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EXECUTIVE INTELLIGENCE REVIEW

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TABLE OF CONTENTS

INTERNATIONAL

- 1 **The Sadat-Begin Meeting**
- 2 — Sadat Visit Reveals Geneva Policy Split
- 4 — **Israel:** Dayan, Begin Rift Widens
- 5 **Shah's Hard Bargain For Nuclear Development**

U.S. REPORT

- 1 **Energy:** Schlesinger's 'Compromise' Strategy To Destroy U.S. Economy
- 3 — Shah's Nuclear Offer Heats U.S. Energy Fight
- 5 — Purge Of Energy Dept.'s Nuclear Advocates
- 7 **Business In Phony Deal With Carter**
- 9 **Kissinger Seeks To Wreck Geneva**

ECONOMICS

- 1 **Foreign Trade Meet Clings To Protectionism**
- 5 **Banking:** Change Exim To Bank For Nuclear Export
- 6 **Foreign Exchange:** Run On Yen
- 8 **Business Outlook:** Reaction To Declining Profit
- 9 **Gold:** Europeans To Mobilize Reserves?
- 10 **World Trade:** Rationalization Of Steel
- 12 **OPEC:** Line Up For A Slim Price Increase

ENERGY

- 1 **World Nuclear Drive Makes Headway**

SCIENCE AND TECHNOLOGY

- 1 **Special Report On Fusion Breakthroughs**
- 2 **Eyewitness Report:** Int'l Nuclear Energy Drive
- 3 **Miami Conf. Communique:** Fission-Fusion Technology Feasible
- 4 — Soviet Scientist On Coordinating Fusion Effort

LABOR

- 1 **Labor News:** Carter Administration Endorses Empty Humphrey-Hawkins Bill
- 2 **Labor In The Press:** Dortmund Pronuclear Demo Coverage
- 3 — Press 'Probe' Of Teamsters
- 4 **Special Report:** 'Full Employment,' Urban Policy Are Cover For Genocide

SOVIET SECTOR

- 1 **Geneva And Factional Line-Up In USSR**

AFRICA

- 1 **Somalia:** Break With USSR, Cuba
- 1 — A Year Of Diplomatic Warfare

ASIA

- 1 **Japan:** An Economic Pearl Harbor?
- 3 — Strauss Aide: Dismantle Japan's Industry

LATIN AMERICA

- 1 **Venezuela:** Development Issue Forces Political Realignment

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IN THIS WEEK'S ISSUE —

As this issue goes to press, Egyptian President Anwar Sadat is on his way to Israel... Our **INTERNATIONAL** lead tells why **more than Mideast peace** is staked on the outcome of his historic visit... Included in our coverage: the **split** that's opened up between those who want only a **separate Israeli-Egyptian peace**, and the proponents of a **region-wide settlement**... with interviews and press clips to document which forces are lining up on each side... and an analysis of the **rift between Israeli Premier Begin** and his warhawk Foreign Minister, **Moshe Dayan**...

* * *

The **backdrop** to the dramatic peace turn in the Mideast is the acceleration, internationally, of the push for **nuclear energy development**... a story so big, we've covered it from many angles this week... **The Shah of Iran's** demand for **U.S. nuclear exports** for his country's energy development has a lot of **international weight** behind it... for its **implicit attack on the Carter Administration's** anti-nuclear foreign and domestic policy... as you'll read in our **INTERNATIONAL** section... And the Shah's visit to the United States has **sparked renewed protests** here against the Carter policy — even **the beginnings of an Administration turnaround?**... in **U.S. REPORT**... From the **European** side, power-

ful motion in the same direction, **as our ENERGY section shows**...

* * *

A **sharp collapse in international trade**, and a mood of **cynical demoralization** among many U.S. business leaders... are the basis for a **different kind of deal-making**... This week's **U.S. REPORT** describes how oil and other energy industries are **sucking up for a compromise** with energy czar Schlesinger's plans to **decimate the U.S. economy**... while steel men agree to toe the Administration's "**protectionism, not production**" line... and the latest round of the fight to **purge the Department of Energy** of any and all nuclear power advocates, including an eyebrow-raising **memo** from the President's Council on Environmental Quality **leaked** to the **Executive Intelligence Review**... plus salient excerpts from the press and statements from the people involved, **on and off the record**... all in **U.S. REPORT**...

* * *

ECONOMICS this week examines **world trade**, and paints a **grim picture**... New York's National Convention on Foreign Trade provides the setting for a look at how

INTER-NATIONAL
U.S. REPORT
ECONOMICS
ENERGY
SCIENCE TECHNOLOGY
LABOR
SOVIET SECTOR
AFRICA
ASIA
LATIN AMERICA

Treasury Secretary Blumenthal and his allies are **manipulating U.S. businessmen...** and at how business is responding... We also tell you just **how bad the international trade situation is,** and **why...** including coverage on **Foreign Exchange, Gold, and Business Outlook...**

* * *

A **Special Report** no labor or business leader can afford to miss, in this week's **LABOR** section... the lowdown on the **renewed campaign** for the Fabian liberals' discredited "urbanpolicy" and "**publicworks**" slave-labor plans, and **what it will mean for workers and employers...** **Thoroughly documented** with the remarks and the writings of the men who are shaping this policy... Also: the long-awaited **White House endorsement of the Humphrey-Hawkins bill,** and **how insiders are evaluating it...** and an investigation of how **the press is looking at labor,** from the two sides: the **scandal-mongering against the Teamsters** here in the U.S., and the **international coverage** (and in the U.S., **noncoverage**) of the 50,000-strong **trade-union demonstration for nuclear energy** in Dortmund, West Germany...

* * *

Elsewhere in this week's issue... the **factional lineup inside the Soviet Union's leadership** is scrutinized by the U.S. Labor Party's Director of Intelligence, Criton Zoakos... a report on why protectionist blackmail from the U.S. is making the Japanese **remember Pearl Harbor...** **Exclusive coverage of new Soviet breakthroughs in fusion power research,** including excerpts from the Soviets' own documents on the subject... A surprising letter in **support of fusion power** written by, of all people, **Jimmy Carter** — and why he wrote it...

* * *

The Sadat-Begin Meeting:

More Than Geneva Hangs In The Balance

The prospect for a stable Middle East peace settlement, an OPEC price freeze, and vastly expanded Arab-Western trade hangs in the balance pending the outcome of the historic meeting between Egyptian President Sadat and Israeli Prime Minister Begin in Jerusalem.

Sadat's repeated pledge not to abandon the common Arab position during his talks with Begin, combined with the Israeli prime minister's assurances not to seek to split the Arabs, led most observers to believe that the chief result of the Sadat-Begin exchange, in concrete terms, will be an agreement to reconvene the Geneva conference with a formula for Palestinian participation.

But, in a broader sense, the first direct Arab-Israeli talks in 30 years carries a symbolic importance that is already being felt in Israel and throughout the Arab world, ending decades of British manipulation of the Arab-Zionist conflict and four years of Henry Kissinger's step-by-step shuttle diplomacy.

The moves toward an Arab-Israeli settlement raised hopes of putting an end to the Middle East as a flashpoint for thermonuclear confrontation and brinkmanship, according to the precepts of the Schlesinger Doctrine. In addition, with the Shah of Iran's pledge to back a freeze in prices at the Dec. 21 OPEC meeting, there is a virtual certainty that Saudi Arabia will lead OPEC into a zero price increase. Finally, the ever-present threat of a Middle East crisis, wielded by London-centered financial interests, aimed at Western Europe and Japan will be removed.

Instead, the entire Middle East can become the world's primary market for high-technology exports from the industrial countries, including nuclear power plants and facilities. Already, Iran, Iraq, Saudi Arabia, Kuwait, Libya, and Algeria are in various stages of negotiations for nuclear plants worth billions of dollars.

The Romania Connection

Both Egypt's Anwar Sadat and Israel's Menachem Begin have named Romania as the primary interlocutor for the unprecedented Arab-Israeli rapprochement. On Nov. 18, the eve of the Sadat arrival, Begin expressed his "gratitude to the Romanian authorities for its contribution" to arranging the meeting during the Aug. 27-29 visit to Romania by Begin, and then later during the Sadat trip two weeks ago. Sadat, in a Nov. 16 press conference, stated that he had "mulled over the idea" during his trip to Romania, Iran, and Saudi Arabia.

The Sadat strategy in visiting Israel is to create a fait accompli for peace. The enormous momentum that has been generated by the Sadat trip and the raised hopes for breakthrough would mean a virtually certain war if there should be an abrupt breakdown of the Sadat-Begin initiative, and one U.S. analyst said that Sadat was trying to "force the issue" by going public as he did.

According to U.S. analysts, the Sadat visit will have as its primary goal the working out of a formula for Geneva, and perhaps the key point is the crucial question of the West Bank. It is suggested that Sadat will try to have the Arab League receive a mandate over the occupied West Bank after an Israeli withdrawal, to overcome Israeli objections to dealing with the PLO. Otherwise, said a Pentagon expert, Sadat and Begin will agree on a withdrawal from the Sinai peninsula by Israel, but linked to withdrawals on other fronts, and the whole package will be taken to Geneva.

It is also suggested by West German sources that the Israelis may agree to the formula proposed by Sadat last week to have an American professor of Palestinian origin represent the PLO at Geneva. Arafat, the PLO chairman, has reportedly agreed to such an arrangement.

Just as important as the procedural aspects of the Geneva approach, the Egyptians are seeking to reach out to Israeli public opinion, an Egyptian official said. The idea that an Arab leader would visit Israel, with the obvious implication of official recognition of the Israeli state, is a powerful tool to break down the Israeli paranoia and sense of isolation.

Arab Support for Sadat

Contrary to the general tenor of the U.S. press, the Arab world, though highly suspicious of the Sadat initiative, is generally supportive of Sadat.

First of all, within Egypt, there is hardly the domestic crisis that the resignation of the Foreign Minister Fahmi on Nov. 17 might imply. Although the Egyptian army has been generally opposed to Sadat's policies, especially on economic and military grounds for many years, and although there is always the possibility of a coup d'etat in Egypt on these grounds, the *primary* idea behind the Sadat trip — peace with Israel — is welcomed enthusiastically by the entire Egyptian population. A West German newspaper hinted that the Fahmi resignation was a defeat for the pro-Kissinger forces in Egypt, since Fahmi was appointed immediately after the 1973 war to

deal with Kissinger. A Sadat appearance today rallied his chief Cabinet officers behind him to back the Israeli trip.

The primary motivation behind the Arab side of the trip came, it is believed, from Saudi Arabia, whose interest in the Middle East is stability. The Saudis, who are known to support the Sadat trip to Israel, also worked behind the scenes at the Nov. 12-13 Arab League meetings of foreign ministers to ensure that the Arabs did not take any action that could upset the Sadat trip.

On Nov. 17, Sadat paid a one-day visit to Syria to consult with Syrian President Hafez Assad. The outcome of the meeting was an open disagreement between Assad and Sadat, the former fearing that Sadat might, under pressure, abandon the Arab cause and strike a separate

deal with Israel that would leave Syria isolated and vulnerable. But although the disagreement between Syria and Egypt did become public, there was no sign that Syria was prepared to launch a mobilization to sabotage the Sadat trip. In fact, one day before the Sadat visit to Syria, Assad ordered the Iraq-Syria border closed to forestall any violence or opposition to Syria's weak denunciation of Sadat. All informed observers in the U.S. agreed that Syria was not in fact strongly opposed to Sadat's move.

From the PLO, despite anti-Sadat statements from Fatah and Saiqa, the two largest guerrilla groups, it is widely known that PLO Chairman Yasser Arafat is quietly supporting Sadat.

—Bob Dreyfuss

EXCLUSIVE

Sadat Visit Reveals Geneva Policy Split

Egyptian President Anwar Sadat's planned visit to Israel has pulled the lid off an intense factional split between those who favor a "Kissingerian" separate peace between Egypt and Israel and those who advocate an overall Mideast settlement. Reprinted here are excerpts of conversations with leading Mideast policymakers and press accounts reflecting both points of view.

Best Bet Is Separate Peace

Joseph Churba, former head of Airforce Mideast Intelligence:

Q: Would you comment on Sadat's upcoming trip to Israel?

A: Let me explain how the goddamn thing works. In September, Sadat offered Vance a separate peace deal with Israel. So what happened next? The State Department exhumes the PLO — a move which outflanked Sadat. Now, at State, it's the same shit. A comprehensive settlement! The people who are fucking it up are god-damned State people. State will kill any Egypt-Israel separate deal! They will insist on exhuming the PLO — at a time when Sadat is open to dealing with the Israelis on a different basis.

A National Security Advisor during the Kennedy and Johnson Administrations:

Q: What is your opinion of the upcoming Sadat-Begin meeting?

A: Everything going on now is delightful, entertaining. He's telling the PLO to go to hell; he's saying that Egypt is the biggest Mideast state and if it wants to, it can make a deal. He's saying that it's not up to the Saudis or anybody else to legitimize the PLO. The Egyptians were appalled by our legitimizing the PLO; the Jordanians were appalled by the U.S.-Soviet joint statement. After all, the Jordanians had just agreed to all Saudi money to the Palestinians would come through Jordan, and so they were horrified by the statement. Sadat will now go to

Israel and say he wants Geneva, but he'll threaten to have a separate deal. It's easy to do that. He can get the deal we offered him in 1968: the whole Sinai will be demilitarized according to a timetable, and Israel will release Sharm el-Sheikh. That is the place where Israel's General Gur is warning about new maneuvers and violations of the second disengagement. Sadat's deal would then be a clear way for Hussein to do the same. He's always wanted to sign a separate deal. This would then isolate Assad who could do absolutely nothing about it.

Washington Post, editorial, Nov. 16: "Washington's Mideast Response":

Now, however, a way (Sadat's overture to Israel — ed.) to resume the easier step-by-step approach is in sight. Egypt has stepped outside the American-directed Geneva process and made its own bid to Israel. Obviously, Mr. Sadat will present all the Arabs' aims. No less obviously, he will emphasize Egypt's particular aims. Being primarily territorial, these are substantially easier for Israel to meet. So prospects of a separate Israeli-Egyptian peace, presented no doubt as a way station to a larger settlement, are greatly enhanced.

New York Times, op-editorial, Nov. 1, by William Safire:

The reason Mr. Sadat broke away from the Carter approach will be vigorously denied by our red-faced State Department: The Carter Middle East plan, with its "comprehensive demands keyed to a quick Geneva showdown, was as bad for moderate Arabs as it was for Israel. . . .

Beneath the hard-line words will be the contrary basic interests. Egypt's national interest is to get back the Sinai, get on an even economic keel, and get away from using its soldiers as cannon fodder in wars started by Arab radicals with Soviet arms. . . .

What should the U.S. do? Restrain Zbigniew Butinski. . . . Israel and Egypt were wise not to panic in the face of the Carter rush to Geneva. When it comes to accepting

the good offices of an inexperienced President or an experienced journalist, they're better off with Cronkite diplomacy.

A Rand Corporation strategist on Mideast affairs:

Q: Is there a growing possibility from the past week's events that Foreign Minister Dayan is counting on a separate deal between Israel and Egypt?

A: Dayan's emphasis is on an Israel-Egypt agreement which will be short of peace and short of Egypt's insistence on getting back territories and supporting Palestinian rights. Dayan is ready to exempt them from the pursuit of these latter goals by offering them an end of war and a withdrawal from the conflict. For the present, Dayan has his working papers, which puts the situation on track for Geneva, but Dayan has all along conceived of Geneva as just a framework to achieve a bilateral agreement with Egypt.

A Georgetown University colleague of Henry Kissinger:

Q: What do you make of the recent Henry Kissinger revival?

A: Kissinger is not coming back into prominence. He's been up front all along. As for the Mideast, it's simple. If they want to get things done, Kissinger's way is the only way. Geneva is a silly idea. What do you do when you get there? The only way is step by step.

For a Comprehensive Regional Settlement

New York Times op-ed, Nov. 17, by Anthony Lewis:

President Sadat, knowing the delicacy of his position, must hope that by accelerating the momentum for peace he can bring other Arab countries along. But that hope necessarily depends on his remaining true to the Arab position on essentials The harder question is whether Prime Minister Begin will seize the opportunity to think of peace in larger terms. That would require him to give up his own claim to permanent Israeli possession of the West Bank. Some have seen him as a potential de Gaulle: a politician who takes office on an unyielding platform and then yields for higher ends of peace and security. This occasion may tell whether he is.

New York Times editorial, Nov. 16, "Momentum in the Middle East":

There is no reason to doubt the Egyptians' strong denials that they seek a separate peace. If they did, it probably could not be stable. Without progress toward a general settlement in the area, Mr. Sadat would remain vulnerable to allegations that he had sold out his allies, and he would therefore be a shaky partner in peace. Separate peace with Egypt might also tempt hawkish Israelis to move toward annexation of much of the West Bank, with its large Arab population. That might temporarily enhance Israel's sense of security, but it would create even greater problems and dangers for the long run.

New York Times op-ed, Nov. 16, by Harvard Professor and Brzenski associate, Nadav Safran:

Sadat may well point out that though he decided to go to Jerusalem on his own, he is certain that he reflects the wishes of the great majority of the Arab countries, and he may warn the Israelis not to take his move as an indication of Egyptian willingness to make a separate peace...

He is sure to remind the Israelis that the Palestinian problem is at the root of the entire conflict and that a final, durable settlement cannot be conceived without taking due account of Palestinian rights.

A Foreign Policy advisor to a leading Republican Senator:

Here's the Sadat gameplan. He is going to Israel, and he will get an agreement on an Israeli withdrawal from Sinai, linked to withdrawals elsewhere and talks on the West Bank. Then Sadat will be on record as having championed the cause of the Arabs. His Knesset speech will be almost entirely devoted to the Palestinians; he wants to be known in the Arab world as having told the Israelis to recognize the Palestinians. Then he will draw some flack from Syria — but he won't go so far as to pass the limit that the Saudis consider tolerable; the Saudis will not accept a big Egypt-Syria separation. So Sadat will go back to Egypt having made a pro-Palestinian speech, and will go right to Geneva.

Begin, Dayan Rift Widens

High-level sources in Israel and Washington reported this week that a significant rift is developing between Israeli Premier Begin and his Foreign Minister Moshe Dayan over how to react to the unprecedented peace overtures of Egyptian President Anwar Sadat.

Over the past weekend, as the Sadat trip to Israel was developing, these sources warned that Dayan and his allies in the Israeli Military would make a desperate attempt to up-end the momentum toward peace, either through toppling Begin or by moving toward war. Dayan and friends were convinced, the sources continued, that Begin was acting according to a so-called "Begin Profile" whereby the Prime Minister would jump at an opportunity to concretize a viable overall peace with the Arab states. The Dayanists' perception on the other hand, is that Israel was falling victim to an Arab propaganda trick and would find its security jeopardized by responding in an accommodating way to Arab peace moves.

Since that time, a Dayan military ally, Chief of Staff Mordechai Gur, has publicly warned Israel's population against "excessive enthusiasm" over Sadat's trip and has insisted that Egypt is really engaged in a deception while planning to launch a new war. Gur was strongly reprimanded by Begin's Defense Minister, Ezer Weizman, second in command of Begin's Likud Party, for having "exceeded his authority."

Precedents

From the standpoint of recent and longer term Israeli political history, the differences between Begin and Dayan should come as no surprise. Despite all the rhetoric about Begin's "fanatical intransigence" and "terrorist past," it is Begin who has attempted to define and act upon some germ-notion of Israeli national interest, while Dayan has sought to make Israel a party to an Atlanticist geopolitical chess-game.

In the 1940s — as Begin's book, *The Revolt*, makes clear — Begin was insisting upon the creation of a Jewish state that could find the way to a national policy independent of British imperial interests. Begin was, and still is, a strong-willed nationalist above all else.

Dayan by contrast was trained by the "dirty tricks" departments of British military intelligence in utopian war games against the Arabs. He rapidly evolved into the existentialist, high-risk gambler in Israel's Labour Party leadership, seeking to develop gamesmanship vis-a-vis the Arabs into a fine art — in full collaboration with financier-run intelligence networks operating out of London and New York. For instance: the "proof" for Dayan that the U.S. was a great world power was its Vietnam war, which Dayan perceived to be a testing ground for "scientific" counterinsurgency.

During this year, the differentiation has become greater. In August, Begin independently worked out his diplomatic approach to the Romanians, visiting that East Bloc country and seeking mediation efforts by Romanian President Ceausescu with the Arabs. Soon after, he publicly called for the reconvening of the Geneva conference in early October.

This policy of "bringing the Soviets back into the Mideast" was strongly criticized in private by Henry

Kissinger and by former Dayan colleagues in the Israeli Labour Party, according to a well-informed U.S. Jewish community source.

In late September, Begin and Weizman worked with U.S. government sources to arrange a ceasefire in southern Lebanon and bring to an end Israel's ground intervention into that region. Dayan, from the U.S., cabled urgent messages to Israel for the government to maintain its military presence in the South, according to British press reports the weekend of Sept. 25.

More recently, Dayan has insisted publicly that Israel should try to obtain a separate peace with Egypt in opposition to the Carter Administration's Geneva thrust. He has been publicly countermanded on this by official government spokesmen. On Nov. 4, the Israeli Foreign Ministry declared that Dayan was only "expressing his personal view" when he declared that Israel should seek an "intermediate agreement" if the Geneva process collapsed. The Ministry spokesman declared, "Israel sticks to its initial goal, namely, to concluding definitive peace treaties with its neighbors."

On Nov. 9, Dayan labeled Egypt "Israel's only worthwhile interlocutor" in peace talks. In response to this, a U.S. State Department official stressed, "Begin is more inclined to an overall settlement approach; Dayan and the Labour Party leadership like the old step-by-step."

This divergence of views became a matter of open discussion in Israel on Nov. 12, when Israel responded to Sadat's proposal that an American professor of Palestinian origin represent the Palestine Liberation Organization at Geneva. Begin called the proposal "worth considering," while the Foreign Ministry labeled it "unacceptable."

"This invitation (to Egyptian President Sadat) does not constitute any attempt to drive a wedge between the Arab states. We are prepared to conduct negotiations for the achievement of peace in the Middle East and the signature of peace treaties with all our neighbors. With each and every one of them. I think it was only natural that I invited the president of Egypt. It is the largest of the Arab states. In our conviction, there is no basis for the conflict between Egypt and ourselves. The conflict has been tragic. Superfluous. Prolonged. And this is our appeal."

—Israeli Premier Menachem Begin,
speaking before the Israeli Knesset Nov. 15

"If it would not be interpreted as an attempt to drive a wedge between the Arabs, I would offer to make a separate peace with him (Sadat). If there be a shadow of hope, the smallest crack, I would recommend that we do that."

—Israeli Foreign Minister Moshe Dayan,
Speech in Israel, Nov. . . —

EXCLUSIVE

Shah Pushes Hard Bargain For Nuclear Development

The Shah of Iran arrived in Washington this week for his first meeting with President James Carter. A priority agenda item discussed by the two leaders is the fate of a pending deal for the sale of nuclear reactors to Iran. First proposed over two years ago, the deal, which involves eight nuclear power plants, has been stalled as a result of Washington's antinuclear policies.

The Shah has been an outspoken proponent of nuclear energy not only for Iran, but as the new energy mode for the international economy. He intends to purchase 20 reactors which will make Iran's growing economy almost totally dependent on nuclear power by the turn of the century. As a result of the United States' unwillingness to finalize the reactor deal, the Shah has bypassed Washington and bought eight reactors from France and West Germany, with the total sale valued at over \$10 billion.

Days before the Shah arrived in Washington, he signed an agreement with the West German firm Kraftwerke Union for four reactors — the largest single deal of its kind in history, with a price tag of \$8 billion. The timing of the agreement was clearly designed to maximize pressure on the Carter Administration to break with its neo-growth energy program.

West German journalist Kurt Leissler wrote in *Die Welt* Nov. 14, that the newly signed West German-Iran deal markedly strengthened the Shah's position in bargaining with Carter. Moreover, he noted, such a deal was a "blow" to Carter's ability to sell no-growth policies to the Third World along the lines promoted by the World Bank and the International Monetary Fund.

The stumbling block to completing the U.S. sale to Iran has been a demand from Washington that Iran renounce its commitment to spent fuel recycling, based on the trumped-up issue of the danger of nuclear weapons proliferation. Well-informed nuclear industry sources indicate that no breakthrough occurred between the Shah and Carter over this issue. Relations between Iran and its traditionally number one ally, the U.S., have shown signs of strain in recent months as a result of Carter's policy on nuclear energy as well as problems with arms sales and Carter's "human rights" campaign. Iran, in turn, has tightened relations with both Western Europe and the Comecon countries, all of which are eager to see a change in Washington's energy policy.

The shift in Iran's foreign alignments is a warning to Washington that a continuation of the same policies will only further alienate Iran, one of America's most valuable strategic allies in the Persian Gulf and Indian Ocean region. This reality was the background to the meetings between the Shah and Carter. For this reason, Iran is a crucial part of the international effort to force the U.S. to join the majority of the advanced and underdeveloped countries that support energy growth. In this endeavor, France, West Germany, and the Soviet Union have taken the lead.

The Shah's International Diplomacy

On other fronts, the Shah is showing signs of a heightened sense of responsibility for the world economy. During his meetings with Carter he affirmed that, unlike in the past, Iran would not take its traditional hawkish position on pricing at the upcoming meeting of the Organization of Petroleum Exporting Countries meeting next month, but would support the Saudi position of no price rise. Moreover, the Shah has repeatedly expressed the need for a new world economic order based on generating new productive capacity for the Third World.

Iran has maintained its momentum in building an industrial infrastructure apart from the oil industry on which it is still 85 percent dependent. The Comecon countries are playing an increasingly significant role in supplying the Shah with technology and knowhow, in return for bartered oil. Following a trip to Poland and Czechoslovakia late last summer, the Shah will make a visit to Berlin in the near future. Furthermore, the Shah met with the French leaders in Paris immediately before and after his trip to Washington.

Moreover, West German and Japan have in the last twelve months overtaken the U.S. in nonmilitary trade with Iran. A spokesman from the Commerce Department indicated that if current trends continue, the U.S. will lose even more ground in the Iranian capital goods market.

The Flaw in Iran's Development

While a program of employing the most advanced technology for development of an underdeveloped country such as Iran is correct, the Shah has failed to exhibit any notion of the development of a domestic labor force which is necessary for his overall development forecast. As a result, Iran's estimated 35 million population is still unprepared for rapid industrialization, with the majority of Iranians still not even literate.

This leaves Iran vulnerable to various counterinsurgent and terrorist formations, such as the newly reconstituted Islamic Marxist movement, which are controlled by foreign elements such as British-based Fabian networks and the Institute for Policy Studies terror command center in Washington. Behind such operations are the banking and political interests which are opposed to the Shah's development perspective and its international correlates. A recent assassination attempt against the Shah's twin sister and numerous reports from informed sources of threats against the Shah are still other features of international efforts to undermine Iran's current policies.

A knowledgeable source at the University of Texas last week predicted that a new wave of radicalism will sweep the major urban centers of Iran under the banner of Islamic Marxism. Last month the University of Tehran saw its first terrorist incident in the recent period, when

students went on the rampage and inflicted significant damage to campus facilities. The unprecedented turnout of Iranian students and anti-Shah demonstrators in Washington during the Shah's visit here is another facet of such an operation.

Last month, the Iranian government issued a condemnation of the British Broadcasting Corporation for its slanderous coverage of Iran's development plans. The BBC had characterized the closing relations between Iran and the East bloc as based only on the Comecon nations' need for oil. Parviz Adl, a spokesman for the Iranian Foreign Ministry, addressed the BBC commentary: "No great goal can be achieved without encountering difficulties. Are Western journalists mature and humane in showing joy over problems caused by Iran's rapid development like port congestion, jammed roads, and electric power . . . Iran accepts honest criticism and considers logical recommendations. But exaggerated descriptions of the nation's difficulties and the total exclusion of any reference to her stupendous achievements are something entirely different."

