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# **EXECUTIVE INTELLIGENCE REVIEW**

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# EXECUTIVE INTELLIGENCE REVIEW

P.O. Box 1972 GPO New York, N.Y. 10001

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# EXECUTIVE INTELLIGENCE REVIEW

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## IN THIS WEEK'S ISSUE —

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The word rising to the surface of the ongoing monetary crisis is... **"Panic"**... thanks to the success of British-led financial forces' **coup against the dollar**... and **"Treason in High USA Circles"**... The **INTERNATIONAL** report this week tells how **Europe's efforts to defend the U.S. currency**... and the **world economy**... were **defeated by America's own government**... and presents U.S. Labor Party chairman **Lyndon H. LaRouche's** denunciation of the **Tory traitors in the U.S. Administration** who are claiming that the destruction of the dollar is "really in the U.S. interest"... plus a grid of views on the worsening dollar crisis that includes the **actionably treasonous statements** of several government and business leaders...

\* \* \*

Looking beyond these events, the Labor Party's LaRouche provides a new assessment of **"The Interim Strategic Situation"**... a document that every political, business, and labor leader **must read**... to understand the **world historical processes** behind the am-

**biguities** of today's leading news... the first of two parts of a **Special Report** in this issue...

\* \* \*

Is the British coup against the dollar in the international money markets about to be paralleled in an **outright takeover of the White House**?... Vice-President Mondale, Energy Secretary Schlesinger and the rest of the **Administration's core Fabian faction** are openly **taking control** of key policy areas, including **domestic economy** and the **Mideast**... This week's **U.S. REPORT** looks at how the Fabians' offensive is shaping up... and documents the support for their actions from **press and other commentators**...

\* \* \*

With the Cairo peace talks **overshadowed** by Israeli Prime Minister Begin's sudden visit to the U.S. ... our **MIDEAST** report describes why Israel is **on the verge of a new policy** on reaching a Mideast settlement... and what this means for the chances for peace...

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INTER-NATIONAL
U.S. REPORT
ECONOMICS
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PRESS

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Featured: a wide-ranging survey of the **Europeans' attitude toward the peace process...** and excerpts from the first-time-ever discussions in **Israel's own press** of the factional rift between Begin's **overall settlement policy** and Foreign Minister Dayan's push for a disastrous **separate peace...**

\* \* \*

The AFL-CIO's leadership has landed with **all four feet in the British camp...** as the union federation's George Meany proclaimed at its just-concluded convention... The **LABOR** section this week presents an in-depth report on **the convention and the policies it endorsed...** policies that spell **sure doom** for the country's economy and labor forces.

\* \* \*

The coal strike points to one aspect of the **energy sabotage** line of Schlesinger and his cohorts... another is the same group's efforts to "**stop proliferation of dangerous nuclear technology**" to the developing nations...

Looking at the issue from the Third World's side is a major report in **ASIA** this week... which points out that the desperately necessary development of these technologies among the world's underdeveloped countries **may depend on the crucial role of India...** which has the **most extensive nuclear capability** and the largest force of skilled engineers and scientists of any nation outside the advanced sector... **How India got there,** against the international odds, in our **ASIA** report...

\* \* \*

The dirty underside of British and allied "surrogate warfare" in the United States is spotlighted in **COUNTERINTELLIGENCE...** an **exposé** on the Seattle-area terrorist group, the **George Jackson Brigade...** that reveals the aboveground "liberal"-cover operations that **created** the terrorist shocktroops, **deploys** them, then **protects them from the law...** a shocking answer to the question, **Why can't the police deal with the terrorists?...**

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# British Pull Coup Against The Dollar

Last week dollar exchange rates once more hit new post-World War II lows against the Japanese yen, West German mark, and Swiss franc. The situation has turned a dangerous corner. Before Dec. 14, it was widely expected that the gravity of dollar-depreciation effects on world trade, plus combined pressure from sane American business elements and from policymakers abroad, would either put the fear of God into Treasury Secretary W. Michael Blumenthal or impel a replacement of him and his "malign neglect" policies toward the dollar. At the Dec. 14 monthly meeting of the Bank for International Settlements in Basel, Switzerland, rumor had it that the U.S. would finally announce to European and Japanese central bankers its cooperation in at least a stopgap transcontinental arrangement for concerted intervention against renewed waves of dollar selloffs.

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## FOREIGN EXCHANGE

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Instead, a chagrined Federal Reserve Governor, Henry Wallich, had to relay Blumenthal's message that "the United States will not change its policy to ease the strain on its partners."

The Swiss and Austrian central bank chiefs marched out of the session to make unprecedented press statements on the unacceptability of the Treasury's stance. "Those damned bankrupt British have pulled off a coup against the rest of the world," exploded the chairman of one of Switzerland's largest banks.

The dollar proceeded to fall from an already scandalous low of 2.18 deutsche marks (two months ago the crossrate was 2.30) to 2.13, from 2.13 Swiss francs to 2.06, and from 241 Japanese yen to 237, a drop of almost 3 percent.

It turns out that the rumors that the Treasury would reverse its stand were chiefly circulated by the Treasury itself and its international conduit, the *London Financial Times*, owned by Lazard Brothers of Britain. The idea was to exploit the widespread, wishful common sense expectation that Blumenthal would finally have to do something on the dollar's behalf; the post-Basel shock would then be maximized. The deception operation worked well enough to be followed by another round Dec. 15 — this time through rumors that President Carter would announce some pledge of dollar strength or the reappointment of Federal Reserve chairman Arthur Burns (seen as a blow to Blumenthal). Neither occurred at the Carter press conference, and the dollar lows persisted amidst trading so hectic that banks' foreign

exchange dealers said they had difficulty even making trading quotations for the currency from hour to hour.

On the foreign central bankers' end, the "strain" referred to in Blumenthal's dollar-be-damned message to Basel turned into a hemorrhage with the Bank of Japan burning \$800 million on the exchanges on Dec. 15, merely resulted — as the *New York Times* — gloated — in keeping the new postwar dollar low from sinking further that day.

The West German central bank, in addition to heavy dollar-buying of its own, announced 100 percent reserve requirements on new foreign deposits in West German banks, forbade foreign purchases of short-term mark-denominated securities, and cut the discount rate by half a percent. These are gestures which have been proven ineffectual as counters to unwanted currency appreciation by the experience of Switzerland and others, and indeed were recently ridiculed by Commerzbank head Robert Dhom and West German savings bank association chief Helmut Geiger. Although the dollar-buying central banks are also trying to deal with their dollar glut by converting the currency into U.S. Treasury holdings, inflationary effects continue on the money supply of West Germany et al., since, it was confirmed last week, the monetary authorities are printing new marks and so forth in order to perform support purchases of dollars.

### *Scenarios and Accommodations*

With pro-dollar and pro-growth forces internationally on the defensive, or, amounting to the same thing, stalling their offensive timetable, the situation has been primed in the wake of Basel for the economic warfare measures itemized in the *Times of London* on Dec. 14. Under the editorial title "Should the Dollar Sink?" the *Times* rendered its jocose *yes* with the prediction that Blumenthal will never support the dollar until West Germany and Japan agree to destroy their trade surpluses, and meanwhile dollar deterioration will ensure that OPEC abandons dollar pricing: everyone should "bow to the inevitable."

The inevitable was further elaborated last week with new confidence by a number of Anglo-American monetarist operatives. Expanded use of SDRs — commonly regarded as a marginal, fictitious increment of world liquidity created to deflect the late-1960s gold push and prime the International Monetary Fund, began popping into the mouths of Treasury and Federal Reserve officials in midyear, well before the precipitous dollar slide. Now the spooks have surfaced with a proposal, in characteristic London think-tank "supranational" idiom. The time has come, they say, to replace the dollar with SDRs for not only oil payments but international reserve holdings (see banking article in

*Economics*) under the control of a new world central bank designed to permanently decapitate U.S. international economic-growth leadership potential.

U.S. banking and industrial spokesmen who could, if they chose, return such blueprints to the crackpot file in two days are presently reeling and feinting, along with various pro-development, anti-London European spokesmen, by giving *pro forma* credence to the idea of shaping up the U.S. economy and the U.S. trade position through fuel import cutbacks.

The New York *Journal of Commerce* made a Dec. 16 editorial call for "sensible" measures like energy conservation since — as Blumenthal's antagonists among Manhattan commercial banking executives also profess — nothing better can be done to help the dollar, given the present state of affairs in Washington. The 30 leading U.S. corporate heads who visited President Carter last week also tucked in their horns with a plea to curb "government spending." If Exxon is any indication, the oil corporations are on the same middle-road to extinction; V.P. Jack Bennett, best known for his self-reference in 1975 as "fat, dumb and happy," exerted himself in a Dec. 15 wire service release to make a sophisticated distinction between the "unimportant" exchange rate of the dollar and its "underlying value," which can be aided by Schlesinger's energy program.

Chicago bankers went so far as to tell the *Chicago Sun-Times* of Dec. 16 that both they and their European counterparts are extremely distressed about the dollar, but had no remedies to offer, beyond sound federal

budgets. "We can't do anything until Washington does," said a senior Manufacturers Hanover executive after predicting international dollar "panic." The capper was Bankers Trust economist Gary Gray's fullblown endorsement of the SDR plan in the Dec. 16 *Journal of Commerce* as a remedy for destabilization of trade payments.

This pusillanimity in turn has opened the way for new levels of assault against the U.S. commercial banks, who have trapped themselves in short positions against the dollar instead of taking leadership to save it. Suddenly the *New York Times* and other Anglo-American investment banking organs have discovered the perils of Eurodollar speculation and Third World debt pyramiding; the *Times* of Dec. 17 ran four articles on imminent LDC default — including a front-page autopsy on the Treasury's refusal to bail out Peru's New York banking creditors, and the revelation that no rollover package has come through for Zaire. This week's *London Economist* ran the punch line on its cover: AMERICA: GOING CHEAP FOR CHRISTMAS. The *London Times* had been equally confident and explicit about "turmoil" as the preparatory key to takeover of the dollar sector; the decisive test has arrived for the imperial premise that no one will have the courage and intelligence to take charge, save the dollar, and bring productive order out of chaos through crash-program expansion and export of U.S. advanced technology and development-g geared investment.

## USLP's LaRouche Denounces Treason In High U.S. Circles

*The following critical analysis was issued Dec. 13 by Lyndon H. LaRouche, Jr., chairman of the U.S. Labor Party.*

Let us mince no words, the role of USA representatives at the recent Paris monetary conference, the astonishing role of USA representatives at the recent Basel meeting of world financial representatives, the outburst of Ambassador Mansfield at a Tokyo press conference, and the proceedings of the AFL-CIO convention all reflect a pattern of what is in fact high treason within certain leading U.S. circles.

The essential reality of the moment is that merchant-banking circles in the City of London, circles controlling the British Government's policies and directing the activities of British MI-5 and MI-6 intelligence branches, are currently waging economic warfare against the United States. In addition, they are supplementing economic warfare by the use of terrorism inside the United States and other nations, acts which are in fact a form of shooting warfare against the interests of the United States as a nation and as a people.

Although these policies and actions by the dominant circles in London are absolutely contrary to the most

vital interests of British industry and labor, the United Kingdom is currently mobilized for war against the United States' interests, and loyal British subjects are correspondingly lending their patriotic support to that war.

In aid of that war against the United States, British circles are utilizing deeply-planted British intelligence networks of influence within various USA policy, military, intelligence and related circles. These networks center around Manhattan financial interests which have been linked to London and Amsterdam for a period extending way back into USA history. Since the days of Samuel Gompers and Victor Berger, British networks of influence in the United States have gone way beyond the outrightly British *New Republic* magazine into what are generically termed the Fabian networks linked to the British-controlled Socialist International and into comparable strata within the leadership of the American trade union movement. They also include the Fabian faction of the Democratic Party, which is to emphasize the Humphrey faction and such Humphrey protégés as Vice President Mondale.

A glance at the composition of the present cabinet

leaves little doubt as to why the British have been so successful and the Administration so impotent in defending the dollar and the U.S. economy against British warfare.

Admittedly, while many key figures high in parties, government, banking and trade unions are de facto traitors to the United States in this war, these traitors are not the full measure of the internal problem inside the influential USA circles. In addition to traitors there are honest leading citizens who despair of the possibility of forcing the Administration and Congress to take effective action to defend the United States. Typical is the statement of Henry Wallich to European financial leaders at the recent Basel conference: Wallich emphasized the impossibility of shifting the U.S. Administration to a position of defense of the dollar at this time.

We cannot hope to win Mondale, Blumenthal, Schlesinger and other hard-core representatives of British ideology to a defense of the United States in this war. We can hope that a vigorous kick to the Steatopygian regions of the anatomy of honest leading citizens will accomplish some good. We challenge these honest leading citizens to rise from their hind quarters now. "Will you squat, mewling in despair and self-pity, and watch the most powerful economy in the world, the

United States, plunge into deep depression, its currency ruined, and the nation in effect conquered by the ruler of that miserable, bankrupt, nation, England?"

The Chicago Daily News has, happily, made the relevant practical point of attack on foolish old Fabian Meany's protectionist babbling at the San Francisco AFL-CIO conference. Meany, of long life but apparently very short memory, does not recall how the same policies he now proposes, supported by the AFL during 1926 through 1932, resulted in the same near-obliteration of organized labor, and the same mass depression which Meany and his co-thinkers are proposing, in de facto British interests at this time. A comparison of Meany's policies with the rantings of British Ambassador Peter Jay on the eve of the AFL-CIO convention, shows that Meany's policies are not American, but British — as might be expected of an old Fabian in this juncture.

The Daily News is emphatically correct in reminding befuddled George Meany of the consequences of the Smoot-Hawley Act, the same sort of nonsense which Meany demands now. Meany proposes to save a few tens of thousands of jobs. The policies he recommends will wipe out tens of millions of jobs! Is any trade unionist so desirous to join the unemployed in begging for minimum wage WPA jobs that he will tolerate Meany's policies at this time?

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## The Traitors....

*Mr. Peter Peterson, chairman of Lehman Brothers (soon to merge with Kuhn-Loeb), speech before Georgia Chamber of Commerce Conference on Exports.*

Everyone is talking about the dollar, but that is not good. The less said about the dollar the better. People talk about benign neglect but they don't understand the intricacies of the situation. A Secretary of this or that can't do anything about the dollar.

The U.S. has a vulgar, if not obscene use of foreign oil. Carter's program is thus timid even if it's politically bold.

The problem is the domestic economy, the need to speed up growth in the U.S. economy and the rest of the world. Japan and Germany should upvalue their currencies.

*Peterson then read excerpts from George Meany's speech at the AFL-CIO convention calling for protectionist measures and criticized this level of thinking of labor leaders.*

Business knows better. It is up to business to straighten out the misconceptions of labor.

*New York Times editorial, "Soft Dollars and Hard Economies," Dec. 13:*

*The fall of the dollar — or rather, the factors leading to its depreciation with respect to a few other currencies — has been a blessing, not a curse. When Germany and Japan choose to reverse the dollar's decline, they may do so by stimulating their own economies and thereby stimulating imports from the United States. Such moves would be welcome, increasing employment and output in those countries and elsewhere. Should Germany and Japan prefer to go their own way, however, it would be foolish to follow their example simply to defend some romantic notion about the honor of the dollar.*

*Robert Solomon, senior fellow at Brookings Institution, "Open Letter to Helmut Schmidt," published in Journal of Commerce, Dec. 15:*

You have had serious non-economic problems to deal with in recent months and we all greatly admire the way in which you have handled them. But your statements from Brussels on economic matters are rather disturbing. You have been quoted and apparently misquoted in the press concerning the so-called "weakness of the dollar." Meanwhile, other stories have come from private sources in your country implying that some sort of conspiracy exists in the United States to drive down the dollar in order to achieve a competitive advantage for American exports....

The way to stop both the upward pressure on your



currency and the downward movement of your economy is to stimulate domestic demand....

It is absurd to blame the appreciation of the three currencies on what may have been ill-chosen words uttered by Secretary Blumenthal. And it is impossible to identify an American "conspiracy" in any actions taken by the United States....

## And Their Orders....

Times of London, *editorial "Should the Dollar Sink?"*  
Dec. 14:

...A growing protectionist lobby is putting pressure on the Administration to stop the incursion into the domestic market of foreign imports. The government believes that the way to solve this is for the surplus countries - Germany and Japan in particular - to boost their domestic

growth.... However, American exhortations have been unheeded and so the trade gap has yawned wider. The resulting fall in the dollar is proving a far more effective weapon than mere words....

One major risk in the present United States policy is its potential effect on the oil price.... The other risk is that the oil funds which now flow into the United States covering the current deficit, will begin to go elsewhere. The disruption this would cause to the international financial system would dwarf the present upheavals.

While the American Government continues to judge the balance of risks to be in favour of "benign neglect" there is little that the rest of the industrialized world can do to change their minds. Their best policy is probably to bow to the inevitable and boost their own growth as far as they can, while hoping that the usually generous Americans will help them once they have made their intentions clear.

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## Europe Worried...

Robert Dhom, *Chairman of The Board of Commerzbank, in a television interview Dec. 14:*

"The United States cannot avoid responsibility for the fall of the dollar. The dollar is the pivot of world trade. 70 percent of world trade is still conducted in dollars. No one should imagine that this will not hurt the United States. The oil producers will not tolerate such a reduction in their revenues, and raise their prices. The fall of the dollar is endangering the integration of the European Community, because it affects member countries to a different extent. There should be convened a meeting of finance ministers of the industrial countries to deal with this problem."

Wilfrid Guth, *member of the Board of Directors of the Deutsche Bank, in a press conference Dec. 14:*

"The United States government must join other central banks in substantial joint support for the dollar. The fall of the dollar is the most serious problem facing the world economy. We are in a crisis situation. Failure of the United States to act could lead to an extremely serious crisis."

*The Chairman of a major Swiss bank, Dec. 13:*

"Those damned, bankrupt British have pulled off a coup against the rest of the world (at the Dec. 11 Bank for International Settlements meeting). Some American bankers, like ----, the chairman of ----, have been trying to do something. They had better do better. U.S. bankers really better move."

## U.S. Bankers Equivocate

*A senior vice-president at a major New York commercial bank, Dec. 14:*

"I was originally sympathetic to the decline of the

dollar but now this has gone too far. I hate to use the word panic, but I think we are on the verge of one...I don't see what we can do if the government doesn't want to act."

*Head of the foreign exchange trading department at a Wall Street bank, Dec. 13:*

"This administration is saying to the Europeans 'to hell with you.' There's no use fighting it. That's the way it will be. Before Europe goes for gold, there will be an international panic. The big banks are hurting in a big way from all the exchange shifts. There will be more collapse of banks, like Herstatt (1931 - ed.), and the whole Euromarket could shut down. I don't care what anyone says - there's no way to conduct trade with this level of exchange fluctuations. There's no way to do what they're doing now without a big crisis panic."

*Journal of Commerce editorial, "A Time for Compromise," Dec. 15:*

"The negotiations now in progress between Israel and Egypt are indeed momentous. So are those between the United States and Japan on trade matters...A false step in either series of negotiations is something the world at large cannot afford. There have been too many of these in modern times, whether our memories extend back to events in the Balkans in the early summer of 1914, to the London Economic Conference in the early 1930s, or to the events in Europe from 1938 on.

"So we don't think anyone should take too seriously the statement of Robert S. Strauss, the president's chief trade representative, to the effect that the Japanese concessions...failed to meet what Washington considers to be the 'minimum goals' it set for itself in the course of these rather crucial negotiations..."

"The Japanese have tightened their belts, worked hard and displayed an extraordinary degree of inventiveness. These are qualities that don't ordinarily detonate penalties in the world of commerce. At any rate, they shouldn't. We recognize that the Japanese surplus has

created sharp problems, but we don't feel at this point that they will ever be solved by a wholesale crackdown on Japanese imports. To us that sounds all too much like the philosophy of the early 1930s. That brought the world straight to disaster.

*Journal of Commerce editorial, "What Is To Be Done," Dec. 16:*

"Treasury Secretary W. Michael Blumenthal has succeeded far too well in talking down the dollar...Virtually everyone agrees that there is nothing to be gained for the U.S. to have an even weaker dollar.

"It is recognized, moreover, that the appreciation of European currencies and even the yen can be very detrimental to confidence in Europe and Japan and will be counterproductive in any effort to increase industrial activity...

"The administration is convinced that confidence — and confidence is the answer — will only be restored when it becomes clear to the world that the U.S. is following sensible policies...

"These sensible policies include the willingness to control domestic monetary growth, the passage of a strong energy policy, meaningful tax proposals and progress towards agreement with the Japanese on increasing imports and limiting exports...

"But while we wait for the sensible policies to emerge, if emerge they will, there are pronounced dangers in appearing to follow a policy of 'benign,' if not outright 'malign,' neglect...

