

This climate is rapidly souring under the impact of Schlesinger's tactics. Further, the \$300 million per year in alleged "savings" to the U.S. must be compared to what \$300 million will be able to do to help the Mexican economy recover from its worst depression since the 1930s. The Carter Administration otherwise laments the influx of unemployed workers from Mexico and piously proclaims that the solution is to strengthen the Mexican economy.

Wall Street Journal: According to Mexican sources, the U.S. gas companies last week offered to sign the final contract with Pemex at the lesser price of \$2.16.

The gas companies made no such offer. A false report to this effect, filed from the Washington office of Mexico's major daily, Excelsior, was picked up by AP in Mexico and exported back to the United States. It is incredible that a week later the Wall Street Journal would retail the same falsehood — setting the gas companies up as the fall guy for the Schlesinger maneuvers — when the slightest checking with the gas companies themselves would have corrected the information.

Wall Street Journal: ...Observers have suggested that there was some bluffing going on in the setting of the deadline by the Mexican government. They say Mexico sorely needs the cash it would receive from the sale of gas to the U.S. and that selling the fuel to other countries would mean lengthy delays because the gas would have to be liquified.

This is one of the most dangerous and irresponsible of the views conducted through the article. No one outside Schlesinger circles believes for a minute that Mexico is "bluffing." It has already amply and publicly discussed alternate uses of its natural gas, not in the expensive LNG program cited in the article, but channeled into domestic industry converted from oil use. This would free additional amounts of oil for export. Under this plan Mexico will build the gas pipeline from its southeastern

producing fields as far as the northern city of Monterrey. From there it can later build an extension to the border to take advantage of the U.S. market if the price is right. In the meantime it can afford to wait for the U.S. population to muzzle Schlesinger.

Wall Street Journal: In Mexico last week, (Nov. 30 —ed.) President Jose Lopez Portillo declared...: "We aren't going to lower our price." ... Even so, President Lopez Portillo appeared to be trying to soften the controversy...He said he didn't believe rumors of a 'blockage' of the proposed Export-Import Bank loan to Mexico if Pemex is unwilling to lower its export sales price. "I know President Carter, and, therefore, I'm sure that this hasn't happened, and that it won't happen," he said.

"Soften the controversy"? Lopez, after diplomatically refusing to name the names of the U.S. figures behind the stalled Eximbank loan, made the issue brutally clear: "We are not going to lower the just price we have set for our gas on account of financing problems. We are not going to lower it. The situation is simply that the deal goes through or it doesn't...." He expressed disbelief that the U.S. would ever allow its "financing systems" to "be placed at the service of unjust trade policies (or) to force down raw material prices." And in his last comment, he put the issue squarely to Carter: "...I am certain this hasn't happened, and I'm absolutely certain that it will not happen."

Wall Street Journal: Six U.S. gas transmission companies...have proposed buying as much as two billion cubic feet of natural gas a day from Mexico...The U.S. government is as eager as the gas transmission companies to see such volumes of the fuel brought into the country to supplement dwindling domestic supplies."

Schlesinger's actions speak for themselves.

An Open Letter To Congress On 'The Nuclear Anti-Proliferation Act Of 1977'

The following statement was prepared by Dr. Morris Levitt, the director of the Fusion Energy Foundation, for congressional endorsement prior to the vote on Senate Bill 897, which proposes the banning of nuclear technology proliferation.

Before the Congress acts on S. 897 or related measures, it must reconsider one basic question: What's wrong with nuclear proliferation? The answer is as simple as that to the question of what the emperor is wearing: "Nothing!"

The chief fallacy underlying the bill as drafted by the Carter Administration and members of the Senate Foreign Relations Committee — and the problem with Congress's deliberations so far — is that nuclear power is axiomatically assumed to be "dirty," never to be virgin again. Like the neighborhood spinster's obsession with social disease, everything must be done to contain its spread.

Many Congressmen know better. Yet the antiproliferation bill passed unanimously in the House Foreign Affairs and the Senate Foreign Relations Committees. How did that happen? Many Congressmen simply swallowed the line that, if you want to be on record against the dangerous spread of the "The Bomb," you must be for the bill, a straightforward Mom-and-apple pie proposition. However, that is neither the intent nor the function of the bill, which must be compared with the real issues of nuclear proliferation.

Nuclear Power: Key To Our Future

At the present juncture in world history, nuclear power is one of the most valuable weapons we have for world peace and development. As the Fusion Energy Foundation stressed in its policy statement, "Nuclear Power:

Core of U.S. and World Energy Policy," which has circulated throughout America and Congress since October, the export of nuclear technology is exactly the medicine required to break the deepening world monetary and economic crises.