—Judy Weyer

Terrorism: 'A Sort Of Cold War'

The interview with Princess Ashraf, sister of the Shah of Iran, that is excerpted here followed an attempted assassination against her three months ago in France, and appeared in Zan-e-Ruz, a weekly magazine published by Kayhan International, the official daily of the Iranian government.

Asked about the motivations of the terrorists who tried to kill her, she responded:

There are people who have set out to intimidate and threaten others through a sort of cold war which is much worse than all-out war because in war, at least one knows one's assailants and can prepare to defend oneself and one's country.

The perpetrators of this kind of war are like filthy rats who hide in dark corners and attack from behind. They do not have the courage to attack when they can be seen and known.

This is a movement which has swept the globe and affects the most developed countries with the most advanced systems of welfare. They are motivated by selfishness, mental distress, vague illusions, and a love of violence and blood. . . . A few years ago, hijacking airplanes was their favorite ploy. Today, they kidnap famous people and demand all sorts of concessions from governments for their release.

These terrorists are influenced by foreign elements and they kill for money. They can have no value or worth in the eyes of the Iranian people.

My brother the Shahanshah has undertaken a mission for his country and we all stand behind him like soldiers . . . Let me make it perfectly clear that if one of us is kidnapped or killed, our assailants will not be able to exact the smallest concession. The country's programs will be launched as before and terrorists can accomplish absolutely nothing, except bloodshed, in this way.

Schlesinger Strategy On Energy

Bludgeon Opposition Into 'Compromise'

In what was widely misreported in the U.S. press as a "conciliatory" speech to the oil industry, Energy Secretary James Schlesinger told 3,000 executives at the American Petroleum Institute's (API) annual conference in Houston Nov. 15 that their opposition to the Carter Administration's energy program was "paranoid" and full of "myths" — including the belief that "all the folks up in Washington have it in for the industry."

ENERGY

His National Energy Plan, Schlesinger insisted, would provide a "golden age" for the oil and gas industries, but widespread skepticism and hostility in the audience were evidenced by numerous walkouts during the speech. John Swearingen of Standard Oil (Indiana), incoming chairman of API, correctly characterized the speech as presenting "nothing new" in its rehash of familiar warnings about the danger of relying on imported oil, and its insistence that "all conservation and no production" charges against the program were untrue. Schlesinger's basic message to the oilmen: take the best "depression deal" you can get; otherwise, expect a full-scale assault from the federal bureaucracy.

Despite the bitter hatred for Schlesinger, however, his "carrot and stick" strategy so far appears successful: all signs in Washington now point to the emergence of a compromise between the House and Senate versions of the Administration bill sometime during December. One clear signal of the developing deal was the Republican Party's official nationally televised reply to President Carter's previous speech to the nation on energy. Republicans Robert Packwood and John Anderson "attacked" the Administration program as "too weak," failing to achieve *both* sufficient production and conservation. "We are willing to sacrifice," Packwood advertised, and Anderson, although focusing on the economic dislocations for workers and farmers caused by the Administration plan, is making no secret of his willingness to strike a bargain. Another top Republican Senator privately confirmed to NSIPS that the package outlined by Anderson's office was likely to pass both Houses.

A second important indicator was a White House meeting early last week attended by President Carter, Schlesinger, and Democratic Representatives Ashley, Ullman, and Staggers, all three key House members of the House-Senate conference committee trying to reconcile the conflicting versions of the bill. Carter told the Congressmen, who urged him to compromise with the

Senate on the key issues of the crude oil tax and natural gas pricing, that he was no longer "locked in" to support of the House bill, essentially the original Administration program. Administration officials and Congressional staff members are now collaborating to draft "options" for a compromise.

In addition, Democratic liberals in the House, for months the most vocal opposition to a compromise on the grounds that it would inevitably result in an "oil and gas ripoff," are starting to admit openly that their outcries are merely part of the horsetrading. The admission by Rep. Edward Markey's office that some of those loudly protesting an increase in natural gas prices over the proposed \$1.75 per unit ceiling in the Administration proposal are privately willing to see the price rise to \$2.00 per unit should be seen in that light.

Finally, there is the mood of the U.S. energy industry itself, which is apparently resigned to a "high prices—high taxes" deal which, despite the deletion of some of the worst features of the original bill, will accelerate the destruction of the American economy. The appended remarks by participants at a recent energy seminar at Southern Methodist University in Dallas, Texas show both the broad sense of outrage at the Schlesinger program, and the psychological weaknesses, particularly the belief that "private enterprise" measures like deregulation of oil prices represent a cure-all, that Schlesinger has used to manipulate the opposition away from a comprehensive plan to massively expand oil-gas-coal-nuclear energy production, the kind of plan which could rapidly make the U.S. a major energy exporter.

EXCLUSIVE

Energy Debate: A Sample

The following remarks are taken from an account of an energy seminar held at Southern Methodist University published in the Dallas Morning News Nov. 6. The panelists included:

Harrison Schmitt, *Republican Senator from New Mexico, former astronaut, and one of the most forthright defenders of nuclear power production in the Congress.*

E. O. Vetter, *former undersecretary of Commerce*
William P. Clements, *former deputy secretary of Defense under Gerald Ford, who announced last week he would seek the Republican Party nomination to campaign for Governor of Texas.*

Frank N. Ikard, *president of the American Petroleum Institute, a major spokesman for the U.S. oil industry.*

Robert Strauss, *the Carter Administration's special*

trade negotiator and unofficially the man in charge of putting together a Congressional compromise on the battered national energy bill authored by James Schlesinger.

Clements: The administration bill as presented is inadequate and will not solve the problem. It's a bureaucratic approach with more government always the answer. Conservation must be stressed. But conservation in itself is certainly no answer to the problem. Industry is the real answer... We are not using resources under the President's plan as presented by the Administration. And until we take that great resource that is represented by our industrial base and give that industrial base the momentum it needs and the incentive that it needs, and the kind of encouragement from the government that it needs, we're not going to solve that problem. And so far, it's almost as though if you know anything about the problem, you can't have anything to do with it.

Ikard: In my view the nation does have ample reserves of petroleum — much of it still waiting to be found and developed. And I believe that if we are to reduce our dependence on imported oil — a goal that nearly everyone perceives as being in the national interest — we need to develop policies that will help energy companies find that oil and natural gas and get it to consumers... If we spend the money and effort on exploration and development of proven reserves and economically recoverable resources, we can reasonably expect to maintain U.S. oil and natural gas production at current levels for about 46

Anderson: "Trying To Work Out The Best Package"

Following a televised speech on Nov. 15 in which he condemned the Carter Administration's energy package as not being "production oriented," an aide to Rep. John Anderson (R-Ill.) made the following remarks:

Q: *Is Congressman Anderson actively opposing the energy legislation now being hammered out in conference?*

A: He wants to see a package but he is trying to work out the best package....

Q: *What would he like it to look like?*

A: His views are much closer to the Senate program. He would accept some rebates but only if there are plow-backs into the oil industry. Consumer interests should be protected by some kind of excess profits tax. He'll accept taxes — well-head, users, etc. — if the tax revenues go into a trust fund to be used for mass transit, road construction, and funds for coal conversion.

Q: *Will he fight to include expanded nuclear energy in the legislation?*

S: Although he believes in nuclear energy, he sees it as a long-term solution, and he doesn't think an energy program dominated by nuclear energy is feasible in terms of cost and environmental impact.

House Liberals Threaten Veto—Sort of

Sixty-seven congressmen, mostly liberal Democrats, recently sent a letter to President Carter saying that if the finished energy package amounts to "a bonanza for the oil and gas industry, they won't be voting for it." They insisted that the price of natural gas be held at the limit set by the House; that utility rates be consumer-oriented; and that plowbacks for the oil companies, via the well-head tax, be held to a minimum. The following interview took place with an aide to Rep. Edward Markey (D-Mass.) who organized the letter:

Q: *When the signees of the letter say they won't vote for it if it doesn't meet their conditions, does that mean there is no room for compromise?*

A: Not at all. A decision will be made in conjunction with the whole package. When we talk about the natural gas price, for example, we stress that we won't accept any significantly higher price. Some of the letter's cosigners might go as high as \$4.00 a unit, but we won't accept decontrol.

years... The oil companies will need to generate some \$20 billion a year, on average, over the next decade to find and tap those resources. I would observe in a general way that the present structure of price controls doesn't improve the investment climate at all.

Strauss: This nation is very slowly coming out of a recession that started in 1973 with the shock of the OPEC embargo and the subsequent rise in prices increases... In my opinion this Congress is going to pass a good energy bill. This President... is going to sign this bill. This President has shown courage... to take the political scars that others have failed to over the years. And as Bob Strauss, I'm going to be with him, ride or walk.

Schmitt: There's no question in my mind, with my experience in research and development, technology, that in the long term we can achieve not only full realization of alternative sources of energy for this country — solar energy, fusion energy, the use of hydrogen as a portable fuel — but we can again become an exporter of energy. Our principal means of buying time for the next two decades will come from the use of coal and nuclear fission power.

Vetter: We must recognize that oil and gas are the bridging resources... All experts agree that we will exhaust them domestically and overseas long before other energy supply sources run out. However oil and gas are most readily usable in our present economic system; thus our domestic supply must be maximized early in the remainder of this century. Words like ripoff, windfall, narrow special interests have been coupled with anyone whose point of view differs with that of the Administration. Tragically, a fortress mentality has developed within the executive branch toward any changes to the plan — as if it were delivered from Mt. Sinai and chiseled in stone, the Gospel according to St. James — Schlesinger that is.

U.S. Press Differs On Administration Energy Policy

Dallas Times Herald, *editorial, "Retreat from Reality,"* Nov. 8:

"...The United States already lags in development of new nuclear technology and the President's refusal to approve continued research is an unwise attempt to cordon off a broad area of knowledge which could be of vital importance to the United States in the years ahead.

"We urge the House and the Senate to override the veto sending the President a signal that this nation is not ready for a no growth policy nor prepared to accept the pessimism about future energy supplies that dominates the thinking of Mr. Carter and his energy aides."

Wall Street Journal, *"A Cosmetic Veto,"* Nov. 15:

"We have supported a strong policy to curb nuclear proliferation, and additionally think the Clinch River Breeder Reactor is the biggest economic turkey since the SST. So we were happy to see President Carter veto the breeder authorization bill. But we are disturbed that he left so many people with the mistaken impression that the veto stops the project. This only adds to our worry that his much-touted antiproliferation policy is merely cosmetic."

Baltimore Sun, *"U.S. Policy Delays Hurt Nuclear Sales Abroad,"* by Henry Trehwitt, Nov. 12:

"Developing countries are turning increasingly to non-American equipment for nuclear power production while the Carter administration and Congress debate the conditions of American sales.

"Iran has committed more than \$11 billion of a \$30 billion nuclear program to other suppliers without waiting for an American decision.

"Industry sources expressed fear this week that Spain, which so far has bought American for the most part, will turn to Germany for its next important purchase."

Chicago Sun-Times, *"Freeway Fallout? Odds Assessed,"* by Bruce Ingersoll Nov. 14:

"They (drivers who ship nuclear waste-ed.) haul everything from faintly contaminated clothing to deadly plutonium, but the few drivers who would talk seem almost blithe about their jobs or given to gallows humor. Said one off-duty driver in a Sheffield bar, 'I'm still living, ain't I?'" Within 25 miles of Interstate 80, ten nuclear power reactors are generating electricity and 14 more are under construction or planned."

Newsday, *"Scientists See Atomic Reactor Deaths,"* by Stuart Diamond, Nov. 17:

"A group of scientists critical of nuclear power (the Union of Concerned Scientists) released a two-year study this morning concluding that the United States should expect 15,000 deaths from atomic reactor accidents by the end of the century if 500 reactors are built..."

Shah's Nuclear Offer Heats U.S. Energy Fight

In Washington, D.C. this week, the Shah of Iran put the Carter Administration's conservation antinuclear policy to the sword by demanding a transfer of nuclear technology and reactors from the United States in trade for an Iranian commitment not to push for higher oil prices at the upcoming meeting of OPEC. The Shah correctly predicted that unless the Carter Administration changes its policy "your present civilization is going to die," both as a result of inadequate energy growth at home and from curtailment of U.S. engagement in international trade.

Responding immediately to this pressure from the Shah, who billed himself as "a spokesman for the international community," the U.S. State Department today announced that it was recommending approval of a nuclear fuel export license to allow U.S. uranium to be shipped to Brazil. Also announced Nov. 17 by the Administration was progress toward a long-stalemated joint U.S.-Canadian export agreement that would result in ending the embargo of Canadian uranium supplies to the EEC and Japan.

The major remaining hitch in significant progress toward U.S. nuclear technology exports are the conditions relating to nuclear 'nonproliferation' which the Administration is apparently still demanding. The

Brazilians have already stated that they would reject any such condition, which involved U.S. control over actual nuclear processing in the receptor countries. The Shah has likewise made it clear that Iran will go elsewhere for its nuclear imports if the U.S. insists on imposing an antinuclear program on Iran.

Senator Hits White House Sabotage Of Iran Deal

Republican Senator James A. McClure of Idaho issued the following statement on Nov. 12:

The Carter Administration antinuclear policy is directly responsible for the United States' loss of a \$5 billion contract to build four nuclear plants in Iran... President Carter's attacks on the breeder reactor and spent fuel reprocessing have been correctly interpreted by foreign governments, and as a result those governments will go elsewhere to purchase nuclear technologies...

The President's strong stand against nuclear develop-

ment will mean that the rest of the world will continue trading nuclear technologies amongst themselves, and the result will be that the United States will be left behind, and out... The President's dream of stopping nuclear proliferation will result in foreign countries moving ahead in the nuclear field to maintain some international control. This purchase of nuclear technology by Iran from another country spotlights the fact that other nations will continue to develop nuclear power regardless of America's policy.

...The loss of the Iranian contract would mean that 60,000 man years of potential American jobs were lost when the Iranian contract was awarded to West Germany.

Shah To U.S: Find New Energy Sources Or Perish

An interview with the Shah of Iran appeared in the Nov. 13 Chicago Tribune. Excerpts:

What we have been advocating for several years is that you (the U.S.) have got to find new sources of energy — one, two, three, four, five, — as many as you can. Atomic energy we know, solar we almost know too... you're not looking for new sources of energy because maybe there is not enough incentive. What we say is if you want to find what remains of the world's hydrocarbons and then think of new sources of energy, your present civilization is going to die.

(Responding to a question on the possibilities for American industries to invest and build in Iran, he said:)

Oh, a lot, if they're only willing — petrochemicals, the automobile industry, agricultural machinery, electrical machinery, electronics, computers...

Asked about the problem of a lack of skilled manpower, the Iranian leader said that U.S. industry could train Iranians and that Iran is currently enlarging its own training programs.

The Press On The Iran-U.S. Deal

The Washington Post of Nov. 16 ran an article entitled "Shah Reportedly Pledges Neutrality on Oil Prices" that included the following on nuclear cooperation:

Other sources said one subject that will definitely come up today (in the meeting between the Shah and President Carter —ed.) is that of a nuclear cooperative agreement. The two nations are close to signing such an agreement under which the United States could agree to provide

nuclear technology, including reactors, to Iran.

On Nov. 17 the New York Times, in its Business and Financial Section, reported the Shah's offer as:

The biggest plum of all, however, will be eight nuclear power reactors that Iran says it wants to buy from the United States at an estimated cost of anywhere from \$20 billion to \$35 billion. The deal must wait for a mutual agreement between the two governments, which has been held up by discussions over the new United States approach to supplying nuclear power generators and the need to restrict reprocessing capabilities. Westinghouse leads the competitors for these contracts, but Combustion Engineering and General Electrics have also held talks with Iran.

Carter Hails Nuclear Fusion...?

President Jimmy Carter's Administration has attempted to slash funding for U.S. fusion research, has classified Soviet fusion advances to prevent their dissemination among the U.S. scientific community, and is now engaged in a battle with Congress over its attempts to cancel the Clinch River fission fast breeder test reactor—a project viewed as a necessary intermediate step of fusion. Yet Carter surprised observers last month by sending a message to U.S. fusion scientists hailing the prospects of the nuclear fusion program.

The occasion for the little-publicized letter was the groundbreaking for the Princeton Tokamak fusion device, and the President's message for the occasion declared, "We must move ahead dramatically in fusion research during the next few years" and that "sustained cooperation among all nations in fusion research is more important than ever."

The story behind the letter, we have learned, is that pro-fusion and fission energy forces in the Administration, centered in the Energy Research and Development Administration and elsewhere in the Department of Energy, are preparing a major statement on future new energy sources in which fusion is expected to figure prominently. While still far from reversing the Administration's budgetary opposition to the necessary research for a truly effective fusion effort, their plan might be described at this point as an attempted "end run" past rabidly antifusion Energy Secretary Schlesinger (who pooh-poohed prospects for ever developing fusion energy in congressional testimony earlier this year), and gives a new dimension to recent Fabian complaints that a "palace coup" by prodevelopment DOE forces is in the making against Schlesinger. It was these same forces who were responsible for the President's unexpectedly encouraging letter to U.S. fusion scientists.

The full text of the President's letter follows:

THE WHITE HOUSE

Washington

October 27, 1977

I extend my best wishes to all those attending the groundbreaking ceremony for the Tokamak Fusion Test Reactor.

The initiation of this project is symbolic of our growing success in the development of fusion energy. It has the scientific objective of producing, for the first time in history, significant quantities of controlled thermonuclear energy.

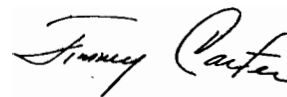
Achievement of fusion power will have a profound effect on all nations. Our hopes for the future rest largely on the continued availability of energy. Fusion is the last energy source available and presents the highest challenge for this nation's capability to put science to work for the benefit of all mankind.

We must move ahead dramatically in fusion research

during the next few years to gain the insights we need to make wise choices among our few long-term energy options.

Fusion development is a national objective that will require the best of our academic, industrial and laboratory talent. It is also a world objective, and sustained cooperation among all nations in fusion research is more important than ever. In this respect, I also welcome the opportunity to congratulate our European friends—many of whom are present on this occasion—on agreeing this week to proceed with the Joint European Torus, a complementary facility to the Princeton test reactor. The United States looks forward to working in close partnership with other nations in an endeavor that is so crucial for all of us.

May the spirit of cooperation that is so much in evidence on this occasion characterize our on-going achievements in fusion energy development.



Purge Of Energy Dep't Nuclear Advocates Stepped Up

Leading Senate environmentalists on that body's Energy Committee have delayed until next year the final confirmation vote on the nominations of nuclear energy advocates Robert D. Thorne and Lynn R. Coleman for top posts in the Department of Energy. Senate Energy Committee chairman Senator Henry Jackson (D-Wash) and Committee member Senator Howard Metzenbaum (D-Ohio) announced this decision on Nov. 15, and made it clear that the postponement was the first step toward killing the nominations.

Opposition to Thorne, who is nominated for the key position of Assistant Secretary for Energy Technology, centers on spurious charges that he biased the outcome of a California referendum on nuclear energy while directing the Energy Research and Development Administration's San Francisco office. Coleman, the nominee for the Department's general counsel, is now being scrutinized on similar "conflict of interest" charges stemming from his ties to John Connally's Houston-based law firm. The firm mainly represents the oil and gas industry and Connally has distinguished himself recently as the Republican Party's main proponent of industrial growth.

The environmentalists' campaign to purge the DOE of all nuclear energy advocates seems to have shifted to center on Energy Secretary James Schlesinger himself. On a certain level, the attacks on the energy czar are being orchestrated by his own allies who want to reprogram his image as "pronuclear energy." But the environmentalist crazies are also upset that Schlesinger — who frequently resorts to the "carrot" as well as the

"stick" appears to be yielding to pressure to downplay the "soft path option" in favor of gestures toward nuclear and other "hard" technologies. These far-gone environmentalists in organizations like Friends of the Earth and their congressional allies like Rep. Richard Ottinger (D-NY) would like to see "soft" technology advocate Amory Lovins sitting in Schlesinger's seat.

This environmentalist-led "dump-Schlesinger" sentiment was reflected in a rash of articles and statements this week led by Jack Anderson's Nov. 15 syndicated column which warned that a "growing number of voices on Capitol Hill are calling for the resignation of Energy Secretary James Schlesinger." Largely diversionary, Anderson's column limits this "palace revolt" to congressional liberals like Rep. Ottinger in order to both hide and dissuade growing conservative opposition to Schlesinger and his no-growth program. Simultaneously, the environmentalists see their "dump-Schlesinger" campaign as a tactic to "keep President Carter in line." The liberal community which prides itself on its antagonism to nuclear energy fears that Carter is deserting his own "hang tough" energy program in favor of a more growth-oriented and nuclear-centered program.

This latter tactic was apparent in a recently "leaked" Oct. 31 Memorandum to President Carter from the White House's own environmental hot-bed: the Council on Environmental Quality. In this memo (see below), Carter is warned that he will lose his "environmental constituency" if he doesn't immediately move toward "solar and soft path options" rather than nuclear energy.

— Carol Lerner

'Dump Schlesinger' Movement Grows, Say Columnists

Here are excerpts from the Nov. 15 syndicated column "The Palace Revolt Against the Energy Czar," by Jack Anderson and Les Whitten:

Washington—A growing number of voices on Capitol Hill are calling for the resignation of Energy Secretary James Schlesinger. Members of the dump-Schlesinger movement feel the pipe-smoking energy czar's policies, compounded by his personal "arrogance," are alienating many Congressmen and are hurting the White House on crucial energy votes...

The House leadership has had no part in the rebellion against Schlesinger, but it is being orchestrated by some powerful subcommittee chairmen on both sides of Capitol Hill. A number of complaints have been sent to the White House, but they have been referred to Schlesinger's office.

In an attempt to fire a salvo over Schlesinger's head, Rep. Richard Ottinger (D-N.Y.) dispatched a private "Dear Stu" letter to White House domestic chief Stuart Eizenstat. Without explicitly naming Schlesinger, Ottinger charged that his department has been packed with Republican holdover proindustry sympathizers.

EXCLUSIVE

Text Of The Council On Environmental Quality memo To The President

On Oct. 31, CEQ chairman Charles Warren, his associate Gus Speth, and designated member of the CEQ Marion Edey sent a memorandum to President Carter urging him to promote "solar and soft path options" as an alternative to nuclear energy. The memorandum, leaked to Executive Intelligence Review's Energy Daily and published in its Nov. 3 edition, is partially reproduced below:

There are increasing expressions by environmental leaders, the media and representatives of the energy industry that Administration policy on domestic nuclear power is moving in a direction substantially different from that which you articulated during the campaign.

The campaign statements pointed to by environmentalists and others stressed that nuclear power would be used "only as a last resort with the strictest possible safety precautions" and that dependence on nuclear power "should be kept to the minimum necessary to meet our needs (and that) we should apply much stronger safety standards as we regulate its use." You also called for a shift "to the greatest feasible reliance on renewable resources."

Those who question the Administration's commitment to these policies point to actions such as the following:

*Numerous nominees to top positions in DOE and NRC (Nuclear Regulatory Commission—ed.) are strong promoters of nuclear power development. Two of these — Robert Thorne...and Kent Hansen (NRC) — have engen-

dered opposition campaigns by environmental organizations;

*DOE officials have not moved to address issues concerning the safety of nuclear power reactors and their waste products which you addressed in the campaign but have developed two major proposals to facilitate nuclear power growth....

*Public statements by DOE officials have tended to put aside waste storage and reactor safety as legitimate public concerns and to call for large expansions of LWR (light water reactors—ed.) capacity beyond that on line or under construction today.

Our concern is that if present trends continue, two results are likely:

*the Administration will be increasingly challenged for departing from campaign promises and will face an open split with an important segment of the strong environmental constituency you had during the campaign, and

*serious unresolved problems associated with the LWR fuel cycle and the need to develop renewable energy resources will not receive the attention they deserve.

DOE officials apparently desire to pursue a two-pronged nuclear strategy: opposition to plutonium but, as a tradeoff, strong support for LWRs operating on a once-through cycle. In our judgment the strategy as currently implemented pays too little attention to LWR safety and security, to waste management, and to ensuring that adequate national resources are devoted to solar and soft path options...

You will have several important opportunities in the near future to clarify the Administration's nuclear power policy if you consider it appropriate.

*Make a statement at the upcoming White House Governor's Energy Conference that corrects the impression that we have done an about-face on nuclear power policy since the election.

*If the Hansen nomination is withdrawn, nominate to the NRC a person whose commitment to the Administration's nuclear policy is unquestioned and who will be seen by both the nuclear industry and citizens groups as fair and acceptable. The remaining DOE appointments will also be important indicators of Administration policy.

*Submit legislation to Congress that deals affirmatively with the unresolved nuclear safety issues and related public concerns (as in the attachment) and that supports effective public participation in the NRC licensing process.

*Submit a FY (fiscal year) 1979 Budget to the Congress that supports the Administration's policy of emphasizing solar energy and renewable energy sources.

Attachment

The following are examples of measures that could be taken to enhance nuclear safety and respond to public concerns:

*require that the NRC or a state, as appropriate, find that no feasible solar or conservation alternative to a proposed nuclear plant exists in order to grant a new construction permit. This requirement could be extended to central station fossil plants as well;

*set a reasonable but near-term deadline by which the NRC or other independent body, after an intensive public

proceeding, must determine if it can make a definitive finding of safety with regard to the management of high-level radioactive wastes. If such a finding cannot be made, the issuance of new construction permits for nuclear power plants would be deferred until safe, long-term containment were assured;

*authorize the states to set stricter environmental, health and safety standards in the nuclear power area;

*require positive steps to upgrade reactor safety assurances, including, for example, more strict siting criteria and a directive to the Commission to address systematically the unresolved health and safety issues identified by the Advisory Committee on Reactor Safeguards and others on a definite schedule; and

*establish procedures to open up NRC decision-making and ventilate dissenting staff views on technical issues.

Schlesinger Another "Henry Kissinger," Says CEQ Aide

An aide to Council on Environmental Quality and "soft" energy advocate Gus Speth characterized Energy Secretary James Schlesinger in an interview below:

Q: Most of the environmentalists who I have talked to recently are very upset with Mr. Schlesinger. How does your office view him?

CEQ: We are upset. The President ran on a strong energy policy of a particular kind — particularly opposition to nuclear energy — and the events that have taken place with Schlesinger are in conflict. Schlesinger's nomination for the NRC (Hansen—ed.) even thought building the Clinch River breeder was a good idea...Schlesinger is the only guy I know who ever dominated policy like Henry Kissinger since Henry Kissinger.

Q: (After aide described their "leaked" memo to President Carter) Who leaked this memo?

CEQ: The rumor is that it was leaked by the ERDA-types in the DOE who hoped its publication would cause the whole thing to backfire.

White House Faction Leaks Internal Memos To Kill Thorne Nomination

Internal memoranda on DOE nominee Robert D. Thorne had been leaked to his office by a group of White House staffers intent on killing his nomination, an aide to Rep. James M. Jeffords (R-Vt.) said. Rep. Jeffords, who earlier this year cosponsored legislation with Sen. Charles Mathias (R-Md.) aimed at shutting down the domestic nuclear energy industry, has become a congressional leader in the environmentalists' campaign to reject Thorne's nomination for Assistant Secretary for Advanced Energy Technologies. At Jeffords' request, the Government Accounting Office (GAO) last week completed an investigation into allegations that Thorne was involved in influence-peddling while he headed San Francisco's ERDA office. While clearing him of criminal charges, the GAO report concluded that many "unresolved questions" remain.