"It is essential that the U.S. be seen to be acting in concert and sympathy with its major trading partner..."

## U.S. Leaders View Exim Bank Expansion As Way To Halt \$\$ Crash

*The dollar's plunge to record lows over the last few weeks has excited intense concern about the fate of the American economy among industrialists and politicians. With the Carter Administration on the record as wanting to collapse the U.S. currency, significant numbers of top-level business and banking leaders are looking elsewhere for an alternative policy.*

*What is increasingly attracting their attention is the U.S. Labor Party's proposal for using the U.S. Export-Import Bank as a vehicle for diverting "hot" dollars from Europe into funding a massive step-up in U.S. high-technology exports. Since its issuance last month, the Labor Party proposal has been debated at the board meetings of top corporations and trade associations: several papers, including the Chicago Daily News, have requested editorial page commentary on it, and it is circulating widely in Congress — where the Eximbank charter comes up for renewal next year. What follows is a sample of responses to the Labor Party's Eximbank recommendations.*

### Industry

*A research director for an Illinois statewide trade and industry association:*

"Illinois is a leading export state....This proposal is right up our alley."

*The Chairman of the board of a large Georgia-based manufacturing company:*

"We've got to increase Exim ten times over....I'll help you with your proposal in any way I can."

### Business

*A representative of the U.S. Chamber of Commerce:*

"Are you sure this proposal is legal? It sounds so simple...Your Eximbank proposal and criticisms of George Meany are precisely what we've been looking for. Let's get down to specifics as to how to make the plan work..."

*A senior officer of a major agribusiness company:*

"The way the government has handled the Mexican pipeline is tragic. It started off great guns, and now it sits there, despite our energy needs. This is typical of the way the government is handling U.S. trade. Your Export-Import bank proposal seems a good way to get those exports moving. Send me copies so I can examine the proposal."

*The chief foreign trade officer at a huge Texas-based off-shore oil drilling and pipeline construction company:*

"There's some things in your proposal which are pipe-dreams, but overall I'd have to say we're moving in the same direction. Getting these exports moving is critical. Tell me some things about your organization...how large are you, where have you run campaigns, who do you work with in Washington?"

*A senior banker in Cleveland:*

"The current energy program is a disaster. We're losing nuclear energy deals to the Japanese and Germans worth billions of dollars, because of our nuclear policy. It's pathetic...I don't know that I agree with what you say about the dollar, but your Eximbank proposal would get things going."

*An officer at one of the nation's top three electrical companies:*

"On first hearing, your proposal sounds very good. It has the essentials to do necessary things."

### Congress

*A Democratic Senator on the Banking Committee:*

"I hadn't realized until I read this proposal that Exim had the power to act as an institution of deposit. This is an intriguing suggestion and I will study it seriously. You may be sure I share your concerns about the dollar."

*An aide to a Republican leader in the Senate:*

"I know that a lot of people have a great concern about

the things you're saying. I'd like to see a comprehensive policy such as yours enacted."

*An aide to a Republican member of the Senate Finance Committee:*

"It looks like the time for some hard decisions has come. We believe that the Eximbank and OPIC (Overseas Private Investment Corporation) are two of the most viable institutions to promote U.S. exports. We're very interested in studying your proposal."

*An aide to a leading member of the Senate Appropriations Committee:*

"If you could just sit here and look at the trade figures from day to day — we're on the verge of a major catastrophe. Your proposal sounds like the kind of policy we need to get out of this mess."

### The Other Side: Long Says "Eximbank Should Be Dissolved"

*While support for a beefed-up Eximbank continues to grow, others are preparing to launch a major attack on*

*the Export-Import bank when its charter comes up for renewal early next year. In Congress, the chief ring-leaders of the attack on the Exim bank include Senators William Proxmire (D-Wisc.), and Reps. Clarence Long (D-Md), Andy Maguire (D-N.J.), and Stephen Neal (D-N.C.). Here are excerpts from a recent interview with Clarence Long, whose House Appropriations subcommittee on foreign operations will be holding hearings on the Eximbank's charter in February:*

I think the whole idea that you have to have the Eximbank is specious....The only reason it exists is that certain industries want a subsidy for their exports. Without it, the nuclear industry, for example, would never be able to sell its products abroad....I favor dissolution of the bank, and I'm not alone in this....

I don't think we'll be able to kill Exim....most export industries want to go on giving it money. The farmers, too. But we intend to make life very difficult for it. In particular we intend to prohibit the bank from underwriting exports of nuclear technology, of steel manufacturing equipment, or of food to the Russians....

PART 1:

# The Interim Strategic Situation

*The following analysis was issued on Dec. 6 by Lyndon H. LaRouche Jr., U.S. Labor Party chairman. This is part 1 of a 2 part series, to be continued in EIR No. 52.*

At the moment, the Soviet leadership is behaving very foolishly on balance, permitting itself to be manipulated by British intelligence networks almost to the point of resembling a puppet on a British string. In respect to the Begin-Sadat discussions, Moscow is being lured into a British intelligence caper around the so-called "Rejection Front." In France, Soviet stupidity is more glaring, with the KGB being caught ham-handed as patsies for the British intelligence-created and controlled Corsican-Basque-Breton-Polisario terrorist groups, a circumstance symptomized by the role of British SIS agent "Kim" Philby, planted within the Arbatov-allied forces within the KGB.

Although key continental west-European governments, as well as the U.S. State Department, are honestly attempting to reach a common understanding of common strategic interests with Moscow on these and other issues, the efforts of such agencies as the U.S. State Department are significantly undermined by the errors of the U.S. and other governments, errors which contribute to the Soviets being more easily manipulated by British SIS.

Although the State Department Mideast policy as known to us as of the past weekend ought to be supported and aided as being in the proper direction, the efforts of State and other OECD forces working for peace would be qualitatively strengthened if a better understanding of the overall strategic situation were brought into both background thinking and public discussions. It is urgent that the USA, the Soviets and key continental European governments be more adequately informed concerning the underlying forces which determine the success or failure of otherwise well-intended particular efforts.

To make the points which must be made in this connection, this paper is devoted in part to a critical review of Peter Paret's 1976 book, *Clausewitz and the State*. Although the dominant official thinking within the Atlantic Alliance is anti-Clausewitzian, and Soviet policy is predominantly a modified version of Clausewitzian, it is the principle blunders of Carl von Clausewitz which represent the proper point of departure for a fruitful criticism of both Atlantic and Soviet strategic perceptions.

The object of this paper is to afford leading U.S., West European and Soviet circles an insight into the *doubleness* of the current strategic configurations. That

is, the particular concatenation of events, which may be viewed as the identifiable facts of the situation, belongs simultaneously to two qualitatively distinct geometries, two qualitatively distinct world historical processes. The first such geometry involves the waning strategic configuration of the post-1943 period. The second geometry is a new strategic configuration now emerging. Taken together, the overlap of the two configurations defines a strategic branching point in the current world historical process.

The practical significance of that apparently only abstract refinement of analysis is that the consequences of current policy actions are not predictable except as we also determine which of the two geometries we shall be operating within in the short term and intermediate term immediately before us. The same particular action can have two qualitatively different, opposite outcomes, depending upon our choice between the two geometries, depending upon which of the two geometries is consciously or at least implicitly governing our overall strategic judgmental processes.

The doubleness of the Begin-Sadat negotiations illustrates the general point. It is clear that the Begin-Sadat negotiations might lead to a separate Israel-Egypt peace. In that case, the British might be successful, at least probably successful, in developing a sharp Soviet-NATO confrontation in the Middle East, southern Africa and, probably, also Yugoslavia — a track pointing to a new cold-war pattern and probable general thermonuclear war. However, if Begin and Sadat stick to a policy of a comprehensive Arab-Israeli settlement, and if Sadat acts as an effective surrogate for the general interests of the Arabs as a whole, the associated emergence of a high-technology Middle East economic development program will tilt the world against London's current strategic policies and toward a general emergence from economic depression into general economic prosperity and an elimination of the conditions promoting a general war danger.

Thus, the ambiguity of the courageous actions of Begin and Sadat. One cannot attribute a single consequence to this development. Two entirely different opposite consequences can emerge depending upon which general strategic policy guides the further progress of those discussions.

Clausewitz's gross strategic blunder, and the effort to rationalize that monstrous blunder in *On War*, is perhaps the most appropriate topic to be considered in building the new strategic doctrine which ought to inform U.S. and Soviet policies (among those of other relevant nations).

## Paret's Evaluation

Peter Paret's treatment of Clausewitz should be viewed broadly as typifying one variant of the rationalizations advanced by the anti-Clausewitzian "utopians" in behalf of the predominant Anglo-American NATO doctrine. In contrast to the most obviously incompetent variety of RAND Corporation utopian arguments, Paret does not summarily dismiss Clausewitz but seeks to neutralize traditional readings of *On War* by more insidious means. He attempts to make a case for the irrationalist element in political and military strategy through the aid of an apparently exhaustive and scholarly reevaluation of Clausewitz's work as a whole.

This effort of Paret's is aided by two features of his undertaking. The more obvious of these two features is the characteristic feature of his historiographic style in the cited text. He combines extensive and, in part, useful, scholarship with an overall banality and sophomoric blundering in respect to the connective tissue and philosophical interpolations he stirs in with the scholarship itself. His thoroughness with respect to the subject of Clausewitz as such is in contrast to his shallow ignorance of pre-1806 European and North American history, and his sophomoric misunderstanding of the principal philosophical currents affecting the leading figures and movements of Clausewitz's lifetime. The second feature of Paret's effort is his overlooking of the fact that the policies of the von Stein circles of reformers, whose outlook Clausewitz typifies in the main, are characterized by the worst strategic blunder made in all modern history. Ignoring the fact of that blunder aids Paret in equating the irrational element in Clausewitz's doctrine with Paret's own neo-Clausewitzian doctrine of strategic irrationalism.

The blunder of von Stein et. al. is efficiently summarized by way of the following account.

Prior to 1789-1792, the thrust of the policy of European humanists was for an anti-British alliance along the lines of the League of Armed Neutrality. Brissot and other French leaders of Benjamin Franklin's allies were committed to a policy of seeking alliance with Frederick the Great's Prussia, a view reciprocated by the French-oriented Frederickian court circles and by the soundly anti-Voltarean Frederick himself. This French humanist policy toward Frederickian Prussia was advanced with included awareness of the reprehensible rural backwardness of Prussia itself; it was assumed by the French humanists that the economic power of France, then the world's most advanced industrial power, hitched to Prussia and other parts of Europe, would foster economic (i.e., urban) progress to the effect of organically preparing appropriate social transformations.

On the German side of this humanist effort, the anti-British object was to employ the military strength of Prussia as the nucleus of a German struggle against post-Joseph II Austro-Hungary, to establish a confederation which would be the first step toward a German republic. In Germany, the impulse was divided between those most advanced humanists of the Rhine, Benjamin Franklin's admirers and followers, and the followers of Leibniz's networks, who aimed for Republican forms of

government on the American model, and those who pursued the older humanist republican conception, the Machiavellian conception, of republics developing under the leadership of a humanist prince.

It is relevant that Paret completely misevaluates the influence of Machiavelli for all European republicans. Paret dwells significantly on Clausewitz's favorable response to Fichte's treatment of Machiavelli, but approaches this as if Fichte were more or less resurrecting Machiavelli from obscurity. He ignores the fact, or is simply ignorant of it, that since the translation of Machiavelli's writings into English during the Tudor period, Machiavelli had been continuously a central influence among all European humanist factions. This gross blunder of Paret's is coordinate with his pathetic description of what he terms "neohumanism."

A coordinate feature of the humanist policy, mentioned but not understood by Paret, is the Kantian proposal for a world-system of humanist republics. This notion Paret cites and ignorantly ridicules, not understanding the content or circumstances of Kant's proposal for universal peace on that basis.

In general, the continental European humanists' conception of republics, developed under the auspices of princes (e.g., their policies toward Louis XVI and Austria's Joseph II), had been connected to their perception that the ignorance, the low cultural level of the general populations did not permit the direct approach to the commonwealth form of republic written about in 17th century England and realized in the United States. Although 18th century France became the most advanced industrial power in Europe (partly because of the stagnation policies prevailing in Guelph-ruled England), the average cultural level of the French peasant was below that of the English rural population, to say nothing of the 90-percent literate population of the United States. The humanists of continental Europe therefore adopted a Colbertian policy of preparing the way for humanist popular republics (democratic republics) through programs of monarchical industrial development, which they envisaged as bringing the general population up to the cultural level required for the commonwealth form of republic, the democratic republic.

In opposition to humanist policies, the English liberals adopted a twofold foreign policy. Wherever possible, the English liberals proposed a "cultural relativist" policy, a policy of shoring up atavistic cultural institutions. The object of this was to enhance the economic hegemony of a stagnating English industrial economy by means of enforced relative backwardness abroad — as emphasized inclusively in Adam Smith's *Wealth of Nations*. Where this was not feasible, the British pursued a foreign policy of *sans-culottism*, of using the cultural backwardness of the peasantry and lumpenproletarian states as a battering ram against industrialist-capitalist factions. These two moments of British foreign policy were respectively typified by the doctrines of Hobbes and Locke.

The center of European and North American anti-British efforts had been the English-language Commonwealth Party faction, for which Benjamin Franklin emerged as the leading 18th century spokesman, and the allied continental European faction of the followers of Colbert and Leibniz's attacks on both Hobbes

and Locke, and his correctly premised attacks on Isaac Newton as a Locke-allied fraud exemplify the leading humanist influences within Germany during the 18th century.

To understand modern European and American history, the American Revolution must be thought of as part of what was in fact the First World War.

The American Revolution had a double significance for the thinking of those elements of the German Reform Party out of which Clausewitz's *On War* emerges. Most narrowly, without a study of the qualitative shift in conceptions of strategy and tactics elaborated in the American Revolution, there is no competent historical understanding of either Napoleonic tactics or the conceptions expressed in *On War*. More broadly, the European wars of the 1789-1815 period represent a British counteroffensive in the war against Britain, which the American Revolution and its allied League of Armed Neutrality represented. With the aid of both Napoleon's follies and the follies of the Prussian Reform Party, Europe lost that war.

The Revolution in the technology of warfare effected by the American Revolution was based principally on the American Federalists' application of the principles of Machiavelli to the special advantages of the American population. The key was the fact that the North American population had the highest standard of living and most advanced popular culture of any section of European culture. This made possible a combination of regular army and militia system realizing the goals of Machiavellian republican military policy, and in a specific way.

The specific, most conspicuous American innovation was the development of the skirmish tactic against the tactical doctrine of the European line. The work of European military specialists, such as the French, von Steuben, et al., fused these specifically American innovations with the best relevant elements of European military technology. This was possible because of the cultural superiority of the American infantryman and militiaman, which fostered emphasis on greater independence of the individual soldier in combat and the possibility of coordinate innovations in deployments.

These lessons of the American Revolution inevitably had their most immediate impact in France. With the work of Carnot, and French adaptation of the citizen-soldier principle to warfare, the elements of the American experience were blended into the French coordination of line, column, skirmish, artillery, and cavalry, which characterized the superiority of the French military up to the end of the Napoleonic wars.

These lessons could not be interpreted simply as matters of "military technology." The realization of new tactics depended upon new approaches to the subject of the individual soldier.

The characteristics of European military development since the 15th century had been twofold. On the one side, the emergence of the *Landsknechte* from such experiences as the Swiss *Eidgenossenschaft* had forced the notions of the roles of three arms: infantry, cavalry, and artillery. The specific feature of the *Landesknechte* companies, battalions, and regiments was the use of massed infantry shock tactics, made possible by the dev-

elopment of basic foot-soldier drill, a form of drill which was designed to transform an ignorant peasant recruit rather quickly into part of an effective combat unit.

By situating the peasant in a *Haufe*, with the most experienced infantrymen in the front lines of the massed infantry battalion assaults, the ignorant peasant was compacted into a formation which controlled his combat role to the desired effect. The development of drill enabled these compacted companies, battalions, and regiments of infantry to be maneuvered as units of combat and to maintain combat potential during the line of march.

The improvement in firearms during the 17th century led to the evolution of the line. In place of the spear and halbard attack by shock infantry assaults, the firepower of relatively rapid musket fire came into dominance. The robot-like massed fire of the line and the development of such lines in echelons of deployment became the new employment of the drilled, ignorant peasant footsoldier. The rapid deployment of columns of march into echelons of such lines of musket fire, combined with emphasis on increasing, thorough drill, the numbers of volleys per minute, were the infantry doctrine characteristics of the 18th century.

Against these tactics, the American militiaman's skirmish-line tactics of aimed rifle fire introduced several dimensions of advantage. The point to be most emphasized is that the skirmish line demanded a more highly cultured and more highly motivated individual soldier.

The employment of the new tactics established by the American Revolution demanded a revolution in the development of both officer corps and command structure. The break with the set-piece cabinet battle doctrines of the 18th century involved a broader conceptualization of alternative deployments and coordination of arms of battle. It required an educated officer corps, a professional officer corps based on education in military science, and a command structure whose peacetime preoccupation with education and training correlated with a coordinating general staff role in actual warfare.

The leading relevance of this discussion is that it was the combined direct and indirect influence of the American Revolution which underlies all the principal successful features of the Prussian military reforms. The case of Field Marshall Gneisenau is exemplary. Gneisenau, a captured mercenary during a large part of the American Revolution, submitted an extended report to the Prussian King on the American Revolution — which resulted in Gneisenau's relegation to relative obscurity in Silesia until the shattering of Prussian military doctrine at Jena. After Jena, the military reform faction led by Scharnhorst was able to force the reluctant Prussian monarch to bend to the influence of the non-Prussian elements of the officer corps and their Prussian sympathizers.

Education of the professional officer corps, coordination of arms and logistics, and the development of a citizen-soldier reserve in depth through universal conscription, were the features incorporated directly and indirectly from the experience and lessons of the American Revolution.

However, after 1806-1807, the anti-French, anti-repub-

lican mood in the Prussian command became virulent. Since the American Revolution was associated in the Prussian mind with either Girondism or outright Jacobinism, the Prussian staff, including the reformers, were conspicuously dishonest in not openly acknowledging their debt to the American Revolution. This was complicated by the overall composition of the reform party. Although the most productive Scharnhorst-linked elements of the reform party were deeply rooted in German humanist conceptions and traditions, their allies around the court included most prominently the pro-English faction, and the post-1807 Prussian military policy was strongly oriented toward alliance with and subsidies from England.

The reforms of von Stein and Scharnhorst reflect the political thrust of their objectives. Their policy was a slightly diluted version of the policies of the German republicans. They envisaged Prussia as the lever for creating a German confederation which would become a republic under the rule of the Prussian monarchy. Excepting the strong thread of picaresque aristocratic ambitions painting Clausewitz's outlook, he essentially shared the monarchical-republican political goals of the humanist element of the reform party as a whole, if with a pro-English bias.

The result of 1813-1815 was that the reformers' placing of the reformed Prussian military apparatus in alliance with the British resulted in the 1815 Treaty of Vienna, the liquidation of the reform party and all but the vestiges of its goals.

After the 1815 Treaty of Vienna, it became painfully clear to the surviving leaders of the reform party that they had lost the political war and that they themselves were being relegated to reduced status because of allegations of republican taints in their outlooks. Although the work of Scharnhorst and his protégé Clausewitz represented an advance in the doctrine of warfare, their conceptions of the political-strategic process itself had been proven pathetically incompetent by the events of the 1807-1815 period. They had succeeded in developing the policy of warfare in behalf of the Prussian state, but had utterly failed to discover the reciprocal connection between military and political policies as such. This same embedded flaw in German military doctrine assured the consequences of two world wars for that nation.

*It is not sufficient to know how to conduct a war. It is indispensable to know which wars to fight.*

### Implications Of Clausewitz's Blunder

Our use of the Riemann-Cantor notions of the evolution of one geometry out of another are not to be appreciated as merely heuristics for the comprehension of strategic processes. Properly understood, those conceptions are to be taken literally. The analysis of Clausewitz's crucial and devastating blunder is exemplary.

The periods 1773-1815 and 1967 to the present are comparable to this point in that both periods represent branching-point in the development of the whole course of European civilization. For both periods, the fundamental conflict, the choices which define the branching in the most basic way, are those between the American System on the one side, and what is properly termed the British System on the other.

It is in the light provided by this comparison that the follies of present Soviet foreign policy are most efficiently comprehended as comparable to the blunders of Clausewitz during the preceding period.

The American System, then and now, is most readily identified by the principles of Hamiltonian economic policy (e.g., the 1791 *Report on Manufactures*) and the associated principles of Federalist forms of democratic republic. This was not an abrupt, ex novo discovery of Hamilton et. al.; a study of the work of Vergennes, Turgot and Brissot, examination of the policies of the humanist faction of the Spanish Bourbon court, shows that Hamilton's economic conceptions were reflection into America's life of the prevailing advanced thought of all leading European humanist currents. Hamilton's correspondence with Brissot on related topics underlines this point.

