pipelines suffering curtailments, for the purpose of protecting jobs, and (that) the Department of Energy put its planned Energy Emergency Center into operation immediately.

(2) That the Special Crisis Intervention Program (SCIP) in the Community Services Administration, under which more than two million low income people have been certified to receive assistance for payment of

last winter's fuel bills, be continued into this winter while Congress considers a new Administration proposal to provide such assistance through the Department of Health, Education and Welfare.

(3) That the Department of Energy take immediate steps to deal with the special problems associated with the maintenance of an adequate fuel oil supply and distribution system in the New England region. In implementing this recommendation the subcommittee urges DOE to pay special attention to the cash flow problems cited in testimony before the subcommittee as well as the adverse impact of governmental regulation on this industry.

(4) That the Department of Energy revise its WEEP plan immediately to place less reliance on the States, many of which lack the necessary authority to deal with energy problems resulting from a severe winter.

Further, the subcommittee recommends that each State begin immediately to examine its situation in terms of energy supply and potential shortfalls and to enact necessary authority to meet the shortfalls this winter....

Senator Long Proposes \$100 Billion Energy Development Program

In remarks to the press and to the Senate Finance Committee which he heads, Senator Russell Long (D-La.) proposed the outlines of a \$100 billion dollar energy development program Oct. 14, one day after President Carter had attacked U.S. energy producing corporations as "war profiteers." Long claimed his proposal would provide "1.5 million new high-technology jobs in energy-related industries alone, in addition to 3 million jobs created in spinoff industries and would solve the problems of the U.S. steel industry. "I mean \$12,000 to \$18,000 a year jobs," Long emphasized. "That's the way we do things in the United States. I'm not proposing leaf-raking. ...This is not a CETA proposal or a giveaway," he added, proposing "big investments in oil rigs, mines and developing alternative energy sources."

CONGRESS REPORT

The significance of Long's proposal is manifold. First, it groups him with former Republican Governor John Connally as major U.S. political figures who have spoken out in the last week for action on industrial growth and technological development. More specifically than Connally, Long identified a competent programmatic outline-approach to the problems of energy supply, the steel industry collapse, and unemployment. To the extent that the U.S. labor movement is mobilized behind

nuclear fission-fast breeder and nuclear fusion power development as the content of the Long proposal, an adequate high technology solution to economic collapse is now possible in the United States.

Long's immediate objective is to "judo" the Carter Administration no-growth energy bill into a vehicle for taking the first steps toward his energy development conception. After his Finance Committee stripped the bill of its original series of taxes on energy production, last week the committee added a \$32 billion worth of tax credits and incentives to industry to the bill, prompting Energy Secretary James Schlesinger to label it "a Christmas tree" giveaway for industry. In addition Long's Finance Committee has instructed the conference committee which will reconcile the Senate version of the bill with the House version, corresponding to the original Carter-Schlesinger program that if it accepts the well-head tax on oil in the House version of the bill, the tax may not be rebated as the Administration had desired but used to finance an Energy Development Corporation as outlined by Long in his statement.

Long undoubtedly believes he has Schlesinger and the Administration over a barrel; if the White House wants to save the well-head tax, it will have to agree to his proposal. Schlesinger surely prefers a Middle East war, oil embargo and WEEP national emergency plan to enforce his will to White House bargaining with Long. Moreover, many Republicans and some Democrats are saying they will block to prevent any of the Carter Administration taxes in conference, including the wellhead,

leading Long himself to estimate that Congressional passage of any energy legislation this year is probably less than 50 percent. As the string of tax-incentive additions to the Senate Energy Bill reflects, the Congressional and national committee leadership of the Republican Party is currently in the grip of a tax-cutting mania, typified by a *Wall Street Journal* editorial and statements by House and Senate Minority Leaders Rhodes and Baker last week proposing a 30 percent tax cut "to get the economy going again just as John Kennedy did in the early 1960s. Such proposals do not at all address the issue of providing credit for real production as opposed to inflationary speculation.

Long's Energy Development Corporation, by contrast, represents the seed-crystal of the needed policy, although low-interest credit financing from general revenues or bonds represents a far more effective approach to financing than the wellhead tax. At present, however, the standard "energy development technologies" of Long's proposal would likely back oil exploration and development, increased mining, oil shale

and coal gasification—represent an insufficient response to the magnitude of the crisis. Long and many other congressmen, while letting it be known privately that they are supportive of vastly increased nuclear power production, do not believe they have the political muscle at present in the labor movement to come out publicly for the type of program put forward by the U.S. Labor Party.

Whether Senator Long's EDC conception is transformed into a nuclear energy-based development program therefore depends on how fast the overwhelming support for nuclear energy in the American population can be translated into institutionalized pressure on the Congress. Last week, some 10,000 letters, telegrams and postcards reached the offices of selected Congressmen from trade unionists, scientists, industrialists, and others who demanded a competent program as outlined in the U.S. Labor Party's Nuclear Development Act of 1977, and the party expects the pace of its mobilization to expand and accelerate sharply in the coming week. Institutional collaboration between the USLP and other pro-nuclear forces, particularly the trade unions, is the key to future developments.

Interest Rate Hikes Will Dry Up Capital Investment

The skyward course of short-term U.S. interest rates is threatening to dry up liquidity from U.S. capital investment and consumer borrowing markets, with potentially devastating repercussions for the U.S. economy.

BUSINESS OUTLOOK

Over the past month Federal Reserve Board Chairman Arthur Burns has engineered interest rate increases as a necessary measure to stem the flood of money-supply growth and the daily weakening of the dollar on the international exchanges. But the attempts of the British-linked investment houses to wreck the dollar, combined with the sharp imbalances in the U.S. credit markets, are blocking Burns's stabilizing moves. The net result is even more pressure to raise the interest rate, pressure that is expected to push U.S. prime rate to an excessive 8.25 percent by year's end.

Under this self-feeding cycle of interest rate rises, industry and the housing sector will be driven from the markets, with predictably nasty ramifications.

The Markets

This week, the federal funds rate — at which commercial banks borrow excess reserves — hit 6.50 percent, up 50 basis points from four weeks ago, and up nearly 200 basis points since April. At the same time, Wells Fargo's rise in the prime rate to 7.5 percent one week ago is the third such increase in the last six weeks.

Further, for the first time this year, medium-term interest rates moved up steeply. In the Treasury's latest sale of \$3.1 billion in 52-week Treasury bills, the average yield rose to 6.618 percent, the highest yield in two years. It was up from 6.156 percent at the previous sale only four weeks earlier.

Every sign indicates that interest rates will go much higher. According to David Jones, market economist for Aubrey Lanston, the Treasury financing for the fourth quarter of this year will hit \$19 billion with \$4 to \$5 billion in short-term bills. This amount of new reserves entering the banking system, added onto a whopping \$4.9 billion increase in M-1 money supply figures for the week ending Oct. 14, plus the heavy M-1 increases anticipated for the next few weeks, will cause further Fed tightening.

Where the interest hike will stop is now anyone's guess. Lacy Hunt, chief economist for the Fidelity National Bank, said Oct. 13 that he expects a 8.25 percent prime lending rate by year's end.

It is certain, though, that unless some of the deep imbalances that caused the surge in money supply are cleared away, and unless a Federal Reserve two-tier

credit window lending policy is instituted, that favors business with low-cost loans, the economy will soon be severely crippled.

Why The Money Supply Bulge?

The two most significant reasons for the current money supply jump have long-standing roots. First, the excessive overreliance of the U.S. economy on a "consumer-spending-led recovery"; second, the draw-down of U.S. commercial bank domestic deposits to facilitate Eurodollar lending.

In August, new consumer installment credit (the amount of new credit minus payments on old credit) ballooned by \$2.5 billion. Moreover, for the first eight months of the year, new consumer installment credit exceeded \$17 billion. According to David Jones at Aubrey Lanston, the levels of consumer credit are twice those of last year. He includes in consumer credit some percentage of mortgage credit that is not going to finance housing purchases or repair. People have put up their mortgages as the best security they have in order to obtain loans for consumer spending, Jones said.

The staggering increase in consumer credit and a steady growth in business borrowing since July have skyrocketed checking account money aggregates (M1), and this has forced banks to increase reserves held at the Fed in order to cover their deposit base. This is the lawful inflationary effect that excessive reliance on a "consumer-spending-led recovery" must have after 30 months of such spending.

The other side of this inflation process is commercial bank feeding of funds into the Eurodollar market. Since the beginning of the year, large N.Y. commercial banks have been increasing the transference of deposits to foreign branch accounts, and to replenish contracted domestic deposits, they have prevailed upon the Fed to pump new reserves into the banking system.

Statements of 10 Largest N.Y. Weekly Reporting Commercial Banks

(in millions of dollars)

	Domestic Deposits	Foreign Deposits
Jan. 12	75,215	88,159
Aug. 3.	72,546	94,901
Sept. 28	68,635	101,740

As can be seen in the table, as domestic deposits decreased, the Fed rushed in with reserves so that the overall banking system would have a basis for domestic lending.

All these pressures — the credit market imbalances caused by the heavy consumer borrowing without compensating capital spending, and the commercial bank feeding of the unregulated Eurodollar bubble — caused an inevitable run-up in banking reserves. Reserves held by Federal Reserve banks at the Fed have increased since June 8 by 13.2 percent, going from \$103.9 billion June 8 to \$109 billion Oct. 5. In turn, the increase in Adjusted Federal Reserve Credit pushed up the monetary base, which rose from approximately \$123.7 billion June 8 to \$128.4 billion Oct. 5.

It is thus completely predictable that the basic money stock (M1) leapt from \$321 billion June 8 to \$334.3 billion Oct. 14.

Furthermore, effect of the ongoing British operation to wreck the dollar — now (see article this issue) applying pressure at the dollar system's weakest point — is to destroy confidence in the U.S. currency and institutionalize an upward interest rate.

The uncontrolled upward spiral of U.S. short-term interest rates promises to be deadly for the economy. Hardest hit by this assault is the U.S. housing market. As the *Wall Street Journal* wrote Oct. 12: "Housing has been one of the few things we've had going for us," a top administrator reported this week. "We're getting closer to the point where we would see heavy outflows of funds from the thrift institutions, and a drying up of money for housing."

As interest rates go higher, a disintermediation of funds out of savings and loan associations will occur in mass. Currently, on a deposit of two years' maturity, S and L's can't pay more than 6.5 percent interest, while U.S. Treasury securities of a comparable maturity are paying 7.02 percent. To compensate, S and L's will raise the interest rate on home mortgages as an offset to a scarcity of funds or a higher price paid to obtain scarce funds. This could wreck the housing market, which operating at a rate of 2.1 million starts per year, is one of the two areas of activity holding up the U.S. economy (the other area is auto production).

The simultaneous collapse of the stock-market, a traditional haven for raising equity capital, is aggravating the near impossibility of corporations to get funds, especially if interest rates go much higher. Between 1952 and 1967, the appreciation of U.S. stocks, adjusted for inflation, was over 300 percent, while in the last 10 years, the appreciation of U.S. stocks is sharply negative. Further, according to a study by Becker Securities, between 1972 and 1976, the annualized return on bonds amounted to 7.5 percent, compared to a miniscule annualized return of 0.3 percent on common stocks in the same time period.

In response corporations have been terrified to go to the market with new issues. For the second quarter of 1977, equity financing — the offering of new stock — ran at an annual rate of only \$4.5 billion, a stark contrast to the \$15 billion in new stock financing in 1971.

The collapse of the market this week to 8.23, a loss of 22 points for the week, could be the death blow to equity financing.

There are enormous consequences for U.S. industrial firms. Debt to equity ratios for all industries have escalated steeply in the last five years. With a stock market collapse, the entire burden of industrial expansion will fall on bank loans, commercial paper, and bond syndication — where interest rates are shooting toward the moon. Within this context, capital spending plans become a fairy tale.

The fall-back option recommended by the crowd in Congress, led by Vice-President Mondale, is even more of a dream. These Keynesians want more consumer spending, which would send money supply figures skyward at an even greater rate than at present.

Banker Worried About Money Supply

In an interview this week, Lacy H. Hunt, a vice-president and economist at Fidelity Bank in Philadelphia, presented his analysis of the rapid growth of the U.S. money supply and accelerating interest rates.

Q: U.S. interest rates are rising faster than anyone expected. What accounts for this?

A: I am much more concerned about the rapid growth of money supply. Current rates of money supply growth are excessive — faster than in 1968. This development stems fundamentally from the growth of loan demand. In the third quarter, in spite of the business slowdown, total bank loans are estimated to have risen at a 15 percent rate. The savings and loan institutions, mutual savings banks, and, starting in July, the commercial banks have been selling Treasury securities to accommodate the loan demand. The Fed has acquired too much Treasury debt as a result. This increases the monetary base and the money supply...

We must not be guided by the expediency of holding interest rates down. People who want the Fed to keep interest rates down by allowing rapid money supply growth don't recognize that the acceleration of money supply growth will build in more inflation and set the economy up for a hard landing. Excessive money supply growth will lead to a new severe recession.

Q: To what extent are the recent speculation against the dollar and the flow of money into Eurodollar deposits exacerbating the rise in interest rates?

A: The dollar is getting banged because money supply growth has been excessive. This feeds inflation and the trade deficit. The bond market and the equity market have also gone off sharply as a result. Higher interest rates should have stabilized the dollar. The interest rate differentials are well in our favor. But today the yen surpassed its 1973 high against the dollar... The flow of funds into the Eurodollar market is part of the mechanism. International loan demand is large. The commercial banks liquidate securities, sell CDs (certificates of deposit — ed.), or borrow federal funds in response. This process has the same effect as domestic loan demand — it swells the monetary base and money supply and pushes up the interest rate structure.

Q: Where do you think the prime rate will be by the end of the year?

A: We expected the current developments; we didn't equivocate. But they have happened faster than we anticipated. I expect that the prime will hit 8 percent or 8.25 percent by the end of the year...At this stage in the 1972-

73 expansion, the business credit demand wasn't as great as now. And government credit demand was low. Remember, Nixon had balanced the federal budget. He did it by impounding funds. Now we have a \$45 billion federal deficit; next year it will be \$65 billion. Business and the government are competing for credit and that is pushing up rates...

West European Gold Operation Takes Jabs At London

Gold prices this week reached a two-year record of \$158 an ounce as a result of West European and Arab intervention on the international markets. The run out of the dollar and into gold was limited only by the awareness from the West European bankers that a speculative gold bubble would run out of their control and further the worldwide economic collapse to the benefit of the City of London, in the absence of a gold-pegged international monetary system alternative.