Some of the details are filled in by Rep. Jeffords' aide below:

Q: Why did Rep. Jeffords request the GAO to investigate Thorne?

Aide: We had been passed information from members of the White House staff which detailed Thorne's activities against the California nuclear energy referendum. These White House staffers are very upset with most of Schlesinger's appointments...They are upset enough with Schlesinger to pass us the documents.

Q: (The aide refused to name these White House staffers.) This sounds like something Stu Eizenstat would do.

Aide: No comment (chuckling).

Q: Why are these White House aides so opposed to Schlesinger?

Aide: First of all, they don't like him because they feel they can't trust him and he's pronuclear energy. Second of all, and the main reason, he's acting like he's President and actually wants to be President.

Business In Phony Deal With Carter

Two top-level business conferences last week, the Houston convention of the American Petroleum Institute and the New York City National Convention on Foreign Trade, were the scene for an epidemic of depression mentality among business leaders. Aware that the Carter Administration's stance will mean the breakdown of the U.S. economy, corporations are still sucking around for the best deal they can get with lunatics like Energy Secretary James R. Schlesinger and Treasury Secretary Micheal Blumenthal.

Especially ironic was the Nov. 14-15 trade convention in New York, which coincided with the release of statistics by the International Monetary Fund showing that the exports of industrial countries fell by a

staggering 10 percent between the second and third quarters of 1977 alone. In the middle of the worst trade collapse in thirty years, the chief executives of Bank of America, Texaco, and Exxon paraded Treasury Secretary Blumenthal before an audience of cynical and disgusted businessmen, applauding politely when Blumenthal paid lip-service to the productive potential of the American economy and the need for U.S. exports.

The Houston meeting of oilmen shaped up pretty much the same way, except that arch-Malthusian Schlesinger didn't bother to mollify his audience. The petroleum industry was "flourishing" under the Carter Administration's no-energy regime, and if oilmen didn't think so, they were "paranoid." Much of Schlesinger's

audience walked out in disgust during the address. But afterwards, oil company executives like John Swearingen of Indiana Standard told the newspapers that they would have to go for the best deal they could get from the Administration.

At its most extreme, this attitude takes the form of applause for the sudden change in the White House's attitude toward Federal Reserve Chairman Arthur Burns, the great defender of the "America Last" variety of fiscal conservatism. Carter told a news conference that he and Burns had "no major differences," and the stock market rose sharply. Entranced, the Wall Street Journal proclaimed a shift in Administration policy in its Nov. 14 editorial.

Whether Arthur Burns is reappointed as Chairman of the Fed when his four-year term expires on Jan. 1 is of major concern to business — and to the U.S. economy — because the 73-year-old chairman drew the line at the Blumenthal manipulations to let the dollar collapse. White House verbal support for Burns, who has publicly attacked the Administration's attitude towards investment and capital formation in the U.S. economy could stick a pacifier in the mouth of "business confidence."

But the same day that the Wall Street Journal sounded the retreat, the White House endorsed a new version of the hated Humphrey-Hawkins bill, which proposes to deal with unemployment through forced work for the jobless, labor-intensive rather than capital-intensive production, and top-down control of the economy. These original elements of the bill were deleted from the new, "acceptable" draft that Carter endorsed. But the implications for Administration policy are no different.

Every Man For Himself

There are few illusions among business leaders about what is happening. Union Carbide's chairman William Sneath, told the assembly: "If businessmen knew the world would end in three years, we would plan accordingly...we would probably set up a task force to give us their best estimate of the quarter in which the end would come."

The National Council — over the truculent objections of a few members — is looking for the best deal it can get with the hangman. For example, a steel company executive said, "Of course we will go with protectionism. The world market for steel is finished."

— David Goldman

'Left-Wing' Dems Demand 'Jobs, Any Jobs'

A newly resurrected grouping of "left-wing" Democrats calling itself the "Democratic Agenda" met in Washington last week to launch a campaign for "full employment" modelled on Mussolini's "corporate socialism." The group declared that Jimmy Carter's widely touted "compromise to business" over the Humphrey-Hawkins employment bill represents "pandering to the business community and renegeing on a

campaign commitment to full employment. Headed by self-proclaimed socialist Michael Harrington of the Democratic Socialist Organizing Committee (DSOC) and joined by Rep. John Conyers (D-Mich.), trade union presidents Murray Finley (Amalgamated Clothing and Textile Workers), Doug Fraser (United Auto Workers), William Winpisinger (International Association of Machinists), and Jerry Wurf (AFSCME), the group originally billed the confab "America After Carter" later changing it to the more innocuous Full Employment title.

The Democratic Agenda outlines its plans to pressure both the President and Congress into supporting their demands for "jobs, any jobs." Among the many threats voiced at the conference was the group's intentions to initiate a replay of the 1968 Democratic Convention fiascos at both the 1978 and 1980 Democratic conventions, in addition, Harrington has "warned" President Carter and Congress of possible demonstrations and "accountability sessions" to ram its slave labor program into legislation.

Despite their high flying rhetoric and the actual fascist content of their program, the thousand or so conference attendees disagreed on a number of issues and are dismissed in most Washington circles as "too divided" to agree on anything.

Conference Calls For Decentralization, Corporate Socialism, And Wind Power

The following are excerpts from speeches given at the November 11-13 Democratic Agenda conference on "Full Employment."

Hazel Henderson, a Briton currently residing in the U.S., Environmentalist for Full Employment:

We must dispense with the standard underlying model of industrial economies...which posits that the private sector is the goose that lays the golden egg...We must recognize that we have reached the mature stage of an industrial society and dispense with the ideas we have hung on to for the last 200 years, ideas which attribute progress to the maximization of undifferentiated growth via automation and capital intensive investment. The larger crisis of a mature industrial society is not who owns the means of production, but the means of production themselves which if allowed to develop too far will exploit human beings and the environment... We need a richer mix of human investment and a leaner mix of capital and energy investments so as to transit from our excessively automated, capital intensive society which is over-centralized to a more decentralized, post-industrial society based on solar power, tidal, geothermal and wind power..

Nat Weinberg, United Auto Workers Special Projects Director:

Carter's support for Humphrey-Hawkins is only a response to the pressure which we have put on him. But the bill as it now stands is more symbolic than substance, a hollow promise...

The conference was originally called "American After Carter." Well, that may not be so far away. A one-term president is not only a possibility, but a real possibility...

We need an economic bill of rights modelled on FDR's

State of the Union Message of 1944... We must take the economic bill of rights to the 1978 Democratic Party Issues Convention. If we fail... we must confront the Democratic Party directly in front of the television cameras in 1980... If we win at the 1978 Issues Convention, then we press in 1980 for a convention mandate which says that no Democrat may be nominated for President unless he accepts the bill of rights. And we will demand that the Democratic caucuses in Congress strip a committee chairman of his chairmanship if he fails to vote for it.

Gar Alperowitz, *The Exploratory Project on Economic Alternatives which is sponsored by the Institute for Policy Studies*:

The system must be changed, and the name of the new system is socialism. Unfortunately, we may get cor-

porate socialism first. But we must recognize that the big boom of the post-war era is over, when there was capital to invest, when production was up. That is over... We must stop the relationship between high government and corporate officials which result in major boons to industry. The government tells us, "We must help industry, we must give them loans, and now Russell Long wants to give \$100 billion more away to the energy companies in his version of the energy tax bill. And next will come steel, and next..."

But we must... organize the new society in the womb of the old. We can do it by offering people stability where they live. Price stability organized by local pressures against utilities, job stability in one's own community, resource stability through the creation of decentralized energy resources such as solar... We must decentralize and democratize.

Kissinger, Hoping For A Comeback, Seeks To Wreck Geneva

"Kissinger's way is the only way. Geneva is a silly idea. Henry worked to keep us out," declared a leading Washington-based think-tanker close to Henry Kissinger in defense of the former Secretary of State's famous "step-by-step diplomacy." And this week, Kissinger and his supporters determined to prove this. In speeches and articles Kissinger and his associates declared that the U.S. must drop its concern for Geneva and return to Kissingerian diplomacy.

Kissinger personally wants to oversee this return to his brinkmanship game, and is openly lobbying for a post in the Administration, threatening to use his control over certain elements of the Republican Party to further undermine the Administration's foreign policy unless he is included as key policy advisor. Leading Republican figures close to the Republican National Committee, such as Senate Minority leader Howard Baker, are gladly acting as boosters for both Kissinger and his policies, hoping to gain both Kissinger's political support for their election campaigns, and financial and electoral aid from the "Israel Lobby" for their tough pro-Israel stance.

In a speech to the American Jewish Congress Nov. 13 in honor of former Israeli Premier Golda Meir, Kissinger warned President Carter against any "miscalculations" in his Middle East policy which could place Israel in danger. He stressed that U.S.-Israeli coordination was the most important element of Middle East diplomacy. Kissinger's tone was clearly that Israel had better be very cautious about its relations with the U.S. and Geneva.

Two days later, columnist Joseph Kraft, a long-time mouthpiece for Kissinger's Middle East policy, declared in print that Israel should forget trying to arrange an overall settlement at Geneva and sign a separate peace treaty with Egypt. If Kissinger can stall or disrupt the

White House's diplomacy, then his shuttle diplomacy will return with a vengeance, noted West Germany's *Die Welt* this week.

Capitol Hill sources report that Kissinger has been meeting extensively with numerous Congressmen and State Department staffers in his effort to sabotage a Geneva peace. "Kissinger is not coming back into prominence, he's been up front all along," revealed the Washington analyst cited above. "People go to see him as much as they go to the White House. And they often go to see Kissinger *before* they go to the White House when they come here from abroad."

Kissinger is openly touting himself as the only man to handle the Middle East diplomacy. In an article entitled "Kissinger on Kissinger," by *New York Times* columnist C.L. Sulzberger Nov. 12, Kissinger advocated the creation of an office of Secretary of Foreign Affairs to supplement the Secretary of State post.

Kissinger has also been using the nebbish Republicans allied to the Republican National Committee as boosters. The day following the Sulzberger article, Senate Minority leader Howard Baker of Tennessee on national television proposed that Carter appoint a prominent Republican to join the Administration's Middle East negotiations. Baker mentioned Kissinger, Nelson Rockefeller, and George Bush as candidates for the job. Sources close to Baker report that he has had a number of discussions with Kissinger who "is quite informed, active on the matter. He has been speaking and consulting with Senators on the Middle East."

With Kissinger so anxious to return to a prominent role in U.S. foreign policy, observers wonder about the appearance of two articles this week in the *Christian Science Monitor* noting that Kissinger's support will be vital to Senate passage of a SALT treaty. Henry Kissinger and former President Gerald Ford will be needed to rally

Republicans behind the treaty, say the articles. Sources in Congress report that Kissinger has been discussing SALT with them, and the *Monitor* notes that both Kissinger and Ford receive regular briefings from the State Department on the matter.

Kissinger has been sticking his prominent nose into other issues as well. He was observed this week having lunch with Special Trade Negotiator Robert Strauss, discussing trade questions.

EXCLUSIVE

Jacksonites, Israel Lobbyists Go After Defense Dept.

Leaders of the wing of the Democratic Party aligned with Senator Henry Jackson and the Coalition for a Democratic Majority, together with the Washington-based center of the "Jewish Lobby," the American-Israel Public Affairs Committee (AIPAC), have outlined a targeting campaign against old-timers in the Pentagon and their allies in the so-called military-industrial complex of aerospace and oil companies.

Two leading research aides, one at the Senate Foreign Relations Committee and the other at AIPAC — which was created in large part by Jackson foreign policy aide Richard Perl in the early 1970s — outlined their strategy to investigative journalists recently.

The Senate aide, who insisted on remaining anonymous, launched a verbal attack against the Pentagon cothinkers of an article appearing in this month's *Armed Forces Journal*. Written by Anthony Cordesman, an Undersecretary of Defense under the Ford Administration and now in the Department of Energy, the article questions the U.S. supply of huge quantities of arms to Israel out of fear that Israel could potentially drag the U.S. into an unwanted war. The Anti-Defamation League has proclaimed the article to be "anti-Jewish" and "anti-Semitic," and has demanded an investigation of supporters of the Cordesman line within the DOD. Earlier this month, Secretary of Defense Harold Brown agreed to officially investigate the ADL's charges.

The Senate aide welcomed this investigation, and identified two primary sources of "anti-Israel" thinking: Leslie Janka, head of the DOD's Mideast Task Force (We've always been concerned about Janka's shop over there") and Lt.-Colonel Thomas Pinnka, head of a

research team at the DOD's International Security Agency and at the National War College.

"These guys want to hobble Israel militarily. Congress has utterly rejected their viewpoint. If they keep it up, I can assure you that heads are going to roll at DOD," said the aide.

A more sweeping denunciation of U.S. "military-industrial complex" figures centered around former Treasury Secretary John Connally came from the AIPAC research man — who also asked that his name be withheld.

Here, excerpts from the AIPAC research staffer.

The Carter Administration is thankfully becoming unhappy with the country's present military leadership. I welcomed reports in the papers today that there is a re-evaluation of the Joint Chiefs of Staff and of General Brown himself scheduled for the near future.

There has never been any doubt in my mind that there are elements in the Pentagon, primarily the lay people from the State Department, and people like that guy William Clements, Ford's Undersecretary of Defense, who drag their feet on arms requests to Israel. Clements was a real culprit, guys like him make me terribly upset.

And today he's the head of a big oil drilling company. A perfect example of what Israel is up against: the alliance of the military-industrial complex and the oil companies.

A good example of this is Charles Di Bona. This guy was the nation's first energy chief, under Nixon, and today he's Executive Vice-President of the American Petroleum Institute! This is important, publicize it! It shows in an eloquent way the interface that operated under Nixon between the government and the oil companies. The Nixon Administration was filled with that kind of crap. Their program was ARAMCO's, pure and simple — I know that to be a fact. And Connally — that guy is a registered foreign agent, did you know that?

I have reservations that these guys are being cleaned out by Schlesinger now. Carter's program is totally inadequate. He should have imposed rationing to jolt the public, to end the one-man, one-car cavalcade by imposing really draconian measures. I belong to the Board of Directors of Kissinger's Alliance for Energy, so I follow these things.

We need rationing and car pools. Anybody who remembers World War Two remembers how wonderful rationing was. We're in a war now, a war for independence; Saudi Arabia dictates our foreign policy.

Foreign Trade Meeting Clings To Protectionism, Slower Growth

Demagogic calls for protectionism, energy conservation, slower economic growth, and a perpetual trade deficit dominated the 64th National Convention of the National Foreign Trade Council, held in New York, Nov. 14 and 15.

SPECIAL REPORT

With the sole bright exception of a speech by Yoshizo Ikeda, president of Mitsui and Co., who outlined steps for joint U.S.-Japan development of Southeast Asia, none of the featured speakers presented the concrete measures for increased exports and trade that one would expect from a conference whose main theme was "Foreign Trade and Investment for Sound Economic Growth."

By the conclusion of the speech of Treasury Secretary Blumenthal, who spoke Nov. 14, it had become clear that a compromise between the Carter Administration and the business community was in the works. Blumenthal sharply reversed his previous talk of "benign neglect" toward the dollar and spoke of a strong dollar, which the U.S. government would defend. In exchange, Blumenthal demanded that the business audience endorse Carter's energy program which, Blumenthal said, "would cut oil imports by 4.5 million barrels per day by 1985." This cut is almost half the level of current U.S. oil imports.

Robert Strauss, this country's chief trade negotiator, was the Administration's main spokesman for protectionism. Strauss told the NFTC audience that "the U.S. will protect its interests at the Tokyo Round of the GATT talks (now underway). If the proposals worked out there are not fair (sic), then I will walk away from the negotiation table."

Selected excerpts of the major speeches follow.

Industrialized Nations' Exports Collapse

(Billions of Dollars)

	Second Quarter	Third Quarter	Percent Change
Industrialized Nations	141,653	156,361	- 9.4%
U.S.	26,609	29,704	-12.2%
Canada	10,321	11,535	-10.5%
Japan	17,152	16,597	+ 3.3%
Belgium	6,843	8,546	-19.9%
France	13,000	15,826	-17.9%
W. Germany	23,765	25,917	- 8.3%
Italy	9,776	9,937	- 1.6%
Netherlands	8,263	9,354	-11.7%
United Kingdom	12,204	12,716	- 4.0%

Source: International Monetary Fund, Nov. 1977 International Financial Statistics

The massive overhang of world indebtedness wrought its ugly handiwork on world trade, plunging it into a new ratchet of collapse. In the third quarter, Third World LDC and weaker OECD nations made drastic cuts in imports to meet debt repayment schedules — which also cut deeply into the other side of the world trade ledger, exports.

From the second to the third quarter of 1977, the export levels of the world's industrialized countries plummeted 9.4 percent. Chief among the casualties was the United States, whose exports dropped a staggering 12.2 percent in this period, making the U.S. the major rival to France and Belgium in the basket-case category. A continuation of this dismal performance will mean that the U.S. will never climb out of its massive trade deficit.

To arrive at the figures presented in the above chart, both second and third quarter export figures as reported by the International Monetary Fund's November statistical bulletin were approximately deflated. The steep take-off of world inflation in the third quarter drove dollar-value export levels in that quarter far above actual volume levels of world trade.

The collapse of world exports (and imports) dropped international borrowing levels for the third quarter, as trade financing dropped, and simultaneously increased the ratio of debt refinancing to total world financing.

Carter: Deficits A Fact Of Life

On Nov. 11, President Carter sent a message, excerpted below, to the NFTC convention.

...This year the United States faces the prospect of an historic trade deficit of enormous proportions, perhaps as much as \$30 billion. The major cause of this deficit is the great price we are paying, and will continue to pay in the foreseeable future, for imported oil.

Until we achieve our goals of greater energy conservation and self-sufficiency in a cost effective manner, we can expect trade deficits to remain a fact of our national life....

Blumenthal:

Support Carter Anti-Energy Policy

The keynote address to the NFTC convention, excerpted below, was given by Secretary of the Treasury Blumenthal.

...Through the Economic Policy Group, I am focusing the energies and resources of all Executive Department agencies on finding solutions to the problem. It is important, however, to keep the trade deficit in perspective.

— First, the deficit represents only about one-and-a-half percent of our total GNP.

— Second, the United States possesses today one of the strongest and most rapidly growing economies in the world.

— Third, despite vigilant and continuing scrutiny, we have seen as yet no evidence of significant deterioration in our relative competitive position.

— Finally, against unfair trade our antidumping and countervailing duty statutes provide a potent recourse to

'Wages Inflationary'

At Blumenthal's press conference following his speech, he was asked whether he and the Arabs made a deal on the dollar during Blumenthal's recent Mideast trip — a deal reflected in Blumenthal's sudden strong pro-dollar statements.

Blumenthal answered angrily, "I made no deal with the Arabs or the Europeans. And there has been no change in my public statements about the dollar."

When asked whether some of the Administration's current proposed legislation is inflationary, Blumenthal attacked labor.

"Yes, some actions of government are important in contributing to inflation, such as actions by unions and labor...like the minimum wage bill. What we should ask for is restraint from industry and labor."

protect domestic industries.

There is, accordingly, no reason for panic and no excuse for reactions in ways that jeopardize the overall health of the U.S. economy or that adversely affect world recovery in general....

...Our exchange rate policy is, as I stated in Houston on October 19, is that a strong U.S. dollar is in the U.S. and international interest, that world economic conditions point to a strong dollar, that a depreciation of the dollar is not required by our trade deficit, that such a depreciation is not an answer to the deficit, that exchange rates should reflect underlying economic and financial conditions and should be permitted to adjust to changes in those underlying conditions, and that we will intervene in foreign markets only to counter disorderly conditions....

Looking to the immediate future, the United States cannot expect to reduce the trade deficit substantially unless we slow the growth of oil imports.

That is precisely the objective of the President's energy program. With a strong emphasis on conservation and incentives for new production, the program would begin reducing our oil import needs rapidly. By 1985, it would reduce projected oil imports by 4.5 million barrels a day — for an annual savings of \$23 billion, at today's oil prices.

The energy program is the most urgent priority of this Administration. It is a balanced, fair and effective plan that provides the only real alternative to increasing dependence on foreign oil and, consequently, an increasing trade deficit.

Looking to the longer term, we must recognize that the world trading system will face a number of structural problems.

...The massive increases in energy costs over the last five years have not yet worked their way through the world economy. Second — partly as a result of these higher energy costs, but also of other fundamental developments — world growth rates may well be significantly lower in the last quarter of the twentieth century than they were during the third quarter...

Emminger:

I Want A Strong Dollar

The following are excerpts of remarks by Otmar Emminger, President of the Deutsche Bundesbank, before the NFTC.

...Over the last five years, our world economic and financial system has been subject to many severe strains, such as world-wide galloping inflation, the breakdown of the Bretton Woods system, the oil price explosion (which gave cost inflation a further push and generated huge payments disequilibria and financing problems), the worst recession since the thirties, enormous structural shifts and dislocations in world production and trade, and finally, as a consequence of all these as well as other reasons, an obstinate unemployment problem nearly everywhere.

How well has our economic and monetary system stood up to all these strains and challenges? Perhaps the most astonishing thing is the simple fact that our system has *survived* at all...

There have been surprising changes in the international payments scene over the last 12 months...

Distinct progress has been made in *Europe*. If we take **Britain, France and Italy together, their combined balance of payments deficit on current account** amounted to \$23 billion in 1974 (the first year after the oil price hike), \$11.5 billion in 1976, and only about \$2 billion in 1977. In the case of Britain, North Sea oil has had a hand in it; but there, as in the other cases, progress has also owed a lot to courageous stabilization policies. There still remains, however, a hard core of smaller European deficit countries which have hardly yet begun to grapple with their acute payments problems — chief among them some Southern European countries. It is to be hoped that the IMF, in advising them and lending them a helping hand, will have similar success as in the cases of Britain and Italy.

In parentheses I may add that another group of European countries has recently also made headway in their balance of payments adjustment, i.e. the countries of the *Eastern bloc*. They have made a great effort to reduce their trade deficits, mostly by restraining imports...

In another problem area, namely the *non-OPEC developing countries*, payments troubles have abated and the credit rating of a number of them has improved. A year ago a number of observers painted the specter of an impending international financial crisis on the wall as a consequence of their payments deficits and external indebtedness. This gloomy view appears in retrospect to have at least in part been a "false alarm". There certainly are a few critical cases where a developing country has reached, or maybe even overstepped, the limits of its borrowing capacity, so that drastic measures have had to be adopted...

My feeling is that international private lending has recently reached magnitudes which should prompt some soul searching. In 1976 international commercial lending, if we take funds obtained through banks and through securities markets together, increased by over ninety billion dollars. That was nearly twice the amount needed in commercial resources for the *financing of all current account deficits* in the world (\$75 billion total deficits, minus financing by official assistance and credit, direct investment and trade credit) and nearly *four times the OPEC surplus* that had to be recycled through the private markets (a \$35 billion "investible surplus", minus direct OPEC loans to deficit countries and international agencies). Thus international lending has extended far beyond what is necessary to ensure the recycling of petro-dollars, and also beyond the need to finance payments deficits. A pause for reflection, and a period of consolidation in international financing would not be out of place...

...The dollar was the most important undiscussed problem at the September Meeting of the IMF.....

...Now there seems to be agreement, at least among those responsible for economic and monetary policy on both sides of the Atlantic, that the negative aspects of

(the American-ed.) deficit are preponderant, that it should be gradually reduced, and that it is of overriding importance to keep the dollar strong, in the interests of both America and the world economy....

If we are in favor of a strong dollar, it is not only because of our trade interests, but even more because of the pivotal role of the dollar in the world monetary system...

How can this be achieved in practical terms?

To begin with the obvious: Most important, of course, would be a meaningful U.S. energy program, because this would attack the major problem at its roots. Its effect on the U.S. balance of trade will, however, be felt only over the longer run...

The question has been raised whether a deliberate and cooperative management of the exchange rates of the dollar and some other major currencies (such as the Yen, the DMark, and the Swiss Franc) could not make a major contribution to more stability in the world monetary system. In this connection, the setting up of *agreed target zones* for the exchange rates of major countries has been suggested. The idea is not new; such target zones were already discussed in the IMF some years ago, and were foreseen as a possibility in the Fund's 1974 Guidelines for managing exchange rates. But I feel that this is a non-starter (as it was in the years after 1974)...

During the transition period until the U.S. current account gets into better shape, an overall payments equilibrium between the U.S. and the rest of the world will have to be ensured by *capital imports into the U.S.* This should not be too difficult. A considerable part of the large current account deficit vis-a-vis the OPEC countries should be self-financing, as these countries in all likelihood will continue to invest part of their surpluses in dollar assets. But to achieve this balancing act through capital imports smoothly, American interest rates will have to remain attractive and confidence in the dollar unimpaired. In the final analysis, the strength of the dollar will depend crucially upon successful anti-inflation policies...

Strauss: U.S. Demands Protectionism

Robert Strauss, U.S. Trade Ambassador, spoke to the NFTC on Nov. 15.

During the 1930s, you may remember, countries said, "let us import less, and export more." It was a time for beggar-thy-neighbor policies. Well those times are here again....

I like to think that I have a good feel for what people are thinking, what the common man is thinking. And let me tell you, the demand for protection has never been stronger in this country. It is strong throughout the Congress. It is hard for a sane voice to not get drowned out.

Some countries have complained about our proposal of anti-dumping codes. They say this will bring on retaliation. Maybe they are right. But what are you going to tell a 60 year-old woman shoe worker when her plant shuts down because of imports. She's too old to retrain,

or to go 80 miles to a new job. There is no congressman from a import-struck district that won't demand for me to take action...and they are right, otherwise, they shouldn't and wouldn't be elected.

I'll tell you this, the U.S. wants a fair trade treaty from the Tokyo talks. Fair to the U.S. and the world. But, the U.S. will protect its interests at the Tokyo Round of the GATT talks (now underway). And if the proposals worked out there are not fair (sic), then I will walk away from the negotiations.

(Carter's energy program — ed.) is the single most important way to reduce our trade deficit. This country is unique. It is made up of both oil producers and oil consumers. If the producers like something, the consumers won't and vice versa. Thus, there's going to be something in the energy program that everyone doesn't like. But if we don't get behind the President on this program, we will never succeed in closing our trade deficit or making this country grow.

'The President Has No Inclination For Nuclear Production'

During the question and answer period, a reporter reminded Strauss that Bundesbank president Emminger said the previous day that Germany had closed its trade deficit with the OPEC nations through increased exports — in the nuclear energy field. The reporter asked Strauss, whether the U.S. shouldn't similarly close its trade deficit.

Strauss replied, "That's a simplification. Germany cut it's oil bill and the U.S. hasn't. There is more we could do in the nuclear field. But the president has no inclination for nuclear production, and I agree 100 percent with the president."

Katz: Progress Is Illicit Activity

Julius Katz, Assistant Secretary of State for Economic and Business Affairs, spoke to the NFTC on the subject of "International Investment and Economic Issues in the North-South Dialogue."

...President Carter has spoken out forcefully on the need for dealing with irregular practices and improper conduct, and we believe that an international agreement offers the most effective means for dealing with this problem. We continue to face substantive opposition from the industrialized countries on this issue. The developing countries are attempting to link progress on illicit payments to progress on a general code of conduct — a link that we reject.

We have thus far met with little success in gaining international support for a common approach to the question of illicit payments. We do not intend to abandon this effort. Our domestic legislation is advancing in the Congress and we will be pursuing with other countries the question of an international agreement...

Central to developing country demands in the North-South dialogue is the New International Economic Order (NIEO). The program of action for a New International Economic Order was passed at the Sixth Special Session of the U.N. General Assembly in May 1974 and in the Charter of the Economic Rights and Duties of States...