There were two interdependent features of Hamilton's policies. The most fundamental feature, speaking economically, is expressed in his 1791 *Report on Manufactures*, in which the relationship among industrial progress, scientific-technological progress and development of the productive powers of labor is emphasized. The necessary correlated feature is Hamilton's national banking policy, that the credit of the nation-state must be concentrated in the control of a government, national bank, which channeled the flow of cheap credit to capital formation in agricultural, industrial, and infrastructural technological progress.

The alternative, opposite policy was that of the British circles around Lord Shelburne, Jeremy Bentham, Baring's Bank, and the British East India Company, the colonial policies of Adam Smith's *Wealth of Nations*, the slave-labor, make-work policies of the protofascist Bentham, and the genocidal policies of Shelburne circles' protégé, Thomas Malthus. These circles opposed general policies of technologically oriented economic development, and proposed to keep control of national and world credit in the hands of a cabal of City of London merchant-banking interests.

The central, formal, political-economic, theoretical issue between the proponents of the American System and its enemy, the British System, was the issue of ground rent (on which Karl Marx, for example, took the wrong side). Hamilton, and later Thomas Carey, correctly argued that the "natural fecundity" of land was not the source of primary wealth. They argued, using the evidence of the American agricultural experience to prove this beyond competent dispute, that it was the *improvement* in newly taken land, improvements with the implicit or actual form of capital investments in means of production, which brought the relatively poor raw land into the condition of higher productivity. Thus, Hamilton and Carey correctly argued that ground rent was a chimera concocted by apologists for the British landed aristocracy. They might have added, concocted by the merchant-banker allies of the British landed aristocracy.

The present spiralling collapse of the U.S. dollar, immediately a result of collaboration of such enemies of vital U.S. interests as Blumenthal and Schlesinger with the USA's enemies in the City of London, exemplifies the same principled issues.

Now, as during the 1789-1791 first years of the U. S. Republic, the credit of the United States is in peril on account of the growing masses of U.S. debts held by both foreign and domestic holders of U.S. dollars and other instruments. If the present monetary arrangements and current U.S. economic policy continue, the U.S. and its dollar will be bankrupted, and the City of London will resume control of the world economy, to the effect of generally ruining the world economy and probably plunging the world into general thermonuclear war. If the U.S. economic policy abruptly changes to emphasize high-technology export centering around nuclear energy and related exports, this export policy converts the excess dollar holdings domestically and abroad into hard commodity convertible assets.

To implement such a shift in economic policy, it is essential, as Hamilton did with his National Bank policies, to create an agency through which to sop up excessive dollar claims to the desired effect. It is essential to this end to create a national banking agency whose stock becomes the axis of credit issuance to both exports and to related internal U.S. capital formation. This instrument could be either a national bank — a Third National Bank of the United States — or the immediate, intermediate-term result could be fostered by activating corresponding potentialities of the existing U.S. Export-Import Bank.

It is to the point at hand as we shall show below that this comparison shows that it is absurd to propose as an issue whether or not too many dollars are being put into circulation. If those dollars are put into circulation under British System-type policies — as the Blumenthal-Schlesinger policies determine, then there are too many dollars, far too many. If the same magnitude of monetary expansion is channeled through Hamiltonian export and domestic economic and banking policies, the expansion of the money supply is perhaps too slow. To recapitulate: the same event, the same monetary expansion of the money supply is perhaps too slow. To the two alternative overall policies is governing.

The 1773-1815 branching point in European history was the immediate outgrowth of the 1773 crisis of the Geneva and Amsterdam banks. That weakening of the power of the monetarist forces was utilized by Benjamin Franklin and his French humanist (especially) allies to launch a coordinated attack on the British System. The most prominent features of that coordinated attack was the effort of Turgot, Brissot and others to launch Vergenne's industrialization policy in France and the launching of the American Revolution in North America during the same period, 1775-1776. This effort was coordinate with similar efforts in England itself, exemplified by the cases of Priestley and Thomas Paine, in Scandinavia, in Italy, in Spain, in Germany, and as far distant as the court of Catherine's Russia.

The great illusion which has prevailed to the present day concerning the events of 1773-1815 is the notion that the American Revolution and French Revolution represented the upsurge of a popularly based struggle for democracy. It is assumed that the ideas of Locke, Rousseau and Voltaire expressed such a democratic upheaval. To the same effect we have the specific, fraudulent doctrine of the "Thermidorian reaction," to

which Karl Marx partially subscribed, and which inclusively deludes the communist parties of France and the Soviet Union to the present day.

True, in the United States case, a democratic republic was the form in which the humanist struggle expressed itself. As the leaders of the American Revolution were acutely aware, the possibility of a democratic republic in the United States existed because of the high cultural level of the American population, a cultural level vastly above that of the mass of the population in England or on the continent of Europe.

The judgment of Thomas Paine and others on this matter has been borne out by subsequent U.S. experience. Although the 18th century American Tories were most readily identified with a section of the relatively wealthier strata, the popular base for Toryism was the more ignorant and culturally backward rural strata and illiterate strata among immigrants. For powerful and just reasons, the Federalists tended towards the view of restricting the power of the ballot to the educated strata of the population, and viewing the extension of political democracy as being conditional properly upon the promotion of popular education. It was Aaron Burr's corruption of ignorant, recently arrived immigrants, and the alliance of these forces with the most backward rural strata of the American population that enabled the London-allied New York bankers to use the Democratic Party as an instrument of not only pro-British wrecking policies but, at least on two notable occasions, outright treason.

These conditions did not exist on the European continent. Although the French peasantry was rather easily rallied to support of land reform and related measures against French rural aristocratic interests, the ignorance of the majority of the French population (in particular) meant that the conscious will of a democratic popular majority was not a useful instrument for policies generally. The humanist strategy on the continent emphasized sweeping economic and derivative social reforms within the existing monarchical order, through which to bring the condition of the general population up toward a cultural level like that of the English-speaking North American population.

This approach to the reform of the monarchy, influenced by Machiavelli to some significant extent, was datable in France to Colbert and the *politiques*, and earlier in the case of Louis XI. It was the aristocracy and their banker allies which were the common enemy of the independent state-monarchical interests and of humanist policies. In the strategic correlation of forces, the French aristocratic-monetarist (physiocratic) faction was the ally, and to a large extent the pawn, of the monetarist banking circles of Geneva, Amsterdam, and London.

The fight in France took the form, prior to 1789, of a struggle by the humanist faction (Turgot, Brissot et al.) against the Orleanist (British-allied) faction for control of the economic policies of the monarchical regime — Orleanists and their allies who were in fact agents of the foreign powers in Geneva, Amsterdam, and London as well as of the most British elements of national aristocratic interests. Given these realities, the French Revolution as it actually unfolded was, in part, an historic mistake.



First, the French Revolution of 1789 was a destabilization operation directed by London, Amsterdam, and Geneva banking circles. Mirabeau and Necker, representing those foreign interests, acted to weaken England's chief adversary, France, from within by a naked destruction of French national credit. At the height of the political and social chaos engendered by the work of these foreign agents, the Duke of Orleans directly organized and armed the force dispatched by his own and allied foreign agents against the Bastille.

The year 1789 unleashed a combination of historically useful and historically negative developments. The breaking of the power of the rural aristocracy by the land reform vastly strengthened France, giving that nation the basis for the strength shown during the 1792-1815 period. However, with the aid of British agents-provocateurs, led by Danton and Marat, and with the conniving of the Orleanists and London, Amsterdam and Geneva agents generally, the credit of the republic (the *assignats*) was ruined with the aid of a political battering-ram, the slum-proletariat, Marat's *sans-culottes*.

From 1789 to 1793, the fight within France centered around the struggle between the humanists and the Rousseauvians. The former attempted to salvage the situation, to actually gain from the revolution through adopting a constitutional order based on the United States model. The Rousseauvians, who were pawns of Geneva and London, responded with the anarchist Red Terror, decapitating the principal viable leadership of French humanism.

In and of itself, Thermidor was a positive development, which unfortunately occurred too late. The potential leadership which might have led France to viable solutions had been decimated by the Red Terror. The rise of Napoleon, who was politically a fool, complicated the problem, especially with the onset of his imperial delusions.

What ensued was the result that England succeeded in causing the continental nations of the League of Armed Neutrality to fight among themselves, to the point that British hegemony was consolidated in the form of the Holy Alliance. The forces of the Commonwealth Party, the Colbertist faction, and the networks of Leibniz were crushed. This defeat of Europe was accomplished with the aid of Clausewitz and the Prussian reform party of which Clausewitz was a part.

Granted, apart from the next positive accomplishment of the French Revolution, after 1806-1806 the only state in the world which corresponded to republican interests

was the United States. If the United States was not a ponderable strategic factor in continental Europe, this fact nonetheless ought to have guided all European republicans' thought.

Prussia's only sensible policy, from a Prussian or other German republican's standpoint, was to adopt a policy of neutrality towards Napoleonic France. It ought to have been clear that Germany must not ally either with England or Metternich's Austria against France. It should also have been clear that the development of Napoleonic France into a cancer from approximately 1801 onward was the result of the wars which England imposed upon Europe. If Austria allied with England on behalf of new continental wars, then Prussia should have allied with Napoleon to crush Austria quickly and securely. Prussia should have, for example, accepted Napoleon's offer of Hannover. That would have been the intelligent strategic perception of the Prussian reform faction.

Although those hypotheses have an element of the speculative in them, they do not reflect mere speculation.

On the immediate level, it was the anti-French Prussian policy inherited from the period of the reformers which caused the Prussian policy in the Franco-Prussian war, which determined the course leading into World War I, and which fostered those Franco-German conflicts through which Hitler's Germany and World War II became possible. These and other direct consequences of the follies of Clausewitz and his associates are justification enough of the illustrative observations made just above.

The more profound point to be made in this connection brings us more directly to the point concerning Riemann and Cantor made above.

If development in 1790 France had followed the course attempted by Thomas Paine and his collaborators, France would have developed along the lines of the American system model. In such a case, the duty of all European humanists would have been to ally firmly with France. Instead, because of Danton and Marat in the first instance and the Napoleonic course in the later instance, France became a progressive-and-reactionary ambiguity. It incorporated elements of humanist program, shattering the strongholds of the aristocracy in France and other nations. Yet, relative to the goals of humanism, it was also an obstacle, a cancer whose looting of Europe undermined the potential for an industrially centered humanist republican policy.

— To Be Continued

# 'Buckingham Palace' Coup Against Carter

The British troops who burned Washington, D.C. to the ground during the War of 1812 did not do half so much damage to the government of the United States as was done by the Tory crowd in the Carter Administration this past week. The redcoats never captured President James Madison, but as of this moment, Jimmy Carter is

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## THE ADMINISTRATION

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being manipulated like a puppet on a string by the Queen's own men, Vice President Mondale, Energy Secretary Schlesinger, Blumenthal of Treasury, and Zbigniew Brzezinski at the National Security Council.

Contrary to what is peddled by the London-franchised outlets in the U.S. press, President Carter's major failure during his first year in office is not his relative lack of success at shoving Schlesinger's national no-energy bill down the throats of a reluctant Congress, but his refusal to deal in summary court-martial fashion with the traitors in the Cabinet who are sabotaging vital U.S. national interests. Carter's behavior at his Dec. 15 press conference is symptomatic of his problem.

Only the day before, the *Washington Post* ran a four-column banner headline, "Energy Bill Status Judged a Failure for Carter," coupled with a picture of "An Upbeat Mondale" and a long account of a Mondale press conference in which the Vice President "defended" his boss by portraying him as a country boy new to the ways of Washington, who "tried to solve too much too rapidly... the pace was a little too strong the first year." In the next breath, Mondale was crowing about "the most successful congressional session in years — perhaps, because he had been put in charge of determining "priorities" for the Carter program in 1978, which the press promptly played as the answer to "Carter's failure."

Questioned about his relations with Congress at his Dec. 15 press conference, Carter responded to the Mondale power play by muttering weakly: "My perception is in harmony with that of the Vice President."

The first fruits of Mondale's ascendancy were revealed in the Dec. 17 *New York Times*, which reported that the "master legislative agenda" being drawn up under Mondale's direction by Tory White House staffer Stu Eizenstat may well incorporate a "major economic shift" in the form of a British "social contract" scheme to impose "private sector" wage controls on U.S. workers. Known as the Okun plan, this swindle would encourage business to go on a union-busting rampage by offering them tax benefits for lowering wages.

*Brzezinski on Warpath  
Against SALT, Dollar*

On foreign policy, Carter also appeared heavily under the influence of Brzezinski. He opened his press conference with long-winded drivel about human rights, code language for Brzezinski's psychological warfare operations to block Carter's own previous efforts to secure a SALT agreement with the Soviets, as well as peace in the Middle East. Brzezinski has also formed an NSC "study group" on the dollar, according to an NSC staffer, to further undermine national security by keeping the President ignorant of British-orchestrated attacks on the U.S. currency.

On Dec. 11, the *New York Times* reported that Brzezinski is directing an interagency study on "restricting high-technology exports" under the pretext of keeping such technology out of the hands of the Soviets, who might utilize it in "new weapons systems." On the same day, Brzezinski appeared on ABC's "Issues and Answers" to outline his "concentric circles" conception of Middle East diplomacy which would lock out the Soviet Union and the P.L.O.

This was followed by a Dec. 15 announcement from White House officials that they have ordered the Defense Department to conduct a "major review of contingency plans for waging nuclear war against the Soviet Union." in a direct provocation to the Soviets designed to end the SALT negotiations, the officials stated that "Mr. Brzezinski believes that nuclear doctrine needs to be more closely tied to the Administration's overall political strategy toward the Soviet Union. In particular, he is said to contend that the Pentagon's nuclear strike plan should be designed to exploit potential Soviet fears, such as threatening Moscow's food supply or making a target of Russian troops in the Far East, so that the Soviet Union would be more vulnerable to attack from China."

### *Cleaning Out the Administration*

With Carter apparently in a mood to put himself in the hands of his enemies, they are moving quickly to consolidate full control over the Administration. Their top target is the Office of Management and Budget, headed since Bert Lance's departure by another Georgian fiscal conservative, Acting Director James McIntyre. With McIntyre in charge and Carter's channels to Lance still open, the Mondaleites fear their hyperinflationary slave-labor bills will be emasculated before they get to Capitol Hill, as was the Humphrey-Hawkins act.

Therefore Mondale ally Sen. William Proxmire (D-Wis.) charged last week that McIntyre was serving as chief of OMB illegally because his name has not yet been submitted to the Senate for formal confirmation

hearings. Simultaneously, a wave of planted rumors has swept through Capitol Hill and business circles that Carter will oust McIntyre and name Schlesinger or Blumenthal to the Budget post. Apparently, rescuing the discredited Schlesinger from the Energy Department is the preferred alternative; the office of Proxmire's Fabian crony Rep. Henry Reuss (D-Wis.) told callers this week, "It would be a shame to take Blumenthal out of Treasury — he's doing such a great job."

The Justice Department, where another old Georgia hand, Attorney General Griffin Bell holds sway, is another prime target. syndicated columnists Evans and Novak today opened fire on Bell's ouster of Mondale agent Peter Flaherty from Justice, while admitting that Flaherty had been using the Lance "scandals" to ad-

vance his own political career and was constantly seeking to sabotage Bell's control of the department. Portraying Justice as a dissension-ridden mess, the columnists told Carter he had "only himself to blame."

Other pundits are bombarding the President with variations on the line established by the *Washington Post*. In its lead editorial Dec. 15, the *Post* ordered Carter to stop thinking — "the job description for a President does not call for a planner or designer" — and to sell whatever British garbage comes down the pipe — "a President has to build agreement." The next day, columnist Garry Wills told Carter his problem was exactly the reverse — he was a patient "persuader like Herbert Hoover."

— Don Baier

## Energy Bill On The Rocks; But Schlesinger Policy Intact

White House spokesman Rex Granum admitted in a news conference early last week that there is virtually no chance that a joint House-Senate conference committee of the Congress can agree on a compromise energy bill this year. With Congress only days away from adjournment until mid-January, conferees considering the natural gas section of the bill have failed to reach agree-

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### ENERGY

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ment despite a series of compromise proposals and counterproposals, and the conferees considering the "centerpiece" tax portions of the bill have not met since Senator Russell Long, the spokesman for Senate conservatives demanding increased incentives for energy production, attacked lobbyists representing Energy Secretary James Schlesinger. He announced that he and the Administration were "poles apart" more than a week ago.

Although the White House is holding out hope of agreement in principle with Long before the year is out, the *Washington Post* charged in a front-page article Dec. 14 that chances for passage of the bill in 1978 were poor, and that in view of previous repeated White House assertions that the success of President Carter's first year in office would be measured by the progress of the energy bill, "1977 must be judged a failure for Jimmy Carter."

The same Eastern establishment press which cheered the Administration's populist attacks on Congressional conservatives as "ripoff artists" for the oil and gas industry, this week frantically advised the President to change gears and court the conservatives. Reversing its stand of only two weeks before, a *New York Times* lead

editorial instructed Carter to accept Russell Long's proposal for an energy development trust fund as the price of an agreement. Syndicated columnists Evans and Novak, who had recently written that the Administration had "certainly proved it can handle Russell Long," warned Carter he would have to accept phased deregulation of natural gas before Long would act. Pollster Louis Harris, a well-known manufacturer of instant public opinion, released a survey purporting to show that Americans enthusiastically backed a compromise bill.

Fundamental U.S. political realities, however, dictate that Carter's only chance to salvage the energy issue lies in quick action to jettison discredited neo-Malthusian Schlesinger, replacing him with an advocate of full-scale nuclear development. So far the Administration has given no sign it understands this.

Schlesinger spokesman John Ahearne reaffirmed to an audience of 100 environmental lobbyists in Washington last week that Schlesinger's "pronuclear" stance was a charade, and that the Administration was "cutting back on nuclear research and shifting our priorities to solar energy development." According to informed Washington sources, Schlesinger's second-in-command at the energy department, John O'Leary, recently told representatives of the major firms involved in the business of constructing nuclear reactors that the Administration "could do nothing about" environmentalist assaults on nuclear power which have all but stopped new orders for nuclear plants. An *Associated Press* wire from Moscow last week reported that O'Leary, being given a tour of a Soviet nuclear plant which could supply power for three cities the size of St. Louis, commented only that "this plant could never be licensed in the United States" because the Administration was determined to keep a "hands off" policy toward the environmentalists.

## Demand For Government Program Of Expanded Exports

"We were looking at the trade deficit and the influence that businessmen can have on the government. We wanted businessmen to be able to tell government representatives what type of trade policy they believe is necessary," declared a representative of the Georgia Chamber of Commerce, explaining why the Chamber sponsored a conference Dec. 7-8. The meeting brought together leading representatives of Georgia and area businessmen to hear several top business executives, Alan Wolff, Special Ambassador for Trade Negotiations, Assistant Secretary of Commerce Frank Weil, and Lehman Brothers head Peter Peterson speak on the issue of expanding trade. Former Secretary of State Dean Rusk moderated.

While Peterson berated the audience with a call for the dollar to collapse and the economy to wind down and use less energy, the other speakers addressed the question the audience had come to hear — how to get U.S. exports flowing. Weil, Wolff and the head of Panelfab Corp., Mr. Fisher, all called for an expanded Export-Import Bank to finance increased exports. Weil, in an unusual break from the Administration's policy thrust, called for the U.S. to consider barter deals with Arab countries, exchanging their oil for our nuclear technology. Questioned by a U.S. Labor Party spokesman on whether he would support a ten-fold increase in the activity of the Export-Import Bank to revive American industry, Weil answered by saying that indeed the Export-Import Bank is

one area we can do something with to aid trade. Other company and bank representatives indicated they were impressed with the proposal.

*The following are excerpts of statements made at the Second Annual Georgia International Trade and Development Conference, sponsored by the Georgia Chamber of Commerce:*

*Dean Rusk:* "The business community needs to function as philosopher kings. This may go against what the Administration wants but we need long-range programs. We can't restrict trade.

*Rusk then declared that the state has a role in increasing trade and called for "Japanese style" government aid to business to expand exports.*

*Frank Weil:* One of the key problems we are facing is that we are losing the "R" in R and D. High technology production and skills are the backbone of U.S. industry and trade. What is necessary is for the business community to channel creativity and productivity into exports. We need a more effective Export-Import Bank....

Governments have been bartering nuclear technology for oil in the Middle East and the United States should look into that, although there are now government restrictions.