GOLD

The operation into gold is organized from Zurich and the West German-dominated Luxemburg market. According to sources in Zurich, French-Swiss-West German banks are helping the Soviet Union and South Africa restrict their gold sales as much as possible. On the other hand, they are conducting money — notably Arab funds — into bullion. According to New York's Credit Suisse-White Weld, "The Swiss and their friends are making money both ways, withholding bullion from the gold market with cooperation of gold producers, and helping buying it up altogether." New York's Sharps and Pixley, close to the House of Rothschild, added that Arab money shifted out of the dollar into gold on a large scale last week. Bache, Halsey, Stuart identified West European and in particular Swiss banks as acting on behalf of Arab customers on the New York bullion market.

London Gets Short End

The choice of New York has undoubtedly been made by the Swiss banks against London, out of necessity. The Luxemburg market is not yet large enough to bear the brunt of an entire gold operation, and the Zurich market has not fully recovered from the dirty trick engineered by the City of London against the Swiss banking community, known as the "Chiasso scandal."

New York prices are now leading London, rather than the other way around. As opposed to only a few weeks ago, London's second gold fixing is almost every day under the final New York quotation. This in turn implies

that the Swiss, West German, and French bankers have close and cooperative friends in the United States. In an unmistakable sign of U.S. support the Oct. 10 editorial of the *Wall Street Journal*, entitled "Sinking Dollar," suggested for the first time that a gold-based monetary system would be preferable to the present one.

This operation is potentially very dangerous for the City of London. The New York representative of Merrill Montaigu, a parent company of London's bullion trader, angrily commented that no gold orders are coming from London. "It is European speculation; they have managed to manipulate their currencies so as to make gold inexpensive." The Swiss Central bank permitted the Swiss franc to appreciate significantly against the dollar in order to buy gold cheap. According to Reuter dispatches and rumors on the market, the Swiss sold dollars at the beginning of this week, probably to the West Germans, who were trying to contain the rise of the deutschemark.

What's at Stake

This week the *London Sunday Times* expressed its concern that "gold thrives on instability like this as the one edge against financial Armageddon." City of London fears are all the more acute because Swiss and West German banks are not only buying gold, but have started selling British gilts (bonds) and stock, triggering a sharp fall in the London stock market and threatening the bond market.

At this point it would only take a programmatic initiative for a new monetary system to direct the West European and Arab funds out of London control — a fact London knows only too well. But such a programmatic alternative has not yet appeared on Europe's official agenda. Western European bankers must therefore keep gold prices under control to prevent the formation of a purely speculative gold bubble that would ultimately threaten their own economies. This in turn would politically destabilize the continent to London's advantage. Gold prices have consequently stood still since Oct. 13 and one prominent Swiss bullion trader in Frankfurt confided that he is "not bullish on gold" and that the "South Africans and Soviets are now selling."

Lazard Moves In With Steel Cartelization Plans

The story emerging from behind the flood of calls for protectionism that have surrounded the crisis situation in the steel industry is that the Lazard Freres investment bank and related international financier interests are attempting to steer U.S., Western European, and Japanese steelmakers into supporting a program for world steel industry cartelization.

STEEL

Giovanni Agnelli, head of the Lazard-interlocked Fiat auto company, told the annual meeting of the International Iron and Steel Institute (IISI) in Rome on Oct. 11 that the problem facing the world steel industry is vast overcapacity. The solution, he said, is a major restructuring of the industry, including the establishment of international agreements enforcing production cutbacks and governing trade.

"The Davignon plan can be a concrete example of how it is possible to supersede national interests and politics," said Agnelli, according to a report in the Italian daily, *Corriere della Sera*, Oct. 12. The Davignon plan is the European-wide steel rationalization program whose aim is to set production and price levels and to phase out "excess" steel capacity. Agnelli concludes: "The alternative is between the collapse of the management of the economy and the seeking of rationalization."

Agnelli's cartelization sentiments are being echoed on this side of the Atlantic. In an interview with *Executive Intelligence Review* on Oct. 12, Nathaniel Samuels, the director of the board of advisors of Kuhn Loeb, the leading investment bank, gave his support for what he termed Agnelli's "world cartelization" plan. In the pages of the *New York Times* Oct. 3, Samuels expressed his own view that the industry of the advanced sector must be put through a severe "adjustment process."

Speaking at the Conference Board meeting in New York Oct. 11, "free trade" champion Robert Strauss, the President's Special Trade Negotiator, announced his commitment to rationalization of the U.S. steel industry. "The laws of natural selection — the survival of the fittest — are at work," Strauss commented, after pointing to "overproduction" as the fundamental problem facing the steel industry. "But we need not let them run unfettered. We can and should help to ease any adjustment process is taking place." Strauss's office in Washington has previously indicated that it is studying measures such as changes in the antitrust laws and government intervention to facilitate the process of industry consolidation.

The Protectionist Ploy

The threat of protectionism is the key ploy being used to manipulate European, Japanese, and U.S. steelmakers into accepting their cartelization program.

According to participants at the four-hour White House meeting on steel Oct. 13, President Carter pledged that his Administration would aggressively enforce existing laws to protect the domestic steel industry from "dumping" by foreign producers. His comments were bolstered by Treasury Secretary Werner M. Blumenthal, who said that his department is now working to expedite the processing of dumping complaints that have been filed by the industry.

Following the U.S. Treasury's preliminary finding Oct. 4 that Japanese producers are selling carbon steel plate at 32 percent below their cost of production, the Japanese Ministry of Trade and Industry (MITI) announced that Japanese steelmakers would voluntarily cut their production and exports to the U.S. A spokesman at the Japanese Embassy in Washington revealed last week that 26 out of Japan's 59 steel blast furnaces are shut down as a result of the downturn in world steel demand and recent voluntary export restraint. A report from the IISI meeting indicates that in the first eight months of 1977 world steel production (excluding the East bloc) was down 2.4 percent from 1976; in August production was down 7.2 percent from 1976.

At the IISI meeting Jacques Ferry, head of Eurofer, the Association of European Steel Fabricators, made an offer similar to the Japanese. He said Eurofer would restrain exports to the U.S. if the U.S. steel companies drop their dumping charges. British-linked zero-growther Viscount Davignon, the Common Market commissioner for steel and author of the rationalization plan which bears his name, said later that Ferry's proposal for voluntary restraint would not work. Davignon called on the world's steel-making nations to negotiate bilateral "orderly market agreements."

Kuhn Loeb's Samuels Elaborates

Kuhn Loeb's Nathaniel Samuels talked about his proposal for world cartelization of steel and other basic industry (first aired in the Oct. 3 New York Times) in an interview on Oct. 12.
Among the highlights:

Q: Is anyone thinking of adopting the strategy you proposed in the *New York Times* article for dealing with the present crisis in the world steel industry?

A: The Europeans have just indicated their interest in restraining their exports of steel to the U.S. Jacques Ferry is proposing voluntary restraint by the European steel companies and we may see an "orderly marketing agreement" for steel — a government-to-government agreement...

As for the adjustment process, the trade impact always brings about adjustments. The question is whether the adjustment is disorderly or orderly, and what the price is.

What was only implied in my article was my view that we ought to accelerate this adjustment process. Give the industry a temporary respite from imports and tie it to a definite program of adjustment, including measures to improve productivity, phasing out of obsolete capacity.

Present adjustment assistance (special benefits received by workers who are laid off as a result of imports — ed.) is too narrow a concept. We need a more elaborate approach.

This can take place in many ways. Under GATT, in return for trade agreements, governments would have to make commitments to make domestic adjustments — to take steps to deal with the effects on labor, to help less efficient industries get capital, to acquire the assets of companies that go out of business. In return for the negotiation of OMA's, industries will have to take steps or face the music — get out.

Q: Does any one in the Administration support this approach?

A: The debate is still going on. The Administration is very divided. People in government have never been willing to face up to the need for the adjustment process...Strauss has a pretty realistic feel for the situation in steel. But there's no real unanimity on how to deal with the problems. Commerce, Labor, the State Department, they all have vested interests.

Q: Where will job opportunities open up for the displaced labor?

A: That's a very tough question. It's very difficult to retrain and move workers — they like to stay where they are. We will have to have a community redevelopment effort where big plants are closing. In the past we've never brought whole communities into the adjustment process...I don't agree completely with Felix Rohatyn's approach. His proposals involve too much direct government intervention. What we need is government backing for private sector involvement in industrial redevelopment. Actually I think Rohatyn would agree with that. With something like redoing slum housing, of course, you need more government intervention.

Q: What is your view of the proposal Mr. Agnelli of Fiat made before the International Institute of Iron and Steel meeting in Rome for restructuring the entire world steel industry?

A: Agnelli is expressing the European view. The question is how far do they want to go. Do we want world cartelization or not? One can go too far in this direction. But undoubtedly one of the big problems of the industrialized countries — one we need much more consultation on — is the vast overcapacity. There's no real coordination of industrial strategy now. We can have a planned economy — this is what Agnelli is talking about — or total chaos.

London Seeks European Control Through EEC

One of the ironies of the City of London monetarists' plans for the economic subjugation of Europe is the current situation in the European Economic Community (EEC). On one hand, the London monetarists and their Lazard Freres allies would like to transform the EEC into a supranational institution for their hyperinflation

keep France and West Germany from moving into gold as a basis of trading. On Sept. 24, the Lazard-owned London *Economist* made no secret of the belief that, if the Jenkins proposals were accepted, "national governments will no longer be inhibited from reflating by worries that their exchange rates would tumble." This line was parroted nearly word-for-word by EEC Commissioner for Budget and Financial Control (sic) Christopher Tugendhat on Oct. 7 in London. Tugendhat worked for the Lazard-owned *Financial Times* from 1960-1970, and represented the City of London in Parliament from 1970-1974.

SPECIAL REPORT

and austerity policies — one modeled on the Holy Alliance of Europe set up by the Rothschild family in the 18th century. On the other hand, they have to sufficiently weaken that economic bloc to prevent the EEC from becoming the antimonetarist vehicle of the ever-stronger alliance of progrowth forces now centered in France and West Germany.

This situation is what is behind the call for a "European economic and monetary union" made on Oct. 7 in Brussels by European Commission President and former Fabian Society Chairman Roy Jenkins. In the long run, Jenkins's plan for a "Europa," a currency to replace all existing European currencies, aims at looting the world through paper-claims accumulated in London investment houses. In the short-term, it is a device to

New Marshall Plan

The goal of Jenkins's plan is to establish a reflationary "Marshall Plan" for Europe which will recycle funds away from West German and French industrial sectors and the European Common Agricultural Policy (CAP) into labor-intensive agricultural projects in the Mediterranean region. The attack on CAP — a price-guarantee system for EEC-produced agricultural goods — is a direct challenge to Franco-West German cooperation, because of West Germany's commitment to industrialize France through modernization of the latter's agricultural sector.

Institutionally, Jenkins's policy calls for inclusion of Spain, Greece and Turkey in the EEC on the basis of a

"flexible organization" with no compulsory common rules (i.e., no CAP). British Foreign Minister David Owen pushed this line in Brussels meetings of the EEC finance and foreign ministers this week.

The key point is that the British monarchists do not have enough leverage within the EEC at present to impose their plans directly. They hope to weaken it through manipulation of the new Mediterranean members and to otherwise control it through another supranational institution where Lazard networks are stronger: NATO.

NATO, under Secretary General and Anglo-Dutch agent Joseph Luns, will provide the military and intelligence muscle to back up the Jenkins-Owen operation. In his Feb. 1977 speech before the European Parliament, Jenkins had proclaimed "There has never been any contradiction between European unity (i.e., the British conception of the EEC) and...an Atlantic relationship (i.e., NATO)."

However, at the Brussels EEC meeting the French and West German foreign ministers joined their voices to accuse the British government of trying to dismantle the European organization by using Spain, Greece and Turkey against CAP. The French-West German declaration amounts to saying: take the EEC as it is, under our control, or leave it. Owen and his British colleagues had no other choice but to leave Brussels in a huff.

On the monetary front, the continental forces have failed to comment publicly on Jenkins's Europa, but a top French banking official made his government's views very clear in a private discussion: "We find it extremely ironic that the British are now proposing a European monetary union. What Jenkins wants is a common European currency which the City of London can sit on top of." He added that his West European colleagues were determined to resist the British plot, with help from "their North American friends." (See Gold Report)

Percy Bill Would Hamper U.S. Nuclear Export

Earlier disagreements between the State Department and the offices of Senators Percy (R-Ill), Ribicoff (D-Conn), Javits (R-NY), and Representative Bingham (D-NY), sponsors of the controversial "Nuclear Non-Proliferation Act of 1977" have been resolved and the bill, with various amendments, was passed by the House of Representatives unanimously. The Senate version of the same bill, bitterly opposed by U.S. industry, has just been reported out of the Senate Foreign Relations Committee with a favorable vote of 13-0.

The bill, receiving remarkably little attention while the press rivets public attention on the Senate debate of the Carter Administration's separate National Energy Act, has far-reaching significance for the future growth potential of the USA's advanced nuclear technology exports.

When Sen. Percy introduced the bill in the Senate last March, he announced the bill would give the government "unprecedented criteria to govern the transfer and use of U.S. nuclear export items." The heart of the bill, S. 897, as subsequently amended, gives Congress veto powers over approval of reprocessing and retransfer of nuclear fuels, a move which could plunge any coherent U.S. nuclear export program into chaos and uncertainty.

A further provision, which would require an arbitrary and vague "timely warning" criterion against possible diversion of U.S.-enriched fuels into weapon development, opens the door for further U.S. disruption of export fuel and technology contracts of the type "informally" imposed by the Carter Administration this past winter to attempt to blackmail West Germany and France into breaking major nuclear supply contracts with Brazil and Pakistan. Two of the five members of the government's Nuclear Regulatory Commission attacked this proviso saying that it "might well result in an unwarranted suspension of nuclear fuel shipments to important allies of the U.S."

"A Bad Bill"

A former U.S. ambassador to the International Atomic Energy agency (IAEA), strongly denounced the Percy-Bingham bill as "a bad bill". The former representative to the United Nations agency primarily concerned with international safeguards against nuclear weapons proliferation, told the Senate subcommittee on Energy Research and Development that the bill will "turn potential future customers away from cooperation with the U.S." He added that the bill contains far too many "built-in deterrents to effective cooperation" between U.S. nuclear industry exporters and the rest of the world. He then cited the resulting probability of delays and ultimate Congressional veto over approval of export contracts will

prove a too high risk for the growing number of countries seeking to develop peaceful nuclear energy sources.