Over the coming months, we will try to induce greater understanding by industrialized and developing countries that these are the fundamental problems underlying our economic system today. In short, we are trying to change the tenor of the North-South dialogue from one which concentrates on demands for concessions by the industrialized countries to achieve the New International Economic Order, to one which all nations have obligations and from which they can draw benefits through cooperative international action....

Mitsui President: U.S. Should Help Japan And Developing Asia

Yoshizo Ikeda, President of Mitsui and Company, spoke to the conference on Nov. 15.

...With the investment of far less capital, technology and organizational resources than were devoted to the Apollo trip to the moon, the United States can become one of the most formidable of Japan's competitors in markets all over the world...

...It will be indispensable for Japan to intensify cooperation with U.S.-owned companies abroad, which develop economic opportunities actively all over the world, not only to cement U.S.-Japan trade relations, but also to contribute to the development of the world economy as a whole.

Mitsui and Company, Ltd. is now in the process of constructing a large-scale petro-chemical complex in Iran, and is procuring from U.S.-owned companies as

Katz: Europe Can't Retaliate Against U.S.

During a question and answer period, Katz responded to a warning by a representative of the European Commission that the Europeans may take retaliatory action against the U.S., if the U.S. adopts anti-dumping codes.

Katz responded excitedly, "The U.S. is too powerful and plays too great a role in the world economy for anyone, any country to try retaliation against us. I'm sure that will never happen...no country could withstand the consequences."

well as European-owned ones machinery and equipment for that project.

It is my hope that Japan will intensify cooperation with the United States in securing orders for such large projects in the future. In its export strategy hereafter, Japan is required to diversify its markets abroad with large-scale plant business as its nucleus. Recently our company secured an order for a steel mill in Brazil. But this success was due to our having combined the equipment of American and Japanese manufacturers into a package.

For the international development of the U.S.-Japan economic cooperation, the Pacific area will be especially important, that area is more dynamic than any other region of the world, and the focus of the world economy is

expected to shift there. The Pacific area has major industrial countries like the United States and Japan as well as middle income countries like South Korea, Taiwan and Singapore which have the potential of high growth, and is endowed with a rich variety of natural resources...

In the Pacific area, the Association of South East Asian Nations, or ASEAN, consisting of Indonesia, Singapore, Malaysia, Thailand and the Philippines, is stepping up its integration through a joint program of industrialization.

Japan wants to render cooperation and assistance to their industrialization but it will be more effective if the United States will join us in our efforts. Japan cannot afford to take total responsibility for the industrialization of the developing countries in Asia...

Change Exim Into Bank For Nuclear Export

The following statement was released on Nov. 11, 1977 by Criton Zoakos, U.S. Labor Party Director of Intelligence.

In response to the recent series of attacks on the U.S. Import-Export Bank coming from City of London circles, the U.S. Labor Party is proposing to recharter the presently dormant Bank to open up the world markets for United States exporters and to bring U.S. industrial production back to full-employment levels. The USLP's drive to recharter the Exim Bank as a national financial institution in the tradition of Alexander Hamilton aims to put the newly chartered Exim Bank in place by Jan. 1, 1978 when the so-called Rambouillet Agreement expires. To wait until October 1978, when the Bank's current charter expires would be suicidal both for the U.S. dollar and the high-technology, capital-intensive industries of the nation.

BANKING

Labor Party executives and spokesmen, in discussing the relevant issues with industrial, trade-union, and political representatives, will emphasize the following principal points to form the framework inside which the rechartering of the Exim Bank is considered:

First, there is no need for federal agencies to provide new, i.e., inflationary, liquidity in order to stimulate industrial production back to full employment levels. Such liquidity already potentially exists in the form of ap-

proximately \$300 billion Eurodollars held by foreigners as claims against future U.S. production. This immense source of liquidity must be diverted from its present, destabilizing speculative employment in the world money markets and channeled into financing high-technology, hard-commodity trade-transfers.

Second, the Exim Bank must be reshaped into a policy instrument with the authority to implement trade and credit strategies to accomplish the rechanneling of existing Eurodollars into hard-commodity trade deals. The present status of the Exim Bank as a modest credit-dispensing agency of the federal government must be drastically augmented. The Bank must be given authorization to raise its own capital for the pursuit of its trade expansion objectives. Given the size of annual turnover in the Eurodollar markets, the Bank's capitalization ought to be in the order of \$50 to \$200 billion dollars — that is, 10 to 40 times its present level of \$5 billion. This would give the opportunity to holders of short-term Eurodollars assets such as the OECD central banks and the OPEC nations to convert their holdings into either subscription capital or long-term loans tied to hard-commodity, high-technology trade deals.

Third, the Exim Bank's new charter will explicitly incorporate, as the purpose of the Bank, the principles of industrial and technological growth as articulated by Alexander Hamilton in his Report on Manufactures. The purpose of the Bank will be to mobilize existing world dollar liquidity, namely international Eurodollar liabilities of this nation abroad, to augment world demand for U.S. industrial products and technology. Just as in the case of Alexander Hamilton's First National Bank, the rechartered Exim Bank's purpose will be to transform this nation's liabilities into credit for this nation's industries.

Fourth, because of the international nature of the Exim Bank's operations, the new charter of the Bank must give it authorization to negotiate agreements with foreign authorities. Since OECD central banks, the principal holders of Eurodollars, cannot be expected to underwrite policies that would benefit U.S. exports exclusively, the Exim Bank should be authorized to negotiate agreements which augment the world economy's exporting capacity as a whole. Eurodollars per se must be viewed as those credit instruments which will give effective articulation to the potential demand that exists around the world for high-technology U.S. exports.

Our high-technology industries are at present languishing at home because this potential overseas demand has

not been matched with effective overseas dollars.

Such a rechartering of the Exim Bank will have immediate salutary effects on the presently chaotic international credit markets even before its tangible beneficial effects are felt in the area of industrial production and commerce. As such, this move constitutes the most effective defense of the integrity of the U.S. dollar. It gives the United States a powerful weapon for combatting the monetarist speculators operating out of the City of London, and an effective lever for cooperation with those industrial and banking interests in Western Europe and Japan who are committed to policies of industrial revival on the basis of joint East-West efforts to industrialize the developing sector of the world economy.

Run On Yen Throws World Monetary Policy Off Balance

Last week's run on the Japanese yen, which saw the imposition of strict exchange controls by the Japanese authorities on Thursday and a stupendous rise of the yen from 248 to 243 to the dollar on Friday, marks a turning point in the current monetary instability. Between the Nov. 9 testimony before Congress of Federal Reserve Chairman Arthur Burns, and the Nov. 14 speech before a New York business audience of Bundesbank President Otmar Emminger, leading central bankers announced a plan to stabilize the dollar. Under massive pressure, the White House and Treasury carefully tailored their public statements to smooth out differences with Burns, leading to speculation that the 73-year-old chairman would be reappointed to another term in office. Praising "the dollar's bodyguard," Emminger commended Burns and proposed greater coordination of central bank activity to support the dollar.

FOREIGN EXCHANGE

But the crux of the central bankers' orientation was not mere intervention, but a deliberate plan to dry out international lending and impose "stabilization" programs on deficit countries, the theme of the Emminger address. Since the growth of international dollar-denominated liquidity is the fuel for speculation against the dollar, the central banks decided to reduce the available liquidity.

Nonetheless, the break against the yen was prompted not by any feature of the liquidity situation, but by the open protectionist threats against the Japanese from

U.S. officials, including a special White House delegation that met with Japanese leaders Friday. By putting extreme pressure on the Japanese, Treasury Secretary Blumenthal once again triggered off a run against the dollar. Through spillover effects of the yen turmoil, the dollar weakened in Frankfurt to 2.2430 to the deutsche mark today, around its all-time low.

In his speech Emminger aimed a careful attack at the Japanese for intervening "against market force" to keep the value of their currency down, unlike West Germany — indicating that he was willing to throw the Japanese overboard in order to prevent an immediate collapse of the dollar. Presumably, the central banks anticipated the events on the Tokyo foreign exchange market.

What they could not have anticipated was the fashion in which the Japanese would fight back. Dow Jones ran a wire at 8:21 Friday morning noting the demands for "drastic measures" to reduce Japan's current-account surplus from the U.S. delegation in Tokyo. A second wire, at 8:23, announced the signing of a five-year Japanese-Soviet accord on nuclear fission and fusion research. Observers here expect a sharp Japanese policy turn towards the Soviets in retaliation for U.S. economic warfare.

That throws the entire Burns-Emminger game off balance, and upsets the flimsy array of "political deals" between the Administration, the Federal Reserve, and the U.S. business community — let alone the Europeans. Any attempt to reconcile all the necessary parties to a totally incompetent economic policy will not wash in present circumstances. It had to break, and it broke in Tokyo first.

Why Burns and Emminger Are Fools
The central bankers were using a sophomore account-

DOWNTURN IN BORROWING ON WORLD FINANCIAL MARKETS
(Including total borrowing, Eurocredits, and all foreign bonds)
In billions of U.S. dollars

COUNTRY TYPE				1976				1977			
	1974	1975	1976	I	II	III	IV	I	II	III	IV*
Industrial	23.6	21.3	31.5	9.0	7.3	7.1	8.0	9.1	8.6	6.9	4.9
Non-Oil LDCs	9.0	10.3	15.4	2.4	3.0	3.5	6.4	3.1	2.5	2.2	0.3
OPEC	1.1	2.9	4.0	0.5	1.0	1.0	1.5	1.6	2.0	2.5	0.5
TOTAL:	40.8	43.3	62.8	15.8	14.7	14.1	18.2	15.7	15.9	14.3	6.7

SOURCE: World Bank, Morgan Guaranty
* Based on October figures only.

ting approach to stabilize major payments imbalances and reduce excess liquidity, which would have quickly and disastrously affected international trade. The same liquidity that finances trade — above and beyond the \$40 billion debt service paid annually by non-oil LDC's, for example — also finances speculation against the dollar. This occurs directly, in the case of LDC's shifting reserves out of dollars, or indirectly, through the re-deposit of trade-related funds in loans in the Eurodollar pool.

As accompanying articles show, there is a correlation between the slackening of international lending and the dropoff of international trade between the second and third quarters. This cannot be taken too literally. As international trade expert Peter Kenen of Princeton University points out, reported trade figures lag behind lending figures by anywhere from three months up to a year. Data on both third quarter trade and lending are still too sketchy to afford a complete correlation. But it is still clear that a correlation does exist. Virtually all the major-importing LDC's, who constitute a critical margin of international trade, are bad credit risks. Bankers' decisions to lend to these countries are marginal. With the reduction of Eurodollar market lending spreads earlier in the year, bankers could either reduce Eurodollar lending on the grounds that it had become less profitable, or increase lending to make up on volume what they lost on spreads. Chase tended to take the first approach, while Bank of America, Morgan, and to a lesser extent Citibank, took the second approach.

But another major factor figures into bankers' marginal decisions to lend. If the only outlet for surplus funds is Eurodollar deposits, bankers will make more loans, on the grounds that their source of cheap funds is

virtually inexhaustible. However, if the dollar comes into question as an asset — as it did after Treasury Secretary Blumenthal began talking down the dollar in July — the banks' source of funds will not be as secure. In reality, the rate of Eurodollar loan syndications (see accompanying article) dropped sharply after the dollar got into trouble.

If central banks intervene to support the dollar, banks' access to Eurodollar liabilities is directly affected. For example, foreign purchases of U.S. treasury securities rose by \$11 billion in the past 13 weeks, as the direct result of central banks purchases of dollars in intervention operations to support the dollar. Dollars bought by central banks are removed from circulation, and the effect is the same as if the Federal Reserve had conducted a contractionary open-market operation on the Eurodollar market.

Once the collapse of the dollar has been set in motion — by the do-nothing-about-the-deficit policy of the U.S. Administration — the central bankers reacted by trying to make matters worse. Removing international liquidity merely erodes the actual commodity-content of dollar flows by cutting into trade financing, weakening the dollar's fundamental position.

At some point, had it been implemented, the Burns-Emminger policy would have produced a real disaster for the dollar. In the course of events, Treasury Secretary Blumenthal pre-empted them by pushing the Japanese to the wall — and the Japanese further interfered by refusing to see their economy destroyed. Among other things, the apparent "Burns-Blumenthal deal" much talked about on Wall Street has just been totaled.

—David Goldman

U.S. Business Counters Declining Profits With Cost-Cutting, Fast-Buck Speculation

A sharp fall-off in third quarter corporate profits has prompted U.S. industry to adopt what it believes will be only a short-term austerity tack.

This shift surfaced last week when *The Wall Street Journal* ran a front-page article, extolling plans to create several hundred thousand new jobs through the Work Incentives Program (WIN). WIN pays welfare recipients a bare minimum wage to perform unskilled, labor-intensive work.

BUSINESS OUTLOOK

All indications are that a deal was struck last week between the Carter Administration and the business community. The proposed trade-off involves Administration support for a strong dollar in exchange for industrial backing for the Administration's "full-employment" schemes and aspects of the Schlesinger energy program. "Business confidence" has suddenly picket up: the stock market shot up 42 points, closing at 843 Tuesday, Nov. 15.

But far more than patchwork measures will be required to improve the underlying crisis reflected in the deteriorating profits picture.

The Flow of Red Ink

Total U.S. corporate profits, after taxes, stood at \$97-98 billion at the end of the third quarter, down three percent from the second-quarter figure of \$101 billion. Bethlehem Steel's announcement of a \$750-million profit loss contributed heavily to the decline, but steel reflects what is in store for the rest of the economy. For the first nine months of 1977, profits declined three percent in chemicals, three percent in retail (food), and 5 percent in beverages. Metals and mining slipped 12 percent, led by the shut-down of the U.S. copper industry, and textiles and apparel plummeted 27 percent. The steel industry reported actual *negative* profits.

These official reports on profit returns do not reveal the real economic picture. All of these official reports are padded with fictitious "assets," including: a) profits on idle inventory; b) profits fudged by undervaluing the true costs of replacement of plant and equipment; and c) the markup in profits due to the yearly increase in inflation. For 1977 alone, six percent of so-called profits is attributable to inflation.

Once these types of fictitious profits are erased from corporate ledgers, the profit picture goes from bleak to catastrophic.

According to figures compiled by the Federal Reserve,

real domestic after-tax profits for nonfinancial corporations (manufacturers) will reach only \$49 billion this year — \$30 billion less than the officially reported profit figure of \$79 billion! Rates of return on stockholder investment, a key measure of profits, tumbled to 3 percent this year, as compared to 8 percent a decade ago.

Once the inflationary fluff in profits is discounted, it can be seen that real economic profits have exceeded levels reached in 1965-67 only once in the past 10 years. Press reports of "prosperity" in the early 1970s and "recovery" after the 1973-74 recession can be quickly written off as pure and simple fabrication.

No Cash for the Future

This profit crunch sharply curtailed industry's capital spending, the one area of investment critical to turning around the economic slump.

In 1977, more than 90 percent of capital spending has gone for simple maintenance of existing plant and equipment, and as much as three quarters of this has been for car and truck fleets or computers, purchased to do paper work. This means that only 10 percent of capital spending will go for expansion in new plant and equipment, and half of that will be for worthless pollution-control devices! Industry is currently planning a miniscule 3 percent increase in total capital spending for 1978.

The general stagnation of the U.S. economy reflected in the profit and capital-spending pictures has played a primary role in crippling social productivity. Low rates of productivity in turn only aggravate the overall downwards economic spiral by making American production using outdated technologies more expensive. From 1967 to 1977, productivity rose on average an abysmal 1.7 percent per year.

The Export Market

The link between the falloff in profits and collapsing world trade was drawn out in an Oct. 14 speech by West German Bundesbank President, Otmar Emminger. Emminger warned that the process by which nations have chosen to close balance-of-payment deficits — drastic import cuts — has ripped apart world trade. This process is particularly clear for Third World Countries canceling imports of advanced sector capital goods. In 1977, world trade expanded half as rapidly as last year. Next year it is not expected to grow at all.

For the U.S., this has meant that the U.S. trade surplus for manufacturing goods, which was \$12.5 billion for the first nine months of 1976, has fallen 65 percent to \$4.5 billion in 1977.

Speculation and Austerity

U.S. industry has responded to this situation by investing its reduced surplus in "fast-buck" speculative

ventures and cutting production costs wherever possible. In the past year and a half, U.S. companies have invested heavily in buying each other up, figuring that it is better to buy up standing capital and equipment than to develop new-technology facilities.

Last year, the total value of corporate mergers exceeded \$20 billion, the highest level since 1969, and the totals will be higher this year. At the same time, the *New York Times* and *Washington Post*, proposed Nov. 14 that a more "probusiness" Administration adopt the tax-incentive program proposed by "liberal" economist Arthur Okun and by Henry Wallich, a governor of the Federal Reserve. The plan, called TIP, would penalize companies for raising wages above a standard modeled

on the Brazilian cost-of-living wage indexation and speed-up criteria. Companies that push wages below the standard would get "tax breaks."

U.S. Steel Chairman Speer's recent proposals to cartelize the steel industry, rationalizing jobs and lowering wages, follows directly from such corner-cutting insanity. Steel will pave the way for the rest of U.S. industry to become "more competitive."

If industry adopts this and other austerity proposals now — as it has adopted some full-employment proposals already — profits will look like the final stretch of a rollercoaster, from which the economy will not recover.

—Richard Freeman

European Central Banks To Mobilize Gold Reserves?

Earlier reports from West German Finance Ministry sources that European central banks would remonetize gold after new International Monetary Fund rules came into effect Jan. 1, 1978 are corroborated by an array of developments last week. The prestigious West German daily paper *Handelsblatt* published a lead editorial Nov. 17 entitled "The New Gold Standard," which asserted that central banks would use the new rules to purchase gold as backing for their currency reserves. "The role of gold is on the road to remonetization," the newspaper predicted confidently.

GOLD

The IMF rules in question date from the January 1976 meeting of the organization's Interim Committee in Jamaica, which agreed to "demonetize" gold by giving central banks free rein to trade the metal, in a French-American compromise.

According to West German sources, the first major clearing operations in gold will start immediately as the new rules come into effect, involving the Banque de France and the central banks of several developing countries. If the first steps towards gold remonetization take this form it will have significance beyond the initial transaction. Last month, the chairman of the French nationalized bank Credit Lyonnais visited Moscow and proposed joint Franco-Soviet investment in developing countries, with reportedly favorable responses. Senior official French sources say that negotiations with the Soviets towards common monetary gold arrangements are "maturing on the Soviet side."

Closely related to the West German monetary discussion is the change in the world strategic situation after the announcement of the Sadat-Begin visit. One senior

Swiss banker with close personal ties to West German leaders said, that West German Chancellor Helmut Schmidt "will move to gold only if the American nuclear umbrella is no longer relevant to West Germany. The Germans are not antigold, but they will do nothing to contradict their strategic relationship to the United States." The new phenomenon of Mideast peace negotiations conducted under the nose of the White House might give the West Germans more maneuvering room in other fields.

NSIPS interviews with senior West German officials and well-placed private bankers indicated that the country is still divided on the gold issue, and that no final decision has been made. One top-ranking private sector banker said that he expected a movement towards gold to be facilitated by the projected role of West German banks in opening a major gold-trading market in Luxembourg, but that the shift to remonetization could take several years. But other sources indicated they expected the French to take an immediate initiative which would settle the question for West Germany.

Indications are that last week's sharp drop in the gold price, from a high of \$167 to a low on Thursday of \$158.60, included a strong element of political infighting over gold's monetary role. (As EIR went to press, the gold price had recovered by over \$2). A large element in the gold decline was the sale of 46 tons of the metal by Portugal, which was forced to market this huge amount by the U.S. Treasury. Portugal had pledged the gold against an earlier \$300 million loan from the Treasury, which the Treasury called. In effect, the Portuguese gold affair seems to have been the political equivalent of a Treasury gold sale to depress the gold price. However, the reported timing of the Portuguese sale does not correspond precisely to the drop in the gold price, although it certainly could have been a major influence nonetheless. Opinion among gold traders is divided, but there is general agreement that the sharp price drop represented temporary profit-taking, and that the price will recover

within days.

Among proponents of gold demonetization here, there is an air of resignation about the Western European move. Given the dropoff of world trade levels, a senior

World Bank official said, "The Europeans don't have much other choice. It wouldn't surprise me in the least" if the Western European central banks mobilized their gold reserves, he said.

Steel Reference Price Proposal Masks Rationalization Of World Steel

Judging from comments made by European Economic Community (EEC) Commissioner for External Relations Wilhelm Haferkamp, as well as other knowledgeable European sources, the EEC countries have accepted in principle the U. S. Treasury's recently announced plan to establish a reference pricing system on steel imports.

WORLD TRADE

The most recent move in the "organized free trade" game now unfolding between Western nations, the reference price scheme will only throw a few meager crumbs to Europe's near-bankrupt steel producers, now being forced into major rationalization.

In the short term, the plan will allow the Europeans to continue to dump on the U.S. market, at the expense of the more cost-efficient Japanese producers. In the longer term the Treasury Department's scheme complements the Davignon Plan for European steel rationalization now being pushed through the EEC. The Davignon Plan, premised on the standard Fabian rationale of "more equitable distribution of resources," calls for the destruction of a large percentage of European steel capacity.

Despite the fact that the governments of both French President Giscard d'Estaing and West German Chancellor Helmut Schmidt are pursuing policies of expanded nuclear energy development that can be expected to sharply increase Europe's demand for steel, near-bankrupt European producers are expected to seize the U.S. plan as their only hope.

No Efficiency Please, We're British

The collusion of the U.S. Treasury and the EEC Commission in pushing through a worldwide Davignon Plan was hardly disguised at last week's National Foreign Trade Council meeting in New York. One NFTC spokesman stated bluntly that "we think the steel companies in our organization would welcome rationalization along the lines of the Davignon Plan"; while EEC Special Counselor for External Relations Theodorus C. Hijzen stressed the need to "adopt the capacity of the world steel industry to the real situation

of the world market and have international cooperation."

Feigning concern over the possibility of all-out trade war, Haferkamp warned a businessmen's dinner in New York Nov. 10 that failure to take concerted action would mean the return "of dole queues," "soup kitchens" and "banners on the streets and torches in the night" throughout Europe.

As proposed, the Treasury plan embodies the worst aspects of British "muddling-through" at the expense of truly efficient production. The reference prices will be based on production costs at the most efficient Japanese mills, and would include freight, duty, and insurance, plus 8 percent for profit. Any importer caught selling steel at more than 5 percent below this price would be penalized by extra duty charges. This will hit the Japanese most severely since their highly modernized and cost-efficient industry has allowed them to sell at prices well below those of European and American producers. With this advantage eliminated by a floor price, it is expected that Japanese exports will suffer and Japan will lose the high operating ratios it requires to keep its steel industry solvent.

"Unsuitable for Job Creation"

The mad scramble to maintain export competitiveness over foreign producers has forced European producers into a rationalization "auction." So far, Britain's nationalized British Steel Corporation appears to be leading the bidding, offering to lay off 60,000 of its 200,000 workers in an industry-wide shake-up; BSC's chairman, Sir Charles Villiers, told the press Oct. 28 that "Because steel is a capital-intensive industry it is expensive and unsuitable for job creation." Other European producers are not that far behind. West Germany's current steel workforce of 340,000 is 34,000 under 1974 levels, with 50,000 of those remaining on short time, and France has just announced a rationalization program to lay off 16,000 workers by 1979, with 10,000 more to follow.

The European steel collapse is the result of a worldwide recession halting capital investment. In the first nine months of 1977, according to the International Iron and Steel Institute (IISI), steel production has dropped by 4.6 percent in the U.S., 10.1 percent in West Germany, 2.2 percent in France, 5.8 percent in the UK, and 1.7 percent in Japan, compared to the first nine months of 1976.

As the *London Times* of Nov. 16 noted: "the point has

been reached where closures and teeth-gritting decisions by unions as well as management have to be taken." The collapse is no mere slowdown. Capacity utilization in Europe is now only 60 percent, with comparable figures for the U.S. and Japan 80 percent and 90 percent, respectively. Besides the expected shutdown of "inefficient" plant, major steel producers have already cut back even essential investment schemes intended to create higher cost-efficiency levels throughout the industry. British Steel's ambitious program to modernize Britain's outdated industry by 1980 was substantially cut after the first-half 1977 financial report (BSC is currently losing approximately \$18 million a week) and has now been suspended completely until further notice. While the National Economic Development Office was forecasting steel capacity expenditure at £647 million for 1977, the British Iron and Steel Confederation reported last week that only £41 million is now expected to be spent. West Germany cut its steel investment from 2.1 billion DM in 1976 to 1.8 billion DM in 1977, with most of this to go to rationalization. The French government has already announced its intention to reduce steel capacity 2.2 million tons by 1980 by shutting down a full quarter of "obsolete" units.

Barring some rational policy, such as the U.S. Labor Party's proposals to turn the U.S. Export-Import Bank into a "Hamiltonian Bank" for rechanneling existing Eurodollars into credit for hard commodity exports, the U.S. steel industry will be doomed to the same fate as Europe. A spokesman for the American Iron and Steel Institute (IASI), which supports present Administration policy, confirmed that it would probably mean "less capacity in the years ahead — perhaps a few million tons," as well as the "elimination of peripheral facilities."

Protectionist Challenge Hits Soviet Merchant Fleet

A months-long campaign against alleged rate-slashing by the Soviet merchant fleet has escalated sharply with a late October report drawn up for the European Economic Community (EEC) transport ministers. The campaign, which had been conducted chiefly in the British press is an important dimension of the international protectionist "antidumping" frenzy. Targetting the Soviet fleet as a dumping culprit has the advantage, for certain forces, of

promoting hostility to the Soviet Union at a point when progrowth Western Europeans are oriented towards expanding East-West trade as one route to keep industry alive.

The new report suggested an array of pressure tactics for the EEC to threaten the USSR and other Comecon countries with. These ranged from forcing Soviet adherence to minimum rates and barring new outlets of Comecon shipping organizations from being set up in EEC countries, to pegging rate-reduction restrictions onto EEC export credits to Eastern Europe. After the Ministers received the report, British Department of Trade Parliamentary Under-Secretary Stanley Clinton-Davies declared that he found "strong evidence" that the EEC members would resolve to confront the Comecon nations, according to the *Financial Times* of London.

Clinton-Davies has returned Oct. 23 from Moscow, where he expounded the British view that the Soviet Union should stop expanding their shipping operations.

His visit and the EEC report were the preliminaries to a series of followup threats by Britain's EEC delegation, in line with the attempts of EEC Commissioner Roy Jenkins, William Haferkampf, and Etienne Davignon to swamp the Community in a wave of protectionism. On Nov. 4, Britain issued to her EEC partners a four-month deadline within which to force the Soviet Union to change its policies of expanding its merchant fleet and cheapening freight costs.

Further assaults on East-West trade are promised by press reports that Britain will soon charge France and Italy with granting credits to Comecon nations on overly easy terms, in alleged violation of a "consensus" agreement from last year.

Soviet Expansion

The USSR's alleged misdeeds in shipping stem from the fact that the Soviet shipbuilding plan, which has brought the Soviet merchant fleet to seventh place internationally, is geared to an expectation of expanding Soviet foreign trade and expanding world trade. It is the disintegration of world trade that has provoked the desperation of Western shippers to act against the "Soviet threat."

The British press has built the rate-slashing issue to the present level of threats and pressure tactics, especially over the months since the Soviet Merchant Marine Minister Guzhenko's trip to London last June. The London *Economist*, in a two-page feature at that time, predicted furious battles over shipping in the months to come.