## Investment Banks Start Euro Dollar Panic

The 'Our Crowd' New York investment banks and allied British merchant banks are deliberately fomenting a Eurodollar market panic to bankrupt leading New York commercial banks and position themselves to "pick up the pieces." Leading conspirators in this attempted "bear raid" on international credit markets include Lazard Freres (New York), Lazard Brothers (London), Lehman Brothers-Kuhn Loeb (New York), S.G. Warburg (London), and N.M. Rothschild and Sons (London). This investment banking cabal has developed at least two alternative scenarios for sparking the desired crisis of confidence.

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First, as proposed by Congressman Henry Reuss (D-Wis.) this week in a letter to U.S. Federal Reserve chairman Arthur Burns, reserve requirements could be imposed on Euromarket banking activity. This measure would result in an immediate and massive drain of banking liquidity out of the Euromarket, preventing banks from rolling over the huge burden of developing country debts, which mature in 1978.

The second collapse scenario, floated by the *International Herald Tribune* in a special Euromarket survey Dec. 12, is to encourage protectionist hysteria in the industrialized countries directed against imports of developing countries' manufactures. The Third World countries would then be unable to service their debts, triggering defaults and a generalized Euromarket breakdown.

#### *Lazard Embraces Reuss Plan*

On the surface, there is nothing wrong with imposing banking reserve requirements on the Eurodollar market. Swiss and West German government and central bank officials have seriously considered taking such a step in the past in order to clamp down on speculative and highly inflationary Euromarket lending practices. The present lack of banking reserve regulations enables banks to generate a potentially "infinite" expansion of credit through a multiplier effect, which is greatly facilitated by the large volume of short-term funds which the banks simply loan back and forth between each other.

However, under the present conditions of drastically shrinking world trade — and in the absence of any alternative financial mechanism with which to generate a recovery in world trade — imposition of reserve requirements would "pull the plug" on the entire world credit system and wreak havoc.

According to sources inside Lazard Freres, the bank's leading personnel are elated about Reuss's plan, terming it a "great idea." While admitting that the measure would force the banks to "call in their loans" and lead to

major Third World defaults, Lazard's line is that, while "things could worsen in the short term, in the longer term we will be better off for getting the Euromarket under control — a polite way of saying "when the New York commercial banks go under, we'll come out on top."

According to an aide to Reuss's banking committee, reserve requirements could be slapped down by the chairman of the U.S. Federal Reserve in collaboration with other major central banks without any need for legislation. Since Burns has opposed such measures in the past, he will have to be replaced — possibly by Reuss himself, the Lazard Freres source adds.

Although Reuss's aides are telling the press that the British are "opposed" to reserve requirements because it will reduce the volume of Eurodollar market activity conducted in London, Lazard is "not so sure" of British opposition. Chances are that the British merchant banks have already pulled in their horns from the Eurodollar market and are positioning themselves to buy up U.S., European, even Latin American equities at a nickel on the dollar, once the smoke has cleared away.

The final proof that Reuss is not advocating Euromarket controls for any "benign" reason is that the Congressman has been openly pushing dollar depreciation to reduce the U.S. trade deficit. In a statement this week which, like the call for reserve requirements, was only circulated in the European press, Reuss demanded International Monetary Fund penalties against European and Japanese central banks that presume to intervene in support of the dollar.

#### *Trade War and Debt*

An alternative method of bringing down the Eurodollar market was aired in the Dec. 12 *International Herald Tribune*, a Paris-based daily jointly owned by *The New York Times* and *The Washington Post*. Washington publisher Katherine Meyer Graham is closely related to Lazard's chief Andre Meyer. The *Tribune* featured a Euromarket survey complete with flaming headlines, "Petrodollar Recycler a Threat," "Debts Are Potential Boomerang," "Problems Threaten to Burst," "Uncontrolled Market a Conflict for Governments."

The underlying theme of this series of articles is that Third World countries have stepped up exports of labor-intensive industrial products — often under IMF and commercial bank pressure — but that growing protectionism in the industrialized sector will cut off their export markets and force them into default: "What makes this problem acute is that the borrowing states will shortly be moving through a very difficult period in servicing their debts. According to a U.N. estimate, 78 percent of the outstanding borrowings for the period 1973-76 will fall due for repayment in the five years 1977-81 and no less than 42 percent will fall due in the three years 1977-79. While the international banks remain highly

liquid, as they are now, rolling over this debt is not a problem. But if the perceived credit standing of these nations is reduced by difficulties in exporting or, if international liquidity were to be reduced, renewing the debt could become an acute problem."

The article entitled "Uncontrolled Market a Conflict for Governments" also hints at government regulation of the Euromarket and explores the potentiality for another "Herstatt," a reference to the collapse of a small West German bank in 1974 due to foreign exchange losses which momentarily brought the entire Euromarket interbank lending operation to a grinding halt. Normal banking practice has been for banks to finance five- to seven-year loans to a developing country or other non-bank borrowers by acquiring short-term interbank credits which must be rolled over approximately every six months. The interest rate charged on medium-term loans to "nonbanks" is set at a given percentage above the prevailing interbank rate (called "LIBOR"), and is readjusted every six months according to the fluctuations in LIBOR.

The *Tribune* warns: "A crisis of confidence at this interbank end of the market would mean that banks which had participated in syndicated loans by borrowing six-month deposits and renewing them at each half-yearly rollover period would find themselves without the means to finance their loan commitments. That would create havoc with nonbank borrowers. Their five- to seven-year Eurocurrency loans are essentially six-month credits which the banks are committed to renew at each rollover period *provided the funds are available (ital. in original)*. . . The (Herstatt) crisis was short lived . . . But Euromarket critics continue to raise one worrisome question: What happens if one or more banks are forced to the wall by the default of one or more major borrowers and there is a sustained crisis of confidence?"

The Herstatt analogy is not wholly fortuitous. According to the chief foreign exchange trader at a major Wall Street firm, the current rapid shifts in international currency rates could catch the big New York banks in major foreign exchange losses "like Herstatt, and the whole Euromarket could shut down." Several New York commercial bank sources have indicated that, while they would prefer a stronger dollar, the banks themselves have been forced to take "short" positions against the

dollar either to defend themselves or make a quick speculative buck.

In his Dec. 15 column entitled "Beware a Bear Trap," British *Guardian* columnist Hamish McRae contemplates what would happen if central banks jointly and unexpectedly undertook support measures for the dollar, forcing speculators to "close their positions at massive loss." "Is the time nearly ripe for that classic maneuver dear to the hearts of central bankers (and dearer to the Rothschilds — AB), the Great Bear Squeeze," McRae asks. ". . . The point about markets — all markets — is that the moment when everything looks in utter devastation is the moment when the market is about to turn. The dollar may be lower still against the Deutschmark in, say, a year's time. But before then there will be a rebound."

#### *International Central Bank*

A just-released Trilateral Commission plan to transform the IMF into an "international central bank" has a suspiciously British Keynesian "flavor" despite the well-known Rockefeller participation in the Commission. The Trilateral report, which was aired by columnist Hobart Rowan in the Dec. 15 *Washington Post* and *International Herald Tribune*, was co-authored by Richard Cooper, U.S. Undersecretary of State for Economic Affairs; Karl Kaiser, Professor of Political Science at Cologne University; and Masataka Kosaka, Professor of Law at Kyoto University.

The Trilateral plan coheres well with British schemes for top-down restructuring of the world economy in the wake of a collapse and includes expanded usage of Special Drawing Rights (SDR) as an alternative reserve currency to the dollar. In 1971, the same Richard Cooper wrote a study for the British-North American Chamber of Commerce proposing the use of the British pound sterling as an all-European currency.

Strangely enough, it appears New York commercial bankers are now fabricating the rope with which the British will hang them. Bankers Trust senior economist Gary Gray recommended, in an article in the Dec. 16 *Journal of Commerce*, that oil be priced in SDRs instead of U.S. dollars — ostensibly to satisfy the needs of OPEC and U.S. oil multinationals for currency stability.

— Alice Blythe

# London Protectionism To Aid 'Social Adjustment'

The City of London's strategy for trade war was unveiled Dec. 12 in a commentary by *Times* of London editor William Rees-Moggs entitled "Challenges from developing nations that could threaten our living standards." Predicting a flood of exports from low-wage,

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labor-intensive industries in the developing countries into the industrialized sector, Rees-Moggs evoked an image of "teeming yellow hordes" descending upon Europe and the U.S. "... We have no chance — with or without protection — of maintaining our living standards now that a billion people prepared to work for less than \$5 a day are claiming their rightful place in the sun."

Rees-Moggs leaves no doubt that the world's foremost economic power, the U.S., is the City of London's primary target: "American economic leadership has declined as a force and will continue to decline, as other countries catch up. ... In the next American cyclical depression, probably in the second half of next year, the pressure for direct protection will become very strong, and they will also be very strong in Europe ... Protectionism could have a rational purpose to control the rate at which economic adjustments are made so that social adjustments can keep pace with them. The temptation would be to use protection to defend the incompetent and to close markets to the poor."

Driving home the point, the *International Herald Tribune* ran a special 14-page supplement trumpeting the shakiness of the Eurodollar market and the big U.S. commercial banks that dominate it. The *Tribune* charged that the banks had been "unwitting sponsors of the protectionist tendencies" through their policy of restricting imports of borrowing countries and encouraging exports so that these nations can repay their Eurodollar debt. This policy has resulted in fewer exports for industrialized nations and the concomitant mammoth U.S. trade deficit.

The *Tribune* proceeds to outline the core of its recommendations for the declining industrialized economies, quoting from a report on "Investment, the Squeeze of Capital" prepared by the Hudson Institute's European arm: "The major political problem faced by governments is how to get labor to accept a smaller share of the pie ... To provide the required investment, the share going to wages has to decline relative to the share going to profits. This implies a decline in real wages ... (ranging) from 5 to 7 percent, depending on the country."

### *The Case of Alonzo MacDonald*

Heavy British input into the Carter Administration — conduited through such figures as Vice President Mondale, U.S. Special Trade Representative Robert Strauss, and Assistant Treasury for International Economic Affairs C. Fred Bergsten — have accentuated the U.S. protectionist drive. At the multilateral trade negotiations in Geneva, Strauss' second-in-command Alonzo MacDonald has set up a leaderless group

negotiating game. Rather than negotiate in plenary sessions which concentrate on reaching broad trade agreements and policies, MacDonald has split the participants into "plurilateral" groups discussing separate issues, with the object of setting up "multiple choice" formulas for the final negotiations.

Hardly representative of "U.S. industrial interests," MacDonald is a close friend of British Treasury Secretary Denis Healey and EEC Commission head Roy Jenkins and was formerly president of McKinsey and Co., a British-controlled U.S. management consulting firm. MacDonald ran the Carter transition team with Mondale aide Stuart Eizenstaat and recruited Robert Strauss as the chief U.S. trade representative, puffing his reputation as "conciliator" and "mediator."

One of the first fruits of MacDonald's efforts in Geneva has been an agreement among major producer and Consumer countries to extend the expiring International Multi-Fibers Agreement, which effects 80 percent of the world's annual textile trade totaling \$50 billion. The "catch" is that the EEC succeeded, with Carter Administration support, in inserting a clause, which would allow the EEC to impose restrictions on imports whenever "exceptional circumstances" should arise — a "carte blanche" for protectionism, in the words of a Brookings Institution official.

### *Third vs. Fourth Worlds*

As if heeding Rees-Moggs' warnings about developing country exports, Bergsten savagely criticized Brazil during his just-concluded visit to that country. Bergsten castigated Brazil for subsidizing exports while erecting import barriers and virtually threatened them with the Japanese treatment: "We are seeing how the policies and economic performance of an important country — Japan — could threaten the openness of the entire international trade system... Now is the hour to ask if Brazilian policies could have similar effects. It would be advisable that Britain... make its own concessions."

Bergsten's demands flatly contradict IMF policy, which has forced developing nations to curtail imports and expand exports to pay debt service. Simple reversal of that policy would entail a sharp reduction in their currency reserves, imperiling developing countries' ability to repay debt and threatening to bankrupt major U.S. commercial banks.

According to a source in Strauss' office, however, the "Anglo-American" strategy at the Geneva trade talks is not to shut off developing country exports completely. Rather, "special and preferential" treatment will be encouraged but only for "the most efficient" (read: "low-wage") producers and only in selected industries, cohering with British plans for world-wide rationalization of industry. Rees-Moggs was much more explicit, distinguishing in his article between countries which "are developing extremely rapidly," such as "South Korea, Brazil and Mexico," and countries "including all the poorest countries of Africa, Asia, and Latin America, where the conditions for development do not exist at present and can hardly be brought into existence before the end of this century at the earliest."

— Steve Parsons and Alice Blythe

# Japanese Currency Panic Grows In Wake Of Ushiba Visit

The Bank of Japan Dec. 15, under direct orders from Japanese Prime Minister Takeo Fukuda, intervened in the Tokyo foreign exchange market purchasing the bulk of the \$883 million traded to prevent the dollar from falling through the floor. The bank's action managed to hold the yen at ¥238 to the dollar despite the heaviest trading day on the market since the 1979 abandonment of the fixed exchange rates. The bank's actions, according

Business leaders like Bunpei Otsuki, vice-president of Japan's big business federation Keidanren, yesterday urged the Government to "trim Japan's large trade surplus" by an "expansion of domestic business" according to the *New York Times*. Keidanren has been lobbying for a ¥35 trillion budget which the federation claims would give Japan a 6.5 percent real growth rate next fiscal year which would reduce Japan's current accounts surplus from \$9 billion to \$6 billion. The Ministry of Finance's proposed budget is only ¥33 trillion, which Keidanren says won't even make a dent in the surplus. The Japanese government has indicated it will try to achieve a 7 percent growth target next year as a way of "satisfying U.S. demands."

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## JAPAN

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to today's *New York Times*, managed to "avert a possible temporary shutdown of the Tokyo market because of the unsettled conditions."

Toshio Komoto, Japan's new Industries and Trade Minister, warned in a speech a few days after the Basel central bankers' meeting that a collapse of the dollar is under way which could drive the yen upward by 10 to 20 points. According to the Dec. 15 *Journal of Commerce* Komoto then demanded that the Fukuda government carry out a larger reflation program to aid domestic industry. Komoto also warned that the collapse of world industry would propel the Carter Administration to legislate major protectionist measures.

The dollar's plunge is putting severe strains on Japanese heavy industry. Its plight was made public Dec. 15 when the top executives of Japan's shipping firm, Japan Line — a major prodevelopment corporation — called for a one-year moratorium on its debts to Japan's major banks in order to avoid a collapse. The bankruptcy of Japan Lines would be the biggest in postwar Japan, bringing down hundreds of small companies with it.

### *The Ushiba Trip*

In the wake of Fukuda External Economic Affairs Minister Ushiba's visit to Washington, the business community, using Industries Minister Komoto as its main spokesman in the cabinet, is demanding that Fukuda and the new Finance Minister Murayama pursue a high economic growth policy even at the cost of increased deficit financing — something the Finance Ministry has been strongly opposed to. The keystone of this policy is nuclear energy. According to the Council on Energy Problems, the major business advisory group for the government, Japan should attempt to double its electricity production by increasing atomic power production eight times so that by 1990 atomic power will supply 25 percent of Japan's energy needs.

### *The Agriculture Question*

Japan is now preparing to offer the United States a relaxation of Japan's restrictions on agricultural imports. According to the *Asahi*, the new head of Japan's Economic Planning Agency Keichi Miyazawa tried to push for decontrol of all agricultural imports as part of Ushiba's concessions and was "narrowly outmaneuvered by" Japan's own protectionist forces inside both the government bureaucracy and the LDP. Japan's farm sector receives major government subsidies. As a result of this subsidy policy for the farm sector (the major voting bloc in the LDP), Japan's beef prices are extraordinarily high. Now with business itself fully backing measures to reduce food prices, Miyazawa is expected to succeed in an easing up of Japan's agricultural controls.

### *Sonoda's Plans*

Japan's new Foreign Minister Sonoda will go to Moscow in early January on his first major diplomatic mission to discuss economic cooperation projects between the two nations. A few days after that trip, Sonoda will tour Saudi Arabia, Iran and Egypt to strengthen Japan's ties there. Japan also appears close to signing a peace treaty with the People's Republic of China which would strengthen Japanese industry there. That pact is being made possible by signals now coming out of China that the government is prepared to back down on the conditions of the treaty itself. The Chinese in the past had been vehement in demanding that Japan sign an "anti-hegemony" clause against the Soviet Union which Japan has refused to do. Now the Chinese are privately indicating that the clause can be rewritten to remove its anti-Soviet implications which has been Japan's consistent precondition for signing.

— Kevin Coogan



# Alperovitz Tells How To Dismantle Steel

*Gar Alperovitz, radical economist and Institute for Policy Studies fellow, announced at a press conference Dec. 13 that plans to sell the Youngstown Steel and Tube Plant to residents of the area are well on the way to completion. The plan not only does much to set a precedent for denying the steel industry much needed capital investment, but also sets precedents for pilfering*

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## STEEL

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*workers' pension funds, and busting the United Steel Workers of America. The following is a recent interview with Gar Alperovitz:*

*Question: Mr. Alperovitz, you are a main mover in a plan to reopen the Youngstown Sheet and Tube Campbell Works. How do you expect to finance this project?*

*Answer: There are five sources of money. First, the workers themselves. You know workers can raise a lot of money with mortgages and things like that. There are already 200 to 300 worker-owned companies in the United States. Second, the community and suppliers; third, local and national church organizations. We have already 186 signatories on the church coalition call and we expect to have over 400 very soon. Fourth, ordinary private bank loans like the company used to get; and fifth, federal and state loans. The federal loans can come from the EDA — they have plenty of money for this kind of thing and the state may add some like Pennsylvania was going to do for a Volkswagen factory over there.*

*Q: What is the total cost of this project and how would it be raised?*

*A: Well, we haven't really gotten into that...I couldn't give you a figure, but we are having two feasibility studies done using the company's books. The plant has a lot of unsold inventory that could be used for collateral on loans.*

*Q: Do you think that protectionist measures will be necessary to make the plant competitive?*

*A: No, I haven't thought about that question. The plant will be ultra-modern, using the latest technology and having the highest ecological standards, and the best energy saving equipment.*

*Q: What kind of support do you have for this plan?*

*A: Well, we have a lot of church support and that is a major element in the community...*

*Q: Have you worked with the union involved?*

*A: Oh yes, I have had continuous discussion with the head of District 16 (United Steel Workers)...I think his name is spelled L-e-s-a-g-a-n-i-c-h or something. But when I say workers I don't necessarily mean the union. The union may try to represent the workers after the plant is worker-community owned but that will be decided later. The really exciting thing about this plan is the relationship between the workers and the community.*

*Q: Have you had any support in Washington?*

*A: Oh Yes, you've heard of the Treasury Report on the steel industry (the Solomon Report), well, we wrote the "community participation" section to make room for this kind of a project. We've also been working with the Urban Affairs Task Force and I'm sure that the Carter Administration will seriously consider this project as a pilot or a test for one of their weapons against unemployment.*

*Q: When do you expect this project to gell?*

*A: We're collecting "earnest money" right now but that won't amount to very much; it'll just be token of good faith. The churches are beginning to collect right now. I think in two to four months some hard decisions will be taken.*

*Q: Do you have support in Congress?*

*A: We've worked directly with Metzbaum's staff and of course also the local congressman, but I don't want to go through all of our contacts at this early stage.*

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## Youngstown Steel And Tube — Test For Steel Industry

Negotiations are now underway on the Alperovitz plan between the Western Reserve Economic Development Agency (WREDA) and Youngstown Sheet and Tube to reopen the steel company's Campbell Works in Youngstown, Ohio, where 5,000 steel workers have been laid off in recent months. Among the options WREDA is proposing is purchasing Campbell Works from Youngstown Sheet and Tube through some combination of federal loan guarantees, private investment, and community financial participation. It appears that individuals like William Sullivan, who heads WREDA and the Steel Communities Coalition, are walking into the trap of seeking "case by case" "solutions" to the steel crisis, while postponing indefinitely dealing with the real issues — reviving demand from high technology production and expanding U.S. steel capacity.

According to a 70-page feasibility study prepared for WREDA by George Beattle, a Philadelphia consultant, it will cost \$535 million to start up the idle steel facilities and modernize them to make them profitable by 1983. A spokesman for Youngstown Sheet and Tube noted that this large figure doesn't even include the purchase price, and wondered where the community was going to come up with the money required.

A second feasibility study on community and worker participation is being prepared by Father Stanton of the Youngstown Religious Coalition.

One crucial angle that the Beattle study doesn't even mention is that without addressing the question of reviving the world economy, the only way the Campbell Works will be made profitable is through breaking work rules and imposing massive speedup.