George Stathakis, who heads the U.S. Atomic Industrial Forum's committee on nuclear export policy and is vice-president of General Electric, the second largest nuclear manufacturer in the U.S., joined in attacking the bill as selfdefeating even in its own terms since it will tend to weaken the present IAEA international framework and force other countries to accelerate their own development of technologies such as enrichment and reprocessing centers as well as fast breeder technologies. He added that the bill comes across as an attempt to "impose on other nations a U.S.-determined set of solutions to proliferation concerns."

Since the President's April national address espousing the Ford Foundation-MITRE line to halt development of plutonium-linked technologies, specifically, nuclear fast breeder and related nuclear fuel reprocessing technologies, the Carter Administration has faced almost unanimous opposition from the rest of the world and the domestic U.S. nuclear industrial and scientific community.

Last week, delegates from over 70 countries met for the Tenth World Energy Conference in Istanbul, Turkey, and came out unanimously in favor of development of fast breeder technology. Their call termed the Carter Administration ban on so-called "sensitive" technologies "pointless," since "the technological cat is already out of the bag." A growing number of U.S. scientists, some of whom previously believed there was a significant danger of weapons proliferation from developing the fast breeder and fuel reprocessing, have begun to realize the argument is a fraud perpetrated by circles around the Ford Foundation and MITRE, including Defense Secretary Harold Brown, who helped draft the report prior to his appointment as Defense Secretary.

Recent experiments at Los Alamos Laboratories in New Mexico have proven that the contention that extraordinary new safeguards for plutonium-related technologies are needed to halt nuclear weapons proliferation is senseless. Experiments at Los Alamos demonstrated that any nation intent on committing the required hundreds of millions of dollars and teams of top engineers and scientists can actually produce a weapon from conventional low-grade uranium. This shoots holes in the motivation behind the Percy-Bingham bill: that the development of breeders and reprocessing easily leads to nuclear arms proliferation.

— W. Engdahl

Westinghouse Objects To Nonproliferation Bill

In an official statement by Westinghouse Electric Corporation Vice-President Francis P. Cotter, the company expressed its concern that the Administration policy has relinquished the United States' "major position" in the export of nuclear reactors. The statement, delivered to the Senate Committee on Governmental affairs, the Committee on Energy and Natural Resources, and the Committee on Foreign Relations, is excerpted here:

In view of the imminent Foreign Relations Committee action on S.897, "The Nuclear Nonproliferation Act of 1977," without further hearings, Westinghouse feels impelled to give you our views and to express our concerns...

Westinghouse has had a major position as an exporter of nuclear power reactors to the world market. A few years ago, we and other American reactor exporters held a dominant position (90 percent of all exports until 1972) — a reflection of our experience and technological leadership, and of our government's belief in the contribution nuclear power could make in an energy-short world.

We have viewed with deep concern the dramatic decline in U.S. nuclear reactor export sales in recent years. Other countries have become strong competitors, and indeed they have now captured the majority of the world market. As a case in point, we have not secured a new export reactor order in the last 18 months.

Several factors have influenced this dramatic shift away from U.S. dominance of the international market, but by far the most decisive has been the uncertainty which has developed as a result of United States nonproliferation and nuclear export policies — an uncertainty which has been produced by a series of unilateral policy shifts and which has created grave doubt world-wide about the reliability of the United States as a nuclear supplier... A de facto moratorium on sales of U.S. nuclear reactors abroad, however unintentional or unintended, is now in effect...

Will we pass legislation which, based on a policy of denying nuclear export to others, creates a world environment in which we have in effect denied ourselves the opportunity to be an active participant in world nuclear commerce? We believe that this would be the consequence of passage of S.897 in its present form, and we feel that the reaction of the world nuclear market and the expressed attitudes of other nations... reinforces and confirms this conclusion...

... Once the United States is out of the world market, getting back in is not simply a matter of passing remedial legislation. It requires a large overseas operation and an intricate complex of continuing customer relationships to simply compete in the market; once these are lost, they are not easily regained...

Fusion Breakthrough Revealed

By Polish Scientist

Recent revelations by a Polish scientist at a conference on laser fusion in Oxford, England, promises to have the same stunning impact on the Western scientific community as that of Soviet Academician Leonid Rudakov when he unilaterally declassified portions of his country's highly successful electron beam fusion program 18 months ago. It is now known that in late September a team of Polish scientists succeeded in initiating fusion solely with chemical explosives — a major experimental breakthrough with critical military applications.

The conspicuous disclosure of the Polish breakthrough, like Rudakov's disclosure to American scientists at the Los Alamos Laboratory in July 1976, is a challenge to the U.S.: will this country continue to smother its fusion efforts under a blanket of military security, or will it view these East Bloc achievements as starting points for joint cooperation in developing an unlimited energy source for world peace and development.

What The Poles Did

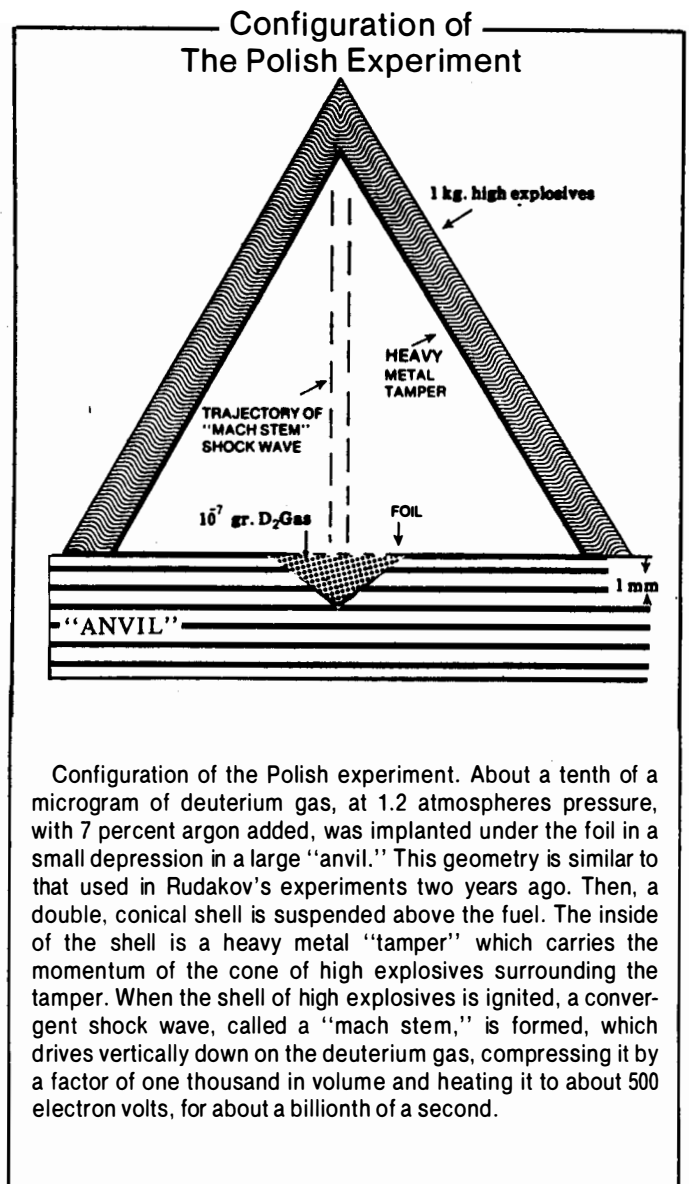
At the Eleventh European Conference on Laser Interaction with Matter in Oxford, Dr. Sylvester Kalinski, Director of the Polish Institute for Theoretical Engineering, announced to western scientists that his institute has created a fusion reaction in deuterium gas using chemical explosives to supply the energy required for heating and compressing the deuterium fuel. Later, the details of his experiments were described in the Polish Communist Party paper Trybuna Ludu, and in discussions with western scientists visiting his institute in Warsaw.

In what western scientists described as a "brilliant and daring" experiment, Kaliski and his group used a charge of approximately one kilogram of high explosives (about 2.5 pounds) to create temperatures of five million degrees and pressures thousands of times that of the atmosphere in a small sample of deuterium gas. Deuterium is the heavy form of hydrogen that undergoes a nuclear fusion reaction (in which two deuterium nuclei combine) to form helium. The fusion reaction releases tremendous amounts of energy.

Kaliski's experiment resulted in close to 30 million fusion reactions, approximately the same amount achieved by the multimillion dollar carbon-dioxide laser facility at Los Alamos scientific laboratory in New Mexico.

The key to Kaliski's experiment is the unique configuration of fuel and explosives. By the use of an elegant and simple application of well-known explosive technologies, the Poles scooped similar efforts in the American laboratories.

As the accompanying figure shows schematically, Kaliski's experiment takes advantage of a highly symmetrical arrangement of high explosives, which forms a shock wave of incredible energy density, driving vertically down onto the target of deuterium fuel, compressing and heating it. The other critical ingredient is a very carefully machined and engineered cone of high explosives. Kaliski's group had to machine the cone



within a tolerance of one micron (approximately half a millionth of an inch) in physical dimensions, and carefully check by x-rays the explosives to ensure uniform ignition.

What It Means

The Poles are not the first to attempt production of fusion using chemical explosives. In fact, the main drawback to fusion energy for both weapons and peaceful use is the tremendous energy required to ignite the fusion reaction. Once it is ignited, the fusion process releases astronomic quantities of energy, but it has so far required either *atomic* bombs for ignition (in the case of the hydrogen bomb), or very large and expensive electrical or laser devices (in the case of peaceful use of fusion).

Because of the relatively small expense involved and lack of bulky energy storage devices, the use of chemical explosives for fusion would be very attractive. Kaliski's work represents the first, significant development towards making this a possibility. Kaliski estimated the cost of one trial of his experiment at \$500. There are significant problems still to be solved in scaling up the Polish experiment for large scale fusion energy production, primarily in devising a geometry of explosives and fuel which eliminate the need for an "anvil."

But, of more immediate importance is the military implication of these results. Kaliski has created the first stage of a real "neutron bomb." As is well known, the source of longlasting and "dirty" radioactivity in a hydrogen bomb does not come from the fusion reaction which supplies most of the bomb's *energy*, but rather from the plutonium (fission) bomb used to ignite it. If the plutonium could be eliminated, the bomb's energy would be primarily released in the form of neutrons from the fusion reaction.

This neutron bomb has been recently touted by the military strategists of limited or tactical nuclear war,

who hope that since the neutron bomb creates little fallout, and can be very small, we can have "little nuclear wars"—a concept which the Soviets have correctly likened to the case of the virgin who was only a little pregnant.

Kaliski's announcement of the East Bloc's breakthrough in fusion research is clearly seen by the East Bloc as relevant to the debate over the neutron bomb in the United States. The Soviet Union has vociferously condemned the concept of a small, neutron bomb nuclear war. At the same time, Kaliski, who is also Poland's Minister of Science, visited Moscow for discussions with Soviet officials and received an honorary doctorate from the University of Moscow. Immediately afterwards, he left for Oxford to announce the results of his experiments.

Where Will The U.S. Go?

Reactions among U.S. scientists to the "Kaliski affair" has so far been shocked silence. While scientists will privately marvel at Kaliski's brilliance and at the striking success of his experiments, the political and military implications have them stunned. At the very least, it is unnerving to hear a Polish leader giving away information on military research which is so classified in the United States that it has not yet been attempted.

The challenges which Kaliski's announcement represents most are answered: If the U.S. wants an arms race intensified with the development of new technologies, then Kaliski, as Rudakov did before him, has shown that the U.S. is dangerously behind. On the other hand, the Director of the Soviet Fusion Program, Dr. Velikov, proposed in the same week that Kaliski was in Moscow, to the U.S. fusion and weapons laboratory at Los Alamos, that the U.S. and the Soviet Union *collaborate* on a brute force, crash program for fusion development. That is the U.S.'s choice.

—Dr. Steven Bardwell

British-Based 'Dissidents' Threaten Destabilization In Poland

The Polish dissident group known as the Workers Defense Committee (WDC) has divided into two sections, one of them christened the "Committee for Social-Political Self-Management." The new organization, created by individuals closely linked to the London controllers of the WDC, is gearing up to catalyze popular unrest.

Its existence was revealed last week to Western correspondents in Warsaw by dissident sources who simultaneously reported a rash of work stoppages by Silesian coal miners and Lodz textile workers protesting the short supply of food. A Polish government spokesman denied the strike stories.

The "Social-Political Self-Management" group has announced it will struggle for the independence of the trade union movement, as a "democratized" alternative to the present party-government administration. To peddle its "self-management" doctrine — the term is best known as applied to the Yugoslav "self-management" way to a decentralized and increasingly anarchistic economy — the group offers workers a newspaper called *Robotnik* (the Worker).

That this publication shares its name with that of the exiled Polish Socialist Party, now issued from London, is of little surprise; the "Self-Management" leaders include former Socialist Party member Edward Lipinski and Jacek Kuron, who both maintain close contact with the WDC's exiled godfathers Professors Leszek Kolakowski and Wlodimierz Brus of All Souls College at Oxford.

The other WDC splinter will concentrate on "human rights" issues, with a religious slant indicating coordination with the Catholic Church.

Rash of Incidents

Other reports from Poland and elsewhere in Eastern Europe augment the pattern of unrest instigated by British-based networks. *Der Spiegel* magazine in West Germany reported a proliferation of Polish dissident groups other than the WDC fractions, including a "Student Committee for Solidarity" intended to "fight the monopoly of the state student organization," and a "Polish Independence Movement" which will issue memoranda and programmatic statements "from time to time."

No sooner did the dissident-coordinating body Amnesty International receive the Nobel Peace Prize last week than it published a report alleging "thousands" were being held as political prisoners in East Germany. Then in East Berlin, during Oct. 9 national holiday celebrations, students attending a rock concert rioted. Western journalists present reported that the youths were intoxicated, but played up their alleged chants of

"Russians out, Russians out." An East German official in Bonn, however, would not discount the possibility that provocateurs from Maoist groups in West Berlin had sparked the demonstration.

Food Problem the Target

The Polish operations are designed to capitalize on trouble which may arise from a tight food supply there this fall and winter. A Central Committee plenum of the ruling Polish United Workers Party currently reviewing economic policy has just designated a special government committee to deal with "problems of the internal market."