A strong dollar and a healthy world economy can be achieved only by simultaneously building up the basic productive capacities of the advanced sector and the markets represented by an economically developing Third World. Nuclear power exports meet that need by generating the demand for basic industry products like steel and from the payback of industrialization in the developing sector based on nuclear-powered electrification.

Could it be any clearer that the threat of nuclear war is to be located precisely in the failure to proliferate *civilian* nuclear power and concomitant industrial and agricultural development?

The problem is not simply that Congress failed to challenge adequately the wholly specious arguments about proliferation, or the spectacle of President Carter and Energy Secretary Schlesinger turning down a \$25-billion nuclear deal offered by the Shah of Iran at a time when U.S. nuclear, steel, and other basic industries and exports are collapsing. It has been made amply clear in testimony on S. 897 that the substitution of unilateral and arbitrary procedures for orderly nuclear technology transfer will completely undermine both U.S. nuclear export prospects and existing international nuclear materials safeguard. Moreover, recently reported experiments at the Los Alamos and Oak Ridge Laboratories have demonstrated that any nation with a modest technological and industrial base can acquire nuclear weapons-grade material of varying quality cheaper and more quickly with small clandestine facilities than through policed commercial reactors, — if they are driven to do so.

Any representative panel of competent scientists could have informed Congress that civilian reactors do not produce weapons-grade material (since the byproducts are diluted by plutonium 240). Even Ugandan President Idi Amin does not have the in-depth specialized scientific and technical expertise required to make bombs from highly enriched material. Leading Third World countries that *could* develop such capabilities would use specially designed, small weapons-grade breeders and not big, expensive commercial reactors to produce bomb material. In short, it's relatively easy to acquire various grades of weapons material, and very difficult to produce bombs and delivery systems.

While the spread of civilian reactors does contribute to the development of overall nuclear capabilities — including potential military applications — in countries that do not now have such capabilities, its main function is to make peaceful nuclear development dominant over the presently hegemonic military aspect.

Proliferation has always been a "Catch 22" game in which various antidevelopment U.S. and British factions have said to the world: "Accept all our conditions for inspection and control, and maybe we'll let you have a little nuclear energy. Oh, you won't... then you must just want to make bombs, so you can't have any nuclear technology."

The issue is even more fundamental. S. 897 must be

defeated so as to open the way for a vast "Atoms for Peace" program, which, like its historical predecessor, comprehends the continuous line of integrated development of the two basic nuclear technologies, fission and fusion. Humanity was justified to be excited in the 1950s by the prospects of transcending its reliance on the chemical energy of fossil combustion to the more concentrated and intense forms of energy unleashed by nuclear reactions. That rekindled expectation must now become reality through a vast international program to disseminate existing forms of nuclear energy technology and to develop the most advanced scientific conceptions into practical technologies.

We have reached the breakeven point in every mainline of research on fusion; leaders of the U.S. and Soviet programs agree that a prototype reactor can be built by 1990. We have achieved the basic scientific conditions required for the fusion-fission hybrid breeder reactor, which would make nuclear power far cheaper than any other large-scale energy source in the same time frame. If this potentiality is realized, the world will have all the reasonably priced energy it requires for peaceful development, as well as the promise of an entirely new raw materials base for the next century represented in the fusion torch.

This is the prospect Congress will destroy if it capitulates to the linguistic "proliferation" fraud cooked up by the computers at the Rand and Mitre Corporations and the austerity and hyperinflation pseudo-economists of the Brookings Institution, and spread by incompetent Malthusians like Barry Commoner, "soft" Amory Lovins, Ralph Nader, and their mindless zero-growth followers.

Look around. Isn't every pusher of "anti-proliferation" in Congress also doing everything possible to replace U.S. industry, technology, and skilled labor with primitive labor-intensive schemes under conditions of a permanently collapsed dollar? If Congress votes for "antiproliferation," it is voting for the deindustrialization of the U.S. and against the prospects for peace, national security, and economic development.

The world did not buy the Baruch Plan for U.S. control and retardation of nuclear power 30 years ago, and it surely isn't buying the retreat of that policy today. In the Mideast, in southern Africa, on the Indian subcontinent, and in Latin America, leading nations are demanding nuclear power not only for themselves but for their neighbors, even if they have been bitter antagonists in the past. The U.S. should lead this effort and not permit again the frustration of these positive goals.

If we are to have a future, we are going to need a new Secretary of Energy committed to the American System of technological progress, a new energy policy and energy bill based on the most efficient extraction and combustion of fossil and nuclear fuels, a massive nuclear export program financed through the Export-Import Bank by soaking up the unproductive tens of billions of dollars in liquidity in the Eurodollar and petrodollar markets, and an Apollo-style crash fusion program in conjunction with the Soviet Union, Japan, and Western Europe. Therefore, all prohibitions recently placed by Congress on ExIm Bank operations in the nuclear export field should be rescinded in favor of standard inter-

national agreements.