# OPEC Lines Up Behind Oil Price Freeze, Dollar

In the days leading up to the semi-annual meeting of the Organization of Petroleum Exporting Countries (OPEC), a powerful group of moderate producers have stated their intention to freeze the price of oil through 1978. The president of OPEC, Sheikh Abdul Aziz al Thani, announced this week that his country, Qatar, would join Saudi Arabia, Iran and the United Arab Emirates (UAE) in forestalling a price rise. Al Thani emphasized that a freeze was urgent to support the floundering dollar, a sentiment less directly expressed last week when Saudi Oil Minister Sheikh Ahmed Zaki Yamani announced Riyadh's position for the Dec. 20 Caracas meeting.

These producers are aware of the strategic importance of such a freeze in blocking the international financial warfare which the City of London is launching against the U.S. economy and which is responsible for the present dollar crisis. Such a recognition was reflected by the Venezuelan daily *El Nacional* this week which quoted a noted Venezuelan professor as condemning U.S. Treasury Secretary Michael Blumenthal for carrying out a deliberate policy to allow the dollar's destruction. Both Blumenthal and U.S. Energy Secretary James Schlesinger are known to be the City of London's "inside men" in Washington who are pushing OPEC to raise the price of crude to offset losses on dollar-denominated oil receipts — a move calculated to finish off the dollar.

OPEC nations are showing signs of formulating policy beyond simple support for the dollar and are investigating what role they will play in the industrial recovery of the advanced nations. Venezuelan Minister of Mines Hernandez Acosta this week stressed that the issue of oil pricing was secondary to OPEC's ability to supply oil the world needs to develop alternative energy sources. A similar concern was put forth by Saudi economist M.A. Hassanain who recently told the *Wall Street Journal* that Saudi Arabia favors all the OPEC countries producing "to the maximum." Hassanain stressed that when worldwide demand increases then Saudi Arabia "can increase its production from its excess capability quickly."

During a visit to Riyadh two days ago, Secretary of State Cyrus Vance received assurances from Saudi King Khalid that under Saudi pressure OPEC would likely opt for a price freeze. With 65 percent of OPEC's total output controlled by the "price freeze front" such a probability is enhanced. According to the *Washington Post*, Iraq, the most hawkish of the cartel members calling for a 23 percent increase, will send a low-level delegation to Caracas in "protest" against a freeze. Such a development may indicate that Iraq could well acquiesce to the decision of the majority.

## Rumormongering

With growing resistance in OPEC to the Blumenthal-City of London ploy, a barrage of reports that OPEC was considering postponing their scheduled meeting began to sweep international capitals. The *New York Times* cited the U.S. State and Energy Departments along with the Venezuelan Embassy in Washington — known for its close ties to Schlesinger — as the source of the rumors. At the same time, the two largest Venezuelan dailies, *El Nacional* and *El Universal*, ran front-page stories that Venezuelan president Carlos Andres Perez was urging a postponement.

Yesterday, Perez personally issued a denial of any intention to postpone the meeting through his information Minister Diego Aria: "It isn't true that the president made such a proposal. Everything is ready for the conference."

The motivation for such rumormongering—the conduits in many cases are traceable back to offices in London — serves two purposes: to stave off the OPEC meeting, and to sow seeds of confusion in international money markets on the prospects of a price rise or split. Such rumors primarily hasten the rush out of the dollar. The *Washington Post* is fully implicated in such an operation having reported the postponement as policy of Venezuela and, furthermore, having speculated in its pages that a delay will inevitably lead to another price rise. Such developments, note the *Post*, will destroy President Carter's diplomatic efforts, working through Iran and Saudi Arabia, to ensure a stable oil price and hence short-term stability of the dollar.

The singlemost important deterrent to a price freeze between now and Dec. 20 is the continued decline of the value of the dollar. If a group of producers such as Algeria, Libya, Kuwait and Venezuela opt for even a small increase of 5 to 8 percent on the basis of the dollar decline, OPEC could again see a replay of the December 1976 meeting where, for the first time, a price split occurred. Such a split would give the monetarists allied with London the political leverage they need to complete their "bust up OPEC" scenarios.

## Venezuelan Vulnerability

Venezuela has traditionally played the key role of mediating between cartel members where differences on pricing materialize. But in recent days, the Perez govern-

ment has come under pressure from domestic opposition to side with the "price hawks" and thus tie Venezuela's hands in preventing a price split. The so-called "father" of OPEC, Perez Alfonso, and the environmentalists are urging the Venezuelan president to "force" a "significant reduction" in world energy consumption by driving the price of oil through the roof.

Although Venezuela has said it favors a price increase, it emphasizes that any price rise must be "moderate," making it clear that Caracas will not support demands like those put forth by Iraq. But a destabilized Perez regime — hit this week by open talk of a possible military coup — would be paralyzed from its efforts to ensure "solidarity" in pricing within the cartel.

The Venezuelan military is taking extraordinary precautions. Both European and Venezuelan press sources have reported that European terrorists have been deployed to Venezuela—another potential modus operandi which London is known to utilize—as a means of disrupting the OPEC meeting if all else fails.

— Judy Wyer

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*Following are excerpts of a speech by Venezuelan economist Giuseppe Palladino delivered at a high-level managerial conference in Caracas, and published by Carlos Acedo Mendoza Economic Consultants, as reported in the daily El Universal Dec. 10:*

(U.S. Treasury Secretary W. Michael) Blumenthal has tried to obtain on the exchange markets what he could not get at the last annual meeting of the International Monetary Fund: the revaluation of the German mark and the Japanese yen...

The leaked reports and punctual denials concerning an open disagreement between Chairman Burns of the U.S.

Federal Reserve, and Treasury Secretary Blumenthal lead us to suspect that behind the exchange policy of the dollar, certain pressure groups are moving, interested for different reasons in the depreciation of the U.S. currency... The depreciation of the dollar is what is needed to force the OPEC countries to increase the price of oil... And this is precisely what the Americans expect the necessary premise, in order to reach full energy independence.

*The following are excerpts from the statement by Qatar Oil and Finance Minister, Sheikh Abdul Aziz, to the Associated Press, Dec. 10:*

I am an optimist, and we will adopt a policy capable of fighting inflation and strengthening the U.S. dollar. We are completely in favor of efforts being made for achieving prosperity for the world economy. And it will be through the combined action of OPEC in establishing economic solidarity between the oil producers and consumers, with the goal of fighting inflation. This will be Qatar's Christmas gift to the industrialized world...

Programmed oil production can guard against the collapse of consumption, reduce the need for storage, and stabilize prices. The hoarding of crude is a threat against the price policy of OPEC... We favor the application of simple and gradual tactics for production and pricing, so as to avoid any damage to the world economy...

The dollar continues to be the strongest currency, despite the difficulties affecting it. It would not be in our benefit to abandon the dollar, at least not during the present period. We do not allow ourselves to be led by the mistaken story that there are deliberate and malign intentions to weaken the dollar and thus erode the buying power of our earnings. We will remain firmly with the dollar.

## Administration Environmentalists Out To Destroy Export-Import Bank

A major battle is shaping up within the Carter Administration on the future role of the federal Export-Import Bank in financing U.S. high-technology exports. The fight was initiated last January in a lawsuit, filed in U.S. District Court in Washington, D.C. asking that the court issue a declaratory judgment that the Exim Bank must comply with the National Environmental Policy Act. The suit, filed by the Natural Resources Defense Council, complained that the Exim Bank was financing a number of development projects in the underdeveloped nations which had an impact on the environment of those countries. The NRDC cited, as examples, a railroad in Gabon to be built through a game preserve, a high-voltage electric transmission line in Zaire, and the provision of dredging equipment to the Indonesian

government. In each of these instances, the NRDC argued, the Exim Bank should do an Environmental Impact Statement (EIS) before approving the loan.

The Exim Bank has unequivocally stated that NEPA does not apply to its activities. In its own defense, the Export-Import Bank has claimed that the time limitations on its functioning (loans are given initial approval within two to four weeks of application) insure that no EIS could be done. The application of NEPA, they say, would prevent the United States from competing with German, Japanese and other export-import banks on development loans.

Twelve months have passed and Justice Department attorneys in the Land and Natural Resources Division representing the Exim Bank, have still not filed even an

answer to the complaint. The court has now extended the deadline for an answer to Feb. 6. Justice Department attorneys stated that for the last six months they have not even considered formulating a strategy to argue the case. "We are just hoping we can postpone any action until the Executive makes a policy decision on the whole question.

The application of NEPA to its loans to finance development projects could spell death for the entire agency, just as the court-developed law surrounding NEPA in nuclear regulatory cases has killed off nuclear reactor construction.

The Council on Environmental Quality, perhaps emboldened by the appointment of former NRDC attorney Gustave Speth to its ranks, is now determined to issue regulations, possibly in the next month, which will bind all federal agencies to apply NEPA and produce environmental impact statements for any activity which might affect the environment anywhere in the world.

As a CEQ attorney noted, "We consider this as similar to the human rights issue. Why should the U.S. have a double standard about the impact of projects on the environment?" Asked if such a ruling might violate the sovereignty of other nations, the attorney pointed out that EIS would be prepared and argued in the United

States, *before* any loans were made. However, he did admit that CEQ's policy would require the Exim Bank to gather the relevant environmental impact information as part of its loan application procedure. "Of course certain agencies are going to resist this," he said. "You can't solve all these problems just by writing regulations. But we are certainly lobbying with the Justice Department for them to adopt our position."

The beleaguered Justice Department attorneys are hoping to find "a middle position." One stated, "In a recent ruling, the Nuclear Regulatory Commission straddled the sovereignty problem. They claimed that NEPA applies within U.S. territorial jurisdiction and in any areas in which another government has not claimed jurisdiction — like the high seas, Antarctica, or outer space — you know, the stratosphere and above. It wouldn't mean every day application, but something like killer satellite testing for example, would require an EIS."

*The environmentalist lawsuit discussed in this article, Natural Resources Defense Council v. Export Import Bank, will be fully reviewed in the next issue of the Executive Intelligence Review.*

## Soviet Scientist Urges Haste In Readying Fusion, Electrotechnologies

*At the recent Worldwide Electrotechnology Congress in Moscow, Academician I.A. Glebov granted an interview to Pravda on the future of electrotechnology. His remarks are important for two reasons. First, he demonstrates an understanding on the part of at least some leading circles in the Soviet Union that the energy needs of the next decades must be planned for now, while there is still lead time to develop the new technologies. He outlines a timetable of when to expect new processes such as magnetohydrodynamics (MHD) electrical generation, and nuclear fusion reactors to come into commercial operation.*

*His remarks are also important for the very reason that Pravda saw fit to publish them. They indicate a factional battle within the Soviet government on the question of scientific development. Such disagreement could be due to the weak start that the Tenth Five-Year Plan made, which could be causing some profound rethinking among top Soviet officials.*

*The kind of technological developments that Glebov envisions over the next decades are in the very areas that are now being starved for basic research funding by the antiscience policies of the Carter Administration. At the present rate of investigation in thermonuclear fusion, MHD, superconducting cables, and other crucial advanced technologies, indications are that the Soviets will soon leave the United States far behind. The article should be read as a signal to the West: the Soviets want to develop these technologies and will, but could do it a lot faster, and better, if the job is done in cooperation with the U.S.*

It is well known that the decrease in cost and increase in efficiency of thermal, atomic, and hydroelectric installations is in proportion to the increase in the size of the electrical power generation units. Using promising materials and existing technologies, it is possible to build turbogenerators rated at 2,500 to 3,000 megawatts. One of these would be sufficient to provide the electrical supply for a large city.

Such generators are supposed to come on line in the last decade of this century. However, further increases in their power is a practical impossibility, as the centrifugal forces increase to such an extent that the metals from which the rotors are made would be torn apart.

Under these conditions, an unconventional, but promising method for directly converting thermal energy to electricity using motionless channels becomes necessary. This is possible using a stream of electrically-conducting gas (plasma) with temperatures in the range of 2,500 to 3,000 degrees Centigrade in a magnetohydrodynamic generator (MHD). The efficiency of such a machine can reach 50 to 60 percent, instead of the 40 to 42 percent of conventional thermal electrical generators. Expenditure for fuel would decrease by 20 to 40 percent, for cooling water by a half.

The largest MHD generator, with a power of 20 thousand kilowatts (U-25), is operating in the Soviet Union. It has operated with different loads for more than 4,000 hours. Commercial MHD generators most likely will be under construction in the last decade of the century...

The question is often posed as to whether mankind has

the fuel for future electrical production. For the present, such a danger does not threaten us. A practically inexhaustible fuel supply can be found in deuterium, heavy hydrogen, which is found in ordinary water. It is for this reason that scientists are preoccupied with the problem of thermonuclear fusion.

There now exist stationary thermonuclear systems using magnetic confinement of the plasma called tokamaks. Scientists are also working on pulsed systems using microexplosions of nuclear targets, caused by laser radiation or by the so-called relativistic electron beam, the speed of which is close to that of light....

Results already achieved allow us to predict that commercial thermonuclear fusion reactors will appear toward the end of the present century...

A new trend in electrical transmission is to use electron beams. The advantages of such a system are small losses and high power....

Important results have been obtained by investigators in the area of superconductivity and its application to electrotechnology. Model generators have been built and

tested, which indicate that it is possible to develop new techniques, based on superconductivity, which will simultaneously reduce the weight and increase the efficiency of the machinery.

One ought to mention the uses of superconducting magnetic systems in power plants based on nuclear fusion and magnetohydrodynamics. In collaboration with Argonne National Laboratory (USA), the world's strongest superconducting magnet, which will have an MHD channel installed in it, has been built and delivered to our country. In a number of countries, prototype plants for cooling cables have been built. This allows us to go to the next stage — commercial testing of lines.

If I were to summarize my remarks, I would say that with the correct use of natural resources and technical achievements, mankind at the threshold of a new century has no reason to fear an energy "famine". The problem is to raise the effectiveness of scientific investigations and applications in the area of electrotechnology, the more rapidly to achieve the desired results.

# AFL-CIO Convention Falls Behind Plan To Wreck U.S. Economy

The 12th biennial convention of the AFL-CIO concluded in Los Angeles earlier this week with the reelection by acclamation of the Federation's 83 year-old president, George Meany.

Over the course of the five day-long convention, Meany and AFL-CIO Secretary Treasurer Land Kirkland succeeded in putting the largest section of the American trade union movement on record in support of policies that would, if implemented, both destroy the U.S. economy and wreck world peace.

U.S. Labor Party chairman Lyndon H. LaRouche, Jr. termed the activities of Meany and Kirkland "Treasonous."

"They (Meany and Kirkland) have exposed themselves as friends of the British Isles," said LaRouche. "They must now be held accountable as members of the British conspiracy to destroy the U.S. economy and the U.S. dollar. It is urgent that responsible leaders in labor move quickly to disassociate themselves from the Meany-Kirkland AFL-CIO. Such actions are a matter of necessity if the economy and the country are to survive."

## The "Meany" Program

The Meany program, outlined in his keynote address to the convention, released earlier by the AFL-CIO Executive Council, and supported in several policy resolutions by the delegates, included the following principal elements:

- A call for trade war against anyone who undersells American products; as a correlative, a call on the U.S. to cease the export of technology according to the specious argument that such exports would reduce American jobs. As the *Chicago Daily News* editorialized, the implementation of the AFL-CIO's trade policy would mean an end to U.S. participation in world trade—and hundreds of thousands, if not millions, of layoffs.

- Similarly, the Federation supports the destruction of the Overseas Private Investment Corporation, the Export-Import Bank and other vehicles for financing high-technology trade.

- A call for the U.S. government to implement a program to create some 16 million "pick and shovel" jobs under a "Humphrey-Hawkins" full employment program. The hyperinflationary effects of this job-creation program have already been proven by its model, the employment program of Hitler's Finance Minister, Hjalmar Schacht. According to sources close to the current British fight against the U.S. currency, the passage of full-employment legislation along the lines specified by Meany and Sen. Hubert Humphrey (D-

Minn.) would send the "dollar into a final tailspin from which it would never recover."

- A declaration of war on business over the right to organize, demanding that the government give absolutely no aid via tax breaks to "greedy business leaders." These inflammatory statements fuel the counterproductive climate of a labor-industry confrontation fostered by R. Heath Larry, a former vice-president of U.S. Steel and current head of the National Association of Manufacturers. Recently, Larry has been touring the country urging business to declare war on labor and take a hard line against new union organizing and demands for wage increases; Larry is part of a "right-wing" network which includes a number of "right-to-work" organizations linked to National Right to Work Committee head Reed Larsen and professional fundraiser Richard Viguerie, among others.

- A provoked labor-industry confrontation would disrupt growing collaboration around nuclear energy exports and other urgent issues.

- A call for an international crusade on behalf of "human rights," singling out the Soviet Union for special "retaliatory" treatment. While this Cold War rhetoric is not new from the ruling circles of the AFL-CIO, the calls by Meany and Sen. Daniel Moynihan (D-N.Y.) for economic retaliation against the Soviets over the "dissident" issue helps undermine a new SALT agreement.

### *Stay Away From the USLP*

Integrated into these policies, the Meany leadership of the AFL-CIO submitted a resolution proffered by John Driscoll, the head of the Connecticut State Labor Council, that orders AFL-CIO affiliates to have nothing to do with "the so-called U.S. Labor Party." The resolution, like the other basic policy positions submitted and approved by the convention, demands the membership choose sides against the Labor Party's successful program for high-technology, nuclear-based industrial expansion. By forcing the resolution through the convention, Meany has acknowledged that the U.S. Labor Party represents the leadership of an international labor-industry alliance for progress.

### *The Mondale Option*

The conference proceedings are already beginning to produce signs of a polarization in the labor movement. Top Teamster leaders reached yesterday expressed the opinion that the anti-Labor Party resolution was, in fact,

an attack on them, since they had been collaborating with the Labor Party. Several called for publicly disassociating the Teamsters union from the policies of the Meany leadership of the AFL-CIO. This sentiment was echoed by several local building trades leaders, who expressed shock at Meany's efforts to cut off the labor movement from its allies.

President Jimmy Carter was conspicuous by his absence at the convention. According to at least one report, Carter was advised not to go to Los Angeles and take the chance of being upstaged by his "popular" Vice President.

Carter's absence was then turned into an excuse to heap criticism on the White House for having "turned its back on the labor movement," and Meany also used it to embarrass the President by openly embracing Mondale and his Fabian mentor, Humphrey.

Meany's bitter attacks on Carter as "business oriented" are key and code for the fears emanating from the pages of the Washington Post, the London Times, and similar sewers that industrialist inputs into the Administration could pull off a policy reorientation that would threaten the City of London's vital interests.

Meany introduced the Vice President as "certainly the one man in the executive branch of government who understands what the AFL-CIO is about..." The delegates' applause was featured prominently on the evening news.

## Meany Endorses Humphrey-Hawkins

*AFL-CIO President George Meany stressed in his remarks to the federation's convention Dec. 8, his endorsement of the policies embodied in the Humphrey-Hawkins legislation now before Congress. The following are additions to the excerpts from Meany's speech which appeared in the last issue of the Executive Intelligence Review:*

...Recently, President Carter announced his support for the full employment bill—the Humphrey-Hawkins bill. We take that announcement as a solemn commitment.

...Full employment promises must be backed up with comprehensive, effective programs that will meet that goal...

...The 4 percent unemployment rate set forward in Humphrey-Hawkins is a realistic goal.

...In January of 1969, when Arthur Burns returned to Washington...unemployment was 3.4 percent and inflation was 4.2 percent.

...That was nine years ago—nine years filled with economic misery caused by the economic policies of Dr. Burns.

...Enacting the Humphrey-Hawkins Full Employment and Balanced Growth Act—and then providing policies to make it work—will set America back on the road toward full employment.

...We believe the way to restore confidence throughout America is to set a goal of 4 million new jobs a year—every year—for the next four years.

...That means 76,000 jobs a week—every week—for the next 208 weeks.

...With that kind of commitment, the President would meet both of his major goals—full employment and a balanced budget.

...Real job creating programs are what the economy needs—tax cuts for business will not do the job.

## Schlesinger Lies

*In his lengthy address to the Convention, James Schlesinger, Secretary of the Department of Energy, lied concerning his intention to help the passage of a bill for the licensing of nuclear plants in Congress. The bill is designed to expedite the process of licensing, which is now an extraordinarily long and arduous process. These are excerpts from his presentation:*

...Today I am here to talk to you about the matters involving our energy program and the energy service of the United States, which bears directly on the well being, not only of all of us, but the future of the country.

...We must deal with the problem of energy with vision and with foresight, otherwise the changes in the sources of our energy supply, if we fail to take appropriate action, will overwhelm us.

...It is (the Carter energy package—ed.), as I have indicated, complex litigation, touching on every aspect of American life...(but) the entire program is based upon the premise that the economy must continue to expand, that we must provide more jobs, that production must rise, and there must be increased productivity. Unless we have that economic expansion in the face of growing energy difficulties, we will find that we are unable to maintain either the economy or the American way of life...