Foremost among these will be maintaining food deliveries to urban areas, jeopardized by the fourth consecutive year of bad harvest in Poland. Severe floods which hit Poland this past summer dealt a two-year setback to food production expansion plans, according to Polish Premier Piotr Jaroszewicz. Coming on the heels of three years of drought and grain shortfall, severe slaughtering of livestock herds (which are now down to the levels of four years ago), and the necessity of importing 7 million tons of grain and fodder from the capitalist sector on short-term credit in 1976 alone, this year's weather damage is especially serious. The weekly *Polityka* reported in September, "We are having difficulties in supplying the population with meat and meat products... problems are being encountered in accomplishing the economic maneuvers." Poland is expected to be one of the world's biggest grain importers again this year.

Other austerity measures have been instituted this fall in Poland, including mandatory curtailment of heat consumption and electricity use.

Economic Maneuver

The adjustment known as the "economic maneuver" is a drastic reduction of heavy industry investments in Poland's current five-year economic plan for 1976-80. It aims to bring industrial investment to a zero growth-rate by 1980, for the sake of two alternative priorities: First, building production for export, to pay the country's convertible currency debt. Second, boosting consumer goods output in order to reduce the chance of political destabilization through popular unrest.

The altered five-year plan calls for an 80 percent increase in exports, and no growth of imports at all! The targets are unlikely; the collapse of Poland's export markets in the depressed West makes its success in raising cash more and more dubious. Already this year, Foreign Trade Minister Jerzy Olszewski announced that the 1977 goal of only 1 percent growth in imports is being

overrun, while exports have failed to rise at the planned 15 percent annual rate.

That more dangerous internal adjustments are ahead is apparent. Party leader Edward Gierek currently has a special team of economic advisors working on three main topics: a plan to link wages to productivity in the construction industry, distribution of resources among the provinces, and decentralization of the steel industry. All three emulate the "Yugoslav way" of decentralizing the economy for the sake of the "flexibility" that Wall Street lenders want.

Gierek Acts On Bad Advice

Party chief Edward Gierek focused his address to the Polish United Workers Party's current plenum on agriculture and foreign trade. The main theme he struck,

however, was the "coresponsibility" of officials at all levels, as well as workers, for pulling through the austerity crunch. To "share" the crisis, the new government committee will include prominent trade-union representatives.

In putting out this "soft" approach, Gierek is clearly listening to advice from party central committee member Rakowski, editor of the weekly *Polityka* and often a conduit into Poland for what the rotten wing of the Western social democracies has to say. Rakowski, warning in a September editorial about "the edginess of the population," plugged as a solution "a system where employees feel themselves truly comanagers." The similarity with the dissident "Self-Management" committee's campaign is hard to miss.

Peasant Agriculture Drains Polish Economy

The production of food in Poland is a labor-intensive, historically retarded endeavor, whose uncertainties and failures underlie the country's current economic crisis and the strong potential for serious political unrest there.

A chronic "scissors crisis" between the nearly feudal agricultural sector and industry which in some technologies (such as mining) has made groundbreaking advances, has fed crisis after crisis in the past three decades, including the toppling of the Polish governments in 1956 and 1970. Now, new rounds of agricultural crisis compounded by the results of six years of heavy Polish borrowing in the West to push ahead the country's consumer and export sectors, have set in motion the destruction of Poland's industrial base.

Poland has often been extolled as the last bastion of private agriculture in Eastern Europe. A 1974 report to the Joint Economic Committee of the U.S. Congress called it "the most productive" in the area. Yet Poland is the one country in Eastern Europe where food shortages severe enough to send political shock waves to the top of the party and government have occurred. And the reason is not merely the diversion of Poland's hams to U.S. tables in the interest of raising cash.

Feudal Land Tenure

Over one-third of the Polish workforce is employed in farming, even more than the USSR's high 28.5 percent and the 14.2 percent and 10.9 percent, respectively, in neighboring Czechoslovakia and the German Democratic Republic. Less than 5 percent of the United States' workforce is headed for agriculture. Eighty percent of the arable land is held by small farmers, in tiny strips inherited from the feudal land holding patterns of the last century. Two-thirds of the peasant farms are smaller than 12 acres, and half of those are smaller than five. The daily *Zycie Warszawy* reported earlier this year that fields measuring five meters by 10 kilometers were not unheard of in one district.

When most of Eastern Europe was collectivized under Soviet direction, in the period immediately after World War II, a mere 10 percent of Polish agricultural land undersent the transformation. Even this was undone a decade later, when the crisis of October 1956, fanned by the efforts of British and U.S. intelligence agencies, brought Wladislaw Gomulka to power. Gomulka had been a chief proponent of the Bukharin faction's policy against collectivization in the late 1940s (he was jailed at the time on other counts, but the policy prevailed). In 1957, the number of collective farms was slashed from 10,600 to 1,700 and the land reverted to peasant ownership.

Justifying the policy, Gomulka stated that his regime would not try to loosen the peasant's grip on Polish agriculture nor challenge the peasant's world outlook: "The road to setting up a vast network of cooperative farms in Poland's countryside is a long one, and quantitative development of producer cooperation cannot be planned because, on the basis of voluntary entry in a cooperative, this would amount to planning the growth of human consciousness — and that cannot be planned."

This established a pattern of government propitiation and coaxing of the peasants, a pattern that still holds. Boxed in by its bargain with the peasant, the government has reduced its agricultural reform policy to a series of gimmicks, always designed to win over the peasant to just a little bit more mechanization or collectivization, without breaking the pact — that is, without triggering peasant slaughter of livestock or refusal to deliver grain to the state for urban distribution. Gomulka tried to encourage "cooperativization" through the machine-sharing Agricultural Circles; or, as in a 1958 speech, hinted that the future of Polish agriculture lay in socialized (collectivized) farming after all. The prompt response of the peasants was to slaughter their animals, believing them about to be confiscated. The Gierek

regime has run through the same theme with variations — coaxing the peasants with higher procurement prices or pensions, only to find that these maneuvers confirm the peasants' confidence in being able to hold out for more, and hold *back* deliveries against expectation of more concessions whenever it seems to be a good bet.

Hand-Harvested Potatoes

The fraud of Polish agriculture's proclaimed high productivity is apparent if Poland is contrasted with Czechoslovakia and East Germany, adjacent countries with comparable soil and climate conditions. In wheat production, where mechanization and consolidation of land holdings into large fields are essential to raising yields, Poland lags behind. Too many of its wheat fields are barely big enough to turn a tractor around on.

It is in hand-harvested potatoes, and milk yield of the peasant's personally cared-for cow, that Polish productivity is higher (See Table I). But at what cost? Thirty-three percent of the population of an industrial nation laboring on the land with the techniques of a hundred years ago — and an inordinately large portion of national investments (16 percent in 1970 compared with 11 percent in Czechoslovakia and 14 percent in East Germany) sucked down the agriculture sinkhole!

Table I

Comparative Agricultural Yields 1971-1973				
	Milk (litres per cow)	Potatoes (quintals per hectare)	Rye	Wheat
Poland	2,980	175.7	22.9	26.1
Czechoslovakia	2,644	150.0	28.1	35.6
German Democratic Republic	3,500	168.6	28.7	39.6

Source: Joint Economic Committee of the Congress of the United States.

And with what implications? The peasant, laboring to extract these yields, has the leverage to disrupt the economy and make planning impossible by withholding produce from the market. This is the leverage exerted by the *kulak* in the "scissors crisis" of 1920s Soviet Russia. In Poland, he still wields it.

More Horses Than Tractors

The history of attempts to motorize Polish agriculture is a cameo of the more general dilemma. Poland's postwar rates of tractor production are high, although it started from near zero after the ravages of the Nazi armies retreating across Poland. Nevertheless, by the mid-1960s Polish farms had the highest density of horse population in the world: three horses on every two hectares. Today 60 percent of draft power is still the horse.

A 1959 Polish Central Committee plenum decreed that

the tractor must replace the horse. Gomulka's administration, having washed its hands of the fundamental *political* problem of collectivization, tried a highly non-political approach to carrying out its decision: before the new tractors began to roll off the line, production of horse-drawn implements was suspended as an incentive. The upshot was that peasants resorted to farming with neither tractor nor horse — *by hand*. Only in 1964 did production of horse-drawn implements resume.

In the same period, Gomulka wheedled the peasants by promising an end to discrimination against kulaks in tractor acquisition. The peasant was permitted to purchase machinery directly, rather than through the Agricultural Circles, which he feared as stepping-stones to collectivization. This permission has repeatedly been withdrawn in later years, again as encouragement to cooperativize, but always restored. (See Table 2 for present tractor concentration.)

Table II

Tractor Horsepower		
(per 100 hectares of arable land)		
	1971	1974
Poland	57	89
Czechoslovakia	115	138
German Democratic Republic	146	152

Source: Statistical Yearbook of the CMEA Countries, 1975

At a party congress in late 1975, the Gierek administration again proclaimed its intention to bring Polish farmland into the socialist sector of the economy in the current five-year plan. Over the past two years of worsening food crisis, however, these plans have been quietly scrapped. The most important agrarian policy decisions of 1976 and 1977 were a rise in farm produce procurement prices (and correspondingly in national expenditures on grocery-store food price subsidies) and a new pension scheme for the peasantry. Peasants will now be eligible for state pensions without having to hand over their land to the state upon retirement.

— Lana Wolfe and Rachel Berthoff

Eyewitness Report From Warsaw

A Scene of Backwardness And Pervasive Demoralization

The author of this report has just returned from a visit to the Polish capital, Warsaw.

The long-term significance of the condition of the Polish economy was poignantly summarized by a scientist from the United States' Los Alamos Scientific Laboratory who recently visited Poland: "So, this is the bucolic beauty that Ralph Nader has in store for the United States," he said. "My God, the U.S. *will* look just like this without nuclear energy."

It is difficult to convey the true extent of the backwardness forced on Poland by its primitive agriculture. Driving through a rural area about 20 miles outside of Warsaw, where one would expect to see the greatest degree of technology in agriculture, I saw only one motorized piece of farm equipment. The rest is horse-drawn plows, wagons, and mowers. Most of the farm labor seemed to be done by hand. The archetypical scene of an old man and woman digging potatoes on their hands and knees was reproduced every day that I was in Poland, on more plots of land than I could count. The one farmer who was planting a winter cover in his field sowed seed by hand from a bag slung across his shoulder — a scene completed by a raven eating the seed behind him.

Judging the Polish political temperament from discussions with a large number of Polish scientists, the problem is entirely one of political will. The Polish government is afraid to confront the Polish peasantry. And so the psychology of the peasant outlook infects the country's intellectuals, as well as its government. These scientists assured me that agriculture could not be mechanized because "the peasants will not stand for it." Even the minimally necessary steps of encouraging larger farms (by making inheritance of land difficult, for example) are not taken. There is a pervasive political paralysis on the whole agricultural question.

The result is horrifying. All but one of the farms I saw was less than ten acres. On these tiny plots, rural life displayed its political power with privately run fruit stands on the roadside. And in the cities were the lawful

consequences of this agricultural policy. The scientists I spoke to were spending 70 percent of their income on food (compared to about 10 percent on rent), and the quality of food has declined dramatically over the past three years.

But by far the most destructive consequence is a pervasive demoralization. The peasant ideology of fatalism, based on a firm conviction of one's own impotence, had settled over even the nation's scientists. They are sure that the government is "naturally" incompetent, that the "Russians" will always "oppress Poland," that the peasantry is a fixed feature of life, and that none of this will, or can, change.

To be sure, there are exceptions. The most striking was the Polish Minister of Science, Dr. Sylwester Kaliski, who had just returned from an extraordinary appearance at a scientific meeting in Oxford, England. There he had announced to an astonished group of Western scientists that the Poles had made a major breakthrough in research into controlled thermonuclear fusion, achieving fusion with energy from chemical explosives. His experiment was truly "American" in its brash simplicity, and in its unexpected success. Kaliski showed the energy and enthusiasm that will be critical to Poland's chances of getting out from under its peasant yoke.

Perhaps one anecdote best conveys the dichotomy between Poland's very sporadic attempts to industrialize and the oppressive mix of despair, rural idiocy, and religion which could (when mixed with destabilization operations from the West) create a replay of Hungary in 1956. In Warsaw there is a large electric lamp factory, named the Rosa Luxemburg Works after the great Polish revolutionary, who understood Poland's future to lie in its co-industrialization with Russia. The factory is surrounded by a white brick wall. Inside the wall, near the employees' entrance, are political slogans, graphs of productivity, and the like. On the outside of the wall, by the gate, is a Catholic shrine, covered with fresh flowers.

— Dr. Steven Bardwell

IEA Meeting In Paris Rebuffs Schlesinger, But Calls For U.S. Oil Cuts

The Paris meeting of national energy ministers from the 19-nation International Energy Agency (IEA) last week adopted a 12-point common policy that emphasizes the development of nuclear energy as the solution to increasing independence on imported oil, while it also agreed to impose limits on oil imports to a total of 26 million barrels per day total by 1985.

This mitigated result reflects on one side the principled determination of leading factions in the European nations to fight for nuclear energy development and on the other side, their inability to conceive that precisely such a policy would permit to sharply increase oil consumption for development in the next score years — and start a period of unprecedented economic prosperity both in the oil producing and in the oil consuming nations.

Schlesinger Rebuffed

The final resolution of the IEA conference stated that “steady expansion of nuclear power consistent with the need to prevent proliferation of nuclear weapons” is needed to cope with likely shortfalls in energy supply by the 1980's. Thus, far from acceding to U.S. Energy Secretary James Schlesinger's prepackaged scenario for curbing oil imports without replacing oil with nuclear energy, the meeting supported the French-West German nuclear lobby — even if the French were nominally absent from the meeting since they had refused to join the IEA under Henry Kissinger's dictates.

Following the conference, the French press scored the U.S. official position, counterposing Schlesinger to the declarations of nuclear power advocated in the U.S., including other members of the Carter Administration. Such an intervention into American internal affairs by West Europeans is unusual and represents, in part, the influence of the European Labor Party's dissemination of information on the “silent majority” in the U.S. which favors energy growth.

On Oct. 7, the day after the conclusion of the IEA Conference, French papers circulated a statement by a State Department official denying that President Carter opposes the controversial fast-breeder technology. U.S. State Department Deputy Undersecretary Joseph Nye remarked that “Carter has never come out against the breeder,” and this was picked up by West German radio and France's conservative *Le Figaro* and financial daily *Les Echos* as an indication that Carter, “who last April had declared war against the plutonium civilization, has changed his position.” *Les Echos* attributes this turn to the common offensive of France, West Germany, and the Soviet Union, together with contributing internal

pressures from Schlesinger's political opponents at home.