Big Producers Line Up For A Slim Price Increase

Saudi Arabian Oil Minister Sheikh Ahmed Zaki Yamani made surprise visits to both the United Arab Emirates (UAE) and Kuwait last week in an effort to line up support for a freeze on the price of oil during 1978. Yamani's trip precedes the Organization of Petroleum Exporting Countries (OPEC) Dec. 20 meeting in Caracas, Venezuela to decide on a new price of crude oil.

OPEC

While various authoritative sources indicate that the Saudi call for a price freeze will probably not be accepted, a compromise of a 5 to 8 percent increase is seen as probable. Intense negotiations between the leading members of OPEC is designed to prevent a replay of the memorable December 1976 Doha OPEC meeting, where the 13-member cartel split over pricing policy for the first time. In this connection, Venezuelan Minister of Mines and Energy Hernandez Acosta has just completed a tour of all Persian Gulf OPEC states.

Venezuela has traditionally mediated the differences of the so-called price "hawks" and the moderates. According to the Venezuelan daily *El Nacional*, Acosta had "more success than expected," in trying to achieve an agreement on a unified price. "There are positive signs," says *El Nacional*, "that a concensus may be reached in which Venezuela and other countries would be willing to sacrifice a greater increase in order to assume a total accord on the basis of a really moderate increase."

Shortly after Acosta's departure from Iran, the Shah of Iran sent a message to the Carter Administration assuring Washington that Iran would support only a moderate rise in the price of oil. Iran has broken with its

traditional hawkish role within OPEC, leaving such countries as Iraq, Algeria, and Libya in a much weaker position in enforcing a drastic price hike.

Iraq and Algeria are on record as calling for a 23 percent and 15 percent increase respectively; the reason given is their desire to align the price of crude with the rate of inflation of the dollar. At the time of the July 1977 OPEC meeting the Shah's Prime Minister and former Oil Minister Jamshid Amouzegar announced a sudden change in Iran's pricing policy — one which was for the first time harmonious with that of Saudi Arabia.

Another indication that a moderate and unified pricing agreement has been reached appeared late last week when Acosta issued a statement from the United Arab Emirates that OPEC had reached a consensus that its buying power had not been seriously affected by the drop in the dollar. Acosta emphasized that OPEC would not discuss adopting an alternative to the dollar for pricing oil, dispelling rumors from the City of London.

A Fifth Column in OPEC

An unidentified official of Venezuela's state-owned oil company Petroven told the Mexican daily *Excelsior* this week that "a fifth column" within OPEC was responsible for pressing for a large price increase. The official identified a tendency within the U.S. that hoped to make non-OPEC oil, such as the Alaskan North Slope oil, more profitable, as well as to take advantage of Japan and Europe, which lack the kind of domestic oil reserves the U.S. has.

That assessment, however, is only partially true. Only part of the present Carter Administration has been prodding OPEC to raise prices — namely Energy Secretary James Schlesinger. Only through drastic economic measures like inflated oil prices, will his zero-growth energy plan be saleable to the U.S. population.

World Nuclear Drive Makes Headway

The Iranian Atomic Energy Organization and the West German manufacturer of nuclear reactors, Kraftwerk Union, have signed a letter of intent for the construction of four 1,200-megawatt nuclear power reactors in Iran. The deal, which is estimated to amount to over \$8 billion until the last phase of construction in 1983-1984, is by far the largest single nuclear deal ever signed.

According to the West German business daily *Handelsblatt*, diplomatic circles in Tehran have described the deal as an intentional message from Shah Reza Palevi to U.S. President Carter, whom the Shah visited only a few days later. This is the same message which has been communicated in various ways to the U.S. from the governments of West Germany, France, Japan, Mexico and other Latin American countries: unless the United States drops Energy Secretary Schlesinger's program to halt nuclear energy development both domestically and abroad, America will be renouncing its claims to world political and economic leadership.

The United States should take the lead from world leaders like Helmut Schmidt, the West German Chancellor.

After receiving a resounding popular mandate last week from over 50,000 trade unionists demonstrating in Dortmund for nuclear energy, Schmidt announced a campaign to unblock 25 billion deutschmarks (\$10.5 billion) in nuclear and conventional power investments that have been frozen by court suits brought by environmentalists. During his speech before 400 delegates at the Social Democratic Party's annual congress, Schmidt called on "every citizen" to support this campaign, and stressed that if West Germany wants to remain competitive on the world markets, it must maintain the highest world levels of technology, along with a correspondingly high level of wages.

Schmidt's nuclear policies are directly responsible for the fact that West Germany is now the leading exporter to Iran, with Japan in second place and the United States trailing in third. Last week's West German-Iran deal brings to a total of more than \$11.5 billion the value of deals for nuclear reactors signed by Iran with both West Germany and France in the last year.

From the French Side

In France, Schmidt's policies have also been adopted, in spite of the persistence of anti-German and anti-nuclear propaganda issued by Socialist Party leader François Mitterrand and his allies. Jacques Chirac, the

Gaullist Mayor of Paris, recently told a predominantly Communist audience in central France that any moratorium on nuclear power plants would not only eliminate crucial high-technology jobs, but would aggravate France's energy problems and wipe out French nuclear export markets. Referring to Mitterrand's allegation that "nuclear energy pollutes," Chirac declared that "Mitterrand should know that nuclear energy is actually the least polluting of all."

French and Italian newspapers acknowledge that the Nov. 10 mass rally in Dortmund was international proof that labor and industry can successfully cooperate in this nuclear drive. The Paris financial daily *Les Echos*, in a Nov. 15 article titled "A Nuclear Yes; Spectacular Turnaround in the BRD," commented that public opinion in West Germany now rightly "associates the extremist and terrorist movement with the action of ecologists hostile to nuclear energy." According to a recent poll, 57 percent of all West Germans support nuclear power, only 27 percent oppose it, with the remainder undecided.

A New Climate

West German newspapers admit that the antinuclear leadership of the German Trade Union Federation only joined the Dortmund demonstration after a large number of local factory councils had organized the event with the help of the nuclear and electricity industry.

The British Trades Union Council has drawn a lesson from this, and last week delivered a memorandum to the British Labour Party's Energy Commission demanding the immediate construction of more nuclear power plants. In view of the future scarcity of uranium supplies, the memorandum said, "rapid industrial development of the fast breeder reactor" is essential, and part of the proceeds from Britain's North Sea oil sales should be devoted to investment in nuclear power. In a separate statement, Sir John Hill, chairman of the U.K. Atomic Energy Authority, urged immediate work on fast breeder development, warning, "When the energy shortage becomes real it will be the poor people of the world who will suffer most, and those who have delayed the construction of additional energy sources will have much to answer for in their misdirected attacks."

West German trade-union support for nuclear energy has made possible a dramatic shift in the policies of the West German Social Democratic Party (SPD). Two months ago the SPD Executive Committee presented a resolution favoring an immediate halt to all nuclear

power plant construction until a reprocessing facility has been completed about six years from now. But the dynamic created at Dortmund enabled Chancellor Schmidt to alter the resolution even before it reached the floor of the SPD's Nov. 15-18 annual congress. The

“compromise” resolution finally adopted by the party states that nuclear plants can be built once construction begins on a reprocessing plant, while in “special cases” it will be possible to resume construction immediately — virtually a carte blanche for Schmidt's policies.

Major Fusion Breakthroughs Reported

Scientists from throughout the world detailed major progress in all facets of fusion energy research at the annual meeting of the American Physical Society's Plasma Physics Division in Atlanta, Georgia last week.

SPECIAL REPORT

The more than 2,000 attendees represented virtually every country and laboratory engaged in fusion and plasma physics research in the world.

The overwhelming consensus of the major review papers presented, together with the more than 2,000 regular papers represented on, was that almost every approach to harnessing the vast potentials of fusion energy is making significant progress, and many can confidently be projected to be capable of leading to economical power reactors — the chief impediment being the lack of funds.

At the same time, presentations by Drs. Harold Grad and Fred Tappert of the Courant Institute of Mathematics, among others, outlined the new scientific frontiers which are being charted in the course of fusion and related plasma physics research. Dr. Tappert, in his invited presentation, outlined the revolution which is being generated in science as a whole by research on nonlinear phenomena and in particular the soliton.

Laser and Electron Beam Pellet Fusion

The most dramatic progress was reported in the development of inertial confinement fusion which utilizes intense beams of lasers, electrons, or ions — and now, as it turns out, BB's.

The most important presentation was given by Dr. John Nuckolls, leading fusion theoretician of the U.S. Livermore Laboratory. Dr. Nuckolls gave a detailed overview of the progress in inertial fusion made over the last year. He demonstrated that all of the major scientific and technological problems of harnessing inertial fusion energy had in effect been solved:

* Experimental results both here in the U.S. and USSR, based on these models and already achieved experimental results, indicate that fusion energy gains greater than a thousand are obtainable. This means that the chief type of laser currently utilized in inertial fusion experiments, the very inefficient neodymium glass lasers, can be used in actual laser fusion power plants. (Livermore has already carried out initial tests on the upgrading needed to make this laser amenable for reactor use.)

* New laser fusion reactor designs have essentially solved all of the technical problems: no radioactive

waste generated; life-times greater than 30 years.

* The prospects for ion, electron, and laser fusion utilizing carbon dioxide gas lasers is similarly optimistic.

* A promising new approach to inertial confinement has been developed utilizing small BB's which are accelerated to great speeds electromagnetically to crush fusion pellets to the needed densities and temperatures.

Dr. Nuckolls concluded by pointing out that the chief barrier to harnessing laser fusion energy was the lack of funds and national commitment. For example, Livermore has the world's most powerful laser, Shiva, coming on line early next year. This \$40 million laser will experimentally demonstrate the new high gain pellet designs, but due to funding cutbacks by the Carter Administration, there are insufficient operating funds to make full use of the laser.

Throughout his presentation, Dr. Nuckolls directed a scathing rebuke to the notorious Fabian anti-nuclear nuclear engineer David Rose of the Massachusetts Institute of Technology. Rose had published a slanderous attack on fusion energy and laser fusion in particular last year in the student journal, MIT's Technology Review. This article was circulated to members of the U.S. Congress during the debates on fusion funding during the past period. In referring to Rose, Nuckolls commented at one point that one should not make final statements about a subject while others are still engaged in their exploration. "We have solved all of the difficulties in the last year which Rose had foreseen as insurmountable."

(This writer learned later that Rose had refused to debate Nuckolls at this conference and that when Rose had submitted his paper on fusion to an actual scientific journal, it was rejected because of its distortions of facts.)

Controversy Over Soviet Pellet Designs

An important sidelight to the conference was the raging controversy over the Soviet claims for their high gain pellet designs for initial fusion. It turns out that the renowned Soviet Electron beam fusion scientist Leonid Rudakov's target design is not only unique in its utilization of soft x-rays for driving the implosion of the fusion fuel to high densities, but it is also extremely stable during the implosion, making the design many times more effective in terms of achieving higher fusion energy gains.

This controversy over the Soviet pellet designs and the success of the U.S. electron beam pellet fusion research program in using new, innovative pellet designs — which have major implications for basic science and which were described for the first time at the Atlanta conference — will be the subject of a future article.

— Charles B. Stevens

Eyewitness Report:

Soviet Scientist Opens Int'l Nuclear Energy Drive

by Chuck Stevens

Coming directly from the meeting of the Supreme Soviet of the USSR, Academician Nikolai G. Basov, the Soviet Union's leading laser scientist, made an unexpected appearance at the International Scientific Forum On An Acceptable Nuclear Energy Future of the World, and told that conference of the U.S.'s leading nuclear scientists, industry representatives, and electric power utilities that an international crash program to develop laser fusion must begin immediately. The conference, sponsored by the University of Miami Center for Theoretical Studies and held in Ft. Lauderdale, Florida, Nov. 7-11, also concluded that despite the Carter Administration's expanded nuclear energy program, plutonium recycling and fast fission breeder reactors were essential to the future of not only the U.S. but the whole world.

Before an audience which included more than a half dozen Nobel laureates and representatives of the U.S., French, West German and Japanese governments, Academician Basov stated: "We consider the task of this talk (both laser fusion and the energy question) solved, if the participants of the present meeting could see not only our results and conclusions...but at the same time the vital necessity to concentrate the efforts of scientists and to coordinate the investigations in this field on a larger scale than we have now."

The Basov call confirms that the Soviet Union has elected to mount a full-scale political offensive for international collaboration in the development of fusion power. Last summer, when Soviet Academician E. Velikhov, the head of the USSR's fusion program, presented an offer for U.S.-Soviet collaboration in the Liner experiment at Los Alamos, experts saw the thrust of his proposal as directed toward a then still-unresolved debate within the Soviet Union, as well as toward the U.S.

The choice of Basov to present the Soviet policy — in a speech which was translated and handsomely printed for distribution at the conference — is also considered significant. In addition to Basov's membership on the Supreme Soviet, it is believed that the Basov research group has the chief responsibility for Soviet nuclear weapons research, and lies in a chain of command connected to the top echelons of the Soviet military. Consequently, experts view the Basov announcement as reflecting the policy of the Soviet military leadership, which usually represents the most advanced Soviet scientific and political-strategic thinking.

Analysis of Basov's proposal indicates that, if adopted by the U.S., it could shave five to ten years off of previous "best-case" estimates for the bringing on-line of working fusion power reactors. The timetable implied by the

Basov proposal would yield laser-fusion prototype reactors by the mid-1980s and working power reactors by 1990.

Breakeven Confinement Achieved

Basov is a director of the P.N. Lebedev Institute in Moscow and received a Nobel Prize in 1964 for his work on quantum electronics which resulted in the creation of lasers. He is also responsible for the declassification of much of the Soviet Union's work in laser fusion in the late 1960s. At the Ft. Lauderdale meeting, he detailed the experimental results that his research teams had recently obtained, and released laser fusion reactor designs prepared by the Moscow Institute for High Temperatures, the institute which is internationally renowned for its successful work on MHD electric power generators.

Basov reported that scientists working on the Kalmar laser system at the Lebedev Institute had obtained pellet compressions of up to 8 grams per cubic centimeter. This, according to Basov, corresponds to a Lawson breakeven parameter of 500 trillion seconds-nuclei per cubic centimeter, a factor of 10 greater than what is needed for breakeven.

This result is the subject of great controversy among U.S. scientists who first heard it at the Oxford, U.K., laser conference in October. But, as Basov explained, while there are some disagreements on particulars, both he and his U.S. colleagues concur that high gain fusion pellets, such as indicated by this result, are possible.

Basov proceeded through further detailed experimental results and then outlined the international status of laser fusion research laboratories, pointing out particular areas where intensified international cooperation is needed. "Realization of such lasers (lasers needed for actual power reactors — ed.) is a severe problem, which demands, in my opinion, the concentration of efforts on (an) international scale," Basov declared.

Power Reactor Designs

Basov concluded his presentation by detailing the plans for two laser fusion energy reactors, the LTPS and LTB-500.

Basov first noted that "In principle, thermonuclear microexplosion giving rise to monoenergy particle flux is a unique source of low entropy energy." However, he went on, it is difficult to take full advantage of this property with existing technology or even near-term technology. The first generation of laser fusion plants will therefore have to rely on an inefficient (high entropy) thermal cycle.

The pure fusion LTPS would have a capital cost of 400 rubles per kilowatt of electrical output to the consumer. The cost of electricity from this plant would be .5 kopecks

per kilowatt hour. As Basov pointed out, these projected capital costs were of the same magnitude as those for fission fast breeder reactors.

The LTB-500 is a fusion-fission hybrid reactor. Three hundred tons of natural uranium is put in a blanket around the fusion reaction chamber. The fusion microexplosions produce neutrons which convert the natural uranium to plutonium which eventually undergoes fission reactions and thus greatly multiplies the total reactor energy output. Throughout the lifetime of the LTB-500 power plant, the rate of fusion microexplosions would be decreased as more and more fission fuel, and therefore fission reactions, are generated. Fifty percent of the natural uranium would be burned up after 30 years. The capital costs of the LTB-500 is 200 rubles per kilowatt of electricity, and it has a production cost of .9 kopecks per kilowatt hour.

Dr. Basov noted in conclusion that the cost of energy production could be dramatically decreased, even below present-day energy costs, through utilizing fusion hybrids to produce fuel for fast fission breeder reactors.

Nuclear Energy Essential

While every aspect of energy, from fossil fuels to even solar and geothermal power, was discussed in detail at the Ft. Lauderdale conference by the world's leading experts, the overwhelming conclusion of the participants was that existing nuclear power technology must be immediately increased; plutonium fuel recycling for increasing the amount of available fission fuel must proceed; the fission fast breeder must be brought on line as soon as possible; and fusion, both pure fusion and fusion-fission hybrid reactors, must be developed as rapidly as possible.

The detailed conference proceedings, which will be published in three months, provide a devastating demonstration of the idiocy of the Schlesinger energy plan. Nuclear power is safe, economic, and environ-

mentally clean (in fact the carbon dioxide released from burning fossil fuels may already be laying the basis for a world-wide environmental disaster), the participants concluded. Proliferation of nuclear weapons — the tired saw put forward by the Administration to justify its anti-nuclear export policy — is a *political*, not technological question, the participants said, and the Carter Administration has already done more harm than good in this area. Projected uranium resources are definitely insufficient to meet world needs without the plutonium breeder and plutonium recycling — no other fuel cycle will work. Magnetic and laser fusion can confidently be projected to achieve power reactors. Whatever Carter and Schlesinger do, the participants concluded, Europe and Japan are going ahead with their nuclear power programs in any case.

Several score of leading representatives from U.S. industry were present at the conference (for example, the president of Jersey Central Power and Light, Phillips Petroleum, Exxon Nuclear Corp.), a half dozen congressmen, and many Nobel laureates. Organized by Dr. Behram Kursunoglu, director of the Center for Theoretical Studies, the conference was apparently, primarily, directed at long term organizing for a U.S. pro-nuclear energy policy.

A special scientific committee of the conference participants will shortly be issuing a major statement on the conference's findings. The members of the committee are Academician Nikolai G. Basov, Prof. Hans A. Bethe, Dr. Robert Hofstadter (chief scientist, KMS Fusion), Dr. Behram Kursunoglu, Ted Taylor, Edward Teller, Alvin Weinberg (former director of Oak Ridge Nat. Lab.), Eugene P. Wigner, W.B. Lewis (inventor of the Canadian Candu fission reactor), Pierre Zaleski (French nuclear energy attaché to the U.S. and former director of the French breeder program), E.L. Zebroski of the Electric Power Research Institute, and a Japanese representative.

Miami Conference: Fission-Fusion Technology Feasible, Necessary

The following is the text of the communiqué released by the International Scientific Forum on an Acceptable Nuclear Future on Nov. 11.

On the occasion of the International Scientific Forum on an Acceptable Nuclear Energy Future of the World, held at Fort Lauderdale, Florida from Nov. 7 through 11, 1977, and sponsored by the University of Miami's Center for Theoretical Studies, the undersigned have considered global energy requirements for the future and also world development to meet this demand. It was generally agreed that:

1. World demand for energy will increase strongly as the standard of living and the size of presently disadvantaged populations increase over the next several decades.

2. Failure to meet this demand will result in extensive social evil such as poverty, starvation, unrest, epidemics, riots, and wars.

3. No single technology can meet the world future demand. It is likely that all technologies, such as conventional fossil, nuclear fission, nuclear fusion, geothermal and solar technology will be required to meet the qualitative and quantitative aspects of this demand, just as today no single technology meets all demand.

4. Nuclear fission must play a significant role in meeting world demand over the next several decades, and over this period full exploitation cannot be foregone without excessive risk.

5. An assured nuclear fuel supply of utmost importance to many nations cannot be guaranteed by uranium mining alone. Although the urgency will vary from

country to country, in the application of nuclear fission energy fuel reprocessing is essential. Further, the best way to handle spent fuel and to take care of nuclear waste is to reprocess the spent fuel.

6. There are many candidate systems which may be called upon to supplement or eventually replace our presently largely light water reactor technology. These include fast breeder reactors, high temperature gas reactors, heavy water reactors and homogeneous reactors. Development of these systems should be pursued vigorously on an international basis, although not necessarily all systems in all countries.

7. Practical consideration of the ability to produce and deploy reactors in the numbers necessary dictates that currently successful systems be sustained and their installation encouraged by governments until and unless advanced systems are fully available and acceptable, technically, economically and industrially.

8. The plutonium-uranium fuel cycle has particular advantages in fast spectrum reactors and the uranium-233 thorium fuel cycle in thermal reactors. Both will need to be developed, including all necessary steps for full implementation.

9. Impressive progress has been achieved towards proving the scientific feasibility of fusion systems based on the principles of magnetic and inertial confinement. Progress has been made also in hybrid systems which suggest, on a longer timescale, economic feasibility. Development of these systems, already involving a considerable degree of international cooperation, should be pursued vigorously on this basis, again, not all systems in all countries. However, the possible successful development of fusion technology should not delay the prudent and necessary deployment of fission technology. It is possible that the first application of fusion technology will be in a hybrid fission-fusion complex.

10. It is recognized that the deployment of fission power or hybrid fusion-fission on a large scale poses problems of safeguard of material against potential diversion and, thus, proliferation of nuclear weapons. We are confident that the international community can and should take the political, institutional and technical measures which will be effective in diminishing the risk of proliferation while retaining the economic advantages of nuclear power. Therefore, we do not believe the risk of proliferation should deter the use of nuclear energy.

11. The probability that accidents in existing reactors will cause harm is acceptably small and we believe, with proper use of experience, that this will diminish even as the number of reactors increases.

12. Solar energy may have a part in the mixed energy system of the future. The extent of its penetration will depend largely on economic considerations. It is difficult to determine finally what these economic parameters will be without practical experience on a substantial scale; at present, the parameters appear to be adverse.

13. Meeting the energy demand of the still rapidly rising world population with legitimate expectations of a higher standard of living calls for largescale mobilization of labor, materials, capital, and technical and managerial skills. It should be governments' constant preoccupation to accomplish this economically and effectively to avoid overtaking the world's productive

capabilities and resources of these necessities.

14. There is an urgency to the world energy problem which, especially in view of the long lead-times, brooks no delay in determining and executing national programs and in seeking international cooperation to take up the tasks and share the benefits equally.

Signatories

Nikolai G. Basov, P.N. Lebedev Physical Institute,
Soviet Academy of Sciences, Moscow
Hans Bethe, Cornell University
Karl Cohen, scientific director, General Electric Company, San Jose, Calif.
Floyd Culler, director, Oak Ridge National Laboratory, Oak Ridge, Tenn.
Robert Hofstadter, Stanford University
W. Bennett Lewis, Queen's University, Ontario
Marjorie P. Meinel, University of Arizona
Keichi Oshima, University of Tokyo
Edward Teller, Stanford University
Alvin Weinberg, Institute for Energy Analysis, Oak Ridge Associated Universities, Oak Ridge, Tenn.
Eugene P. Wigner, Princeton University
Pierre Zaleski, nuclear attache, French Embassy, Washington, D.C.
Edwin Zebroski, Electric Power Research Institute, Palo Alto, Calif.

Soviet Scientist: If We Coordinate Efforts, Fusion Can Be Achieved

Following are excerpts from the presentation of Nikolai G. Basov, of the P.N. Lebedev Physical Institute, USSR Academy of Sciences, Moscow, to the Nov. 7 to 11 meeting of nuclear scientists and industry representatives organized by the University of Miami Center for Theoretical Studies and held in Fort Lauderdale, Fla.

It is a great pleasure for me to give a talk at such a representative forum of scientists. I would like to speak about physical investigations which have been underway at the Lebedev Physical Institute since 1962. This direction in laser physics is developing at the present time in many laboratories, and it has now become one of the most popular and active fields of physics, which can be considered as one of the serious directions in solving the energy problem. I am speaking about laser induced fusion. We consider the task of this talk solved, if the participants of the present meeting could see not only our results and conclusions and one of the possible ways of solving the energy problem, but at the same time the vital necessity to concentrate the efforts of scientists and to coordinate the investigations in this field on a larger scale than we have now.

The principle of energy production in laser induced fusion is as follows. The pellet containing thermonuclear fuel is irradiated spherically by the laser light. Laser radiation absorbed by the pellet heats the target, and the outer part of the target, a so-called "corona," expands in the direction of the laser beams. Due to the law of con-

ervation of momentum, the inner part of the target moves to the center of the pellet, and becomes highly compressed and heated. Thermonuclear reactions are developed in this part of the target, the microexplosion occurs, and the fusion energy produced in this way should be used in a special reactor for the generation of electrical energy. In the case when we can produce more energy, which is necessary for laser pumping, we can use the rest of fusion energy in industry or national economy....

What types of lasers would be suitable for the laser fusion power station in the future? One can give a negative answer to this question, because today no lasers are able to operate with repetition frequency of 1 cycle per sec. during a year. However, the answer can also be positive, because there are no physical restrictions to realization of such laser operating conditions. Moreover, many physicists consider this regime to be quite achievable. Realization of such lasers is a severe problem, which demands, in my opinion, the concentration of efforts on an international scale.

As we know now the scientists from Livermore laboratory also agree with a principal feasibility of achievement of high fusion yield.

As I have already mentioned, the problem of designing thermonuclear reactors is of great importance. Although at the present time there is not enough data for the engineering design, it is necessary to work on this kind of project, because it will help to discover the lasers and targets needed for the creation of laser fusion power stations. We have such a preliminary project, which was worked out jointly with Moscow High Temperature Institute, headed by academician A.E. Sheindlin. Now I shall report some characteristics of this project. We know that similar projects are also being designed in the USA and Western Germany....

...Efficient transformation of thermonuclear micro-explosion energy in one of the types of energy used (electricity, heat, chemical energy, or energy of secondary nuclear fuel) is a complicated engineering problem. In principle, the thermonuclear microexplosion giving rise to monoenergy particle flux is a unique source of low entropy energy. However, it is extremely difficult to offer adequate schemes for transformation of this energy using technological possibilities of the present day or even of the nearest future....

A specific feature of laser thermonuclear installations consists in rather high expenses of electric energy for proper needs. So, at laser efficiency of 5 percent, the gain coefficient of the reactor is 100, and the efficiency of energy conversion is of 0.4. In this case the proper energy needs for laser thermonuclear power stations (LTSP) are equal to the electric energy delivered to the consumer. Such a high value of proper needs for the laser power station is an order of magnitude higher than a similar value for the up-to-date thermal electric power stations. It reduces considerably the economical index of the laser power stations. Therefore for LTPS the problem of using the heat scattered by the laser facilities is extremely important. In our project we have provided a high value of laser energy conversion into electrical energy with the use of a heat transformer. The idea is based on the application of the CO₂ laser, in which CO₂ gas moves with high velocity through the active volume. The temper-

ature of slowing down is of 700°K, and the static temperature in the active region is less than 423°. These parameters allow us to limit the population of the lower laser level and to obtain a sufficient gain coefficient of the laser media. On the other hand, it is possible to use the energy scattered during pumping effectively. The scheme of LTPS assumes the usage of the laser heat at the first stage of the heat exchanger, that is the usage of the steam generator for heating the water from 543°K to 622°K. The use of the laser heat makes it possible to increase considerably the electric efficiency of LTPS and to improve the economic index. In our project of a thermonuclear power station, we have tried to combine a unique heat source in the form of a laser thermonuclear reactor with a standard industrial steam turbine....

The economics estimates show that the evaluation of one kW of electric power in laser stations essentially depends on the capital investments in the laser facility, and these are twice as high as the corresponding values of conventional atomic stations. But this value is comparable with that for breeders.

In our opinion, the most promising seems to be a hybrid type of the reactor with the blanket of fissionable materials.