This brings me to a philosophy of recent years which can only be characterized as an anti-growth philosophy, the feeling that we have expanded too much...we can have nothing to do with that kind of unrestrained attitude, which is anti-growth. (Applause)

Restraining growth means restraining the growth of jobs, it means unemployment, it means the failure to provide the best parts of the American way of life to a growing number of our citizens...I know that the AFL-CIO has strongly endorsed getting on with the creation of new sources of energy and the building of nuclear plants. We have in the works and, as soon as Congress has a spare place on its agenda, we will send to the Hill a nuclear licensing bill which is designed to expedite the process of licensing and permit us to make better use of nuclear energy. We can have no truck with anti-growth philosophy because it endangers the living standards of every American.

...I point to the necessity for the avoidance of shortsightedness by the business community. The business community, indeed the political community, have tendencies which will not serve our highest needs if they are exhibited: The tendency not to look beyond the next profit and loss statement, or the tendency not to look beyond the next general election.

AFL Elevates Mondale:

"VP Not Always Second Best"

*On Dec. 9, Peter Bommarito, Chairman of the AFL-CIO Community Services Committee, presented the*

*Philip Murray-William Green Award to Vice-President Walter Mondale. The following are excerpts of Bommarito's remarks of introduction of the Vice-President:*

Vice President Walter F. Mondale was Jimmy Carter's choice but he is his own man. Senator Walter F. Mondale was Hubert Humphrey's choice but he is his own man...

Look at the record: From 1965 through 1970, Senator Mondale voted right on every bill designed to serve the people...

While the roll is too long to read—it must be said that Senators are known by the votes they cast and not by the companions they keep or by the speeches they make...

Walter F. Mondale passed the test—as Senator... But will Vice President Mondale do as well as Senator Mondale? What yardstick does one use to measure a Vice President's accomplishments? Can Vice President Mondale measure up to Senator Mondale's 122 percent COPE rating...

...Under our constitution, the Vice President is always in second place, but is not, necessarily, always second best. In the case of Vice President Mondale, the American people are fortunate in having a first rate man. This is why Presidential candidate Carter picked him, and in picking him, Mr. Carter told a morning news conference on July 15, 1976 that "I have absolutely no doubt that I have made the right decision."

We agree with that decision, and we agree also with Mr. Carter's comment at the same news conference that Mr. Mondale has a "Great feeling of understanding and comprehension and compassion for people who need the services of government most."

### Moynihan-Bukovsky Rave: U.S. Must Protect "Human Rights"

*On Monday, Dec. 12, the principal speakers at the Convention were Sen. Daniel P. Moynihan (D-NY) and Vladimir Bukovsky, who came to the U.S. after a prisoner exchange between the Soviet Union and Chile. Moynihan advocated threatening that unless the Soviet Union stops "oppressing its people...they'll goddam well feed themselves next winter." Excerpts from that speech follow:*

...(Totalitarian governments) more and more have come to depend for the well being of their economy on the economy of the West.... We know that our capital markets are more and more the source of their investments. We know that our manufactured goods are more and more the basis of their own capital investments... We know that the Soviets have decided that North Dakota is going to be its granary, its reserve, and that gives us the right and the ability to make claims... How much of a price must we pay for the education of this new crowd in the Department of State? Wouldn't it be refreshing if our Secretary of State, just once, flew to Moscow and went to the Kremlin and said: "I am here on behalf of 25 million American trade unionists, and I'd like to ask you why isn't Andrei Sakharov at the AFL-CIO convention?" (According to press reports, Soviet dissident acknowledged that he had received an invitation to the convention, but not in time to attend—ed.)

*Here are Bukovsky's remarks which echoed the sentiments of Moynihan.*

(Communist power has brought the Soviet Union) to a desperate situation—backward technology, devastated agriculture, the lowest living standard in Europe and the monstrous absence of human rights...

Beginning with almost the first years of the Soviet regime, Western businessmen have been helping the Communist leadership strengthen its powers... trade and economic relations are a powerful weapon of interference in the life of a country—so interfere, but interfere on the side of the people.

## The AFL-CIO Program

*We present here two excerpts from important policy resolutions discussed and circulated to the 2000 delegates to the AFL-CIO's biennial convention. For the most part the resolutions were passed without discussion from the floor by voice vote.*

*It is important to point out that many of the resolutions emerged from previous conventions, such as last month's meeting of the Industrial Union Department or the Building Trades Convention two weeks ago; as such they demonstrate the strong control of policy by Meany and Lane Kirkland.*

### International Trade

**RESOLUTION NO. 68**—By Delegate Jacob Clayman, Industrial Union Department: Delegates representing the Air Line Pilots Association.

WHEREAS, Distortions in this country's foreign trade are putting Americans out of work at a dizzying pace. While it is impossible to be precise about the numbers, it is clear that hundreds of thousands of workers are jobless today as a result of America's appalling lack of defense against unfair imports. Knowledgeable sources in the most obviously hard-hit sectors suggest that, at a minimum, the following industries have suffered trade-related employment losses in recent years in these proportions:...

**RESOLVED:** That the AFL-CIO calls upon the Administration to reassess American policy with regard to trade. Full employment cannot be achieved domestically unless our workers are protected against dumping and unfair trade actions by other nations. We urge the adoption of comprehensive international economic policies for this country which are geared to the welfare of the domestic economy and American workers.

That we urge the Administration to insure that current trade negotiations and agreements protect the vital interests of American workers and industry. U.S. tariffs are already low when compared to those of many other nations, and the U.S. does not rely upon the various non-tariff barriers that other countries use to circumvent free trade.

That this convention calls upon the Executive to order vigorous enforcement of existing statutes that would prohibit much of the current trade and to see to it that the various agencies place a high priority on such enforcement activities.



## The Economy

**RESOLUTION NO. 64**—By Delegate Jacob Clayman, Industrial Union Department.

**RESOLVED:** That the AFL-CIO calls on the Administration, the Congress and the appropriate government agencies to take immediate action on the following:

- The immediate adoption of a national full employment policy. The Employment Act of 1946 contained more promise than action. We need a Humphrey-Hawkins Act which will provide that the President and Congress spell out specific programs to create jobs for every American willing and able to work. At long last we must recognize that in our modern society a worker is entitled to a job as a matter of right.

- Steps to bring a halt to the flood of certain manufactured imports, including the repeal of tax laws that provide incentives for the installation of modern plants and equipment abroad rather than at home. We specifically urge reform of those provisions in the federal tax code which allow for the deferral of taxes on unrepatriated profits generated abroad. We ask for reform of the foreign tax credit which makes it possible for large multinational corporations to shift profits so as to minimize U.S. taxes.

We also urge the negotiation of effective Orderly Marketing Agreements or other systems of import control to deal with actions by certain countries to "export their unemployment" by selling in U.S. markets below costs or that permit production under slave wage conditions and thus gain an unfair labor competitive advantage...

## Tax Reform

**RESOLUTION NO. 71**—

WHEREAS, The AFL-CIO commends President Carter for his recognition of the need for "a complete overhaul of our income tax system" and his call for a simplification of the system that will "lower taxes for middle and low income families and eliminate hundreds of tax breaks." We share his commitment to the creation of a more equitable system, and...

We call for the elimination of the present tax subsidy for Domestic International Sales Corporations (DISC); the DISC provision in the Revenue Act now permits U.S. Corporations to channel funds into export subsidiaries and avoid taxes on substantial portions of these subsidiaries' profits.

We are apprehensive at reports that the President is

considering as part of his tax revision proposals new loopholes for stockholder dividends. We reject the notion that corporate stockholders should be given privileged tax treatment on their dividend income...

## Human Rights

**RESOLUTION NO. 74** —

**RESOLVED:** That the struggle for Human Rights at home and abroad shall continue to be a major concern for the Industrial Union Department of the AFL-CIO, and be it further

**RESOLVED:** That the AFL-CIO seek all possible avenues to: (1) encourage and support trade unionism free of government control; (2) strongly urge the continuation of the United States government's active and vocal commitment for basic human rights in the world; (3) allow no excuse for supporting repressive governments solely for economic reasons; (4) publicize disregard for human rights wherever it occurs at home or abroad, and be it further

**RESOLVED:** That the AFL-CIO encourage President Carter and those individuals, organizations, and countries making positive efforts to promote and achieve basic human rights for all people.

## Resolution No. 150 World Affairs

The AFL-CIO believes that human rights must be a cardinal principle of U.S. foreign policy. We strongly endorse and commend the position and actions of President Carter in speaking out unequivocally on specific cases of oppression, as well as in general terms.

Abuses and threats to basic human rights are the most searching issues that divide the world today, and the clearest tests of American ideals and resolve. Where these issues are concerned, whether in Southern Africa, Chile, Uganda or the Soviet Union, "there are no longer any purely internal affairs"....

### Economic Trade and Aid

The AFL-CIO urges the U.S. government to more efficiently negotiate economic trade agreements with our free world trading partners to enhance the economic and employment opportunities of American workers. At the same time, the U.S. should reject trade concessions and technology transfers that provide obvious benefits to totalitarian states....

# The Case Of The George Jackson Brigade

On June 20, 1976, the Seattle Police Department raided a Seattle apartment as part of their ongoing investigation into the terrorist George Jackson Brigade, finding components of timing devices, diagrams of public buildings, and a "hit list," which included names of U.S. Labor Party members and others. With this evidence in hand, the entire Brigade, but especially the above-ground support networks that protect the terrorists, of which the apartment's occupants, Paul Zinsel, Helene Ellenbogen and Wayne Parker are top figures, could have been dismantled.

They weren't, and the prospect of continued terrorist attacks by the Brigade looms even larger. In the past 12 months, the Brigade has been directly responsible for the deaths of two policemen, two Brigade members, the wounding of one policeman and numerous innocent bystanders by George Jackson Brigade bombings.

Having failed to complete the job of rounding up the George Jackson Brigade, the Seattle Police Department Intelligence Unit is now trying to save its own neck against a multi-million-dollar civil damages suit brought against it by the Coalition on Government Spying for maintaining files on organizations and individuals associated with the Brigade's "radical" support networks.

This offensive against the police department occurs in the midst of a renewed terrorist spree by the Brigade including 5 bank robberies and several bombings since May, 1977.

Seattle Police and the FBI have stated that only two actual Brigade members remain at large. The others, Edward Mead, and Mark Edwin Cook are serving jail sentences, and Bruce Seidel died in a shootout with police. The support networks however are still actively involved in recruiting new footsoldiers to carry out the terrorist dirty work. Two recent arrests provide an opportunity once again to finish off the terrorist network:

- On Nov. 4, 1977, Rita Brown was arrested while casing a bank and promptly extradicted to Oregon to face charges in connection with several other bank robberies.

- On Nov. 19, 1977, the Los Angeles Police Department and the FBI arrested five people identified as members of the Weather Underground shortly before they were to set off a bomb at the offices of a California State Senator. Three of those arrested, Clayton van Lydegraf, Thomas Michael Justensen and Judith Emily Bissell, had used Seattle as a base of operation since the early 1970s, when Justensen and Bissell were members of the Seattle Liberation Front.

The tragic irony of the Seattle situation is that it serves as a model to the rest of this nation's law enforcement community as to what is in store if the concentric circles of "radical support" for terrorism — reaching into federal agencies and national institutions — are not

immediately dismantled. As documented here, the very same organizations backing the suit against the Seattle Police Department are up to their ears in bankrolling the George Jackson Brigade, providing the printing presses, legal defense funds, and, in some cases, the "safe houses" for Brigade members that ensure the existence of terrorism in this country.

The Coalition on Government Spying (CGS) is itself part of the national organization under a similar name, the Campaign to Stop Government Spying. The CGS in Seattle works in conjunction with the Institute for Policy Studies of Washington, D.C., the Center for National Securities Studies. Locally the Coalition is composed of the Seattle Left Bank Collective, the National Lawyers Guild, El Centro de la Raza, and the American Friends Service Committee.

The Coalition and the publicity from its lawsuit against the Seattle Police Intelligence Unit have prompted the Seattle City Council to begin hearings in January that will consider legislation to hamstring the police's efforts in locating and detaining George Jackson Brigade members once and for all. The CGS intends to use its anticipated success in restricting police counterterrorist capabilities in Seattle to wage similar battles against the law enforcement agencies of Philadelphia, New York, and Los Angeles, for starters. They will simultaneously mount a campaign in the U.S. Congress for federal legislation.

The stated intentions of the Coalition in the Seattle lawsuit demonstrate the inadequacies of any locally defined antiterrorist efforts by municipal law enforcement officials. What is at stake here is not a local phenomenon, but the national and international networks which make terrorism possible.

There can be no other explanation for the fact that the three occupants of the apartment raided on June 20 are not only still on the streets but, in fact, playing leading roles in shaping the defense of George Jackson Brigade terrorists and in suing the Seattle Police for destruction of their intelligence files. Paul Zinsel is the head of the Seattle Left Bank Collective Bookstore, the official center for the release of all Brigade communiqués.

Helene Ellenbogen is known to have personal ties to the West German Red Army Fraktion (RAF — the "Baader-Meinhof gang"), having worked with the third occupant of the apartment, Wayne Parker, in smuggling the memoirs of RAF member Michael "Bommi" Baumann, into the United States for translation into English. The resulting book, published by Pulp Press, is a "how-to" manual on urban terrorism and widely circulated throughout U.S. underground terrorist networks. Parker is also a writer for *Open Road*, an anarchist publication based in Vancouver, British Columbia.

The question to be answered is, "who is protecting

these people?" Once the problem of terrorist activities is approached in that way, not only will the police have a fighting chance to do their job, but another facet of current terrorist deployments will rapidly emerge. It is no mere coincidence that the agencies and individuals in these terrorist support networks interface in a fundamental way with the environmentalist movement.

These radical networks are, in fact, molding a new fascist movement, which will justify the use of terrorist deployments in a specifically "anticapitalist," "anti-industrial" context of a broader push for "soft energy" development.

The Seattle radical community has been reshuffled in the past six months to reflect this "new revolutionary" bent; Ellenbogen and Zinsel are emerging as leading spokesman at antinuclear protests. The shift is also suggested by minor bombings of Washington State industrial firms by the "Environmental Protection Unit of the New World Liberation Front." The modus operandi of the bombings is strikingly similar to that of the George Jackson Brigade.

## I. Origins of the George Jackson Brigade

Beginning in about 1972, the prison systems of California, New York, Washington, and Massachusetts became experimental laboratories for the creation of domestic terrorist groups through programs run under the auspices of the Justice Department's Law Enforcement Assistance Administration. Through the use of behavior modification and "small group" brainwashing — with a heavy infusion of "radical" ideology from prison reform and prisoner support networks — the U.S. prison population became the manpower pools for groups like the Black Liberation Army, the Symbionese Liberation Army, the New World Liberation Front, the Sam Melville/Jonathan Jackson Brigade, and the George Jackson Brigade.

Outside of the official government channels, the Institute for Policy Studies, a "New Left" think tank run by "retired" National Security Council advisors in the Kennedy Administration, Marcus Raskin and Richard Barnett, was training the "community activist" counterinsurgency forces to staff and help set up the prison "reform" system. Since its founding in 1963, the controllers of every terrorist operation from the Weatherunderground to the Japanese Red Army have been through the Washington headquarters of IPS or one of its offshoots for ideological indoctrination and network building.

In 1973, Washington State Governor Daniel Evans began importing this LEAA network into the state correctional system and began incubating what would emerge less than two years later as the terrorist George Jackson Brigade. From the California prison system, Evans brought in Milton Burdman and Harold Bradley, both innovators in the psycho-political therapy programs that spawned the Symbionese Liberation Army; and Douglas Vinzant, warden of Massachusetts' Walpole Prison, the target for IPS organizing in New England from which subsequently emerged the Sam Melville/Jonathan Jackson Brigade, another of IPS's commando units.

Evans' plan for Washington State was to replace prisons with community-based, mini-centers and vastly expand programs like the University of Washington's LAMP program where convicted felons served out their sentence by enrolling in a University curriculum. By 1972, these programs were already under the control of the National Lawyers Guild and heavily infiltrated by the Maoist Revolutionary Union, which used the halfway houses as recruiting centers.

In mid-1973, Seattle was the site for Con-Vention, a two-day affair bringing together enlightened corrections officials with "reformed" ex-convicts. Held at the headquarters of El Centro do la Raza, a Chicano community center, Con-Vention was co-sponsored by the Office of Seattle Mayor Wes Uhlman, Seattle Central Community College, Seattle University, the State Department of Institutions, the Washington State Parole and Probation Department, the Prisoners Coalition, the University of Washington, and the Seattle Public Defenders Office. In attendance were Washington State Attorney General Slade Gordon and three individuals who would later become notorious for their activities as George Jackson Brigade terrorists — Mark Edwin Cook, Edward Mead, and Bruce Seidel.

Any doubts that the George Jackson Brigade would not have been created but for this massive government-backed and foundation-funded prison operation are laid to rest by examining the history of Edward Mead. Mead, 34 years old, is now serving time in Walla Walla prison for an attempted robbery of a bank in Tukwila, Washington by the George Jackson Brigade on Jan. 23, 1976. During the attempt, two policemen and one of his accomplices, Bruce Seidel, were killed in a gun battle. Mead's history of convictions for armed robberies and similar crimes date back 15 years, but while serving time in MacNeil Island Federal Penitentiary in the early 1970s he came into contact with prison reform networks and the writings of Mao Tse-tung.

"One day, I looked at myself," says Mead in an April 1, 1976 *Seattle Times* interview, "I didn't see myself as a criminal but as a radical. I stepped over a line."

In 1972, both Mead and John Sherman, now a fugitive from the Tukwila bank robbery who had also been at MacNeil, were released and began working at Inside-Out, a halfway house in Steilacoom, Washington. Inside-Out was a recruiting center for the Revolutionary Union. Sherman and Mead became members of the RU, an operation that uses "small-group therapy" techniques to brainwash its members. (1) Mark Edwin Cook, also convicted for the Tukwila action, went through a similar "radicalization" at Munroe State Prison.

From 1972 to 1975, Sherman and Mead became part of the Seattle "left" working through the American Friends Service Committee-National Lawyers Guild "Prisoners Coalition." In the midst of a radical mobilization against the use of hollow-nosed bullets by the police, the George Jackson Brigade came into being. Explained Mead: "I decided that the way you stop them (the police) from using hollow nosed bullets is to use hollow-nosed bullets in your own gun."

(1) See "Carter and the Party of International Terrorism," Aug. 1976, U.S. Labor Party, for the role of the RU in creating the Black Liberation Army at Lincoln Detox Methadone Center in South Bronx, N.Y.

## II. How The Support Networks Protect Terrorism

The six to 12 remaining criminals-turned-“revolutionary” terrorists of the George Jackson Brigade have succeeded in eluding federal, state and law enforcement officials for over two years only with the support of an extensive proterrorist milieu that has festered in the Seattle area since 1969, when a faction of the Weathermen led by recent Democratic Party City Council candidate Charles “Chip” Marshall chose the area as a base of operations.

The top level of protection for the Brigade operations comes from the King County Democratic Party, whose political endorsement of “reformed” Weatherman Marshall has served the interests of terrorism in two critical ways: first, by insulating Marshall’s political associates, many of whom are presently involved in some level of support for the Brigade, from public accountability; and second, through the control of positions in the city and state government through which deliberate sabotage of the investigation of the terrorists by police has been carried out.

Marshall’s creation, the Seattle Liberation Front, an amalgam of the Seattle “radical community,” was the direct forebearer of the George Jackson Brigade. In 1970, the Seattle Liberation Front organized a series of anti-war riots for which Marshall and seven others were

indicted and became known as the “Seattle 8.” (2).

Thomas Michael Justensen, one of the “8,” went underground and was arrested last month in Los Angeles for conspiracy to conduct bombings and assassinations. The FBI has identified Justensen as a member of the “Revolutionary Committee” of the Weatherunderground.

At the same time, other members of the SLF were indicted and tried for direct terrorist acts: John VanVeenendal, Jan Tissot, and police informant Jeff Desmond were charged with bombing a Seattle Post Office; Silas Trim Bissell and his wife Judith Emily Bissell became fugitives after posting \$50,000 bail on a charge of planting a dynamite bomb at the University of Washington Air Force ROTC building. Judith Bissell was arrested with Justensen last month in Los Angeles.

VanVeenendal and Roger Lippman, who is presently a fugitive from charges filed against him by the U.S. Labor Party both served their sentences at MacNeil Island at the same time that imprisoned future Brigade members Ed Mead and John Sherman were introduced to the writings of Mao and other ideologues used in programming the George Jackson Brigade’s terrorist belief structure.

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(2) The indicted co-conspirators of the Seattle “8” were Marshall, Justensen, Jeff Dowd, Michael Lerner, Michael Abeles and Weathermen Susan Stern, Joseph Kelley and Roger Lippman.