When Carter at his Oct. 12 press conference, then came out parroting the “energy austerity” line of Schlesinger, the French upped the pressure on the White House. *Le Figaro's* energy expert Christian Guery warned editorially that “unless the fast breeder is developed, there will be famine and desertification in the Third World.” He commented that Carter has “apparently changed his position” according to one of his collaborators (a reference to Nye's statement), “but we are expecting more than good intentions... We are awaiting official confirmation of this.”

Similar reactions came out of West Germany. The *Stuttgarter Zeitung* editorial of Oct. 10 accuses Schlesinger of having “painted a picture of horrors” in regard to energy policy. On Oct. 7, the *Frankfurter Allgemeine Zeitung* quoted the chairman of the West German parliamentary opposition party, the Christian Democratic Union, saying that “the opponents of nuclear energy are the real reactionaries.”

It is therefore hardly surprising that Schlesinger had scant success on his just-concluded visit to West Germany. He was reportedly lectured by various Christian Democrats on the vital necessity of nuclear energy development. Afterwards, when the U.S. “energy czar” met with Social Democrat Chancellor Helmut Schmidt, Schmidt declined to hold a joint press conference with him. The return from West Germany of U.S. nuclear expert Edward Teller with bold proposals for worldwide development through nuclear technology indicates that certain West Germans, like their French factional allies, have decided to intervene into the U.S. “internal” energy debate — albeit indirectly.

West European “Opportunism”

The problem with the Western European nuclear energy lobby is that its representatives have been unable to overcome a self-defeating “realpolitick” approach prompted by anti-American chauvinism. West German, French and other official spokesmen have called for the *United States* to reduce its oil imports — under the stupid illusion that such an initiative would consolidate the dollar and simultaneously reduce the competitiveness of U.S. exports against West European products in the Third World and Eastern Europe.

Schlesinger, of course, exploited this short-sighted opportunism to rig a confrontation on the basis of competition for oil cuts. In a Paris news conference, he accused the other oil-importing nations of using U.S.

inaction on the Carter energy program "as an excuse for their own failure to adopt stiff energy programs." Alastair Gillespie, the Canadian Energy Minister and Chairman of the IEA, commented bluntly that if the U.S. fails to adopt stringent measures to curb imports of oil, other importing countries will abandon efforts to cut their own imports.

Such an insane display of life-boat economics, and in particular the Gillespie and Schlesinger remarks, is

ammunition to pressure the recalcitrant U.S. Congress to pass key provisions of the original Carter energy bill, which is totally bogged down in the Senate.

West European "opportunism" is thus undercutting the positive effect of their principled nuclear energy strategy, and disorienting potential allies in North America. The battle for energy requires an understanding of how the overall world economy works.

Euro Press Scores Schlesinger's No-Growth Energy Program

Handelsblatt, Dusseldorf, "U.S. Nuclear Policy Comes Under Fire," Oct. 5:

U.S. scientists in Bonn have clearly criticized the American policy of nonproliferation of nuclear technology with the admission that President Carter's original conceptions have failed...

Massachusetts Institute of Technology Professor David Rose spoke against the concept of dividing nations into atomic have-nots and those who can make use of nuclear technology (at the international conference on "Problems of Nuclear Energy.") This will not lead to a just society nor to a society which has a secure future.

Reprocessing

In reference to the developing countries Rose emphasized that the policy originally set up to reduce the spread of nuclear weapons is instead increasing international instability in the long term...

Les Echos, Paris, "Carter's Turn and the Victory of the Europeans," Oct. 6:

Basing himself on a report written by "wisemen" under the auspices of the Ford Foundation, Carter decided in the spring of 1977 not to build any fast breeders and not to industrially produce plutonium...But France and

Germany did not disarm. Their cooperation was reinforced through joint research accords. Even more, Paris and Bonn received the active support of the USSR...The Europeans and Soviets are, in effect, convinced that only the fast-breeders can prevent a long-term shortage of nuclear fuel...And even an American, Mr. Kenneth Davis, representing the Bechtel Company (at the Istanbul world energy conference last month — ed.) recognized that in the United States some think it indispensable to develop this network. The message of the scientists and economists has, it would seem, been heard. Jimmy Carter no longer formally says "no" to the fast breeder.

Stuttgarter Zeitung, Stuttgart, Editorial, Oct. 10:

Schlesinger has painted a picture of horrors regarding energy policy...saying that economic shocks could lead to major political consequences...The American government is presently fighting with the Senate on its energy law...no wonder Schlesinger is using such dismal colors...

Perhaps industrial nations can conserve, but the two billion people in the developing countries expect a better life, and they will use unimaginable amounts of energy in order to advance...Industrial nations must also intensify investment in energy supplies.

Europeans Applaud As Mitterrand Hits The Rocks

The coincidence of French Socialist Party General Secretary François Mitterrand's call this week for a two-year moratorium on further construction of nuclear plants and the break-up of the Union of the Left alliance between the Communist and Socialist Parties is sure to speed Mitterrand's already looming political demise.

Freed from its alliance with the Socialist Party (SP), the French Communist Party (PCF) is now consolidating its relation and preparing for joint mass work with the Italian Communist Party (PCI), which has reiterated its bid to join the Italian government of Italian Premier Andreotti on the basis of a program for industrial recovery. This week, the two parties held the first meeting of their "joint commission" in the Paris suburb of Saint-Denis, where energy, industry, agriculture, and

the control of terrorism were on the agenda. Leading the PCI delegation was Luciano Barca, the PCI's chief economist, who initiated a polemic last week against those in Italy who are pushing the British monetarist reflation plan for Europe.

Simultaneously, the French government is consolidating its relations with the Italian government, giving Andreotti the prerequisite muscle to oust the large Lazard Freres faction in Italy which has infiltrated all levels of political and economic life. The Italian ambassador to Paris, Malfatti, has just been called back to Rome to take the key policy-making post of General Secretary in the Foreign Affairs Ministry. President Giscard d'Estaing held a special dinner in his honor, where he expressed his "appreciation for the con-

solidation of the Italian-French relationships" and his hope that Malfatti would be able to further that process from his new position in Rome.

The climate on continental Europe, characterized in particular by the Franco-German-Italian axis, simply leaves no room for the likes of Mitterrand — an outspoken advocate of zero growth, local control, and other fascist schemes — to continue to operate. His call for a nuclear moratorium has already been picked up by pro-development forces who intend to use it as the leading edge of their campaign to mop him up.

This was underscored by the decision of the Compagnie Française des Pétroles (CFP) to set up a lobby of committed industrialist figures to launch an all-out campaign for the implementation of a nuclear energy program. Their stated secondary focus is the political destruction of Mitterrand, an objective they share with not only the PCF, but also President Giscard, Premier Barre, Gaullist leader Jacques Chirac, and a wide array of European forces.

Barre spoke on national television Oct. 7 to denounce Mitterrand as the "Prince of Equivocation." Mitterrand, Barre stated, "excels only in error and failure" but has tried to put himself in the place of the Communists as the legitimate representative of working-class interests. The real reason for the break-up of the Union of the Left, he explained, is the Communist leader Georges Marchais who "doesn't want to become a stepping stone for Mitterrand, nor, if you pardon the expression, the chicken that would be plucked."

Barre's statement ends speculation that President Giscard might heed the advice of Centrist (CDS) party leader Jean Lecanuet, who is calling for a new center-left

government including Mitterrand and the SP in the place of the Gaullist party. Barre assured that his plan to broaden the base of the government entails not "changing its composition," but changing its "dimension," by pulling in large numbers of former socialist voters.

This implication of Barre's television statement brought howls of rage from Mitterrand's supporters in the French press. *Le Monde* commentator Raymond Barrillon accused both the Prime Minister and the Communists of forming a de facto alliance to destroy Mitterrand. *Le Matin's* editors meanwhile wrote that "Barre hopes that by breaking Mitterrand, he will be able to splinter the Socialist Party into pieces and recuperate — if not its disoriented militants — then certainly a great part of its electors."

But this same government strategy has already received the essential endorsement of the powerful Mayor of Paris, Jacques Chirac, who is president of the Gaullist Party (RPR). Lecanuet's proposal to expel the Gaullists and coopt Mitterrand into an Atlanticist government is a pipe dream, said Chirac. A government "in which neither the Gaullists nor the Communists" are included could not survive. He elaborated: "a Mitterrand-Poniatowski-Lecanuet government would be a parody of the Fourth Republic, a government of instability, demagogery, impotence." The Poniatowski referenced is the former Minister of the Interior and former president of Giscard's Republican Party, expelled from both functions for his relationship to international terrorist networks as well as his outspoken preference for Mitterrand.

— Dana Sloan

Brandt Plays SPD Left Against Schmidt

The ultraleft, proterrorism wing of the West German Social Democratic Party (SPD) is threatening to split away from Chancellor Helmut Schmidt if the Chancellor does not put an end to his developing labor-industry alliance with the opposition Christian Democracy.

WEST GERMANY

Schmidt's supporters, however, have told the terrorist sympathizers, in so many words that such a split might not be too bad — their role in the party is "kaput" anyway.

The SPD, an uneasy mix of honest trade union politics and Fabian counterinsurgency since the postwar Allied Occupation, is feeling the pressure from the Schmidt government's growing alliance with sections of the opposition Christian Democrats in favor of nuclear energy development and antiterrorism. This alliance is creating the environment in which genuine national interests are being seen as far more important than party politicking. The effect of this on the SPD Fabians, the City of London-allied traitors who defend the right of the Baader-Meinhof terrorist gang to assassinate West Germany's in-

dustrial leadership, is to force them out. But, they want to go out with fanfare.

Willy Brandt, the granddaddy of SPD Fabian counterinsurgents, is quietly playing both sides. On Sept. 30, Brandt got 15 top SPD officials to vote against Schmidt's new antiterrorism legislation. The next week, he attacked the 15 in the party weekly *Vorwärts* for "shaking the government's majority." Brandt's is a telltale game of using the threat of a left split to maximize pressure on Schmidt, while not committing himself openly to the left. If Brandt overplays his hand, he could end up with the rest of the scum — out on his ear.

Brandt's game came to light at an Oct. 9 author's meeting on "What is the Left Today?". With longtime Brandt campaign supporters Günter Grass and Heinrich Böll in attendance, the entertainment focused on a "debate" between Brandt protégé Horst Ehmke and SPD leftwing terrorist Rudi Dutschke, who finally agreed to define a "leftist" as "a person who expresses solidarity with defenseless terrorist sympathizers." The following day, Dutschke called for an open left split in the party, citing the recent resignation of Brandt understudy Joachim Steffen from the SPD Executive Committee, as a "growing trend."

Brandt is not succeeding, however. The entire slate of left SPDers for the November party congress was

defeated the same day Dutschke issued his call. Schmidt supporters told local press that the ouster of four women from the Baden-Wurtemberg SPD was "no loss, they were all on the extreme left." The industry-linked daily Nachrichten confirmed this verdict Oct. 10, editorializing that if Brandt tried an updated version of his successful 1933 left splitaway from the SPD, he would find most of the membership on the side of Chancellor Schmidt and parliamentary fraction leader Herbert Wehner.

Schmidt, who has become much less susceptible to

Brandt-orchestrated party pressures because of the support for his policies from other parties, made the matter clear on Sept. 23, when he jogged Brandt's memory on his term as Chancellor in the 1960s. Brandt, "said that the Chancellor must be above all parties, above the party he came from...I think that the Chancellor has to represent the country as a whole too," Schmidt said.

— James Cleary

Israel's Dayan Is Main Threat To Geneva Accord

The Israeli Cabinet voted unanimously yesterday to accept the U.S.-Israeli "working paper" on a Middle East peace settlement hammered out between President Carter and Foreign Minister Moshe Dayan of Israel in an all-night meeting two weeks ago in New York.

The Cabinet decision, announced after a reportedly stormy five-hour session chaired by Prime Minister Menachem Begin, signals an important Israeli willingness to continue to explore the possibility of a reconvened Geneva conference later this year chaired by the United States and the Soviet Union.

The "working paper" itself is not the central issue in the ongoing Middle East negotiations, however. According to published reports, the key concept embodied in the paper is a proposal to set up, at a reconvened Geneva meeting, a multilateral Arab-Israel working committee that would include representatives of Israel, the Arab states, and the Palestinians to discuss the issue of the Palestinians. Previously, Israel had refused categorically to negotiate the Palestinian question.

But sharp disagreement — even head-to-head confrontation — prevails over who should represent the Palestinians, and to what end. The hawkish Dayan faction in Israel, and its British and American "Israel Lobby" allies, intends to use the deadlock over the Palestine question to destroy chances for a peace settlement and provoke a Middle East war and an oil crisis.

U.S.-Soviet Accord

The underlying issue in the Middle East negotiations is the continued furor over the Oct. 1 announcement of a joint U.S.-Soviet statement endorsing the "rights of the Palestinian people." That statement not only signalled Washington's shift in the Middle East — previously, the U.S. had spoken only of the "legitimate interests of the Palestinians" — but was a significant part of a much broader U.S.-Soviet rapprochement that included the Middle East, the Strategic Arms Limitations Talks (SALT), and the downplaying of Carter's "human rights" provocations.

U.S.-Soviet Global Deal In The Works

The following is an interview with a spokesman close to the American Jewish Congress:

Q: What is your view of the recent U.S.-Soviet communiqué?

A: My position is a moderate one that rejects annexation of the West Bank despite protests from the Gush Emunim and Agriculture Minister Sharon, but that opposes Israel's simply giving up the West Bank, because surrendering it would undercut Israel's security. Therefore, one has to *begin* with proposals to make Israel as secure as possible.

There are 14 different ways to maximize Israel's security. The least attractive is to have American troops or joint U.S.-Soviet policing of the area. The best is to have a set of arrangements whereby Israel is defensible.

I have been told by absolutely top-level reliable people that there is a global deal between the U.S. and the Soviets in the making. It involves SALT, a dropping of Carter's human rights, and some kind of settlement in the Mideast. This was the basis of and reason for Brzezinski's secret doings and dealings in Europe recently.

Both sides are being flexible. However, Carter was pretty badly beaten down (by the Israel Lobby — ed.) in a matter of days. The U.S.-Soviet deal

might even be destroyed — there are forces in the U.S. who don't want such a deal, they want a confrontation. *This is against my view.*

I believe that the Russians are like us, despite what you may hear in public. They don't want adventurists running around the Mideast. They want to cool it. They'll support a neutralized West Bank and Jordan. Their position and ours are not as far apart as some may think.