These proposals are all eminently possible in the next session of Congress. The Administration is under tremendous pressure to resolve the disparity between its rational foreign policy (barring its attempts to halt technological progress via SALT instead of promoting increased collaboration in research areas like fusion) and its unworkable anti-industrial domestic and energy policy. The national political climate is being defined by the building momentum for progrowth labor-industry alliances in the U.S. and in Western Europe, exemplified by the 50,000-strong demonstration in favor of nuclear power by trade unionists in Dortmund, West Germany Nov. 11.

For that to remain an open option however, appropriate political steps must be taken *now* to make sure that S. 897 never leaves Congress in anything like its present form.

Why "Anti"-Proliferation Cannot Work

The following documentation demonstrates that in order to establish reliable international safeguards against belligerent uses of nuclear technology, opponents of nuclear "proliferation" must in fact endorse expanded trade in nuclear technology for industrial purposes. Section 1 summarizes the basic procedures and the outstanding record of compliance to the International Atomic Energy Agency's (IAEA) Nonproliferation Treaty. Section 2 takes the example of the West German-Brazilian agreement for nuclear plant construction to show that long-term technology transfer arrangements with nonsignatory nations to the Nonproliferation Treaty can serve as the basis for even stronger safeguards than those outlined by the IAEA. Section 3 debunks the myths surrounding India's 1974 peaceful nuclear explosion, which is the most frequently cited "proof" of the need for antiproliferation bills such as S. 897.

The IAEA's Track Record

In June 1968 the U.N. General Assembly endorsed the full text of the Treaty on the Nonproliferation of Nuclear Weapons (NPT), the main provisions of which are as follows:

- I. States possessing nuclear weapons will neither transfer nuclear weapons or nuclear explosive devices to any other states nor will it give control of such weapons or devices to any other state. In addition, nuclear weapon-possessing states will not help any non-nuclear state acquire a nuclear explosive capacity in any way.
- II. Non-nuclear weapon states will neither seek to acquire such weapons or devices, nor will they seek or receive assistance to this end.
- III. Verification of these obligations is ensured by the application of international safeguards under agreements to be concluded with the IAEA.
- IV. The rights of non-nuclear weapon states to undertake research, production, and exploitation of nuclear energy for peaceful purposes, and to receive

assistance to those ends is reaffirmed.

V. The benefits of peaceful nuclear explosions should be made available to all parties in accordance with appropriate international agreements.

VI. The undertaking that nuclear weapons states will pursue further negotiations in good faith.

Once a nation has signed and ratified the Non-proliferation Treaty, it is required to negotiate a safeguards agreement with the IAEA, which outlines safeguards within its territory. Detailed procedures are agreed upon in subsequent arrangements to which "facility attachments" for each nuclear plant are appended. These attachments describe all aspects of the plant, such as design, location flow of nuclear material, the location of equipment used in the production and processing of that material, and contain requirements regarding reports, stocktaking, verification procedures, etc.

IAEA safeguards are implemented in a manner designed to *avoid* hampering the economic and technological developments of a signatory state or international cooperation in the field of peaceful nuclear activities, including international exchange of nuclear material. They seek to *avoid* undue interference in the state's peaceful nuclear activities, and, in particular, in the operation of its facilities. Finally, the safeguards are consistent with prudent management practices required for the economic and safe conduct of nuclear activities.

While the IAEA limits its control measures to a strict minimum, it can detect the diversion of nuclear material to bomb-making within a relatively short time and thereby discourage it. "The IAEA safeguards' system is rather a warning system than a policeman."

According to the latest available IAEA information, 100 states are now signatories of the Treaty on the Nonproliferation of Nuclear Weapons; 51 of these have also concluded safeguard agreements. Of these, seven (Belgium, Denmark, West Germany, Ireland, Italy, Luxembourg, and the Netherlands) have concluded the safeguards arrangements jointly with the IAEA and EURATOM. Although Treaty on the Nonproliferation of Nuclear Weapons safeguard agreements with Japan, Switzerland, Taiwan, and Venezuela are not yet in force, all nuclear activities in these states are currently operating under the safeguards of other agreements. The latest IAEA *Bulletin* reports that: "According to the best information officially available to the Agency (IAEA), there are only five states in the world besides the nuclear-weapon states that have significant nuclear activities, which are not subject to Agency safeguards, namely Egypt, India, Israel, South Africa, and Spain."