### The First Domestic Trial Against Terrorism: USLP Vs. Counterspy Et Al.

The future of the George Jackson Brigade and other active terrorist groups in this country depends in large part on the U.S. Labor Party’s success in prosecuting its suit against *CounterSpy Journal*, Fifth Estate, the Terrorist Information Project, Paul Zinsel, Tim Butz, and others. The civil action was brought by the Labor Party in U.S. District Court in Seattle, charging that Seattle and Washington-based terrorist groups had conspired to stop the electoral campaigns of the Labor Party through physical violence and intimidation.

The complaint, in documenting the conspiracy which led to at least 30 instances of assault and intimidation, describes the operating method of terrorist networks and their aboveground supporters. Tim Butz, a Washington-based *CounterSpy* agent, traveled out to the West Coast to initiate the campaign against the Labor Party, as part of a much larger national campaign to mobilize “left” terrorist support networks to attack the USLP. With the assistance of Paul Zinsel and his Left Bank Bookstore Collective and Donovan Workman, associated with the National Lawyers Guild, Butz was able to address a meeting organized to “get the Labor Party.” Butz stated, in an article in *CounterSpy*, that his intention was to “put an end to the (USLP) presence at meetings, demonstrations, and workplaces.” Butz and others solicited information that would allow them to target Labor Party

organizers for attack, made the attacks, and then published a booklet detailing their activities and recommending that others follow their example.

The method of operation involved, using both underground and above ground means, directly corresponds to the pattern followed by every terrorist deployment. In *USLP v. CounterSpy*, that method will be clearly established in court. However, perhaps even more significant is the potential to apply civil discovery and trial procedures to prove the *direct* connection between the underground and legal organizations.

At this point in the litigation, the USLP’s attorney is moving to compel the Seattle Police Department to release information, including manuals and “hit lists,” seized during a raid on Paul Zinsel’s apartment, which concretely prove Zinsel’s determination to wipe out the Labor Party and, through the terrorist networks, other pro-growth organizations on the West Coast. The Justice Department and Alcohol, Tobacco and Firearms Division of the Treasury also possess crucial information on the defendants’ terrorist connections and activities which this lawsuit will attempt to gain release for.

In addition to information on the methods of terrorist operation which *USLP v. CounterSpy* will produce, a successful civil damages claim will create ripples of “terror” in the terrorist community internationally.

The second level of support comes from the National Lawyers Guild and the American Friends Service Committee, which have provided lawyers for Mead and Cook, raised funds for George Jackson Brigade legal defense, and presently are operating the "United Families and Friends of Prisoners" at Walla Walla prison and other state institutions through which information and marching orders are conduited to Brigade members in prison.

From April to June 1976, the National Lawyers Guild and the American Friends Service Committee organized the precursor to the Coalition to End Government Spying, then called the "Committee to Stop Grand Jury Abuse," a national operation to organize resistance to grand jury subpoenas in investigation of terrorism. The Left Bank Bookstore was the Seattle centerpiece of the Grand Jury Coalition, which also operated in New York City and Chicago to obstruct the investigation of the Puerto Rican terrorist Fuerzas Armadas de Liberacion Nacional (FALN).

Among the top leading members of the National Lawyers Guild in Seattle are Helene Ellenbogen and Michael Withey, a national officer of the Guild who recently left Seattle to head up the Guild's "Puerto Rican Project," a euphemism for the organization's legal defense of the FALN. Withey's departure from the Seattle area came as his ties to the George Jackson Brigade were increasingly becoming the subject of law enforcement scrutiny and investigation. Withey was subpoenaed to appear before a state grand jury in relation to the Jan. 23, 1976 Tukwila bank robbery. The jury wanted to learn more about his apparent prior knowledge of the aliases used by Brigade members who were captured in the aborted heist. Withey was named by Ed Mead as his defense attorney and refused to give testimony on the grounds of attorney-client privilege.

The third and most apparent level of George Jackson Brigade is the network of bookstores and anarchist publications including the Left Bank Bookstore in Seattle, the Bay Area Research Collective and Prairie Fire Publishers in Berkeley, California, the United Front Bookstore in Portland, Oregon, the John Brown Book Club in Seattle, and Open Road-Pulp Press in Vancouver, British Columbia. This network, extending from California to across the Canadian border, is the information/logistics line linking the George Jackson Brigade, the New World Liberation Front, and the Weatherunderground.

### III. Busting The Network: Who Protects Zinsel?

Paul Zinsel's Left Bank Bookstore is presently the contact point for all communiqués to and from the underground members of the George Jackson Brigade. A 27-page political statement issued by the Brigade on Nov. 3, 1977 giving their political history, aims and a summary of activities is available to the general public for the asking.

The connections do not end there, yet for unknown reasons, Zinsel, a middle-aged former physics professor whose daughter, Joanna, is a Weatherunderground fugitive in Vancouver, B.C., has inexplicably escaped prosecution or even Grand Jury subpoenas in all of the following cases:

- On September 14, 1975, Ralph Patrick Ford, a member of the Left Bank Collective, and employee at Zinsel's bookstore, was killed while planting a bomb at a Seattle Safeway Supermarket. Three days later the George Jackson Brigade set off a bomb during shopping hours at the same Safeway store, seriously injuring nine innocent people. That same week, an undetonated bomb was recovered by police in the Seattle Federal Building after a call from a person claiming to be from the New World Liberation Front. Nancy Michelle Whitnack, another Left Bank member spent six months in prison on contempt charges for refusing to testify before a Federal Grand Jury on the Federal Building bomb. Zinsel was not subpoenaed.

- In April 1976, an apartment occupied by Zinsel and two other unidentified individuals was raided by police who found blasting caps, a shotgun and ammunition. The three were arrested as suspects in a burglary of a van, but never charged for the burglary or possession of the blasting caps.

- In 1972, Seattle police circulated internal memoranda about a group called the North West Liberation Front which was surveilling police and suspected of conspiring to set up Black Liberation Army-type assassinations of police officers. Later that year, six men — James Akers, Max Severin, Leslie McKeel, Chester Wallace, Robert McSherry, and Lyn Bruce Meyer, alias "Scheller" — some of whose names were on the North West Liberation Front memo were arrested in a Seattle apartment for possession of dynamite and an underground shooting range. Zinsel and his wife, Lynn Thorndicraft, were also included in the memo, but were never charged in relation to the arrest. Instead, Zinsel became head of the "Scheller Defense Committee" and testified as an expert witness on explosives in defense of the five charged.

- On June 20, 1976, Zinsel, Ellenbogen, and Parker were arrested in a raid on a Seattle apartment. The court ruled that the raid was legal, yet none of the information of the individuals involved were called before the grand jury which was already investigating the Brigade and several other unsolved bombings.

There is no doubt that if the investigation of Zinsel, Ellenbogen, and Parker had been pursued, the entire George Jackson Brigade network would have been destroyed. The Nov. 3 communiqué by the Brigade openly states that the intensity of the investigation of the support networks forces the Brigade into a "tactical retreat" into Oregon for training from June 1976 to February 1977.

Shortly before the 1976 bicentennial celebration, which had been announced as a target for massive terrorist attacks by the weatherunderground, the FALN, and other terrorist units, similar raids occurred in Massachusetts and in Philadelphia where the U.S. Labor Party was collaborating with law enforcement and elected officials to inoculate and prevent the terrorist actions. Zinsel's "hit list" found in the June 20 raid included the U.S. Labor Party as one of his targets for that reason.

*Michele Steinberg,  
U.S. Labor Party Security Division,  
and William Wertz,  
USLP Washington State Chairman*

# The Terrorists Talk

*In the spring of 1977, the Open Road, an international anarchist newspaper based in Vancouver, British Columbia began publication to serve as the central communications center for anarchist, terrorist groups in Western Europe and North and South America. What follows are selections from recent issues of Open Road.*

After a bomb recently planted by the George Jackson Brigade was disarmed before it went off, the group found itself faced the dilemma of being willing to watch a cop die trying to disarm a booby-trapped bomb or being willing to watch unbooby-trapped bombs disarmed. In response to the GJB's request for "constructive criticism about this and other contradictions that surround bombing as a revolutionary tactic," the Bay Area Research Collective ... has asked that people send their thoughts on the subject to them. BARC will compile the feedback, then redistribute it so as to further the discussion on this "extremely critical and necessary" topic.

— Open Road, Issue 4, Fall, 1977

The space of an urban center must be studied strategically in the same manner as rural guerrillas study the countryside, jungles, and mountains for military advantages.... To be effective the enemy must use the well-beaten paths and is thus subject to ambush at will.... Fighting can take place in areas where small numbers of guerrillas can immobilize the firepower and numerical strength of a far superior repressive force....

*The same issue of Open Road gives coverage of how their "theoretical discussion of urban guerrilla warfare" is put into motion:*

The fear aroused in the (West German) authorities by the Siegfried Bubach assassination has further tightened security around political prisoners. Bubach, West Germany's Chief Prosecutor, was recently submachine-gunned by the Ulrike Meinhof Action Committee while waiting for a traffic light to change. He had played a major role in the trial of the Red Army Fraktion and had helped initiate "anti-terrorist" laws that eliminated the confidentiality of lawyer/client relations....

*Political Statement of the George Jackson Brigade:*

So, the GJB is back. We got our asses kicked real bad at Tukwila (January 21, 1976, an attempted bank robbery in which two members of the GJB were arrested and one killed in a shootout with police—ed.), and we've spent this last year licking our wounds and learning our trade.

— May 1, 1977

The destruction of capitalism is our central strategic goal.... The main tactics available to the urban guerrilla are as follows: 1) Expropriation and confiscation; 2) Taking prisoners; 3) Liberating prisoners; 4) Enforcing revolutionary justice; 5) Bombing and sabotage (this can be either punitive in nature or in support of the peoples' struggles); 6) Propaganda and counter-propaganda.

The ruling class is made up of *real people*, who conspire and plan their crimes behind closed door.... Our task is to seek out the enemy behind all his fronts and attack him there.

September 18, 1975 — Pipebombed Capital Hill Safeway Store. Bombed a 50 pound bag of dog food inside the Capital Hill Safeway store in Seattle. This action was intended to show love and solidarity with a man who, ... had died four days earlier attempting to arm a bomb behind the same Safeway store. On the day our bomb was to be planted, we received word of the SLA capture and our rage increased... Our bomb caused minor injuries to several customers. This action was *wrong*, because we brought violence and terror to a poor neighborhood....

— Nov. 3, 1977

*On environmental terrorism:*

A sharp debate is beginning to develop within the growing antinuclear movement on both sides of the Atlantic over the appropriateness of some of the tactics.... The debate has tended to divide pacifists from those who would defend themselves against State-invoked violence.... (Critics of the established leadership) say that the leadership has actively suppressed all organic discussion of any tactics other than non-violence and civil disobedience, even to the point of exposing thousands of unprepared people to violent attacks by the police and the military....

— Open Road, Issue 4, Fall 1977

# Portugal Shakeup Draws International Policy Lines

*Seventeen months ago the one-party Socialist government of Premier Mario Soares was set up in Portugal, in a maneuver coordinated in the main by the British-allied wing of the European Social Democracy under Willy Brandt of the West German Social Democratic Party. The explicit aim of Soares's government was to prevent a development-oriented, Communist-Socialist government from coming into being, and thus make it possible to submit the country to the International Monetary Fund's "Stability Plan" to loot Portugal dry.*

## PORTUGAL

*But on Dec. 7 Soares' government was toppled after Soares lost a vote of confidence that centered on whether or not the IMF's harsh austerity demands would be honored. The crucial block of votes against Soares came from the Communist Party. Now the possibility is thrown open that some form of industrial-labor alliance, with Communist participation, may succeed Soares regime. The implications of this potential capitalist-Communist coalition against the international "British faction" and its monetarist policies, as represented most directly by the IMF program, are immense not only for Portugal, but for the rest of Europe, the continent's other Communist Parties, and most important, the Soviet Union.*

*Since the formation of his government, Soares' treacherous policies met with strong resistance from the Portuguese Communist Party (PCP) and the country's trade-union confederation Intersindical, as well as from sectors of the military, industry, and Soares's own party. This resistance increased exponentially since July 1977, with Soares's introduction of his "first austerity packet." The series of events which led to the Premier's ousting unfolded rapidly:*

*July 22:* Backed by the votes of the neofascist Social Democratic Party and the Socialists, the Popular Assembly (Parliament) approved the IMF's "first packet," consisting mainly of undercutting the previously initiated Agrarian Reform by returning 80 percent of the expropriated land to its former owner, and the denationalization of state-controlled companies. The bill's constitutionality was challenged by the PCP. A special committee was appointed to make a decision. The government, however, had already been implementing a policy of returning land prior to the

official introduction of the bill, and continued to do so while its constitutionality was being debated.

*Aug. 16:* The PCP called for dissolution of the Popular Assembly and general elections, in view of the government's implementation of the IMF "first packet."

*Aug. 20:* Soares announced that a "second packet" would be implemented beginning Sept. 1. The second packet called for an increase on interest rates, reduction of wages in indebted companies, an initial 8 percent devaluation of the *escudo*, to be followed by a 1.5 percent monthly devaluation thereafter, and massive layoffs in the industrial sector. Implementation of the "second packet" was the precondition for a \$750 million loan by the IMF.

*Aug. 30:* Under the slogan "In Portugal it is not the government that dictates economic policy, but the IMF," the PCP initiated a mass mobilization campaign against the IMF throughout the country, together with a campaign to recruit 10,000 new members before the end of the year.

*Sept. 13:* A group of Army officers, prominently including Gen. Melo Antunes, denounced the counter-Agrarian Reform bill as unconstitutional. Gen. Antunes is one of President Eanes's closest collaborators.

*Sept. 16:* The counter-Agrarian Reform bill is declared unconstitutional.

*Sept. 18:* Manuelle Silva, Secretary for State Planning, resigned. "The first and second packets are not of a Socialist nature," he said.

Finance Minister Medina Orreira resigned.

Under Secretary of Treasury Pedroso asked to be replaced.

*Oct. 4:* Two hundred labor, business, and industrial representatives denounced the denationalization scheme as a "return to oppression and misery" and demanded that "democratic forces" prevent its implementation.

*Oct. 13:* Foreign Minister Jose Medeira Ferreiro resigned, ostensibly over disagreements on Portugal's Mideast and African policy.

*Oct. 15:* The political situation had tremendously deteriorated. Rumors that the government would not survive beyond October were increasingly repeated. President Eanes addressed the Parliament, calling for an alliance between workers, industrialists, and the political parties to elaborate a viable economic program. Foreign loans are of no use if they endanger national sovereignty and are not directed to industrial production, said the President, warning that he would

not hesitate to use his presidential powers (to dissolve parliament and either call new elections or appoint a new Premier) if need be.

*Oct. 16:* The PCP came out in support of Eanes. PCP Secretary-General Alvaro Cunhal stated, "The President's speech touched on the essential problems and opened up the way to solve them. The basis now exists to contain the offensive against the conquests of the revolution."

*Oct. 20:* Nineteen members of the Socialist Party's Central Committee went on national television to denounce Soares' "right-wing praxis" as exemplified by his IMF policies. Among the 19 is former Agricultural Minister Lopez Cardoso, head of the Workers Fraternity faction within the PSP. Workers Fraternity is the best organized faction within the Socialist Party, with a large popular base, six parliamentary deputies, and 13 members in the party's Central Committee.

*Oct. 21:* Soares gave Lopez Cardoso and his faction eight days to retract the denunciation or face expulsion from the party.

*Nov. 9:* Lopez Cardoso, together with the five other deputies, split from the PSP to form a National

Organization of the Democratic and Socialist Left. Workers Fraternity, he announced, "will continue to exist and will give full support to the new political movement. We will take the banner of a socialist democracy" which Soares has abandoned.

*Nov. 10:* A shakeup within the military which had started a month before was completed. The Commander of the Northern Region, a notorious anticommunist, was demoted for organizing against a Communist celebration of the October Revolution Nov. 7 in the northern city of Oporto. Similarly, the vice-chief of staff and other reactionary officials were demoted. Eanes was reported to be in full control of the military.

*Nov. 11:* The neofascist Social Democrats initiated a campaign against President Eanes, demanding that he be replaced. Rumors of coups and countercoups flew; and were strongly denounced by Eanes and the PCP. The PCP announced a series of demonstrations against the IMF and in support of Eanes.

*Nov. 12:* The IMF delegation negotiating the \$750 million loan goes back to Washington empty-handed, after the Bank of Portugal considers that restrictions on lending, high rates of interest, and further devaluation are not the answer. "These solutions have been described

## The Implications For Moscow

General Secretary of the Portuguese Communist Party Alvaro Cunhal issued several calls for strengthening national development and production in Portugal. However, Cunhal's calls for alliances for industrial progress pose a crisis for policy-making bodies in Moscow who must now choose whether or not to support the PCP leader's efforts. Military hardliners who base their foreign policy on economic cooperation and the development of nuclear power like Soviet physicist G. Basov, who recently urged U.S. scientists to join his efforts to develop new technologies, would favor pushing Cunhal's development strategy ahead. On the other hand, a "soft" faction allied with Willy Brandt's Second International, including Soviet Academician Georgii Arbatov, supported the International Monetary Fund-backed government of Socialist Mario Soares.

The Italian (PCI) and French Communist Parties (PCF) face similar choices. Although the Italian Communist Party press now favorably reports on Cunhal's program, party leaders once prevented him from addressing a PCI conference. Support for Alvaro Cunhal would ease the cementing of an alliance for economic growth between the PCF and the Gaullists, while similarly allowing the PCI to consolidate its alliance with Prime Minister Andreotti. European press reactions appear below.

*Unita*, daily of the PCI, Dec. 9:

Soares was not able to resist the pressures coming from the right wing, neither to overcome his fear

about subscribing to an agreement with the Communists.

*Paese Sera*, linked to the PCI, Dec. 9:

Soares negotiated loans with imperialism which strangled Portugal's economy and compromised national independence...However, a PSP-PCP agreement is key for a democratic solution in Portugal. (Responding to a question on a new government formula in Italy)...the essential thing is not the government formula but the platform, the political program. If we agree on a platform, the composition of the government will be extremely simple.

*Unita*, Dec. 13:

The working class must mediate society and must be an instrument of cooperation between workers, technicians and industrial leaders, on an international level of cooperation. (Recent terrorist attacks against PCI leaders) must be understood as an attempt to sabotage the PCI's organizing for that alliance.

*Pravda*, Dec. 9:

That is what happens when one attempts to re-introduce capitalism and go against workers interests.

*Le Monde* (Paris daily) Dec. 9: (Interview with Antonio Lopez Cardoso, former socialist Agriculture Minister and Cunhal's ally.) The fight against Soares is a fight against International Monetary Fund austerity. (We must) restore to the PSP the policies which Soares abandoned.



as unsuitable for Portugal by leading Portuguese economists," reported the London *Financial Times*. "We must launch our industry and bring it up to EEC standards," said the economists.

**Nov. 19:** The PCP and Intersindical held a demonstration in Oporto — a reactionary stronghold, drawing 100,000 people — the biggest demonstration ever held in that city.

**Nov. 20:** The PCP and Intersindical held a demonstration in Lisbon attended by 500,000 people chanting "No to the IMF," the biggest demonstration ever held in Lisbon.

The Social Democratic Party held a demonstration in Oporto in support of the demoted Northern Commander. Oporto being their bastion, the reactionaries only drew 30,000 people to their rally. The commander was prohibited from attending by the Council of the Revolution.

**Nov. 21:** In a last ditch attempt, Soares submitted a negotiating platform to the opposition, and vowed to resign if it was not approved by Dec. 1. The IMF demands must be accepted, Soares stressed.

**Nov. 22:** Intersindical announced a series of daily anti-IMF demonstrations throughout the country for the rest of the week. In each case, workers' attendance set records for the biggest demonstration ever in each particular region.

**Nov. 23:** Rumors of an impending coup organized by the Social Democracy reached a peak. Talking at a military school, Eanes addressed the issue, calling it a "time of alert for the armed forces," and said that the "armed forces will defend intransigently the institutions of democracy."

**Dec. 2:** His program rejected, Soares asked the Parliament for a vote of confidence. Simultaneously, Soares began making overtures to the PCP, stating that if the Communist vote was in his favor he would

negotiate with them — but that the IMF demands had to be respected.

**Dec. 5:** The head of the Bank of Portugal resigns because, he said, "I do not agree with the IMF demands." A group of economists who believe that the only way to solve the crisis is by expanding Portugal's industry and economy was coalescing around him, reported the Cuban wire service Prensa Latina.

**Dec. 7:** The confidence vote is taken. Soares is defeated by the votes of the Communists and independents (Lopez Cardoso's faction) on the IMF issue. Had the Communists cast their votes with Soares, he would have had a clear majority.

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## What Is The PCP?