I am searching for a non-confrontationist middle option. I want to reduce the U.S.-Soviet conflict. I support the idea wholeheartedly. I want to increase mutual accommodation. And I also don't want to wake up one morning and have to make painful decisions: the U.S. or Israel.

Q: Where is the impetus for the U.S.-Soviet rapprochement coming from within the U.S.?

A: It's the Trilateral-Brookings foreign policy establishment, with the profoundly important element of American big business. American business, although this is not always played up front publicly, *wants* to do business with the Arabs and with the Soviets. They are the profoundest prodétente elements in the United States, despite the public appearances of some of their representatives.

It is that package that Dayan, Secretary of Energy James Schlesinger, Vice-President Walter Mondale, and the so-called Israel Lobby have mobilized to upset, in coordination with British royal intelligence and the latter's Second International apparatus. A domestic political crisis is brewing in the United States over this issue, and an aide to pro-Israeli Senator Daniel Moynihan (D-NY) said of the White House: "The lunatics have taken over the asylum."

Since the Oct. 1 joint statement, Carter has carefully tried to line up a domestic political consensus behind the move. But important signals from Israel itself have indicated some Israeli support for the Carter initiative, including from Prime Minister Begin himself.

Most important was the result of a visit to Israel by former French Prime Minister Jacques Chaban-Delmas, who met with Begin in Jerusalem, and invited the Israeli leader to make an official visit to France. Begin's reported acceptance of the French invitation drew a storm of hysterical protest from the opposition Labor Party and "liberal" press in Israel, including the trade union daily Davar, which said in an editorial that the "only friend of Israel in France is Francois Mitterrand," the British agent who heads the French Socialist Party.

In addition, in a speech in Atlanta, Georgia, former Israeli Foreign Minister Abba Eban — a long-time rival of Dayan — told an audience that he welcomed the participation of the Soviet Union in Middle East peace efforts as a necessary component, and added that as long as guarantees of Israeli security are achieved, other issues — like the troublesome issue of the Palestine Liberation Organization — can be resolved.

Dayan's Threats

Against the prevailing current of peace, General Dayan has carried out a firestorm of provocations, lies, threats, and ultimatums. The Dayan campaign has as its central objective the provocation of the Arab states and the PLO into adopting a hard-line anti-Israeli posture in response, thereby setting up a growing war crisis in which Israel would increasingly receive U.S. backing against the Arabs.

In a television interview, a speech at the United Nations, and a press conference before returning to Israel, Dayan unleashed his venom. He threatened that if Israel were faced with Arab demands to create a West Bank Palestinian state at a reconvened Geneva con-

ference, Israel would walk out of the conference, allowing it to collapse. This threat, especially in the eyes of European observers, is a virtual guarantee of a provoked oil embargo, aiding the Schlesinger forced-conservation drive.

Dayan added that Israel would not negotiate with the PLO even if the PLO changed its covenant and recognized Israel and UN Resolution 242. He said that the PLO must "change its guts." He also stated that Israel would not accept to negotiate even with designated, non-PLO representatives at Geneva if the PLO had a hand in designating other Palestinians.

This latter statement ran directly counter to a groundbreaking gesture last week from the PLO, whose UN representative Zehdi Terzi said that the PLO might not demand to attend Geneva itself provided that it could name non-PLO Palestinians to negotiate in its name. Other Arab reaction to the string of Dayan provocations was immediate, with Syria in particular saying that it would refuse to attend a Geneva conference unless the PLO were represented on an equal basis with all other parties.

But there are growing indications that Dayan's position within Israel is getting shakier and more isolated, and that perhaps Begin is maneuvering to oust Dayan and clear the way for a peace settlement.

According to Washington analysts, there are reports that Begin — a hardline nationalist — may have given private assurances, possibly during his recent visit to Romania, that he would ultimately accept an overall peace agreement, including a West Bank state, in which Israel's security were firmly guaranteed. The reported Begin visit to France, which had so far played a key role in the ongoing U.S.-Soviet moves on the Middle East and SALT, might be another crucial step in that direction.

The overriding strategic issue is the fact that the Soviet-U.S. statement has cleared the path to a UN resolution recognizing Palestinian rights, and thus toward the PLO's acceptance of Resolution 242 in conjunction with this new resolution. This, in turn, would mean effectively that the PLO has accepted the existence of the Israeli state — something that the PLO has so far refused to do — thus ensuring an official dialogue between the U.S. and the PLO. Under these circumstances, it is expected that Begin — provided that he can free himself from Dayan — will respond in kind.

— Bob Dreyfuss

U.S.-Soviet Communique — A Sellout

The following excerpt from the Oct. 9 Jerusalem Post editorial demonstrates the attitude of some Israeli factions to the joint U.S.-Soviet communiqué recognizing Palestinian rights:

The U.S.-Soviet statement — which many American critics justly termed an about-face in American policy and a sell-out of Israel — rather than the working paper, reflects the Carter Administration's intentions, if it could have its way.

One of the lessons to be learned... is that the Administration can no longer be viewed... as a neutral third party offering its unbiased good offices for the purposes of arriving at a settlement acceptable to both Arabs and Israel.

The U.S. has its own clear-cut interests in the area and evidence has been mounting that the Carter Administration would not hesitate to impose a settlement — on Israel, not on the Arabs — commensurate with its reading of America's interests if it could get away with it.

The second lesson to be learned is that there is a potentially powerful opposition within the U.S. to such a policy.

One of the most urgent tasks confronting Israel is to harness this potential now.

“Ominous Mutterings” Against Dayan

Jerusalem Post, Oct. 10

One local motif accompanying Mr. Dayan's recent talks in Washington and New York has been ominous mutterings in the Herut camp (of the ruling Likud Party —ed.) against the Foreign Minister for allegedly having surrendered too much to the Americans.

It is no secret that Mr. Dayan's appointment as Foreign Minister was opposed by the majority of the Prime Minister's party...

Jerusalem Post

It Was Mondale vs. Brezezinski on U.S.-Soviet Statement

The article excerpted here appeared in the Oct. 14 Jerusalem Post, under the byline of Wolf Blitzer.

It can now be revealed that the Oct. 1 U.S.-Soviet statement on the Middle East, which recognized “the legitimate rights of the Palestinian people,” brought to a

head the already tense relationship in the White House between National Security Adviser Zbigniew Brzezinski and top political aide Hamilton Jordan.

Jordan was furious that Brzezinski had cleared the joint statement with the President without bothering to inform anyone else on Carter's staff. In fact, even Vice-President Walter Mondale is reliably reported to have been unaware of the statement until after it was released.

Mondale, moreover, was already angry at Brzezinski for talking about U.S. “leverage” on the Middle East parties during an interview with Canadian Television — despite the Vice-President's solemn pledge in his June address in San Francisco that the U.S. would never use its military or economic assistance programme to Israel as a means of political pressure.

Although Secretary of State Cyrus Vance is taking “credit” for the concept of a joint communiqué with the Soviets, Brzezinski, who supported the idea, was charged with winning the President's approval. Brzezinski, who meets with Carter daily to brief him on overnight developments affecting national security, is said to have given the President an overly optimistic assessment of the reaction the statement was likely to evoke in Israel...

Hamilton Jordan, who today is probably closer to Carter than anyone else in the top White House echelon now that Bert Lance has returned to Georgia, was irate when, on Saturday evening, Oct. 1, he learned about the joint statement from the radio.

Here he was, responsible for maintaining the President's popularity among the public, the Congress, and the Democratic Party, without having had any input whatsoever on a statement which was obviously going to affect support for the President.

Jordan invited Israeli Ambassador Simcha Dinitz to a meeting on Monday, at which Stuart Eizenstadt and Robert Lipshutz were also present...

Carter was genuinely stung by the uproar generated by the communiqué. He immediately knew that Brzezinski and Vance had not prepared him well for these developments. No expert in the diplomatic nuances of code words like “rights” or “interests,” Carter could hardly be blamed for accepting their view that the statement was not that offensive to Israel.

Meanwhile, there were other meetings among the top White House staff involving Mondale, Jordan, Lipshutz, Eizenstadt and others — Brzezinski was conspicuously absent. They were determining how best to repair the damage.

Their message to the President was clear: the rift with Israel and its many American supporters must be removed. And the best way to do that was for the President to reach agreement with Dayan on Wednesday evening on a draft working paper for reconvening the Geneva conference...

Israel Breaks Lebanon Ceasefire

According to an October 14 press release from Tel Aviv, "Israel has broken off talks with the United States aimed at reaching a permanent settlement in south Lebanon as a result of violations in the ceasefire." The September 26 ceasefire which brought a respite to the heavy fighting of last month was reached through an agreement between Israel and their Christian-Falangist allies with their Palestinian leftist opponents in southern Lebanon.

U.S.-Israel Accord

According to the terms of the U.S.-inspired ceasefire, a full Israeli military withdrawal from southern Lebanon would met with a corresponding Palestinian withdrawal to the north bank of the Litani river, thus paving the way for the positioning of troops from the regular Lebanese army in the contested area. The ceasefire would permit the successful conclusion of the third phase of the Chtaura Accords, an agreement reached between Syria, the PLO, and Lebanon last July whereby the reconstituted Lebanese army would take over the south in order to separate warring Christian Falangist and Palestinian forces.

In a Tel Aviv meeting September 25, Israeli Prime Minister Menachem Begin and Chief of Staff Ezer Weizman gained assurance from U.S. Ambassador to Israel Samuel Lewis that Syria, Lebanon, and the PLO would act as partners in good faith. In addition, the U.S. was working closely with Lebanese President Elias Sarkis and Defense Minister Fouad Boutros to ready the Lebanese army for redeployment. According to press reports from that period, Begin and Weizman acted "in concert with international forces" and declared a withdrawal of Israeli troops from the area. Only Israeli Foreign minister Moshe Dayan then in the U.S. issued a statement contradictory to the decision of the Begin government. In a Washington press conference Dayan declared that he was opposed to any ceasefire afford.

Renewed fighting in Lebanon this week occurred simultaneously with Lebanese President Sarkis' decision to deploy 1,500 men from the newly reconstituted army into the south. Although vanguard units have taken over barracks in the cities of Nabatiyeh, Tyre, and Tibnin, this is only a cosmetic gesture. According to one Lebanese officer, "Israel is trying to sabotage the operation. Just when the Government was going to restore its authority, they began shelling again to obstruct the entry of the army." This *New York Times* report is corroborated by an October 12 article in the *London Financial Times* which reported that "Israeli forces still occupy six strategic sites in southern Lebanon."

Dayan-Falange Axis

The situation at the Israeli-Lebanese border was relatively calm until Dayan's arrival in Israel on October 1. On that day the *Jerusalem Post* issued a statement from Saad Haddad, commander of the Christian militia forces in southern Lebanon. Haddad said: "The ceasefire was forced on us.... and as far as my men are

concerned Israel has virtually sold out because of broader foreign policy considerations." Claiming that the Palestinian leftists were amassing an army of 10,000 men, Haddad declared that his forces would never get out of southern Lebanon — a direct challenge to the authority of the Lebanese government.

But according to the October 12 *Financial Times* it is the Christians, also under control of Dayan, who are beefing up their forces. "The Christians claim that they are residents of the area, although the locals trained and armed by the Israelis are known to have been strengthened and outnumbered by reinforcements from the north." The Haddad-Dayan axis is manipulating a major flaw in the Chtaura Accords; the accords do not specifically make evacuation of the sensitive border area by Palestinian leftists conditional on a corresponding one by the Christian Falangist forces. Rejecting the reconstituted Lebanese Army as a viable peacekeeping force, Haddad has further declared that the Lebanese soldiers are "in reality the allies of the Palestinians" and would unite with the leftists as they did in the 1976 civil war.

Abou Iyad, number two man in the Fatah wing of the PLO and military overseer of the Chtaura Accords has declared that "the Palestinian Resistance would carry out their responsibilities to the letter." It is generally recognized that the Palestinians are eager to abide by the withdrawal guidelines in order to show their willingness to negotiate an overall Mideast peace settlement.

N. Yemen Assassination Linked To Saudi, British Policy Interests

North Yemen is tense in the wake of last week's assassination of President Lieut. Col. Ibrahim al-Hamdi and his brother Lieut. Col. Abdullah al-Hamdi. The well-timed murders came one day prior to the President's departure for the People's Democratic Republic of Yemen-South Yemen, where he was to finalize ongoing efforts to reunify the two countries. This would have been the first meeting of the two Yemens since the 1962 civil war.

Presently the ruling Command Council is being led by its chief of staff, Lieut. Col. Ahmed Hussein al-Ghashmi, and two other army officers, all of whom served under Hamdi in the military command set up after seizing power in a coup in 1974.

Hamdi's death will have ramifications for the region as a whole, as well as within Yemen. Already the French paper *L'Aurore* was hinting Oct. 12 that the murder might touch off a destabilization in one of the most "vital regions in the world, controlling the Bab el-Mandeb straits and the oil routes."

Just one week before the assassination, think tank sources linked to British interests were making it clear that Hamdi's efforts at peace and reconciliation were not at all welcome, adding credibility to pro-Soviet South

Yemen's accusations that the murder was an act of "imperialist sabotage" and "a plot aimed at undermining relations between the two Yemens."

The timing of the assassination underlies the motives behind it. Over the past four months, Hamdi has been working with prodevelopment French forces to pacify the heated Red Sea area and the war-torn Horn of Africa, and had just returned from a visit to France after meeting with French President Giscard on economic and technical cooperation for peace.

While his death did prevent his scheduled visit to South Yemen last week, it did not prevent the meeting between South Yemen's ruler, Salem Robaya Ali, and acting president al-Ghashmi. Salem Robaya Ali instead traveled to North Yemen.

Marked for Assassination

In efforts to counter a British destabilization of the Red Sea countries, Hamdi before his death was organizing a Red Sea security pact that would include Ethiopia, and would pre-empt any attempt to block the Red Sea and therefore an attempted oil embargo. At home, Hamdi's

decidedly backward and tribal country — a feature encouraged by the Saudis — was being reorganized along progressive political programs, geared to strengthening the central state power and building up the economy to be independent from both the U.S. and the Saudis.

Just prior to the assassination, the coalition of all the country's parties, the National Democratic Front of North Yemen, published such a program, and Abu Raed, a member of the Front's Secretariat, told the Paris newspaper *Le Monde* that just such a program was needed to "safeguard the sovereignty and independence of the nation, threatened by Saudi reaction supported by imperialism, especially American." He demanded that the country end its economic dependence with a "modern productive national economy founded on the principles of scientific planning." He called for an end to "feudal relations" and to the "flagrant intervention by Saudi Arabia in the internal affairs of the country." Accusing the Saudis of encouraging tribal opposition to the government, he said, "The result of this policy can be catastrophic for the country. Yemen has become a volcano that could explode at any time."