By using the energy of fission it's possible to reduce the requirements of the laser facilities, in particular, to decrease the laser efficiency down to 0.2 percent or to reduce the pulse energy. One can also increase the resource of the entire facility, that is decrease the pulse repetition frequency, or simplify the target design, and reduce the cost of the target preparation. The hybrid laser reactor will be a generator of nuclear fuel. It can start to operate with low-enriched fuel.

I shall report some data of the power station on a hybrid laser reactor designed in Lebedev Institute in cooperation with the Institute for High Temperature. In this project we have not changed the energy of the nuclear microexplosion. But we suppose that laser efficiency is lower, say 3 percent, and the used target is simpler in design, and produces a thermonuclear yield of 40. Moreover, the principal idea is based on the use of helium as a heat carrier, which leads to rather high dimensions of the reactor and to the increases in the duration of the fuel burning up. We also suppose that 50 percent of fissionable material should be burned up, and then buried without reprocessing. Nuclear and thermonuclear energy is transformed into electrical energy by means of a helium turbine and a standard steam turbine.

The reactor has a cylindrical shape, the "wet" wall is used, the content of fissionable material in the blanket is about 300 tons of natural uranium carbide.

Of great interest are the data on time dynamics of the basic reactor parameters. It is desirable to have a time-constant electric power output of the station. Therefore the increase in the energy gain coefficient of the fissionable blanket due to plutonium storage can be compensated by a decrease in the microexplosion repetition frequency. As a result, the resources of laser and other facilities increase....

Our project of the thermonuclear power station LTB-500 has been presented in the report entitled "Fast fission and fusion reactors" of the International Institute of Applied System Analysis, in Vienna. In that report a detailed analysis has been made of various applications

of different types of reactors in the areas of energetics, economical estimates, the problem of radioactive waste, risky and accidental situations, fuel and material resources and so on.

In this respect a hybrid laser reactor is not a specific system. But compared to breeders, the laser hybrid reactor is in a subcritical state, and unlike breeders doesn't need systems for controlling the subcriticality. The hybrid reactor, in contrast to the breeders, can use fissionable materials with any degree of enrichment, in

particular, it can operate on natural uranium. For such reactors there's no problem of redoubling the fuel.

We believe that future nuclear energetics should develop in different directions, in order to meet various requirements of national economy. One of the applications of thermonuclear stations is the production of fuel for breeders. If we don't intend to produce electric energy on such a system, that is if we consider a near-to-zero efficiency reactor, then it's possible to reduce requirements toward lasers and targets. At present we perform such investigations....

Carter Administration Endorses Empty Humphrey-Hawkins Legislation

The Carter Administration made its long-awaited endorsement of a reworked version of the Humphrey-Hawkins Full Employment and Balanced Growth Act last week. The final version of the bill, containing no jobs creation programs or funding provisions, resembled the original version so little, that reporters at the White House press conference called to witness the "big an-

LABOR NEWS

nouncement" were wondering if they had somehow gone to the wrong room.

"But where is the bill?" one reporter asked Domestic Policy Advisor Stu Eizenstat, Secretary of Labor Ray Marshall and Council of Economic Advisors head Charlie Schultz. "This can't be it."

"This is the most we could expect to get," said an aide to Sen. Hubert Humphrey (D-Minn), one of the bill's prime sponsors. "It is an empty shell... we'll have to fill it in with programs later."

The missing content of the bill is to be filled out as part of an overall national employment-urban policy. Planners linked to Vice President Walter Mondale report that the center piece of such plans will be the relocation of millions of urban poor out of the cities — although the precise timetable has not been worked out; Humphrey-Hawkins public service jobs programs will become a transitional program for such ultimate relocation policies (see Special Report).

"We wouldn't have a ghost of a chance of passing even this (the present version of Humphrey-Hawkins) now, said an aide to Rep. Augustus Hawkins (D-Cal) the bill's other major sponsor. "But we are not talking about now. The economy will get worse and there will be a great deal of pressure to do something."

Several other sources reported that the Carter endorsement will enable the currently disorganized ranks of Fabian congressmen and their "allies" in the labor movement, in the words of one Congressional aide, "to pull together around a piece of social legislation... this

will cement the labor-Democratic alliance..."

The Carter endorsement will further erode the President's shaky base. "Carter thinks he has made a clever deal," said one aide to a Fabian Senator. "Instead he's got everybody pissed off. The left will think he has copped out and has not gone far enough. The right thinks that he has gone too far. This could be the beginning of the end of Jimmy — I say, thanks for opening the door." He and similar individuals would like to see Vice President Mondale become President — as quickly as possible.

Lie Of The Week

The editors of the *Full Employment Advocate* deserve an award for "effort." The *Advocate* is the newsletter of the National Committee for Full Employment, an umbrella organization mustering support for the rejuvenated Humphrey-Hawkins labor legislation. The October issue of the *Advocate* features a front-page headline, "Millions Turn Out For Full Employment Week."

In reality, the week's heavily publicized festivities were a total bust. Only handfuls of trade-union bureaucrats, their families, and assorted poverty pimps turning out. One of the organizers confessed that it was "the most disappointing turnout of my career."

But the resourceful *Advocate* editors assert that "in over 300 cities and towns, millions of Americans participated in the largest grass-roots mobilization for full employment in the nation's history." As proof, the editors offer a picture of two men, one pushing a wheelbarrow and the other holding a sign, over a caption about a 25,000-strong turnout in Kansas City.

One organizer of the week's events summed up, "We'll bring the people out, even if we have to do it with mirrors."

That's a lot of mirrors...

How The World's Press Covered The Dortmund Pronuclear Demo

Factory councillors and other trade unionists from all parts of West Germany gathered in Dortmund on Thursday, Nov. 10 to demonstrate their unanimous support for the development of nuclear technology and for ending the present de facto moratorium on nuclear power plant construction. Attendance was estimated at

LABOR IN THE PRESS

50,000, making it one of the largest single labor rallies held in West Germany's postwar history.

The following is a grid of press reports and analysis of the demonstration.

The Journal of Commerce, *New York financial daily*, "German Workers Urge Construction of Nuclear Plants," Nov. 11:

More than 40,000 West German labor union members Thursday demonstrated for the swift building of nuclear and coal-fed power plants to help secure jobs and meet the growing demand for energy...

The Daily Telegraph, *London*, "Pro-Atom Demo in West Germany," Nov. 11:

About 45,000 people gathered in a football stadium in Dortmund yesterday for the biggest rally in favour of West Germany's nuclear programme yet seen.

The demonstrators, most of them power workers fearful for their jobs, streamed into the stadium past small knots of nuclear opponents... (Reuters)

The New York Times, *New York*, Nov. 15:

...And last week, 40,000 union members and their leaders met at Dortmund to support the Government stand and protest the expected loss of business and jobs.

Arrayed against these two allies, however, is a strong ecology-minded faction that has called for a three-year moratorium on construction of nuclear facilities to reassess the country's need and the dangers it faces from the use of this source of power....

Les Echos, *Paris financial daily*, "A Nuclear Yes; Spectacular Turnaround in the BRD," Nov. 14:

...How could one explain this sudden political aboutface on the other side of the Rhine which is of enormous importance, not only for the future of energy in the Federal Republic, but also for France, considering that the motion in the BRD would have greatly helped the proponents of a suspension of nuclear activity in France... Today, one must also add the change in mood on the other side of the Rhine. The recent outrages of terrorism have provoked a backlash of public opinion. Not only has the authority of the Chancellor been singularly increased, but the population, which is impressed by the security measures and by the daily articles in the press,

has a tendency to associate the extremist and terrorist movement with the action of the ecologists hostile to nuclear energy.

Il Giornale, *Milan daily*, article by *Giornale's Bonn correspondent, Topa*, Nov. 12:

More than 50,000 workers demonstrated yesterday in Dortmund led by the heads of the Construction, Metalworkers, Mining, Chemical and Public Sector unions. By referring to the SPD party congress the union members emphasized that they will oppose any further slow-down in the construction of nuclear plants. They demanded that the government prepare a legislative foundation that will be against the actions of groups like the Citizens Initiatives ("grassroots" antinuclear groups —ed.). They said that energy policy is the basis of economic development and full employment... The Dortmund demonstration will strengthen (Chancellor) Schmidt's position, which is already strong.

Frankfurter Rundschau, *Frankfurt daily*, Nov. 11:

...The Dortmund demonstration had been originally planned as a pure "procoal and coal power plant demonstration." In view of the DGB (West German Trade Union Federation) resolution on energy that was valid

...And Why The U.S. Press Didn't

A call to the major wire services, press, and electronic media to ascertain their plans to cover the 50,000-strong pro-nuclear rally at Dortmund, West Germany yielded some interesting responses. "The Associated Press covers the fall of the sparrow," rhapsodized Associated Press Foreign Editor Nate Polowetsky, "so we don't need you to tell us about any demonstrations, thanks." However, the reader of the next day's newspapers or the radio-television news viewer would have searched in vain for any mention of the largest rally ever on the nuclear power question.

The *New York Times* Foreign Desk said that it had a reporter on the scene and planned coverage. But all that appeared was a one-line mention of the demonstration during the following week, buried in a "news analysis" piece falsely representing the "anti-nuclear environmentalists" as the stronger force in West Germany.

A reporter for *Time* magazine, asked why the news media displayed no interest in covering the historic event, answered, "Frankly, we in the press are so bored with the pro-antinuclear thing that we don't want to bother. You always feel like you wrote the same story last week." Why didn't all manner of anti-technology protests generate the same ennui? The reporter responded, "Well, there you get some spice."

then, the DGB leadership and various trade unions feared the demonstration would balloon into an antiunion meeting. In order to prevent that, as one learns from the inside, they decided it was "better to put themselves at the head of the movement," with the goal of channeling the mass demonstration and not allowing the issues of environmental protection and other moderating arguments from being left totally behind in the discussion on energy and growth."

Die Welt, Hamburg daily, "Shift in Fission Construction," by Heinz Heck, Nov. 11:

Only four weeks ago, one could not be sure that a moratorium (on nuclear power plant construction—ed.) would not go through...Until yesterday, the DGB was on a full moratorium line. (DGB chairman) Vetter had written in the Trade Union Monthly that the DGB would not consider the disposal problem solved even if the government security reactor commission said it is solved...if the DGB changed it is only because of Dortmund...Dortmund made it clear how far the DGB was from its own base.

Frankfurter Rundschau, Frankfurt daily, Lead Editorial, "Jumping on the Band Wagon," Nov. 12:

The chairman of a factory council in an energy company could not hold back his joy. "We have made it quite clear to them," he said, "that it is high time for them to jump on the wagon if they didn't want to totally miss it." By "them," he didn't mean the employers, but the DGB executive committee and the ...power-filled princes of the trade unions like Loderer and Kluncker. The union

leadership just made the jump. Not a few of them, however, should be clear about certain things, i.e. that in times of relatively high unemployment power constellations can easily emerge in which the weight can rapidly shift from the factory councils to big business. It was obviously not a pleasant discussion about the future which got the DGB to shift energy policy and go for the Dortmund demonstration, a demonstration of 40,000 from the energy companies and power companies who are afraid about their jobs and don't want to hear anything else but good news about the future of nuclear power development. It is not a good sign indeed when one is not only forced under pressure from members of affected areas to switch from a policy that was well-formulated only months ago...but forced to do so at that at a meeting that itself was forced against the will of the union leadership, and only tolerated against their will, because it was feared it could become an antiunion meeting. ...and then the fact that the predominant share of the costs for the trips and food, if the demonstrators paid at all, come from business, is tough enough to take on top of everything else.

Süddeutsche Zeitung, Munich daily, Nov. 12:

...It was a totally unjustified retreat...energy is so insecure, so dangerous...it was a total capitulation of the coalition parties (the ruling Social Democrats and Free Democrats—ed.) just to get out of a tough situation. A grand coalition of the electricity and power companies and factory councils, in concerted action, have forced the parties into total capitulation...under the threat of sliding back into the Middle Ages without nuclear energy.

Lack Of Evidence Doesn't Deter Press 'Probe' Of Teamsters

Press attacks on the International Brotherhood of Teamsters have escalated over the past few weeks. Articles dealing with alleged Teamster "corruption," "mob connections" and continuing leaks that IBT President Frank Fitzsimmons is about to retire, have clearly been timed to intersect and bolster a new spurt of activity among so-called Teamster dissidents, in Prod and the Teamster for a Democratic Union, with the hopes of isolating and containing the leadership of the union.

With nothing but spurious charges and innuendo to go with, the press smear job on the IBT has looked like this:

During the week of November 6, the Kansas City Star ran a six part series page one exposé on alleged Teamster "mob" connections. On Wednesday, Nov. 9, the Star "Special Investigative Team," including reporters J.J. Maloney, Mike McGraw, and Richard Johnson, asserted that the Teamsters, with their "mob" associates, have "infiltrated" Las Vegas, Nevada. The following are some brief excerpts from that 2,500-word article:

....Welcome to Las Vegas, the city that labor built and organized crime helps run.

For decades this city has tried to erase a lingering stigma tracing back to the days in 1940 when Buggy

Siegel, formerly of Murder, Inc., began to build the lavish Flamingo Hotel and Casino.

A full-time staff of state investigators and auditors connected with the Nevada Gaming Control Board has achieved a national reputation for honesty and integrity in its ceaseless effort to combat the infiltration of organized crime into the state gambling industry, which rakes in considerably more than \$1 billion a year.

Now, with massive federal investigations going on, it would appear those efforts have been to no avail, and it would also appear that Nevada's image may be in for a severe drubbing. A few details:

The State Department of Labor has placed a moratorium on loans from the Teamsters Central States, Southeast and Southwest pension funds to Nevada gaming interests. To date the pension funds have pumped more than \$260 million into Nevada, often in the form of low-interest, highly controversial loans.

This installment of the series pays special attention to the business of one Morris Shenker, a lawyer based in St. Louis, whom the Star alleges is a key target of the federal investigations into Las Vegas. On Shenker's connections to the teamsters:

Shenker has been the defender of St. Louis underworld

figures in a way no other lawyer has. And as an attorney for James Hoffa, he was able to gain unfettered access to hundreds of millions of dollars in the Teamsters Central State pension fund.

Press leaks aside, there has been no indication whatsoever that IBT President Frank Fitzsimmons is planning to resign from his position. According to an article appearing last week in the Cleveland Plaindealer Fitzsimmons has indicated that he is absolutely committed to remaining in office for his elected term. Indicating his contempt for both the media and the "dissident" grouplets which have been instrumental in trying to force his resignation, Fitz told the Plaindealer,

"(the dissidents) are like the Naderites; get five of them in a parking lot, and the media will be filming them."

The following is from an article, "Fitzsimmons May Resign," appearing in the Nov. 2-8 issue of In These Times, under the byline of Dan Marschall.

Frank Fitzsimmons, ...may resign soon, In These Times has learned. His position will likely be filled by Joseph Trerotola, union vice-president who serves as chairman of the Eastern Conference...Fitzsimmons has been a highly controversial and much investigated figure...his downfall is apparently the result of federal investigations, political ineptness, and pressure from the rank and file...

'Full Employment,' Urban Policy Are Cover For Genocide

The Carter Administration's endorsement this week of a reworked version of the Humphrey-Hawkins Full Employment and Balanced Growth Act marks the beginning phases of implementation of an employment-urban policy that will lead eventually to the relocation and murder of more than 20 million Americans in slave-labor camps.

SPECIAL REPORT

It is intended that the treasonous Vice President Walter Mondale be installed in the White House to preside over the policy's final phases. As a Senator, Mondale submitted legislation for a national labor relocation act, and members of his personal staff are reported to be working on a revised version of this plan, known in 1974 as the National Employment Relocation Act (NERA).

The policy is being thrashed out by a group of advisors including: on employment questions, Eli Ginzberg, regarded as the manpower guru of the Carter Administration and a self-professed admirer of Hitler's manpower policies; on "urban policy," urban planner Paul Porter, *New York Times* editorial board member Roger Starr, the man who has proposed to "shrink" New York and every other major urban center, and a gaggle of experts from the Institute for Policy Studies (IPS) and other thinktanks. Playing a major coordinating role in the formulation of such policies is Lazard Freres general partner Felix G. Rohatyn, the modern-day version of Hitler's finance minister, Hjalmar Schacht, who has spent the last two years deurbanizing New York City as the chairman of the Municipal Assistance Corporation.

Such experts plug into the staffs of various cabinet members, such as HUD Secretary Patricia Harris, Labor Secretary Ray Marshall, and Treasury Secretary Werner Blumenthal, who are effectively presided over by Vice President Mondale. The staffs of several key

senators and congressmen, including Senators Hubert Humphrey, Jacob Javits, and George McGovern, as well as Representative Henry Reuss, are currently involved in working out the various proposals for "enabling" and funding legislation to carry out this policy.

As the interviews and excerpts from documents and speeches below indicate, there is some disagreement as to the exact details of such a policy. This disagreement should not be looked at as between two contending policies, but between "variations" of the same slave labor policy.

The starting premise for the formulation of this employment-urban policy is, in the words of Paul Porter and an aide to Rep. Reuss, that "the era of an urban-based industrial society has come to an end ... we have entered the post industrial era...." It is the same rubbish — the end of technologically oriented industrial growth — which is used to justify the Malthusian energy proposals of James Schlesinger and the Carter Administration.

These Malthusians argue that it is impossible for the economy to create skilled or semi-skilled employment at a sufficient rate to employ those presently unemployed. They therefore recommend the creation of low-wage, low-skilled jobs through public funds. If it is impossible to create sufficient low-wage jobs in the urban centers, they propose to relocate the unemployables "to jobs elsewhere" — i.e., to slave labor camps or low-wage, low-skill light assembly plants elsewhere. As a correlative, such planners advocate the lowering of wage and benefit scales presently paid to unionized workers; the building trades and municipal unions are key targets.

We summarize the major features of that program:

1. *Slave labor jobs creation:* massive expansion of CETA-type, low-wage public service, public works employment programs; tax breaks to the private sector to create labor intensive, low-skill, low-wage employment; as a correlative, the elimination or drastic reduction of transfer payments programs — unemployment benefits, welfare, etc. — and the quick transformation of those programs into "work for welfare"

plans. Expanded jobs-creation programs are likely to initially target youth and urban poor and be linked to "sweat-equity"-type housing development schemes.

2. *Relocation*: programs to encourage or force the poor to "move to where the jobs are," either through use of the transfer payments system or a new program; eventual central coordination of such policies through a single agency or group of agencies; initial programs may involve moving poor around within a given urban area.

3. *Social engineering*: the creation of new artificial political constituencies through the use of relocation-employment policies — i.e., the movement of the middle class back into rehabilitated areas of the cities and the relocation of the poor to labor-intensive light industry jobs in the suburbs; this has the effect of breaking up traditional urban political alignments.

4. *Depopulation*: as some of the "urban planners" state, an intended effect of breaking up the urban ghetto through relocation is to "break up the breeding grounds" which planners claim are responsible for what population increase has taken place in the U.S.

5. *Funding through massive credit expansion*: Felix Rohatyn and others feel that the implementation of such policies will require the development of a multi-billion dollar "urban banking system." Such a system, modelled on Schacht's mefo-bill structure, will enforce the debt liens of the various development schemes against the productive U.S. economy. Since the investment by this urban banking system will not create productive jobs or real wealth, the most massive inflation in history will be created as a byproduct.

Such policies cohere precisely with those planned on a global scale by the City of London's International Institute of Strategic Studies, which for some time has advocated depopulating the world's cities.

As the interviews below make clear, the participants in this conspiracy to commit genocide feel that the American people are not presently prepared to swallow their schemes. They are, therefore, predicating the success of their efforts on related British-based policy initiatives to collapse the U.S. economy.

"Americans are unwilling to take heed of visionaries like us in normal times," said an associate of planner Paul Porter. "They need a shock like a depression to make them listen and follow."

Porter: 'We Will Force Relocation'

The following are excerpts from an interview with urban policy planner Paul R. Porter, regarded as one of the leading proponents of "central city development." Porter has drafted a "Cities Recovery Act" to be submitted by Senator Hubert Humphrey in the next session of Congress; the act calls for a massive experiment in "urban recovery policies" in four to six cities for a period of two to two and a half years, after which recommendations for a national urban policy will be placed in

legislative form. The "experiment" would be directed by a cabinet level "interdepartmental coordinator," confirmed by the Senate. Porter recommends either Roger Starr, the New York Times editorial board member or Municipal Assistance Corporation chairman and Lazard Freres general partner Felix Rohatyn as being ideal for the job.

We are going to have to spend money (to save the cities) — a great deal of money. And we are going to have to spend it in such a way as to make the aid eventually unnecessary.... We have to be honest with ourselves — the cities are never going to "recover" to the way they were before; they are never going to be manufacturing centers again. So we have to gear our policies with that in mind. The key to the recovery is to make the cities attractive again to the sons and daughters of the middle class, professionals who left the cities for the suburbs over the last two decades. It is to attract them that you have to provide jobs, services and housing.... It is also a fact of life that we can't employ the urban poor in the cities.

Even if you carry out some plan to bring labor intensive manufacturing back into an area of the South Bronx, for example, you are only creating enough jobs to employ a small number of people relative to the total number unemployed. And for the most part, you can only attract high-technology employment and the people of the South Bronx are not equipped to take them. So in fact, when all is said and done, you are going to make it worse... So our goal has to be to build middle class housing units for those suburban middle class that you want to attract back... this can be done through "rehabing" some of the sounder old neighborhoods and it will require some new housing construction... you may keep the poor around for a while to help clean up the city, but the idea is to get them to move — I would go so far as to say force them — but encourage them to move to where the jobs are. If this is what Starr is talking about when he says the cities must "shrink" then he has a point....

We are coming together on this, so is (Rep. Henry) Reuss.... There will have to be some national relocation program, otherwise you will never solve the unemployment program... you can't keep people on dole or public service jobs forever.... This (relocation) will shake up politics in this country, because you are really talking about tampering with hundred-year old (in some cases) political constituencies and reshaping them....

I know that the Administration as a whole has trouble with these ideas... though many in the cabinet and elsewhere know that there is no other way.... I have been told by the next best thing to the President himself that, unfortunately, the Administration's official urban policy will be a lot of moral imperatives, no new programs, mostly dusted-off old ones, too little money, and in general will be almost totally useless... There is going to be a lot of opposition to the kinds of things I'm saying in Congress, but if nothing is done, things are going to get worse. The economy is going to get worse, the Congress will have to listen and act....

Zero Population Growth 'Fortunate'

The following is excerpted from a speech delivered by Paul R. Porter to a Washington conference on Revitalization of Cities and Neighborhoods on Oct. 11, 1977.

...The era of fast urban growth has ended, probably permanently. Since 1950 our population has grown by 43 percent, but because of the now falling birth rate we have had fewer children of pre-school age than we had that year. The second development is the great fall-off in new arrivals from farms and small towns. In just the past few years we have come to the end, or virtually so, of a three-century transition of American society from mainly rural to mainly urban....

The falling birth rate and the end to the transition from mainly rural to mainly urban are fortunate events. On balance, they make it easier for cities to recover....

In seeking a commercial revitalization of cities, it is tempting to say: Bring factories back to the city. I am convinced by my studies that the best that can be done is to slow down the rate of departure. Once factories have left cities, few will return. Nor is the rate of formation of new factories great enough to make a big difference, even if all located in cities....

Starr: Change Welfare System To Shrink Cities

The following are excerpts from an interview with Roger Starr, member of the New York Times editorial board and the former Housing Commissioner of New York City. Starr, who has connections to planning circles in both Lazard Freres and Rockefeller camps, is best known for his advocacy of the "planned shrinkage" of New York City by driving out some 2 to 3 million ghetto residents through a calculated policy of service cuts and aid cutoffs.

Q: Rep. Reuss's committee is about to issue a report to which, I understand, you contributed, which shows that the factors that made New York City grow to such large proportions are no longer in existence, and that therefore, the city must shrink. Does this report get at the need for making it possible for people to move out since the city is too big without any good reason?

A: That's it exactly. That's the problem. It is very, very difficult for New Yorkers to face the fact that their city will no longer grow and that in fact it must get smaller, especially if they are holding public office. The point that I keep making repeatedly is that it would be better to relocate people to areas in which they can find work than to artificially stimulate an area like New York.

Q: What about opposition from the urban poor and suburban middle class?

A: Well, that opposition must be overcome.... When the forces of democracy and the forces of economics become strong enough we can overcome opposition we thought

we could not overcome.... The Reuss committee is moving in the right direction on this.

Q: Are there any indications that the Carter Administration might be sympathetic to the Reuss committee's recommendations?

A: Well, there are a lot of forces in the United States which would love to see the cities just become reservations for black and hispanic people where they would stay there and not bother the rest of the country. I think that's a very, very, mistaken and bad idea. It sounds politically easier but I think it is potentially very destructive.

Q: Doesn't what you are talking about involve a major restructuring of all political and economic constituencies. Particularly, doesn't this mean that you are going to eliminate the present constituencies of almost every black and minority Congressman by shipping them somewhere else?

A: That's it exactly. Those black leaders who come to Washington to demand full employment and a national urban policy may be asking for two things which are incompatible. What they want is everybody to be kept exactly where they are in the cities so their constituencies would remain there and keep voting them back into Congress.

Q: How can people be encouraged to move out of the cities?

A: You see, the problem is that poor people are actually discouraged from moving because the welfare payments are so high. This is an anti-economics policy. If pure economic forces were allowed to prevail, people would definitely migrate. Most of them migrated to the big cities in the first place, and now they expect the cities to take care of them. People underestimate the ability of the urban poor to find work elsewhere. If the welfare system were modified to encourage them to move, they would find work outside the city.

Rohatyn: Make Welfare A Tool

The following is excerpted from a speech by Felix G. Rohatyn to a select audience at New York City's Union League Club on November 4, 1977.

The fact of the matter is that this City, as well as every older city with high unemployment and shrinking population, needs outside subsidy to recover. It has been suggested by Federal officials that my pessimism is induced by battle fatigue brought on by our struggle against bankruptcy. I am fatigued, but mostly from trying vainly to explain to officials at various levels of government that what is good for us is probably good for them, that tomorrow the problem will be greater, so why not face it today....

Budget relief to permit the required investment in local tax reductions and service improvement can only come from Federal assumption of local welfare costs. Far from a bailout the government should consider such

assumption of local costs as a highly targeted tool for economic stimulus. By conditioning the assumption of local welfare costs to the simultaneous reduction of state and local taxes, the Federal government can bring stimulus to those areas that need it the most. This could also reduce the amount of Federal tax cuts otherwise needed and the Treasury would recoup this outlay from the increased revenues generated as a result. The conventional wisdom that assumption of local welfare costs is a bailout for the liberals, the blacks, the cities, the crazies, should be dispelled once and for all; assumption of welfare costs tied to local development could be the most effective tool for urban recovery. *An urban policy including a takeover of welfare costs tied to local tax reductions, and an Urban Youth Corps to deal immediately with unemployment in the ghetto, and an Urban Development Bank to create industrial activity in impacted areas would have a chance of succeeding.*

IPS Man: 'We Have To Raise Taxes, Federal Deficit'

The following are excerpts from an interview with Lee Webb, currently working out of the Washington-based Institute for Policy Studies on urban policy questions; Webb is reported to be the key advisor of Sen. George McGovern (D-SD) on such matters.

The Carter program is a total mess. It may wind up doing more harm than good. My reading of it is that the urban program is geared toward moving the middle class back to the city. They (Carter Administration) are really not interested in poor people — despite all their protestations to the contrary. Their programs would create housing and services for the middle class professionals. If you share Paul Porter's and Roger Starr's views of the city, then I guess this is fine. But we don't — at least not in the extreme.

The Carter "Urbank" was devised by commercial bankers and it and the entire urban policy is a banker's policy. They are saying go into a poor area of the city, "rehab" it, raise the rents, drive the poor out and bring in the middle class...it is a policy that will quickly lead to relocation. Senator McGovern and people like him don't want to relocate people so fast. Relocation smacks of a dictatorship.