Brazil-West German Nuclear Accord Sets Tone For International Safeguard Requirements

Following the recent conclusion of agreements between West Germany and Brazil for the transfer of nuclear technology to that South American nation, the two countries have agreed to a framework of international safeguards that far exceeds the

requirements demanded by the International Atomic Energy Agency (IAEA). The safeguards, which are used to detect any diversion of nuclear equipment or material for weapons production, cover not only the life of the technology transfer agreement itself, but also the useful life of all installations constructed under the terms of the agreement and the application of German technical "know-how" to any other facilities built in Brazil.

These "know-how" agreements, applied for the first time between a signatory nation (West Germany) and a nonsignatory nation (Brazil) to the Nonproliferation Treaty, are becoming that standard model for all nuclear technology sales, following decision reached by the so-called London Group of countries in possession of nuclear technology.

Furthermore, although Brazil is not currently a signatory to the Treaty on the Nonproliferation of Nuclear Weapons, the accord with West Germany makes the entire agreement contingent upon negotiation of a safeguard agreement with the IAEA, "assuring that these nuclear materials, equipment and installations as well as the special fertile and fissionable materials produced in them, processed or used, and the respective technological information, are not used for nuclear weapons or other nuclear explosives."

Indian PNE Model For Expanding Food Production

On May 18, 1974, in the western state of Rajasthan, India carried out a 10-15 kiloton underground peaceful nuclear explosion (PNE).

The Indian government and its Atomic Energy Commission (AEC) justified the underground explosion,

citing agreements within the IAEA which permit peaceful nuclear explosions for research and industrial purposes. The AEC reported that it was testing the effects of using the PNE for civil engineering purposes, to study radioactivity, the fracturing effect on rocks, and the ground motion caused by such explosions. Before and after 1974, India has repeatedly pledged it will never utilize the nuclear option for any military purposes.

Despite the Canadian government's subsequent suspension of nuclear supplies to India, charges that India had violated bilateral agreements by diverting nuclear fuels supplied by the Canada government for the 1974 Pokharan experiment, are baseless. India never signed the NPT and is not bound by its agreements, having opposed it as "discriminatory" and controlled by a few "have" nations.

AEC Chairman Homi Sethna stated that the plutonium used in Pokharan was produced at the Trombay reprocessing plant (completed in 1965). The Canadian claim that the CIRUS experimental reactor, the result of an Indo-Canadian collaborative effort completed in 1960, was the base for the Pokharan experiment has not been verified. India's policy in these collaborative efforts has consistently been one of wholly indigenous development. Within five years of their completion, the Trombay plant was a national effort and collaborative ventures with Canada have been administered fully by Indians.

The Indian PNE effort originated in imaginative ideas developed in the U.S. in the 1950s and named "Operation Plowshare." The application of PNE, or the Plowshare model, to the Ganges and Brahmaputra regions, and the Rajasthan desert was based on studies conducted jointly by the U.S. AEC and the Indian Bhabha Atomic Research Center, as the basis for tripling food production through adequate irrigation and water storage.

Coal Conversion Bill: An Expensive, Wasteful Hoax

The Joint House-Senate Energy Conference Committee is currently in the process of thrashing out the final version of the Carter Administration's National Energy Act of 1977, and the conferees have divided the bill into five provisions. The first provision to be agreed on by the joint conference was the coal conversion portion, analyzed in this report. As a growing number of industry and trade-union representatives as well as Congressmen, have remarked, the Carter energy bill is more correctly labeled a tax bill, which will in effect force a shutdown of industry across the nation if its full provisions are instituted. The implementation of the coal conversion section is at this point dependent on passage of an overall bill, and passage of such a bill itself is still somewhat doubtful, at least before the 1978 election year. But the coal provisions provide a chilling example of the impact such a bill will have on already depressed U.S. industry.

Under unanimous attack by the utilities, industry, the National Coal Association and consumers, coal conversion would not save energy. Even in its most benign form, the coal conversion program will divert billions of

dollars out of capital investment and industrial modernization; pour more billions in to pollution control equipment; cut the productive capacity of those who agree to convert by 50 percent, raise energy costs substantially; waste irreplaceable resources in coal-handling and other equipment. The measure would also put unreasonable strains on both the coal producing industry and the transport system.

The original Carter proposal was a ban on the burning of natural gas in all new utility facilities by 1990 with the authority to ban both oil and gas use in future facilities. The measure would impose a punitive tax on utilities and industries that continue to burn oil and gas in their currently operating plants if they did not convert to coal within ten years. The tax schedule included a \$ 1.10 per thousand cubic feet (Mcf) of natural gas, \$3 per barrel on oil for industry, and \$1.50 per barrel for utilities.

The House of Representatives basically concurred with the Carter tax schedule but added considerable exceptions to the facilities forced to convert. The Senate then added provisions which exempted 90 percent of