Why MI-6 And Its Saudi Friends Are Out To Get The Shah

Ultraconservative elements in the Saudi Royal family that have strong alliances with British Intelligence, MI-6, are becoming increasingly disturbed by their neighbor, the Shah of Iran, and his bold development perspective. According to a well-informed Texas source, the Saudis see Iran as an obstacle to their scheme of transforming the Arab world and the subcontinent into a hotbed of rightwing Sunni Islamic reaction.

IRAN

The Saudi-British intelligence operation has already yielded a military coup in Pakistan and seriously meddled in the internal affairs of Bangladesh and India. The Saudis are known to be closely working with Pakistani opposition leader Agha Khan to achieve their destabilization of the subcontinent. The entire Arab world, too, has felt the resurgence of Sunni Islam, a mystical belief structure conducive to zero-growth economic policies, which numerous banking institutions centered in the City of London and Wall Street are promoting.

The Shah knows that he is the target for possible assassination. This week his twin sister, the powerful Princess Ashraf, released a statement that any attempts to dissuade the Shah from his pro-growth orientation, of which nuclear energy is the major component, would fail. Princess Ashraf, herself having narrowly escaped assassination a month ago in France, affirmed "the Shah has a mission to accomplish and we all stand behind

him." The same week the Iranian Foreign Minister Khalatbari brought to the United Nations General Assembly a proposal worked out in cooperation with West Germany to form an international body to fight terrorism.

A Prodevelopment Example

For both the subcontinent and the Middle East Iran's fight to appropriate the most advanced technology in its efforts to develop its economy has become a forceful example. Most noteworthy in this effort has been Iran's vanguard role internationally in promoting nuclear energy. Last week Iran and France signed a far reaching deal for two reactors with four more now being negotiated. Iran's domestic and foreign policy has become increasingly harmonious with both France and the Soviet Union whose outlook is markedly at variance with that of Great Britain.

To support the growth of Iran's population of 37 million, the Shah has engaged in an ambitious policy of expanding the state-owned National Iranian Oil Company (NIOC) to sell its oil directly to consumers, circumventing the multinationals traditionally handling Iranian crude oil. Such a policy yields more revenues for Iran and gives the Shah the freedom to engage in broad barter agreements which often supply Iran with badly needed commodities and knowhow.

The Soviet Union and Eastern Europe have benefited the most from such oil barter deals, which in turn has produced a sizeable upturn in Comecon-Iranian trade. Most recently an East German delegation in Tehran at the end of last month, agreed to extend Iran credits for the purchase of East German machinery. The East

German Minister of Raw Material Supplies will meet the head of NIOC where no doubt further increases in Iranian crude imports will be discussed.

Moreover, the Iranian government has broken through years of sabotage, and last month signed a large barter deal with two U.S. firms. Since the 1960s the Shah has made attempts at such an agreement with various U.S. concerns including Ashland Oil Company, only to face repeated interference from then Secretary of State Henry Kissinger. Significantly, the just signed deal was arranged by John Connally, a leading Republican known for, among other things, his active role in Middle East economic development. Iran, according to the terms of the agreement, will supply the U.S. independent oil company New England Petroleum Corporation with 100,000

barrels a day of crude in return for the services of the Texas firm Brown and Root which is constructing the Char Bahar naval base in the Gulf of Oman.

According to West German press sources, Iran's oil-producing Gulf neighbor Kuwait, last week announced the purchase of a nuclear reactor for experimental purposes and for desalination. Kuwait, one of the Arab world's most progressive countries, has made it clear that Sunni politics are totally unacceptable to a developing Third World country in the 20th Century. By no surprise, Kuwait, and its neighbor the United Arab Emirates, have made unprecedented efforts to normalize ties with their erstwhile regional adversary, Iran, in recent months.

— *Judy Wyer*

Southeast Asia Seeks U.S. Technology, And The Wherewithal To Buy It

Two major conferences were held in New York City last week featuring political and business leaders from Southeast Asia who presented the American corporate community with a detailed overview of investment and growth opportunities in that region. Speaking at the Asia Society seminar on behalf of the entire Associates of Southeast Asian Nations (ASEAN), Prime Minister Datuk Hussein Onn of Malaysia said the United States must "play a positive role in terms of economic cooperation with all the countries of the region."

"Continuing U.S. investment is a crucial factor, if the countries of the region are to realize the growth necessary to meet their objectives," Onn explained. "The need for technology and investment to deal with the anticipated increasingly high level of unemployment in Asia is a vital element for stability."

At the Far East America Council's annual evaluation of investment prospects for Asia, the ASEAN group, comprising Malaysia, the Philippines, Singapore, Thailand, and Indonesia, reiterated the basic dilemma of their region's economies. All the nations, in particular Indonesia and Malaysia, have embarked on an ambitious program for industrial development — a program necessitating large inputs of America's high-technology capacity, both in investment and at the production end. However, all these debt-burdened nations lack the financial resources to carry through these programs. ASEAN, as a group, has in recent months put pressure on its traditional trading partner Japan to respond to these needs. As a result, they have landed a \$1 billion commitment from Japan for five major industrial projects in the region.

Political Climate

The bulk of Hussein Onn's Asian Society presentation was aimed at presenting prospective U.S. investors with a picture of a Southeast Asia strongly desiring regional political stability: to assuage the alarmist "fear of communism" that dissuades serious investment. "The situation that Southeast Asia now finds itself in, with the ending of the Indochina war, is not one of heightened tension and confrontation," Onn said. "On the contrary, there are now real opportunities for all the countries of Southeast Asia, regardless of their social systems, to reap the benefits of their independence, take destiny into their hand as it were, and together try to achieve long-term peace, progress, and stability."

"The logic of peace is compelling," added the Malaysian leader, dismissing fears that communist vs. noncommunist strife is the region's prevailing atmosphere. Onn broadly developed the fact that the biggest

"bogey man," the Republic of Vietnam, has itself clearly enunciated a foreign policy based on cooperation with its neighbors, and has in turn made gestures, as far as possible, to open new relations with the United States in the postwar period. Even Thailand, the nation most prone to anticommunist sabre-rattling, has recently held off from this line of policy.

Corridor Talk

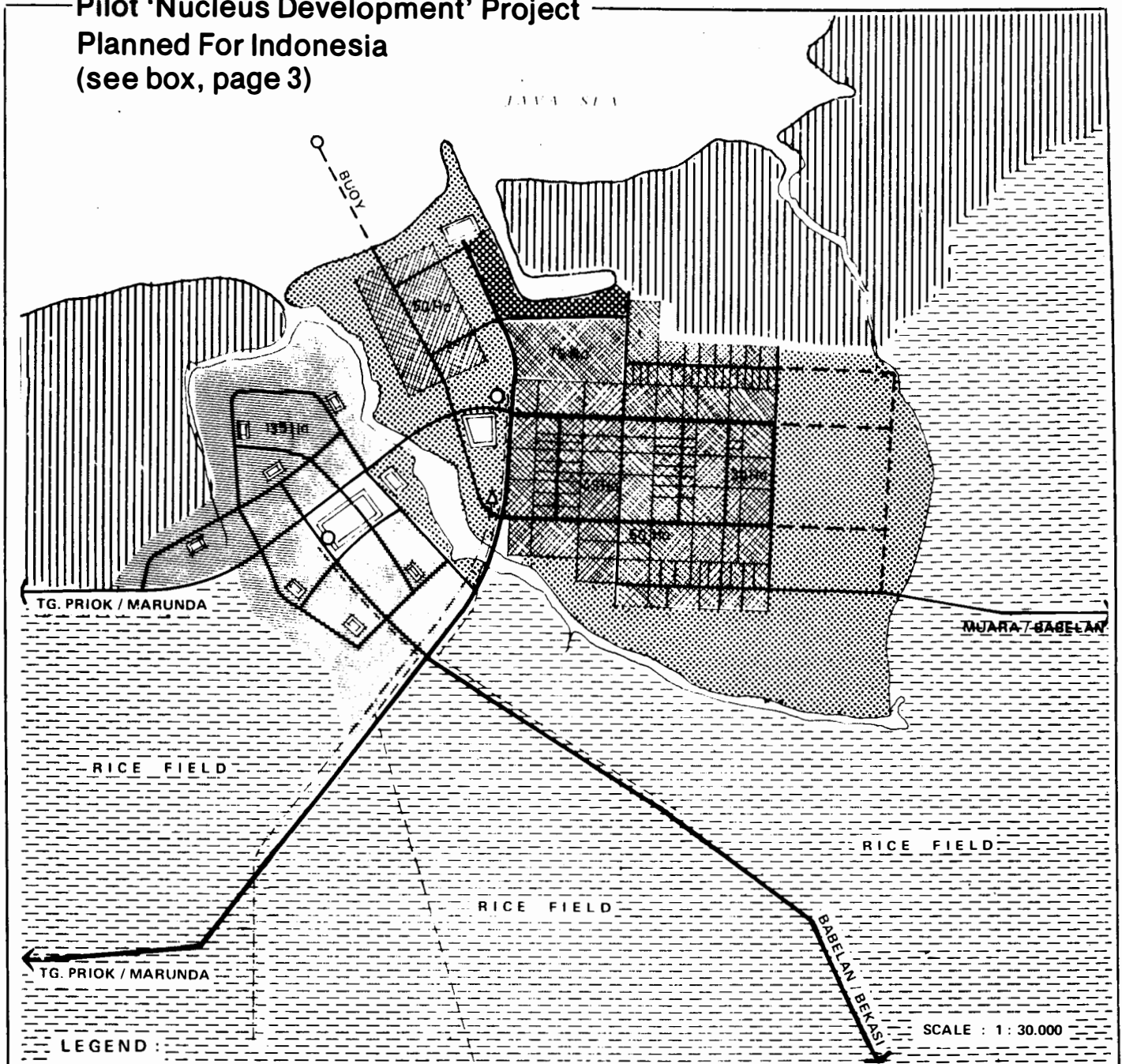
The corridors at both conferences were filled with discussion of two topics. One was the demand by the Southeast Asian businessmen and political leaders alike for a clearly formulated U.S. policy on postwar Indochina. One Indonesian businessman was heard to say to an American: "Tell me, is there a policy? What is the Carter Administration's post-Vietnam policy? Are there U.S. businessmen who want to invest in our large projects?" Another representative from the Malaysian Federal Industrial Development Authority described ASEAN as a "walking shopping cart of projects," ranging from petrochemical complexes to agriculture-based industries. Another group of businessmen came armed with blueprints for industrial towns in Indonesia.

The region's representatives were all keenly aware of a contrast between the U.S. and Japan in their approach to investment in their region. All the Asian delegates were quick to point to the "Fukuda doctrine," Japanese Prime Minister Takeo Fukuda's recent commitment of \$1 billion for five Asian industrial projects, one in each country.

From the U.S. side, the region has seen only a series of conflicting and confusing policies. Though the U.S. is the most important economic power in the region, with a trade rivalling that of its trade with Europe, its capital investment has declined tremendously since 1973. While Japanese "resource diplomacy" has succeeded, the most vivid memory of U.S. intervention in the region has been the unpleasant one of the year-old battle that Indonesia's state owned oil company, Pertamina had with U.S. commercial banks and the International Monetary Fund.

One delegate, speaking for the American Chamber of Commerce, reported that American corporations are barred by antitrust laws from taking part in ambitious "industry clubs" being set up on an ASEAN basis as a means for regional development of different sectorial industries. Another delegate revealed that the U.S. Export-Import bank has not only forced up its interest rates to near commercial levels, but must also seek congressional approval for any loans over \$7 million.

Pilot 'Nucleus Development' Project Planned For Indonesia (see box, page 3)



LEGEND :

- INDUSTRIAL AREA
- RESIDENTIAL AREA
- OFFICES - CIVIC CENTRE
- OPEN SPACES / GREEN
- FRESH AND DRINKING WATER
- ELECTRICITY
- HARBOUR

NUCLEUS LANDUSE PATTERN

Landuse specification.

No.	Specific use	Size (Ha)
1.	Industrial area	+ 250
2.	Residential area	+ 135
3.	Marsh/Ponds/River (Surface water fishery)	+ 450
4.	Agro-field / village (Agriculture/husbandary)	+ 4,000
5.	Seashore / waterfront (Headquarter, Jetty, greens)	+ 100

Total nucleus area + 5,000

INDUSTRIAL ZONE AND RESPECTIVE AREA

No.	Type of industry	Size (Ha)
1.	Agro-based industries (Processing/ + canning of : Fish, meat, fruits, vegetables and other agro-products).	+ 30
2.	Chemical industries	+ 50
3.	Automotive and electronic industries + (machineries, electrical appliances etc.).	+ 45
4.	Wood processing industries (Housing/building materials, etc.).	+ 75
5.	Tank farming, etc.	+ 50

Total industrial area + 250

In contrast to U.S. failure to help develop largescale industries in the region, Japan and Europe, in particular West Germany, have initiated an aggressive new policy this week. West German Foreign Minister Hans Dietrich Genscher, on his visit this week to Japan, is known to have proposed representation by the ASEAN

nations at the European Economic Community's commission meetings. Both West Germany and Japan have endorsed the necessity for energy development in the developing nations, and it is believed that ASEAN, because of its close ties to both parties, may well be the first to benefit from such large-scale initiatives.

Nucleus Development To Expand Indonesian Economy

In the 1950s and early 1960s Indonesia was ruled by flamboyant nationalist Sukarno who hoped to implement his "konceptsi," a conception of government that would unite the Communist Party, the Nationalist Party, the anticommunist military, and the other nationalist parties into a "guided democracy." Failing to establish viable economic policies — receiving the unfriendly attention of the U.S. Central Intelligence Agency — Sukarno's "konceptsi" gave way to the government of General Suharto.

Supporters of the current government are now enthusiastically promoting a new "konceptsi" aimed at establishing an integrated agricultural and industrial policy for Indonesia's population of 130 million. A scheme called "Nucleus Development" is now being promoted by the Jakarta-based holding company, P.T. Multi Jaka Utama, whose directors are now touring Europe and the U.S. According to the company's brochure, the technological sophistication of foreign multinational corporations would be linked with Indonesia's government and private sector for the creation of "industrial growth centers" throughout the country, to serve as a "nucleus for promoting development and to preserve and enhance the productivity of its agricultural surroundings."