We say: let's put the people to work where they are.... An urban policy must start with a full employment policy and you can't start by shipping people out. What we should do — and at this point I can only give you an outline — is spend a lot of money putting people to work rehabilitating the cities' infrastructure.... I'm not talking about moving an auto plant to the center of a city — we don't need any more auto or steel plants. I'm talking about light manufacturing, low-skill jobs that can use the poor. With this and public works and housing, there is enough work to keep everybody busy for ten years or more. If at that time, there is still a shortage of jobs in the cities then we can start talking about relocating a lot of people....

We are talking about spending a great deal of money...so much that it would scare the pants off people.

Five hundred billion, a trillion, maybe more, but it would be over a decade or more...it may require a whole new kind of funding mechanism to dish out and generate that much credit and capital...We will have to raise taxes, raise the federal deficit, and redirect funds away from the defense industry to pay for this...Carter is cheap and gutless....

We'll Make Mincemeat Of Carter If He Doesn't Support Urban Scheme

Below are excerpts from an interview with a source close to Sen. George McGovern (D-SD), one of the supporters of the "Marshall Plan for the cities" concept.

We have been quiet lately ... we don't want to hurt some of the positive things that Carter is doing, especially in foreign affairs. When it comes to domestic policy, the Administration is way off base. We can't comment on specific proposals that the Administration has made on urban policy, because there are none really.... almost anything they do is going to be inadequate.

The main problem with Carter is that he is moronically committed to bring the budget into balance by 1981. There is no way you can have an urban policy without spending money — period. Carter doesn't want to spend money, so he might as well just piss in the wind.... We have been working on a policy initiative for the last four months and it's just about ready. It is not so different from some of the things in the Save the City report that Reuss issued...McGovern will take leadership on the urban policy question. That's good because Carter is scared of him; he (Carter) is thin skinned and criticism, especially from liberal Democrats like McGovern, drives him up a wall.

No one used to talk about the idea of relocation until recently. It is a dramatic policy shift and I think that we should try to work something else out first. If you can't create enough jobs in the inner city then relocation is the only way....

We are going to have a great deal of problems selling any urban program to the unions. If you don't sell them, then there will be no legislation. How can you explain sweat equity to unionized construction workers — maybe by throwing in a lot of unionized public works projects or by making some deal on pay rates with union leaders. The best way is to present an urban program as part of a whole package — urban policy and full employment go together, energy development goes along, reconversion of the defense industry. You take these ideas to a number of progressive union leaders and say help us make it work. We're talking with Fraser of the UAW and Winpisinger of the IAM. The economy is going to get worse — that will help us sell people on our ideas....

Humphrey-Hawkins is already outmoded and a waste of time. Carter couldn't be more stupid. He has pissed off the right and the left; in the end we (i.e., the progressives — ed.) are going to have to try and salvage the mess.... we will win over the constituency that elected Carter. Carter is trying to be the candidate of the middle class,

but it was the poor and working people who elected him. He has lost sight of his constituency.... If Carter continues with his budget balancing act, we'll make mincemeat of him at the mid-term (Democratic Party) convention next June. There are plenty of real Democrats who want to be President....

JEC: Humphrey-Hawkins Prepares The Way

Below are excerpts from an interview with a staff member of the Congressional Joint Economic Committee who is close to Sen. Hubert Humphrey (D-Minn); the staff member reported widespread disagreement — "even in the ranks of progressives" — over the precise formulation of an urban policy.

If you talked to four different people, you might get eight different conceptions of what an urban policy should be — and what their counterparts are thinking.... The Administration doesn't have any clear idea of what to do. They are going to have to spend a lot of money to have any impact on the problem — and from the looks of what they are talking about, they won't do it. Humphrey has drawn up what he thinks should be a national urban development bank. It isn't anything like the ideas that are coming out of the bankers in the Treasury for an "urbank." All they are talking about is a glorified version of EDA block grant and who the hell needs that.

Our proposal is to set up an agency that gives money directly to municipalities — if need be, lots of money — via federally backed loans, grants, etc. These could then be used for a myriad of employment programs, housing development, infrastructure development and improvement. It would also help recycle debt.... Unfortunately, the idea did not get too many takers in this session, but we'll bring around again next year. The problem isn't going to disappear — it is likely to get worse...

I'm not so sure that (Paul) Porter would like the idea, probably because it doesn't go right at a relocation program. It would attempt to put people to work where they are.... Eventually we would have to incorporate some relocation programs but we should really try to do it some other way first... there is almost no end to public works programs and public service jobs that can be created in cities ... Felix (Rohatyn) likes the idea of Humphrey's proposal. He thinks we can put plenty of people to work in the cities, at least for the time being... I also think he likes the idea of us setting up an alternate bond and credit market for municipalities which would force cities into a fiscal discipline but which would not allow the banks to rip off taxpayers (through interest payments) in the process...

We are satisfied with what came out on Humphrey-Hawkins. It is not everything, but it is probably the most we can get now... we always knew that the real fight

would come when we try to appropriate money. We need a victory on Humphrey-Hawkins for psychological reasons. It would prepare the way for bigger and better things....

Levitan: Lower The Minimum Wage

The following are excerpts from an interview with manpower planner Sar Levitan, currently the head of a special government commission devising new methods to measure unemployment.

The Humphrey-Hawkins bill is little more than rhetoric. Any target percentage will hide the real scope of the problem. You can't talk about an unemployment rate like that unless you talk about a price tag. If you are talking about \$5 an hour job, then millions of people will leave the jobs they are in at a lower pay to get on the dole...I think (Federal Reserve Chairman Arthur) Burns had the right idea when he said that he favors full employment, provided you create jobs at 10 percent below the minimum wage.

Now, people in New York City might not want to take jobs like that, but in other cities, there would be a lot of takers. Of course, you have to make sure that the pay is not too low, because no one would take the jobs... there is a need for greater targeting of jobs programs. I think that Eli Ginzberg and I are thinking along the same lines. We agree on most things....

Reuss Report: FED Must Help 'Decentralization'

The following is excerpted from the summary of "To Save the City", a 70-page report released two months ago by Representative Henry Reuss (D-Wisc) through the Subcommittee on the City of the House Banking Committee.

The most direct and effective way to help cities is to provide jobs. Ultimately that task must be heavily assisted by the Federal government. For blue-collar jobs, light industry can be encouraged to set up in central cities. For white-collar jobs, training programs must be basically changed; and the Federal government itself can decentralize many of its own operations to job-hungry cities. Moreover, a part of our central city unemployed must be helped to go where the jobs are. Good transportation and an end to exclusionary suburban housing practices can bring the urban unemployed to jobs in the suburbs and beyond. Finally, national service jobs must take up the current drastic slack in employment, in the process of accomplishing useful things in both country and city, training recruits for private employment, and giving young people a sense of cooperative purpose.

Cities Must Cut Service Costs

The following are excerpts from an article by Roger Starr which appeared in the October issue of the Nation's Cities magazine, a publication of the National League of Cities.

...The question for the cities that have experienced shrinkage in manufacturing jobs is whether they can offset this by growth in commerce and the provision of services, without massive federal intervention. The answer is no.... Much as we would like to, we cannot forget that the basis of a high standard of living is the cheapness with which wealth can be extracted from the earth and that America's greatest advantages in this category of costs of living have been vitiated by time, population growth, and neglect of the conservation of basic resources.

...I am convinced that federal help to the people in need in the cities will involve migration by the younger of them to those parts of the nation that are growing economically, coupled with training for new job opportunities and the encouragement of new federal programs in environmental conservation, preparation of the exploitation of coal resources in the West, and other industries related to the future requirements of the nation in the medium-to-long time range. This program will seek to move the unemployed and, at present, perhaps unemployable urban populations out of areas where they have no hope and into areas where they do have hope.... Major reforms in the present systems of income maintenance or welfare would be needed to make possible this migration....

Faced with a loss in wealth and population, the older cities can survive only by cutting down their service costs.... If the cities are shrinking in wealth and population, it is necessary to plan for that shrinkage as it was advisable under other circumstances to plan for growth.

The first step in planning for shrinkage is to prepare hypotheses for the prospective future sizes of a city's population. Next is the analysis of the sections of the city whose population decreases at the most rapid rate: a plan for shrinkage is dependent primarily on following or anticipating the spontaneous movement of the population. Depending on one's hypothesis as to future population levels, municipal leadership must cut off new investment in areas that cannot be expected to attract new people or even hold their present populations. Areas that are being deserted by many of their people should be encouraged to lose *all* of them, by offering relocation advantages to areas that have vacancies but that are not being deserted. Those who object to such policies describe them as cruel and say that they are based on the notion of reducing services to force out population. The opposite is true. They are based on the notion of reducing population spread in order to be able to provide people with continued services. Some of the outcries against the notion of planning for shrinkage, or planned shrinkage, come from those who, like local elected representatives

or "poverty" workers, have a vested interest already in the persistence of a geographical area but care little for the basic economic and social conditions in the area....

Ginzberg: Unemployment Much Larger

What follows is excerpted from an article in the November issue of Scientific American by Eli Ginzberg, the head of the National Commission on Manpower policy.

...In addition to the seven million "officially" counted as unemployed (since they are "actively" seeking work) the total number of potentially employable Americans may be more than three times that number, or about 24 million.

The Administration has put off until 1981 the goal of a labor market in reasonable equilibrium, but that goal looks only to the reabsorption of three million or so people currently on the unemployment rolls. It surely does not include absorbing a significant number of the estimated 17 million additional people not currently counted in the labor force who need work or want to work.

One should not be regarded as anti-business if one concludes that there is no prospect of the private sector's expanding sufficiently to make a significant impression on the overhanging mass of potential job seekers. If the private sector economy can find jobs over the next four years for the new entrants into the job market and for three million of the currently unemployed, it will be doing well. On the other hand, one should not be regarded as antigovernment if one concludes that there is no realistic prospect of the Federal Government succeeding in the years immediately ahead in significantly reducing the pool of potential employables. The Government could do so, if it could do it at all, only at the price of extreme inflation.

In economic policy, as in political and social policy, a country that avoids the pursuit of unrealizable goals is a country that protects its treasure. It is therefore in a better position to experiment, to innovate and to modify its programs as it gains greater knowledge of how to translate goals into accomplishments. That is the stance the U.S. should adopt with respect to employment policy, now and in the future. We cannot assume that the private sector will be able to create adequate numbers of new jobs, and we cannot assume that the Federal Government will be able to provide a job for everyone who is able and willing to work. That is a commitment that, at least for the present, is too ambitious. The Federal Government has begun to and should continue to identify groups in the community that are most in need of assistance in improving their employability and employment. Government should not be so hesitant to help those citizens most in need of help, and it should not be so foolhardy as to make promises on which it will be forced to renege...

Geneva And The Factional Line-Up In The Soviet Union

The following is an analysis of the several different factional viewpoints expressed in the Soviet party and government by the U.S. Labor Party's Director of Intelligence, Criton Zoakos. It originally appeared in the Labor Party's newspaper, New Solidarity.

Soviet President Leonid Brezhnev delivered his speech Nov. 7, on the 60th anniversary of the Great October Revolution at the height of a sharp fight over foreign policy which has been raging among top policymaking circles in the USSR over the past two months. In fact, the leading factional networks in both Moscow and Washington are presently assuming that if the Carter Administration fails to deliver on its promises of an early Geneva Middle East Peace Conference, then the centrist faction over which President Brezhnev is presiding will suffer a serious setback in the hands of the combined forces of Soviet military hardliners and internationally oriented forces in the Soviet scientific and intelligence establishment who are favorable toward recent French Gaullist proposals for a world development program and a monetary reform based on gold.

The indications coming from events around the 60th anniversary celebrations point to the likelihood of an early collapse of the recent Gromyko-Vance deal and a return to the climate of U.S.-Soviet diplomatic hostilities which existed during the March-April period. Only a decisive defeat of Israel's and the Zionist lobby's drive to derail the Geneva conference would avert this course of developments.

This has both the American and Soviet principals of the Gromyko-Vance deal very worried, to the point that a major part of these two groups' activities involve efforts to boost up their counterparts' factional positions in their respective countries. The overall effect of these efforts has, during the past week, amounted to a comedy of errors as the *New York Times* and the *Washington Post* buried their "human rights" propaganda and engaged in articles and editorials of virtual adulation of President Brezhnev. The comedy of errors also extended to editorial attacks by these two dailies against the so-called Jewish lobby which has so far made it almost impossible for Secretary Vance to deliver on the Geneva Conference part of his bargain with the Moscow leadership.

More amusing, however, was President Brezhnev's claim, during the anniversary celebrations in Moscow that his unprecedented offer to stop all peaceful un-

derground nuclear testing is to be taken as an intervention into the factional brawl in Washington.

Hard Line Reaction

As it turned out Leonid Brezhnev is the one who will need all the help he can get if he is to survive. However, the help offered him by the editorial writers of the *Washington Post* is not exactly what is required.

The problem with Katherine Meyer's *Washington Post* and certain associated New York Zionist lobby policymakers is that they do not have the slightest notion of how Soviet political reality—into which they presume to intervene—really works. For instance, despite the apparent consolidation of the centrists around Brezhnev since the Gromyko-Vance joint statement, the "Gaullist" Soviet hardliners carried out a major coup in the course of the October Revolution celebrations. They cancelled British-agent Santiago Carrillo's, the boss of the Spanish Communist Party, scheduled address before the Soviet Supreme Soviet; they triggered a series of attacks against the London-inspired drive for "Eurocommunism"; they published in the government's official daily *Izvestia* for the first time an account identifying London as the inspirator of international terrorism; they censored from Soviet TV broadcasts those sentences of Brezhnev's anniversary speech which offered to cancel all peaceful underground nuclear explosions.

Further indications from a number of East European capitals leave no doubt that the top Soviet leadership is in the middle of an intense three-way factional fight.

Three Factions

The two opposite extremes in this three-way lineup can best be termed as the "British" and "French" factions, named after the foreign partners each tends to align with. Between the two lies a large "centrist" inertial force which is presided over by Leonid Brezhnev and intervenes to ensure that neither the "British" nor the "French" tendency gains too much ground.

To understand the concerns and the character of this "centrist" tendency one need only consult Brezhnev's panegyric speech Nov. 3. That speech is driven by an obsessive effort to strike a balanced growth among the key sectors of the Soviet economy under conditions of continued isolation from the world economy. Evident throughout the address is the plea of the Soviet Oblomov tendency to be left alone, to ignore the international monetary chaos, to ignore the impact of the collapse of world trade on Soviet capital formation programs—and

also to ignore the persistent deterioration of the world strategic situation which puts strains on Soviet heavy industry and defense production. Brezhnev's centrist faction represents a Soviet impulse to make believe that the all too real problems of the outside world will go away if one makes certain "rational" concessions to the other side.

Neither the "British" nor the "French" faction of the Soviet leadership, however, suffers from the delusion that the USSR can remain insulated from the world. As a matter of fact, the "British" faction of Messrs. Arbatov, Afanasiev et al. whose pedigree goes all the way back to convicted British intelligence operative N. Bukharin, are on a mobilization footing to impose today Her Britannic Majesty's concepts of consumerism, "Eurocommunism," and integration into the bankrupt International Monetary Fund as the only path to "modernization" available to the Soviet Union. The intelligence and covert operations warfare currently raging in Yugoslavia, Poland, Hungary and to a lesser extent in the Soviet hierarchy is aimed at creating the necessary bureaucratic balances for such a shift.

The so-called "French" or "Gaullist" tendency, entrenched mainly in the Soviet military and scientific traditions, approaches the issue of the Soviet Union's role in the world arena in a way conceptually similar to Admiral Gorshkov's notion of modern military power: the Soviet Union, 60 years after the Bolshevik Revolution has reached the point of industrial, political and scientific maturity which obliges it to take major positive responsibility for world industrial and economic development, including responsibility for shaping a new international monetary system.

What the Washington Post and other British-connected expectant manipulators of Soviet politics do not understand is the ultimate affinity in the outlook of the centrist and the "hard line" Gaullist tendencies in Soviet politics. The basic programmatic approach of the hardliners is oriented around a core-program of world industrial development and world monetary reform based on gold and the transfer rouble as the only viable war-avoidance posture. To them, the destruction of London monetarists' control over the world markets is a fundamental issue of national interest; thus, they represent the most advanced and sophisticated articulation of the Soviet state's long-term interest.

Leonid Brezhnev's problem is that the ultimate loyalties of his "centrist" Oblomovist base are to Soviet state interest, as this basically isolationist base understands that interest. If his current policy course fails, all bets are off. It will only take a failure of the scheduled Geneva conference and some further progress in London's continuing subversion and destabilization efforts in Poland and Yugoslavia for a drastic upheaval in the Soviet political scenery.

If events move in this direction in the weeks ahead, then one of two possible alternate situations will replace the present Brezhnev policy, both of which will involve the merciless purging of the British faction. One alternative, the worst-case scenario, will involve the replacement of Brezhnev's failed war-avoidance strategy with a purely military hard line and the shift to a war-winning posture. This would be based on a political

cooptation of some of the "Gaullist" faction's military leaders into the enraged camp of awoken centrist Oblomovists waving the banners of Mother Russia.

The second, best-case scenario will be the replacement of the present Brezhnev policy with an aggressive, Clausewitzian war-avoidance strategy with a drive to bankrupt London and related New Nork monetarist interests on the basis of a Paris-Moscow alliance for world industrial development which would increasingly tend to pull into its orbit "Rapallo-oriented" industrial-labor interests in West Germany, Italy, Japan, and the United States itself.

Red Army Uses Brezhnev Against Brezhnev

The Soviet Union celebrated the 60th anniversary of the October Revolution Nov. 7 with a military parade in Moscow twice the size of last year's. The Soviet military took the occasion to remind, in a greeting to last week's special session of the Central Committee and Supreme Soviet, that Soviet overtures for peace — for a Middle East settlement and a new strategic arms agreement, for example — are not to be taken as a signal of weakness.

The Armed Forces statement stressed the crucial nature of advanced technology for Soviet defense.

The statement was a factional comment on Soviet President Leonid Brezhnev's exceeding flexibility in offering a suspension of nuclear blasts for peaceful purposes, for the sake of a new test ban pact.

The Armed Forces greeting, excerpted here from the Daily Red Star Nov. 4 issue, compiled the toughest highlights from past speeches of Brezhnev himself. The military prefers to remind President Brezhnev that he also carries the title "Marshall of the Soviet Union."

Years and decades have passed, but as long as imperialism exists on our planet, the wise Leninist dictum remains sacred for us: "Be sharp, guard the defense capability of our country and our Red Army, as the apple of your eye..."

The men of the army and navy, like all the people, fully support the internal and foreign policy of the party and government, their struggle for international detente. *But when Soviet people talk about peace, let no one take this for a sign of weakness.*

As a symbol of fidelity to Lenin's principles, Leonid Ilich Brezhnev's words sound as a warning to the enemies of peace: "Continue to maintain the country's Armed Forces on a high level, so that Soviet soldiers always have the most modern weapons, which the imperialists have to reckon with — this is our duty to the people, and we will fulfill it sacredly..."

With a feeling of warm thanks to the party and people, who have entrusted awesome weapons to us, we solemnly declare: "We have something with which to defend the socialist Fatherland!"...

Revolutionary, militant traditions live and multiply. This is why we soldiers of the seventies solemnly declare

to the people and party: "We have someone to defend the Soviet Fatherland!"

Every year, a better educated, politically and technically more literate young generation enters the army and navy. But the demands on the Armed Forces personnel constantly grow. Each soldier must completely master complex technology and be prepared for any trials on the field of battle. This requires great and persistent labor, high discipline and organization. On land, sea and water and under water — intense combat training is going on. In maneuvers and exercises, military skill is developed, and the moral qualities of the soldiers and officers are tempered.

The main result of all our work is that the Soviet Army and Navy are stronger and more monolithic than ever.

But the personnel of the army units and ships view what has been achieved only as a stepping stone for further growth. We have no small reserves for raising the efficiency and quality of combat training. And the nature of the period, so full of historical events, demands that we go further and achieve more.

The new Constitution of the land of October — the outstanding document of modern times — has affirmed the truly great achievements of the workers. It not only declares the rights and freedoms of the citizens of the USSR, but guarantees them. Soviet soldiers well understand that the basis of these rights and freedoms is the might of the socialist state, the peaceful creative labor of the people, and its reliable defense.

On this solemn day we vow sacredly to fulfill our duty to the people, and as the Basic law of the USSR states, to be on constant combat readiness, guaranteeing the immediate rebuff of any aggressor.

Evans , Novac Find "Gaullist" Faction Strong In USSR

Recognition that a strong Soviet faction wants to gear Soviet policy to Soviet economic development needs was expressed in an apprehensive column by Evans and Novak Nov. 16. The real Soviet threat to Western Europe

(from the monetarist point of view) is not a military invasion, they wrote, but an upsurge of technological exchange and trade. "Moscow wants an economically healthy Western Europe — not one devastated by war....," they cited European observers.

The impetus for Soviet collaboration with progrowth Western political and industrial leaders is dramatized in the current Soviet-Japanese economic negotiations, which are on the verge of a new quality and scale of projects: nuclear power development, Siberian resource exploitation, and a much higher trade turnover. Among Soviet scientists, planners, and party administrators responsible for aspects of the USSR's huge Siberian development program, there are many who know that its implementation can only be speeded by a healthy capitalist industrial sector generating technology exports to the USSR.

The Siberian natural gas projects to which Japan will contribute, for example, are geared to a *thirty-year* growth plan for the entire region. Japanese finished goods may find a market in the new cities being built along the new extension of the Soviet trans-Siberian railroad and around new hydroelectric power stations and industrial complexes.

The arrival of Soviet fusion research leader N. Basov in the U.S. to seek new broad cooperation on nuclear energy development is another mark of this "Gaullist" faction.

Banned Carrillo Speech Was "Prepared" By Pravda Editor

The Spanish Communist Party has revealed that the speech which Eurocommunist kingpin Santiago Carrillo was forbidden to deliver in Moscow last week was "prepared" by V. Afanasyev, the editor of *Pravda* and Carrillo's current chief apologist in Moscow. While putting an end to the official proclamation — released by Afanasyev himself — that the ban on Carrillo was due to "translation" problems, the PCE's press announcement confirms that the emcees at the Kremlin Palace of Congresses silenced not the foreigner Santiago Carrillo, but a leading "Britisher" in the Soviet party itself.

Somalia Breaks With Soviet Union, Cuba

On Nov. 13 the Somali government renounced its treaty of friendship and cooperation with the Soviet Union, ended Soviet use of naval facilities, ordered all Soviet advisors to leave within seven days, and broke diplomatic relations with Cuba.

The dramatic move by the Somalis, reached after a 10-hour meeting of the central committee of the Somali ruling party, comes in the wake of Somali military reversals in attempt to annex large sections of neighboring Ethiopia. Somalia is blaming the defeats on increasing Soviet and Cuban aid to Ethiopia. The Somali move, probably taken to gain arms from the West, leaves the Somalis with a precarious internal situation.

Since the Organization of African Unity condemned the Somali attempt to grab the Ogaden region of Ethiopia, using the ill-disguised Western Somali Liberation Front, any arms provided directly or indirectly to Somalia by a Western nation will be regarded by the OAU as an imperialist effort to arm a group that is attacking a fellow African country.

France, Britain, and the U.S. refused Somali requests

for arms so long as the Somali attacks against Ethiopia continued. Informed African sources report that the expected Africa-wide denunciation of the West for any future arms shipments to Somalia would undermine Western initiatives elsewhere in Africa. It would also intersect circles in Somalia, that, after eight years of close cooperation between the Soviets and poverty-stricken Somalia, opposed the move to break with the Soviets.

The same sources indicate that the Soviets, while trying to avoid this eventuality, took this development in stride. Despite the widespread press accounts of the Somali break as a severe blow to the USSR, the only comment the Soviets made is to attribute the break to Somali anger over the Soviet refusal to back the country's expansionist moves. "Essentially, behind this action lies dissatisfaction because the Soviet Union did not support Somalia's territorial claims on a neighboring state and refused to facilitate the stirring of fratricidal war in the Horn of Africa..." the Soviet news agency, Tass, reported today.

The Somalia Story: A Year Of Diplomatic Warfare

The Somali Government's expulsion of Soviet advisors and breaking of relations with Cuba comes after more than a year of behind-the-scenes warfare between the socialist and nonaligned countries on one side, and Atlanticist and City of London factions on the other. The real fight is not the "East-West conflict over the strategic Red Sea," but whether the Horn of Africa and neighboring Arabian countries will settle their disputes in the context of developing the region's enormous food-producing potential. Or will the region remain balkanized, tension-ridden and impoverished, useful only as a pawn in the British Crown's struggle to retain control over the Middle East?

Here are the salient features of the last year's diplomatic warfare.

Assault on Ethiopia

After the overthrow of the Haile Selassie regime in Ethiopia in 1975. Atlanticist policy toward that country was aimed at keeping the ruling military Council, or Derg, under U.S. control either directly or through the

widespread network of American agents in the country. The policy provided for manipulating Ethiopia's terror of being cut off from the sea by hostile Arab states. The "peasant holy war" against the secessionist movement in Ethiopia's coastal province of Eritrea exemplifies this policy organized by American agent and cochairman of the Military Council Atnafu Abate, in May 1976. Not only did the "holy war" result in the widespread massacre of civilians; it also destroyed attempts being made at negotiation by the man who is now Ethiopian head of state Mengistu Haile Mariam. (Abate was finally uncovered and executed only last week.)

In September 1976 the American command structure to destabilize Ethiopia was upgraded by the appointment of G. McMurtrie Godley as U.S. Ambassador. Godley is well known for the key role he played in keeping a succession of American puppet regimes in power in Zaire, and as American ambassador to Lebanon during the first months of the Lebanese civil war.

This culminated in a February 1977 coup attempt in Ethiopia which was intended to throw out Mengistu. Instead, Mengistu took power for the pro-Soviet faction against the pro-American and Maoist circles.

Peace Initiative

In *February, March and April 1977*, a major diplomatic initiative was launched which involved the Soviet Union, Cuba, Yugoslavia, and Tanzania, along with other nonaligned countries. In early *March*, Cuban President Fidel Castro toured Algeria, Libya, South Yemen, Somalia and Ethiopia, shuttling twice between the latter two countries, in an attempt to settle the increasing border disputes between them, while emphasizing the new world economic order and development of the region as the basis for an amicable settlement. Castro's visit came soon after the Yugoslavian Foreign Minister Milos Minic visited Ethiopia and Somalia on a similar mission.

Castro's basic proposal to Ethiopia and Somalia was a federation between the two countries and the People's Democratic Republic of Yemen, all pro-Soviet socialist countries at that time. The federation would have subsumed the question of the disputed Ogaden desert — which is juridically part of Ethiopia but inhabited primarily by ethnic Somalis.

While Somali President Mohammed Siad Barre has proposed similar accommodations to the Ethiopians, the reply he gave to Castro clearly illustrated the dilemma of even prosocialist Somali leaders: Any Somali leader that gave up Somali claims to the Ogaden desert, Barre told Castro, would be immediately overthrown.

Atlanticist Counteroffensive

The large right-wing Muslim chauvinist faction in Somalia that Siad Barre capitulated to last week, was the lever used for Britain's defeat of the pro-Soviet faction. A campaign was mounted soon after the joint diplomatic offensive of Cuba, the USSR, and the non-aligned countries. The campaign began with President Carter's much publicized phone conversation with a top advisor in *April*, "overheard" by CBS-TV: "I want you to tell Cy and Zbig," said Carter, mugging for the cameras, "that I want them to move in every possible way to get Somalia to be our friend."