In an interview with the *Executive Intelligence*

Review last week, the directors of the company insisted that the scheme is not for a "free export zone," where cheap labor produces low-technology goods like shirts and plastic slippers for export. Instead, the basic idea is premised on developing the labor potential of the region.

P.T. Multi Jaka Utama designed the pilot project shown in the accompanying map on the Java Sea just outside Jakarta. Involving three villages — Bogor, Tangerang, and Bekasi — this is the most densely populated and industrialized area of the country. The plan envisions a total of 5,000 hectares with a 250-hectare industrial zone including an agri-base, chemical, manufacturing, and tank-farming industries. Adjacent will be a residential area for 25,000 workers and their families. Agriculture will be as mechanized as possible, and the rural sector will be integrated with the industrial sector through the development of a modern road network and electric grid, dams, and irrigation canals, along with a modern port and telephone network. Schools and health facilities will be upgraded and expanded.

At the present the area is completely undeveloped, but detailed plans are ready for the entire area. Its proximity to Jakarta and the country's largest port, Tanjung Priok, will serve to mitigate the initial underdeveloped nature of the area.

Attempted Bangladesh Coup — Latest Move In Destabilization Of The Subcontinent

Amid the spotlight turned on Bangladesh due to the presence of the hijacked Japan Air Lines jet at Dacca International Airport, a brief coup attempt by elements of the Bangladesh armed forces took place Oct. 1. Portrayed as a revolt of "left-wing" young officers against the ruling military junta of General and President Zia Rahman, the coup was easily crushed, leaving behind some 100 dead and further instability in that troubled South Asian country.

The coup attempt had all the earmarks of an operation designed to fail, calculated to propel the shaky General Zia further into the arms of a clique of right-wing "Islamic" and pro-Pakistani elements with a strong position within the military and in certain Muslim military organizations. These elements were threatened by a strong revival, over the past six months, of the secular nationalist political forces who formed the base of the 1971 independence movement and who were

supporters of independence leader Sheik Mujibar Rahman, assassinated in the August 1975 overthrow of his government.

The events in Bangladesh are not isolated, but closely linked to the almost-simultaneous declaration of full military rule in Pakistan and the political turmoil in India surrounding the arrest of former Prime Minister Indira Gandhi. Events in all three countries, with the guiding hand of British and U.S.-centered monetarist circles allied with elements of the Saudi monarchy and working with the Peking regime, have been pushing the subcontinent towards regional tension and war. Analysts of the region warn that a consolidation of reactionary "Islamic" regimes in Pakistan and Bangladesh, then linking up with each other, could easily set the stage for conflict with India, leading to wholesale disintegration of the region.

Downward Slide In Bangladesh

Western journalists, prompted by the U.S. State Department, have obscenely portrayed Bangladesh as a stabilized and reviving country under the military rule of General Zia. In reality, the economic situation in the country, whose internal policies are totally under the direction of the World Bank, the U.S. Agency for International Development, and the Saudis (who are bankrolling the regime), is a zero-growth disaster. Prices of basic goods like rice, fish and other staples, have skyrocketed.

The already limited industrial production of textiles, jute products and other items has declined some 30-40 percent. In the countryside, past efforts at land reform have been reversed; the World Bank-sponsored "Food for Work" slave labor projects are now the centerpiece of the government's "rural development" policy. The decline of living standards was most forcefully indicated by a severe outbreak of cholera which left at least 300 dead last month.

The unpopularity of the regime has risen with this collapse. Last February, General Zia, then Chief Martial Law administrator, decided to legitimize his rule by making himself President and holding a referendum on that decision. The government claims of 90 percent participation and overwhelming endorsement are ridiculed inside Bangladesh where the people know that only about 10 percent turned out for the affair.

Zia's position was more dramatically exposed in August when local and municipal elections were held, which Zia expected to be tame affairs. To his surprise, the once banned party of Sheik Mujib, the Awami League (and its allies in the National Awami Party and Communist Party) swept the elections, leading Zia to cancel scheduled elections in the capital city of Dacca.

These events have encouraged Zia to lean even more

towards a base of support in the most reactionary Islamic fanatics like the Jaamati I Islami, and to staff his administration almost entirely with people who opposed Bangladesh's independence from Pakistan. The pro-Pakistani elements, who tie into elements of the military who were once part of the Pakistan army and did not participate in the liberation struggle, are the inciters of anti-Indian and anti-Soviet propaganda in Bangladesh. These themes have become the mainstays of the regime, which recently amended its constitution under a martial law decree, removing the stated commitment to "secularism," an important issue in the religiously and communally divided subcontinent, and replacing it with a virtual declaration of Bangladesh as an Islamic-based state. (This version of Islam is not to be associated with the progressive traditions of the Arab world but its most reactionary, British-sponsored currents.)

The regime has been rewarded for this move by the Saudi monarchy, which received Zia on a state visit this year and is pumping funds, including for arms purchases, into the country. Zia also has the support of extreme Maoist groupings who follow Peking's direction.

The British Direction Of The Coup

Into this mess, which features an army divided into numerous unstable factions, came the attempted "coup." From all available reports, it was led by fragments of the military associated with the Maoist-Trotskyist Jatiya Samajtantrik Dal (JSD-National Socialist Party) whose members were involved in the overthrow and murder of Sheik Mujib. The JSD has been proved to have close ties in its creation to British Intelligence-run Trotskyist groupings in Britain, including the so-called IMG group and its leader Tariq Ali, as well as the Institute for Policy Studies-linked Institute for Race Relations in London.

Informed Bangladesh sources now believe that the intent of the coup was to set up a rightward shift of control to the hard core pro-Pakistani group. Some reports have it that General Zia was a target for assassination under the cover of the coup, a likely scenario. At the least, the aftermath of the coup will reduce the power of Zia's personal clique in favor of the reactionary communalist elements.

The sources fear that the "left" cover will be used for further crackdowns on the nationalist elements, who are already subjected to intense repression, wholesale arrests, and threat of assassination. The coupists staged an attack on an important prison at Bogra, "liberating" JSD-linked political prisoners, who may be unleashed for provocative acts which would ultimately result in further crackdowns on Awami League circles.

— Daniel Snieder

What Is There To Strike About?

Strikes in the U.S. industrial sector and in education have raised the most serious political issues for the American population, whether or not they realize it. No matter what the dockworkers, coalminers, teachers, and others may think they are striking for, they must be fighting for the future of the United States as an industrial nation.

Labor's Just Demands

This statement was issued by the National Executive Committee of the U.S. Labor Party on Oct. 7.

The current wave of strikes and projected strikes throughout the United States will serve as a chaotic prelude to energy czar James Schlesinger's winter emergency dictatorship as long as both industry and labor continue to bargain within the framework of a continuing world depression. Labor will not accept such settlements.

The only appropriate framework for collective bargaining in this period is a political commitment by labor and industry to a multigigawatt nuclear energy export program, and the burst of industrial and agricultural production that will go along with gearing up the U.S. workforce and industry for that scale of production.

The labor movement, which has engaged in a consistent and increasingly effective fight for nuclear power—beginning with the Seabrook demonstration in late June up to the ongoing dismantling of the Carter-Mondale no-energy legislation—has the responsibility and right to take up such demands. Companies such as Boeing Aircraft, who offer share-the-poverty wage increases on the order of 3 percent, or municipalities such as New York City, which is mooting an offer of nothing but increased "productivity" slave-labor measures, must be hit with wage demands within the context of a political program for industrial and urban recovery.

The City of London and its operatives in government and the labor movement want to use the spreading ILA strike, the 24,000-strong IAM strike at Boeing, and others to finish off the U.S. economy. Labor will move to turn this action into a political labor-industry alliance for nuclear-based society, and the living standards that go with it.

Provoked Strikes To Be Pretext For Schlesinger WEEP Dictatorship

The U.S. economy is now being buffeted by a wave of deliberately provoked strikes aimed at paving the way for the imposition of Secretary of Energy James Schlesinger's "Winter Energy Emergency Plan" (WEEP) for an energy dictatorship.

Strikes In Progress

International Longshoreman's Association: A strike on the East and Gulf coasts is now at the end of its second week. The strike has closed the port of New Orleans which handles 60 percent of the country's grain trade, according to all reports grain will begin rotting on the sidings, and the grain harvest will be seriously hampered if the strike does not end soon.

International Association of Machinists: A strike against the Boeing Corporation has now expanded to Lockheed. Now, 38,000 workers are out and another 60,000, organized by the United Autoworkers, may join the strike if their ongoing negotiations with the aerospace producers break down. This strike threatens to have a ripple effect on parts and electronics suppliers, with possible layoffs in those industries.

Strikes On Tap

United Steelworkers: A strike of 20,000 workers against the metal can producers is looming two weeks over the horizon.

United Mineworkers: A strike against the coal operators slated on or before Dec. 6 is to be the trigger for WEEP.

According to the scenario laid out in the still officially secret WEEP planning document, the United Mineworkers strike will provide the immediate "excuse" for WEEP. Interruption of production and transport of the vital energy commodity, coal, would suffice as the pretext for Schlesinger to assume his mandated emergency powers over the nation's energy supplies and their distribution.

No-Win School Strikes Sparked By Education Collapse

The opening of the 1977-78 school year has been marked by financial crises and probable shutdowns of important school and university systems in at least two of the country's major industrial states.

In Cleveland, Ohio late last week the Cleveland Teachers Union voted to work without pay for several days to give the local School Board time to come up with a source of funds. According to Cleveland School Board officials, as of tomorrow, Oct. 14, the city's school system will be bankrupt. This report has been confirmed by the Auditor of the State of Ohio, a similar situation faces the Toledo school system, and possibly Youngstown and Columbus as well.

This crisis of educational funding has been underscored by a wave of teachers' strikes hitting Michigan, New York, New Jersey and Massachusetts. In all these situations, deterioration of schools and equipment, growing class sizes, and inadequate salaries have forced teachers into defensive, no-win strike action. Desperation strikes in Matasquan, N.J. and suburban Boston were broken only when dozens of teachers were jailed by court order.

No Solution

The Ohio State Legislature intends to meet in special session Oct. 19 and 20 to try to reach a solution. However, the mooted alternative to closing the schools — namely, to borrow against next year's deficits to meet this year's school expenses — would require a change in the state's Constitution. Thus the two choices most likely facing teachers in affected school districts are these: either to work without pay until January, when new funding becomes available, or not to work at all until January, with the school system in the interim.

Ohio, which virtually shut down last winter when it was unable to purchase adequate natural gas supplies, is now undergoing collapse of its steel industry and of its capacity to train another generation of skilled labor.

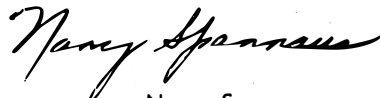
In Pennsylvania, whose steel industry is also hardhit, no funding whatsoever is available to the state's university system. The state budget includes zero funding for the universities because the state legislature, which passed the budget in frenetic special session last summer, omitted school funding in order to hold the state deficit down to \$300 million. As a result, Pennsylvania State (a major agricultural sciences center), Drexel, Temple, and the University of Pittsburgh (which was taken over by the state when it went bankrupt as a private institution in the 1960s) are all threatened with immediate closing.

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EXECUTIVE INTELLIGENCE REVIEW SPECIAL REPORT
DAILY ENERGY INTELLIGENCE BULLETIN AUGUST 18, 1977

'EX' WATERGATE PROSECUTOR CHARGES 1.5 BILLION DOLLAR COST
OVERRUN IN ALASKA PIPELINE

AUG 18 - IN A HIGHLY UNUSUAL PROCEDURE, THE STATE-RUN ALASKA PIPELINE COMMISSION, ITSELF SPENDING MORE THAN 1 MILLION DOLLARS IN ITS INVESTIGATION, HAS CHARGED THAT THE ALYESKA PIPELINE SERVICE CORPORATION 'WASTED' SOME 1.5 BILLION DOLLARS IN CONSTRUCTION OF THE MUCH PLAUGUED ALASKA OIL PIPELINE. IN MID THAT THE INVESTIGATORS 'NEVER INTENDED OBJECTION TO THE 678-PAGE REPORT WAS PREPARED UNDER THE DIRECTION OF TERRY LENZNER WHO WAS PREVIOUSLY INVOLVED IN THE POLITICAL FAC-TIONAL WAR AGAINST NIXON COMMITTEE. INFORMED SOURCES IN THE PETROLEUM INDUSTRY CONFIRM THAT THERE HAS BEEN AN INTENSE BEHIND THE SCENES EFFORT BY THE ROCKEFELLER FAMILY POLITICAL AND FINANCIAL TO DEVELOP THE VAST ALASKA OIL RESERVES. THE DAMAGE CAUSED BY AN EXPLOSION AND FIRE EARLIER THIS SUMMER HAS ALREADY CAUSED SUBSTANTIAL DELAY IN BP ALASKA OIL REVENUES, WHICH WAS FURTHER AGGRAVATED BY A US INTERSTATE COMMERCE COMMISSION DECISION FORCING DOWNWARD REDUCTION IN RATES CHARGEABLE BY THE PIPELINE CONSORTIUM TO ITS CUSTOMERS.

BRITISH NUCLEAR REPROCESSING INQUIRY GETS BOOST

AUG 18 - THE ONGOING BRITISH GOVERNMENT-ORDERED PUBLIC INQUIRY INTO THE QUESTION OF WHETHER THE EXISTING NUCLEAR FUEL RE-PROCESSING CENTER OF BRITISH NUCLEAR FUELS LTD. AT SIND-SCALE GOT A MAJOR BOOST WITH THE TESTIMONY THIS WEEK FROM THE NUCLEAR INSTALLATIONS INSPECTORATE THAT 'THERE AP-TO BE NO SIGNIFICANT SAFETY PROBLEMS THAT CANNOT BE OVER-COME. IN OTHER TESTIMONY, DR. STANLEY BOWIE OF VARIOUS ENVIRONMENTALIST GROUPS, THAT THE MOST DEADLY BYPRODUCT SUCH REPROCESSING WAS ONE OF THE PLUTONIUM BYPRODUCT BOWIE POINTED OUT THAT ALMOST EQUALLY DEADLY SUBSTANT THE CAFFEINE PEOPLE DRINK EVERY DAY IN THEIR COFFE-HEADS BY ANOXY LOVINS IS BELIEVED BADLY FALTERS BRITISH AFFILIATE OF THE SO-CALLED FRIENDS OF THE ATTEMPTS TO SO FAR WHIP UP PUBLIC HYSTERIA AGAINST THE JAPANESE ELECTRIC UTILITIES FOR A RE-PROCESSING CONTRACT.

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