Tension was heightened in *June* with the independence of the French colony-naval base of Djibouti, which lies between Ethiopia and Somalia. Djibouti's independence was accompanied by a French military buildup in the colony in anticipation of fighting between the two countries. This went in tandem with a "red scare" in the American and British press centered on an arms deal negotiated between Ethiopia and the Soviet Union after the U.S. cut off arms supplies to the beleaguered regime, during Mengistu's *May 1977* trip to Moscow, and over the Soviet Union's overtures to the Eritrean secessionists on behalf of the Ethiopian government. This peace initiative was identified in a Library of Congress report as part of a "new, more belligerent Soviet approach to the Third World." President Nemeiry, predicting an Ethiopian incursion into the secessionist province, massed Sudanese troops on the Sudan-Ethiopia border in early *June* and threatened to invade the country, declaring full support for the Eritrean secessionists.

This rapid buildup of American-sponsored provocations against Ethiopia led the Soviet Union to issue a strong warning *June 5* "denouncing,"... the actions of those circles who are preparing an aggression against Ethiopia as well as those who are pushing them to this dangerous course. Those who engage in it will bear a grave responsibility to the peoples of Africa and the whole world."

Under pressure from the chauvinist faction, Somalian President Barre also criticized the Soviet Union in *May*, although insisting that Soviet arms supplies to Ethiopia would have no effect on relations with the USSR, and attempting to broach the subject of a federation with the Ethiopians. Siad declared in an interview with the French biweekly *Afrique-Asie* that "our relations with the Soviet Union are stamped with solidarity and profound friendship..." The French daily *Le Monde*, at the same time, circulated rumors that pro-Soviet officers in the Somali army were preparing to overthrow Siad.

The War Begins

In *late June*, the right-wing chauvinists in Somalia started forcing Siad's hand, urging the "Western Somali (Ogaden desert) Liberation Front (WSLF) to begin major sabotage operations in Ethiopia. Several major railbridges linking Addis Ababa to the sea at Djibouti were blown up at the same time that Siad was calling for a "strong and active anti-imperialist front" with Ethiopia.

The escalated WSLF activities convinced the Ethiopians that the Somalis were not interested in peace. Although the Organization of African Unity tried to mediate the conflict and Africa universally condemned Somalia's actions, by the end of *July* the rebellion in the Ogaden amounted to an outright invasion.

As the Somali Army, disguised as the Western Somali Liberation Front, swept across the undefended Ogaden desert, the Soviet Union took a strong stand against a "fratricidal war," and shipped enormous quantities of arms to Ethiopia to stem the Somali onslaught, increasing diplomatic pressure on Somalia to call off the invasion. The Soviets also arranged the presence of delegations from both Somalia and Ethiopia in Moscow in *mid-August*, where they tried to instigate negotiations. Siad himself traveled to Moscow for talks on *Aug. 28*, and the Soviets flatly demanded that he pull Somali troops out of the Ogaden desert.

Stalemate

With the Somali invasion stalled in the mountains at the northern end of the Ogaden due to the quick Soviet response to Ethiopian requests for arms, the right-wing Somali's scenario for cutting ties with the Soviets and turning to the West by *September* fell flat. In particular, American offers of arms and equipment to replace Soviet supplies had to be withdrawn when the Ogaden war continued, since the U.S. could not be caught supplying the Somalis in a war condemned throughout Africa.

By *Sept. 20*, Somalia was ready to negotiate, and a

close associate and representative of Siad, Dr. Mohammed Aden announced in a Rome press conference on that day that Somalia has "no interest in pursuing this war. Our objective is to arrive at negotiations on the future of the Somali population (of the Ogaden)... without compromising our relations with Ethiopia." Aden again offered a confederation proposal to the Ethiopians.

Treachery

By the end of *September*, however, Somalia had managed to break the stalemate and capture the

strategically important town of Jijiga and the even more crucial Marda Pass beyond it. The town and the pass were lost when the division of the Army defending them mutinied at a crucial moment and retreated, giving the Somalis a victory through treachery which they could not otherwise have won.

With the stalemate broken for the moment, the reactionary war faction in Somalia managed to successively force the capitulation of Siad to their demand that the Somali "fatherland" be held, with the corollary that Somalia break with the Soviets, a decision they finally rammed through last week.

An Economic Pearl Harbor?

The present world situation is being compared, in Tokyo, to that of the 1930s, by spokesmen as prominent as Japanese Prime Minister Takeo Fukuda. Fukuda told a dinner audience in Tokyo last week that unless the U.S., Japan, and West Germany understand each other and cooperate, as opposed to the trade war atmosphere and "global monetary uneasiness" now prevailing, a repetition of World War II cannot be avoided.

JAPAN

While some Americans may view such dark predictions as overdrawn, there is no such illusion prevailing in Tokyo. While there are no Japanese military men now planning a surprise attack on Pearl Harbor, it is highly likely that the economic and political equivalent of that is in the minds of more than a few in ruling Japanese circles.

Japanese thinking about the world is increasingly dominated by the questions of trade war and Japan's economic survival. The massive speculative attack on the yen over the past few months, which continues to escalate beyond all expectations, combined with an outright protectionist and hostile stance toward U.S.-Japan economic relations on the part of the Carter Administration, have brought this situation about. If the yen continues at its present rate, — a rise orchestrated by the financial interests centered in London and New York — Japan's entire export based industry is threatened with bankruptcy, and the basic foundations of postwar Japanese progress are at stake.

It is the stance of the Carter Administration, and its efforts to rope the Europeans into the same stance, that sends Tokyo up the wall. Carter Administration policy is being formulated and directed out of the office of Special Trade Representative Robert Strauss, the former head of the Democratic National Committee, and lately a power broker in the White House. Strauss's office is the center of the campaign of antidumping suits against Japanese steel producers, and of actively encouraging American business to take such initiatives, and more, against Japanese exporters. While Washington makes its periodic pledges in support of "free trade," it is obvious in Tokyo and other capitals that real policy is bordering on outright trade war.

The American effort of Strauss is also aimed at pulling in the Europeans. Europe has been divided, with Britain leading up the anti-Japanese protectionist vanguard, France following more cautiously behind, and the key

country, West Germany, presenting an often contradictory position. A couple of months ago West German Foreign Minister Genscher visited Japan and made clear antiprotectionist statements, essentially backing the Japanese stance that they are not engaging in unfair trade practices. However, U.S. pressure — offers of a front to "get the Japanese first" — seems to have yielded some results as evidenced by a recent statement by Bundesbank head Otmar Emminger attacking Japanese export policy. It is known that the West German steel industry feels some degree of antagonism toward the Japanese and has been a stronghold of protectionist sentiment in Germany.

What is most alarming in all these recent developments is revealed in the accompanying statements from Strauss's office. Strauss aide Alan Wolff, in a speech given before the Japan Society in New York and expanded on by another aide in a telephone interview, went beyond calls for trade restrictions against Japanese exports to the U.S., to demand that Japan alter its internal economic and industrial structure. The target of these demands is the Japanese system of close interlinks within the corporate structure — between industry, banking and the unique "trading companies" — and between government and industry. This system — sometimes simplistically called Japan, Inc. — is often criticized by American businessmen as providing unfair advantages to the Japanese exporter, in the form of government export subsidies, production subsidies, cheap credits, closed markets to antirecession cartels and similar rationalization measures.

The real target is a system long developed in Japan where the government takes on the responsibility for a directive role in the economy, with the aim of fostering high levels of capital formation (Japan has been the highest in the OECD), technological modernization and creation of new industries to replace outmoded labor-intensive industry. The government, and related private institutions, consciously take the responsibility for providing cheaper credit for these purposes, and ministries like the Ministry of International Trade and Industry actively intervene to force sometimes reluctant corporations to carry out mergers and shifts in production that are in the overall national interest.

No doubt some American businessmen, committed to nonsensical notions of "free enterprise," find all this totally alien and bordering on "socialism." In fact the Japanese are carrying out their version of the "American system." The roots of the Japanese government-industry relationship lie in the latter half of the 19th century following Japan's overthrow of the feudal order and the 1868 Meiji restoration, following which Japan undertook one of the most amazing transitions to in-

dustrialization and modernization in world history. The government created new industries and sold them to private owners, provided cheap credit for new ventures, and similar measures. The guiding conception for this effort was drawn directly from our own Alexander Hamilton and his First National Bank (and his earlier private bank). In the 1880s a vigorous debate was conducted between factions of Japanese business and political circles over what kind of banking system Japan should have. One side, already tied to British banks, advocated the "European" mercantile banking mode, while the other advocated Hamilton's Bank as a model, citing its role in providing credit for industry as the proper function of a banking system.

The fruits of this policy are amply demonstrated in Japan today. The competitiveness of Japanese exports is not the result of cheap labor, or "unfair practices" (although, admittedly, some dumping does occur), but of a higher level of technological modernization and productivity of industry. The Japanese steel industry is characterized by the fact that no Japanese blast furnace is over 15 years old, while the American steel industry (which now prefers real estate speculation to producing steel) is antiquated and relatively unproductive. If the Japanese have done this through "unfair advantages" it would behoove American business to seek the same "advantages" here.

The Japanese Seek A Way Out

The Japanese face a severe dilemma as a result of American stupidity and barbarity. No Japanese government, no matter how inclined to appease American pressure and power, can follow for long a policy which jeopardizes its industrial growth and prosperity. The Fukuda Administration is perhaps the most pro-American government imaginable, even within conservative circles of Japan's ruling Democratic Party, but even they have drawn certain lines. They and most Japanese ruling circles seek to avoid at all costs any outright confrontation with the U.S., with whom Japan carries out a quarter of its trade and on whom Japan depends for its military security. They will carry out all sorts of measures to appease, but at a certain point they will move rapidly in another direction.

What direction can Japan take? That is the question of the hour in Tokyo, and has been increasingly on their minds since the 1971 "Nixon shock." While a sneak attack on Pearl Harbor is not on the agenda, other things are.

The Japanese must secure two basic items — new energy sources and markets for Japanese capital goods exports. On energy, the Fukuda government, reflecting a broad Japanese consensus, is unalterably committed to rapid development of nuclear energy, including advanced breeder fission technology and controlled thermonuclear fusion, as well as technology for oil deals in the Mideast, Indochina, and Mexico. On markets, there is a broad commitment to encouraging industrial development, though mainly of the raw materials processing variety, in the developing sector, with emphasis on Southeast and South Asia.

The focus of Japanese interest now — especially in terms of sending a message to Washington that could be

as effective as dropping bombs — is relations with the Soviet Union and China. In recent weeks some very important signals have been issued from Tokyo indicating a significant warming of relations with the Soviet Union. These signals are in the form of agreements signed or on the way to being signed for cooperation in nuclear energy, including fusion development, and renewed interest in joint cooperation on development of Siberian resources, including oil, natural gas, and coal. If the Japanese want to really shake things up, they have the option of signing a long delayed Peace Treaty with the Soviet Union, resolving the ridiculous dispute over the four Northern Islands taken over by the Soviets after the war.

Resistance to this course in Japan comes from the vocal and powerful pro-Peking lobby, which is pushing for the signing of the long-delayed Japan-China Peace and Friendship treaty. The point of dispute has been Chinese insistence on the inclusion of an "anti-hegemony clause," which everyone recognizes as directed against the Soviet Union. The Chinese option has always had U.S. favor, and supposedly carries the lure of trade with China and access to Chinese oil. Many Japanese businessmen, while desirous of trade with China, know that the Soviet Union offers a much better and more stable market for Japanese capital goods despite the fact that the Soviets have a reputation in Japanese circles as "tough bargainers."

The preferred formula in many Japanese circles is to have the best of both worlds. The Fukuda Administration, and Fukuda in particular, have indicated the Administration will move on the China front very soon — perhaps within a couple of months. They are also saying they want the treaty with the Soviets. They would like to convince the Soviet Union that the China treaty is not a threat; this they probably could not do without committing themselves to the Soviet treaty as well, including not previously offered Japanese concessions on the Northern Islands issue. Such a double package could sell best within Japan.

The Japanese would also prefer that this not take place on anything resembling an anti-American basis, although that is not out of question (but Fukuda himself is highly unlikely to initiate this). They have repeatedly asked for U.S. participation in Siberian development, at the least because they lack the capital themselves to finance the massive projects the Soviets want to carry out. A meeting of Japanese, Soviet, and U.S. representatives (El Paso and Occidental Oil were present, with the Commerce Department) took place this past week in California on this subject — the main obstacle being the U.S. policy, specifically the restrictions on Export-Import Bank financing and the Jackson amendment blocks. A shift in U.S. policy on this would be well received in Tokyo.

Close observers of Japanese politics have their eyes on an upcoming event which could well indicate which way the present regime will move. Fukuda is expected to reshuffle his cabinet in December, moving the present Ministers of Finance, Foreign Affairs, International Trade and Industry, and the Chief Cabinet Secretary. Rumors in Tokyo predict that two key political figures may enter the cabinet — former International Trade

Minister and LDP faction leader Yasuhiro Nakasone and former Foreign Minister (under Miki) Kiichi Miyazawa.

Nakasone is an important nationalist figure, known for his strong pronuclear position and his advocacy of closer Japan-Arab ties. His entry would strengthen the Soviet option and provide a tough stance toward U.S. pressure tactics. Miyazawa is a centrist politician, and an often mentioned candidate for Prime Minister, but disliked by Peking for his involvement under Miki in blocking the signing of the antihegemony treaty.

The reshuffle should be watched extremely closely under any circumstance. At the least, big things are in store for U.S.-Japan relations, particularly if the Carter Administration continues to treat Japan not as an ally but as an enemy. The Japanese memory of the 1930s and the view that Japan was forced into war by U.S. policies (the oil embargo and the like) is never far from the surface among Japanese leaders who date from that era.

— Daniel Sneider

Strauss Aide Demands That Japan Dismantle Its Industrial Structure

The following are excerpts from a speech given by Alan Wolff, U.S. Deputy Special Representative for Trade Negotiations, before the Japan Society Nov. 7. Wolff is deputy to Robert Strauss, whose office has been a prime promoter of protectionist measures by the Carter Administration. His speech was widely regarded as precedent-shattering, since he indicated that ad hoc measures by Japan to alleviate its trade surplus were insufficient. Instead, he demanded that Japan dismantle the structure of close collaboration among government, industry, and finance which, in fact, has been the key to Japan's postwar "economic miracle."

...As Japan's exports of manufactures increased and achieved considerable diversity and as her current account surpluses grew, it became less and less understandable that Japanese imports of manufactures which compete with domestic production were kept so small. Manufactures account for only 20 percent of Japanese imports — the comparable figure for the U.S. is 53 percent, for . . . the United Kingdom 52 percent (and Britain is, after all, also an island with limited natural resources) . . .

I do not accept as a satisfactory answer that Western businessmen do not understand the Japanese market . . . But the relative values of currencies, the maintenance of inappropriately higher levels of tariffs, restrictions on credit and other non-tariff barriers, the inefficiencies of the distribution system, and the close interrelationship of the producing, banking, and trading elements of the Japanese economy are more understandable reasons for the stark difference in the composition of Japanese imports compared with other developed countries.

The other side of the immediate trade question concerns Japanese exports . . . The tradition of lifetime employment and high debt-equity ratio result in strong pressures to seek out foreign markets aggressively when domestic demand is weak...The potential for future harm is increased where investment continues in additional capacity where demand does not warrant it...

Near-term Japanese measures in some of the policy areas I have discussed would go a long way toward containing rising protectionist pressures not only in the

U.S. but in Europe as well . . .

Japan could usefully seek to address the high entry barriers to imports which compete with Japanese domestic production — entry barriers which derive from the close linkages among Japanese producers, trading companies, banks and distribution channels.

'Dulles Brinksmanship In Economics'

The following is taken from an interview with an official in Strauss's office who is well informed on Wolff's thinking. The interview was provided to this journal by an independent research organization.

Q: In the speech Mr. Wolff gave before the Japan Society, he focused for the first time on the structure of the Japanese economy as impeding imports, e.g., the close links among producers, traders, bankers. What kind of measures do you think the Japanese should take?

A: There are structural organizations of the Japanese economy which hinder imports, but are not normally thought of as imports barriers in the usual sense. Usually people think of tariffs and such, but these structures are even more important. For example, an electrical machinery maker is in the same business group as an electrical machinery consumer, and they are both linked to a trading company. So foreign exporters don't stand a chance.

Q: What do you suggest be done?

A: First of all, there must be rigorous enforcement of existing antitrust laws by the Fair Trade Commission. And no exemptions. For example, none of these anti-recession cartels where they share markets and cut production to keep prices up. But more important, a radical reform of the structure to end the close links among producers, traders, and bankers. In addition, when MITI (the Trade and Industry Ministry) makes allocations for capital investment, they should include

foreigners. The government should facilitate the setting up of a trading company that deals solely in imports.

Q: The Japanese government should actively aid imports?

A: Why not? They help the existing companies now.

Q: What else?

A: The government should aid foreigners to increase direct investment, particularly helping American retailers get into the Japanese retail business.

Q: Well, you know what you're saying is very difficult. The last Prime Minister, Takeo Miki, spent two years trying a very minor thing compared to what you're saying; he tried to strengthen the anti-trust laws and increase the power of the Fair Trade Commission. This contributed a great deal to his being removed from power. So, what you're asking is almost politically impossible.

A: I think it would be a lot easier politically if it is made clear to Japan that unless it takes these measures, it will be frozen out of world markets. That's a fact, and the Japanese should be informed of it. Look at the protectionist measures in Europe and the U.S. Unless the Japanese take steps, the U.S. Administration will adopt a posture of making it easier to push orderly marketing agreements, antidumping suits, etc.

Q: Earlier, Strauss had opposed private agreements and preferred relying on the U.S. antidumping law.

A: Yes, that is because if Congress gets into the act, they will screw it up; they will be even more protectionist.

Q: But many of the criticisms you have of the Japanese structure are not illegal under U.S. law.

A: Yes, but they have the effect of not allowing equal opportunity for U.S. imports and the U.S. government will have to warn that the products of these Japanese firms will be frozen out of U.S. markets unless radical reforms are taken.

Q: Wolff also said that the structure of the economy, particularly the lifetime employment system and the high debt-equity ratio, causes them to increase capital investment even when demand is weak. Are you saying that as part of restructuring Japan has to lower its capital formation ratio?

A: If Wolff means that, then I disagree. What we are saying is that sometimes MITI and the Japanese firms increase capital investment based on expectation of future sales, without regard to what other firms and other countries are doing. This sometimes causes overcapacity. This is a problem that should be taken into account. But we are not asking them to lower capital formation. However, they should spur investment, not by exports, but by domestic social infrastructure investments, housing, etc.

Q: The Japanese press says that other people in the administration are more conciliatory, that they will accept a Japanese offer to buy \$3 billion in emergency imports, including special stockpiles of uranium.

A: Absolutely, not true. There is no one who will accept that one-shot deal. Also, there is no one wanting to sell them the extra uranium since that interferes with Carter energy policy.

Q: What has been the reaction from Japan?

A: We haven't had one yet since we've only begun speaking that way.

Q: Look, no Japanese government can accept these ideas?

A: They will have to if they don't want their export markets to be closed up.

Q: This sounds like Dulles brinkmanship in international economics.

A: That's true.

Q: You expect the other guy to blink first?

A: Yes.

Q: You think the Japanese will surrender?

A: Yes, I do.

Q: Do you think you have unanimity in U.S. and Europe for this?

A: Yes I do. You know we're only asking Japan to allow equal opportunity for imports.

Q: You mean you don't think it will severely hurt their economy?

A: Well, it will be very difficult for them, but they have to do it.

Development Issue Is Realigning Venezuela's Political Map

When Luis Pinerua Ordaz won the presidential nomination of Venezuela's ruling Accion Democratica (AD) party over Jaime Lusinchi last July, it supposedly heralded the premature political demise of President Carlos Andres Perez, and the end of his government's industrialization policies. The event was also thought to be definitive victory for former President Romulo Betancourt, the AD godfather who began grooming Pinerua as a candidate over a year ago.

VENEZUELA

In his intended role as shadow candidate for Betancourt, Pinerua was to have been a de facto opposition presidential contender, leading attacks against President Perez's economic policies that would have left him a lame duck a full 18 months before next year's general elections, while crippling Perez as a political force within the party once his term was completed. The government and ruling AD were expected to be firmly controlled by Romulo Betancourt, a political stringer for Wall Street and London's Fabian networks since 1928.

But instead, President Perez is now in the strongest political position of his administration, Betancourt has dropped out of political sight, and Pinerua is openly supporting the government's economic program. What happened?

Pinerua first began to indicate a shift in favor of Perez in late September. "All Venezuela is aware of the positive work of Carlos Andres Perez," he told reporters Sept. 25. "It is there to be seen by everyone." Less than a week later he praised "the great development programs sponsored by the current government" and promised that they "will not suffer any reductions whatever during my term of office." Lest anyone entertain the notion that Pinerua was merely paying lip service to President Perez, the candidate pledged to a gathering of industrialists and farmers in Valencia that he would "consolidate the financing programs of Carlos Andres Perez even more" since they have given an "enormous boost to the country's industrialization."

It is precisely these financial policies, based on ample credit for industry and agriculture coupled with liquidity restrictions against speculative capital, that had the Caracas real estate speculators associated with Betan-

court and the opposition party, Copei, in an uproar at that time. Pinerua made it clear which side he was on.

Pinerua's break was officially recognized in the Oct. 23 issue of *Resumen* magazine, a weekly that unabashedly favors Betancourt. Pinerua, lamented *Resumen*, used to distinguish himself from the President by caring about the "little man", whereas Perez designed "great projects" for the country. Now, the weekly observed, Pinerua is touring the nation talking about development, highways, industry, and irrigation. "The candidate changed his mind," cried *Resumen*.

Economic Reality

Pinerua has not merely chosen sides in an isolated power feud. Rather, he has responded to an overwhelming reality: The attacks on the government's economic policies by Betancourt and allied circles have failed because those policies are increasingly being proven successful. Prior to the Accion Democratica candidate's change of "line," the Central Bank released the official figures on 1976 economic performance, revealing one of the most rapidly growing economies in the world. Venezuela's Gross National Product rose 7.9 percent, with industrial output up 11.1 percent. Growth this year promises to be even higher. Record crops are being harvested, including one million tons of corn, enough to meet the nation's internal demand. Severe flooding last year forced a drop of 3 percent in agricultural production, putting a damper on overall growth, a situation which now has been turned around. Moreover, in the month of September President Perez unveiled the Metalurgica Andina steel plant and the Conduven aluminum tubing plant, which will produce 280,000 tons of tubing annually for the oil industry. It was also announced that the aluminum plant expansion program at Alcasa will be completed on schedule by the end of the year, raising output to 120,000 tons per year, the highest in Latin America.

Besides yielding tangible results, government industrial policy is becoming the determinant concept behind all fields of domestic and foreign policy. It is the lawful extension of this commitment that has shaped trade accords such as the unprecedented \$2 billion investment and technology transfer agreement signed with Spain in September. More important, it has led to the elaboration of an energy policy consonant with Venezuela's interests as an emerging industrial nation, exemplified by Perez's historic endorsement of Brazil's nuclear energy program. Brazil has the "perfect right to develop nuclear energy," he said in an interview with the Rio de

Janeiro daily *O Globo* of Sept. 26. By October, this clear break with the Carter Administration's energy and geopolitical designs led to the nation's first coherent energy plan. In an outline of the plan released by the Ministry of Energy and Mines, nuclear energy is emphasized as the necessary next energy source to replace fossil fuels. The report conspicuously relegates what U.S. energy czar James Schlesinger calls "exotic" or "soft" technologies (solar, geothermal, wind, etc.) to a low-priority "other" category.

This environment is shaping the political alignment of Pinerua and others. Roberto Salas Capriles, the chairman of the Council of Industry, laid out the necessary terms of current politics when he called on all Venezuelan parties last month to make industrial development the focus of electoral debate. He was immediately seconded by Development Minister Alvarez Dominguez, who told a meeting of steel and mining engineers, "If there is one word that today defines and should define the concern of all Venezuelans, that word is development."

Development has indeed become the order of the day. The Council of Industry followed up its call to political organizations by forming a permanent committee with the nation's largest agricultural federation, Fedegro, to help the public and private sectors coordinate industrial and agricultural development policies. The ministers of Agriculture and Development are also members of the committee, the first such effort in Venezuelan history. Similarly, the Banking Association issued a report on the development of labor power, recommending the transferral of workers from the "marginal sector" to the "modern sector of the economy," adding that this process "would mean the conquering of underdevelopment."

Betancourt Retreats

This climate has not only made attacks against the government's development policy untenable, but every major political front mounted by Betancourt against Perez during the past year is near complete collapse.

First, the government has launched an extremely effective crackdown against ultraleft terrorist groups by going after not only particular, isolated terrorists, but, more importantly, by moving against what Interior Minister Octavio Legape calls the "legal mask" of terrorism: the above-ground left groups, lawyers, and ideologists that provide both a synthetic legitimacy and protection for terrorist operations. Despite the fact that the terrorist capability, which interfaces with Betancourt networks, is still a dangerous threat, Perez's qualitative shift in moving against these support operations has significantly contained their deployment.

Secondly, Betancourt's attempt to launch a "Watergate" against the Perez government has fallen flat. The "anti-corruption" theme was the central issue of Betancourt's speech at the nominating convention,

and soon became Pinerua's main campaign plank. However, in late September, Gonzalo Barrios, the Accion Democratica president and principal "swing man" of its significant centrist bloc between Perez and Betancourt, declared that Betancourt's call for witch-hunting legislation was "not necessary." Leandro Mora, one of Pinerua's campaign strategists, followed by denouncing moves for a blanket "cleanup" sweep as downright "dangerous."

This matter was closed two weeks ago when Gilberto Morrillo resigned as head of the Investigative Commission on Illicit Enrichment, complaining that the government was not allocating sufficient funds to keep the commission operating. Copei Party spokesmen, enthusiastic supporters of Betancourt's efforts, bemoaned the fact that not only is the CIEI doomed, but that chances for new legislation to get through Congress in the foreseeable future have sunk to zero. The AD majority does not seem eager to push through alternative political reform measures, Copei noted, since they have three different competing bills on the table.

But perhaps the maneuver most crucial to Betancourt's plans for future control over Venezuelan politics was rudely dashed by Pinerua himself two weeks ago. It was widely known that for Betancourt to undo President Perez's economic policies under the likelihood of a Pinerua administration, the Betancourt machine would have to all but openly purge the large Perez wing of the party.

Under conditions of such a party rift, Pinerua would be a de facto minority president, unable to govern alone. Since the beginning of this year, Betancourt had therefore been carefully trying to cultivate an alliance with the Copei party, for an eventual Pinerua-Copei coalition government. However, during one of his speaking tours Oct. 28, Pinerua cited his willingness to resort to "imported technology" but also stated flatly that there is no "possibility" for a coalition with Copei.

Betancourt is down, but not out. As the end of Perez's term nears, the more intense the pressure becomes. The terrorist networks are already girding for a new assault, as the so-called left has announced plans to bring top "Eurocommunist" Santiago Carrillo to Venezuela. Betancourt is also laying the groundwork for a takeover of the foreign policy apparatus through his cothinkers Ramon J. Velasquez and Foreign Minister Simon Alberto Consalvi. Consalvi recently announced plans to "restructure" foreign policy including purges of key Perez policymakers such as Foreign Trade Institute chief Reinaldo Figueredo.

Nonetheless, the case remains that Perez's successful economic policies have forced Betancourt to take a low profile. Much to the aging godfather's dismay, Pinerua is drawing closer to the President's program. As AD Secretary General Alejandro Izaguirre commented last month, Pinerua is "not an opposition candidate."

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