"The moral principles of the proletariat do not 'dissolve the individual in the masses' as some pretend, but they elevate the individual consciousness and personality, transmitting to them the moral force of the class. . . . The humanist character of the proletarian derives fundamentally from the fact that the interest and objectives of the proletariat coincide with those of the future of humanity as a whole."

— *The Superiority of Communists* by Alvaro Cunhal in *Problems of Peace and Socialism*, January 1974

*Below are statements issued in official PCP publications which indicate the party's principles and perspective:*

*On nuclear power:*

The problem we are facing today is the shortage of conventional energy resources, which therefore will

## Europe's Chances

Support by Western Europe for a Cunhal-supported government in Portugal would put a monkey wrench in the plans of Britain to allow Portugal, Spain, and Greece into the European Economic Community only on the condition that it act as a slave labor pool for labor intensive agricultural projects.

West Germany has already moved toward an appropriate policy regarding Portugal:

•President Ramalho Eanes arrived in West Germany for conversations with Chancellor Helmut Schmidt and industrial leaders Dec. 12. Portugal will be negotiating a \$200,000 million loan from West Germany and the possibility of West Germany organizing an international consortium loan outside of IMF channels.

•Dec. 8 the conservative West German daily *Frankfurter Allgemeine Zeitung* editorially called for a PSP-PCP agreement as a solution to the economic and poli-

tical crisis. The same day the *Münchener Merkur* characterized Soares as the same kind of socialist as Willy Brandt.

•On Dec. 10 Italy's conservative daily *Il Giornale* reported that "West Germany considers it very important to keep up trade relations with Portugal in spite of the country's economic situation."

Western Europe can assist a Cunhal-supported government develop a Hamiltonian form of national bank where a sound policy of agricultural reform and state industry sector is developed, along with viable guidelines for the nationalization of privately owned foreign firms, so as to avoid the problems facing Cuba in 1960-61, and guidelines for expanded foreign investments into Portugal as part of technology transfers. Under such conditions, Portugal will be able to join the EEC as a full fledged member acting as a bridge between Europe and Africa, in particular Angola and Mozambique, for the development of that continent.

have to be replaced. . . A long term nuclear strategy, that is, which opens up the horizon for a nuclear era, must satisfy several requirements, namely:

- 1) adopt a realistic, more evolutionary vision of technological development;
- 2) guarantee the efficient exploitation of the nuclear raw materials available;
- 3) plan ahead of time to meet all the general technical and economic preconditions. . .

#### *On Agrarian Reform:*

An agricultural policy must be based on a high influx of technology into the fields, coupled with a policy of low interest loans to farmers and peasant agricultural collectives. Farmers and peasants must be educated to enable them to produce more and better.

#### *On Foreign Investments:*

The PCP is not against foreign loans or foreign investments in Portugal, but opposes that political and economic conditions which hinder the sovereign rights of the Portuguese people be attached to that aid. Under conditions of mutual cooperation and respect we could accept foreign aid for productive investment.

#### *What others have to say:*

*O Globo*, Brazil, Oct. 15: The PCP is the best organized political force in the country. In spite of the electoral defeat it continues to have a high profile all over Portugal. It has almost 120,000 members. It has three publications: *O Diario*, a daily; *Avante*, a weekly; *O Militante*, a theoretical magazine. Besides, it controls *Diario de Lisboa* and owns a chain of bookstores in all the main cities. Their offices sometimes occupy five blocks.

*O Globo*, Brazil, Dec. 12: As it is known, to rule without the Communists — under the present conditions — is impossible. The PCP controls the only trade union confederation — Intersindical — and can paralyze the country. On top of that, its members are the best organized and

most loyal. Hence, the need to make “concessions” to the Communists even if they are out of the direct power sphere.

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## The Wishful Thinkers

*New York Times*, Dec. 12, “Testing Democracy in Portugal”

The fall of Portugal’s Socialist government this week is not the failure of its experiment in democracy . . . nor is it a failure for the nation’s impressive leader, Prime Minister Mario Soares. His choice of a parliamentary defeat over the available alternatives revealed his deep commitment to moderation and to the ideal of a broadly based government . . . The foreign debt is still expanding and help is needed from the International Monetary Fund. To qualify for help, harsh austerity measures will be required. Mr. Soares was prepared to consider them . . . Whatever government emerges will have to face up to austerity. We can only hope that it will be equally bold in nurturing a still vulnerable democracy.”

*The Washington Post*, Dec. 12, “Lisbon’s Revolutionary Ardor Fades”

. . . The country is taking the fall of Socialist Premier Mario Soares very much in stride, convinced that this is an episode and not a tragedy. During the feverish political events two years ago, sound trucks roared up and down the magnificent Avenida da Libertado crying “Defend the revolutionary conquests of April 25” or “Death to fascism and imperialism” . . . Compromise, coming to terms with a difficult existence, is much more the style here than conflict or violence. So the leader of the conservative Christian Democrats suggests that Soares include a Communist minister in his next government. This, it is thought, is the best way to discourage the workers’ chief political representative from rocking the boat.

## EEC Postpones Decision On Davignon Plan

Europe’s steel and shipbuilding industries are facing serious crises and having a hard time warding off the plans of European Economic Community’s Commissioner for Industry, Etienne Davignon, for “rationalization” regardless of conflicting national sector industry plans.

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### EEC

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Davignon has made little secret of the fact that his industrial outlook will complement the Jenkins Commission’s proposals for European economic and monetary integration under what many critics consider British hegemony. So far, panic within Europe’s depressed steel and shipbuilding industries has forced some compliance on the generalities of the Davignon

proposals, but no major steps have yet been taken to implement them in full. On Nov. 21 the meeting of the Nine’s Economic and Finance Ministers postponed a decision on steel until Dec. 19. In shipbuilding, Davignon, through the EEC Commission, is threatening to withhold the Community’s Regional and Social Funds from those national governments that refuse to comply with his long-term plans for restructuring the industry.

With a plethora of antidumping suits brought by U.S. producers hitting them European steel makers are in trouble. Consumption by EEC steel users is down by 5-6 percent in 1977 as compared to 1974, and the position of EEC producers has continued to erode with imports to the EEC rising by 67 percent and exports from the EEC dropping by a full 27 percent since 1974. Cheap imports have been flooding the European market with South African imports rising eight-fold, Spain up by 95 percent, and the East bloc by 78 percent.

The Davignon Plan for steel, based on successive short-term, medium-term, and long-term proposals, was adopted in principle by the EEC Commission in April 1977, at which time minimum prices for steel reinforcing rods (used mostly in construction) were adopted, along with automatic import licenses to foreign exporters to maintain a better overview of import flow into the EEC.

The medium-term proposals, which include a drive for an average price hike of 15 percent, toughening of surveillance measures, integration of Spain into specific crisis plans in the EEC, and the watching of the progress of U.S. antidumping proposals, will be discussed on Dec. 19. No specific long-term proposals have been published, although Davignon in numerous speeches and statements has made clear his intention to bring about a fundamental restructuring of European steel. However, there is no consensus over how such restructuring will be financed. The increase in borrowing limits for the European Steel and Coal Community (ESCS), the major funding arm for steel, have not been approved. Special

levies of member states for a central fund has so far been blocked, notably by the West Germans.

Similar national balking at an all-European solution has forced Davignon to threaten economic retaliation from the the EEC for member states unwilling to follow the Commission's shipbuilding proposals. In 1977, Europe accounted for only 20 percent of the world's merchant fleet, after commanding 25 percent in 1970 and 35 percent in 1950. In shipbuilding, Europe accounted for 23 percent of the world's total in 1976, a drop from 51 percent in 1960. Davignon intends to fix total EEC production at a level "sufficient to cope with international competition" by coordinating Community loans and grants to national governments for use in projects compatible only with the Davignon objectives. Since most shipbuilding industries exist in regions already hard hit by high unemployment, the EEC Commission under Davignon is threatening to withhold funds for alternative employment generation and job retraining if the Davignon proposals are not adhered to.

## How Long Will Bonn's New Economics Minister Last?

Irritation spread among West German government and financial officials two weeks ago when Otto Graf Lambsdorff, the new Economics Minister, replied to a question about the accelerating collapse of the value of the U.S. dollar: "Who can stop it now?" Within minutes of his remark, the dollar made a new plunge on the international foreign exchange markets, and could only be stabilized through massive interventions by the Bundesbank and by Finance Minister Hans Apel, who publicly contradicted Lambsdorff on his estimation of the dollar's strength.

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### WEST GERMANY

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Lambsdorff's comment has confirmed the already widespread doubts about the new minister's commitment to the policies of his Chancellor, Helmut Schmidt. Even before he took over two months ago from Hans Friderichs (who resigned to replace the assassinated head of the Dresdner Bank, Jürgen Ponto), he had stated his opposition to Schmidt's desire to maintain stability within the European currency "snake": "Now that France has left the currency union this institution no longer has any importance for European policy," he told an interviewer. "Any function it still may have is being paid for too dearly by the Federal Republic."

Lambsdorff was also known for his lack of enthusiasm about Schmidt's nuclear energy development program. In his previous function as economic policy spokesman for the small Free Democratic Party (FDP), the government coalition partner of Schmidt's Social Democratic Party, he shared the views of Horst-Ludwig Riemer, Economics Minister of the state of North Rhine-Westphalia, who wants to promote coal-generated energy to the exclusion of nuclear power. Two days

before he took his new post, he held extensive consultations on energy conservation with U.S. Department of Energy head James Schlesinger.

Since then, Lambsdorff has emerged as the engineer of an "energy compromise" between antinuclear environmentalists and Schmidt's forces. The compromise, which was adopted last month in principle by the FDP and by Schmidt's own Social Democrats, generally agrees on the need for nuclear energy but leaves a myriad of loopholes whereby individual nuclear projects could still be halted by the so-called Citizens' Initiative environmentalist groups. Lambsdorff's willingness to make such compromises has encouraged members of the Social Democrats' left wing to announce a new campaign against West Germany's giant nuclear deal with Brazil.

The compromise, along with many aspects of Lambsdorff's energy conservation program, have been strongly criticized by the leaders of West German's state governments, who almost unanimously agree on the urgent need to proceed with construction of an expanded network of nuclear plants. Gerhard Stoltenberg, conservative Minister President of Schleswig-Holstein, has appealed directly to Schmidt to move ahead in spite of possible objections from Lambsdorff and one or two other cabinet members. The cabinet, however, has so far tried to avoid a direct confrontation, and this week issued a contradictory policy statement whereby (1) coal would maintain priority over nuclear energy, but (2) the individual states have the right to carry out their own policies should they disagree.

Another aspect of Lambsdorff's opposition to nuclear energy was revealed last month by Otto Wolff von Amerongen, head of the powerful German Association of Industry and Chambers of Commerce (DIHT). Close Schmidt ally von Amerongen told the West German business daily *Handelsblatt* that many nuclear projects are currently being held up because of the refusal of the Credit Oversight Council to approve the necessary

financing. This council, based in West Berlin and allied with the Economic Ministry, has also played a role in efforts to halt movement among European banking circles toward utilizing Luxembourg as an independent center of European credit operations.

Lambsdorff is also using the trust-busting Federal Cartel Office to exert pressure on West German's biggest electricity producer, Rheinisch-Westfälische Elektrizitätswerke (RWE). His ministry has asked 30 industrial producers of electricity to provide evidence that RWE is overcharging them for the extra current they need during peak periods. The losses suffered by this overcharging, according to Lambsdorff, have prevented these companies from buying more energy conservation devices for their plants. The Cartel Office's suit, which opens this month, dovetails with a proposal made earlier this year by Lambsdorff's ally Riemer for the full nationalization of RWE. RWE Chairman Mandel has been one

of the most outspoken supporters of full-scale nuclear development.

Lambsdorff was originally installed to replace his predecessor Friderichs, who aggressively supported Schmidt's growth policies, in order to maintain the balance between Social Democrats and Free Democrats in Schmidt's cabinet during the difficult period around the terrorist kidnapping of the industrialist Hanns-Martin Schleyer. He was the only FDP official besides Friderichs who possessed both the skill and the public image to prevent the outbreak of disorienting squabbles over side issues. But now rumors are already circulating in Bonn that he will be replaced with a more competent person at Schmidt's earliest convenience. As *Handelsblatt* commented as early as Sept. 12, "He wouldn't be the first Jonah to be spat out again by the whale in Bonn."

# Begin's Visit To U.S. Hints New Negotiating Stance

Israeli Prime Minister Menachem Begin's arrival in the United States for "direct private talks" with President Carter signaled that the peace process in the Middle East has reached a critical point, and that Israel is now on the verge of making a crucial decision on its future negotiating stance vis-a-vis the central Palestinian question.

The Begin-Carter meeting overshadowed the Cairo conference between Egypt and Israel, the first-ever direct talks between Arabs and Israelis. At the center of both the Carter-Begin meetings and the Cairo conference is the question of the "rights of the Palestinians," and, according to official sources, a breakthrough is expected.

Begin's sudden arrival in the U.S.—only two days after having conferred in Jerusalem with Secretary of State Cyrus Vance—gave rise to speculation that Begin is considering "major and even historical concessions" to the Arabs to clear the way for an overall settlement of the Arab-Israeli conflict at a reconvened Geneva conference. At the center of the speculation are reports, confirmed in general terms by official and diplomatic sources, that Begin will announce a plan to give some form of autonomy to the occupied West Bank. The key question is whether the concessions delivered by Begin will go far enough to satisfy Egypt's President Sadat and the Palestinians.

## *Israel's Decision*

"Tangible and concrete results are expected and should be forthcoming without delay," Egypt's chief delegate to the Cairo conference, Ambassador Esmat Abdel Meguid, said in his opening statement. Meguid's statements may portend a major Israeli concession, centering on a stated willingness to discuss Palestinian rights with designated representatives of the Palestinian people—which, inevitably, will include the Palestine Liberation Organization. This will not only heal the existing rift between Egypt and Syria, but will clear the way for an overall peace agreement.

According to reliable reports from Egyptian, American, and Jordanian analysts, Prime Minister Begin and President Sadat have already reached a private understanding on the shape of an Arab-Israeli peace, including a role for the PLO within the framework of a Palestinian "government-in-exile" that would assume control over the West Bank and Gaza which was occupied by Israel in 1967. Along with Western Europe, both the Soviet Union and Cyrus Vance's State Department are in support of such a formula, which would

create the basis for U.S.-Soviet détente and for vastly expanded trade and development in the Middle East.

If the circles associated with Henry Kissinger, Walter Mondale, Foreign Minister Moshe Dayan of Israel, and British intelligence can sabotage such an accord by playing on the numerous points of instability in the complex Middle East conflict, however, then the sudden collapse of the Cairo conference, and the eruption of a renewed crisis, will pit the U.S. and the USSR against each other in a Cold War style-showdown.

The conference in Cairo, attended by low-level delegations from Egypt, Israel, the United States, and the United Nations, began Dec. 14 and is expected to last about 10 days. Although the substantial part of the negotiations, if not already concluded, will occur outside the Cairo framework in top-level private meetings, the actual Cairo meeting may come up with a basis for an overall accord.

Although there are continuing rumors that Begin and Sadat are seeking a Kissinger-style "separate peace" between Egypt and Israel and excluding the other Arabs, both leaders have strongly denied such an intention, and both have stressed the central character of the Palestine question to any peace settlement. "The problem of the Palestinians will be discussed and debated and, I assure you, we will find a solution to the problem," announced Begin two days ago, with Vance at his side. According to the *Baltimore Sun*, Secretary Vance found a new Israeli "flexibility" on the Palestinian question in his discussions with Begin.

Shimon Peres, the leader of the opposition Labour Party in Israel, gave a further sign of a softened Israeli position on the Palestinian question. Asked in an interview with the *Christian Science Monitor* yesterday if he accepts the idea of a Palestinian national existence," Peres replied: "That's right. Every nation can decide about its identity." On the PLO itself, Peres almost explicitly called for the PLO to form an exile government: "The question is if the PLO is a representative or a terrorist organization....If people want to discuss, let them keep their guns under government control."

## *A PLO Government-in-Exile?*

One of the key remaining questions is whether, and how, the PLO will take part in the settlement of the Middle East crisis. Without the participation of the PLO, it is considered extremely unlikely that any stable agreement can be reached.

According to several sources, one of the plans which Israel is considering is the so-called "functional

division" of the West Bank, according to which Israel would retain permanent military control over the area while giving up civil administration to Jordan, possibly with a phony Palestinian parliament to exercise "autonomy." Such a plan, attributed to Israeli Foreign Minister Moshe Dayan, is similar to the Allon Plan, and is not taken seriously as a peace plan by any Middle East analysts.

But if the PLO continues to remain outside the negotiating process by refusing to give public indications that it will recognize Israel in exchange for Israeli recognition of the PLO, then there is a serious chance that such a plan will be rammed down the throat of Egypt at the Cairo conference—which is a formula for disaster.

The position of PLO Chairman Yasser Arafat amid the complex negotiations, though officially opposed to the Sadat peace initiative, is widely known to be much more sympathetic in private. In fact, both American and Arab analysts suggested this week that Arafat—who has not personally spoken out since Sadat visited Jerusalem—has a silent agreement, behind the scenes, with Sadat.

Said a Jordanian official, "If Sadat can get the Israelis to indicate willingness to compromise on the Palestinians, then Arafat will have a strong hand inside the PLO to push for a government in exile. It will also have a significant effect in allowing for an Arab realignment," referring to an expected reconciliation between Syria and Egypt.

The importance of the government-in-exile for the PLO is as follows: Because Israel refuses to deal directly with the PLO—whose Charter calls for the destruction of Israel—the creation of a Palestinian government would create an entity with which the Israelis could negotiate concerning the West Bank. In addition, such a provisional government could include West Bank leaders and non-PLO wealthy Palestinians more palatable to Israel and the United States, and could attend the Geneva conference or similar talks with Israel.

Saudi Arabia, whose leaders met Vance Dec. 14, has already begun a diplomatic sweep aimed at bringing together Egypt and its allies with Syria and the so-called "resistance front" formed at a recent meeting in Libya and including Syria, Libya, Algeria, South Yemen, and the PLO. In a major statement yesterday, Saudi Crown Prince Fahd urged the Arabs to "put aside our differences and work for the realization of the objectives of the Arab world."

— Bob Dreyfuss

### Government Observers Say: Begin Will Deal With Palestinians

*This analysis was provided to the Executive Intelligence Review by a former Central Intelligence Agency officer who has been deeply involved in the Middle East.*

Prime Minister Begin wants to deal with West Bank Palestinians and with other wealthy Palestinians outside the West Bank who represent big Arab money interests. They'd be delighted to get in on this. As far as Arafat is concerned, he is ideal to deal with. The PLO is as respectable an organization as you can find. Begin knows this very well, but he chooses not to understand.

## Urge PLO Form Government In Exile

*Below are comments from a Defense Department-connected Arab specialist on the likelihood of the Palestine Liberation Organization (PLO) forming a government-in-exile.*

*Question: Last month the magazine Events ran an editorial by Salim el Lozi urging the formation of a government-in-exile for the PLO. What are your views on such a development?*

*Answer: At the time of the editorial, the prospects of forming such a government was probably more possible, but all of that has been taken over by the Sadat trip to Israel. I would say that whether a government can be formed will depend upon the strength of Arafat and Fatah. I think a government could be the only viable alternative for the Palestinian movement, but the Tripoli conference brought all of the conflicts within the PLO to a head. I think that Sadat and many others know that a solution with just representatives of the West Bank and Gaza won't work. Sadat definitely sees benefits to Arafat.*

*Q: Do you see any solution to this problem?*

*A: Yes, if Israel makes a concession during the Cairo conference which the Arab moderates will accept as a concession then this will strengthen their hand, allowing Syria to move again toward Sadat. If this were to happen it would be a big help to Arafat in forming a government in exile which would include personalities from the West Bank and Gaza. And finally if the Soviet Union views with approval these developments, this would of course give Arafat the margin of support he needs. In this situation many of the renegade elements within the PLO could be calmed.*

Nevertheless, if King Hussein decides to come in on the settlement, and there is established an Egyptian-Israeli-Jordanian arrangement, then Arafat will eventually go along. He won't have any choice. But Arafat is worried—as is Prince Fahd of Saudi Arabia—about assassination, by radicals, by dissidents.

*A State Department Middle East specialist commented on the Carter-Begin talks and the "plan" for the West Bank and the Palestinians that Begin is reportedly bringing to Washington, D.C.*

Let me sum it up: if what you've seen in the papers about the various possible Israeli plans is their opening statement, for negotiations, then things are damn good. But if this is their final position, if they say that they have thought and thought and this is what they can come up with, then it ain't gonna fly.

...Peres (the leader of Israel's Labour opposition—ed.)

is showing some signs of flexibility. Instead of saying, "We'll never talk to the PLO," now he's saying, "We won't talk to them unless they do this and this and this," which is an improvement. What he actually says is not as important as the general tone of what he says. If both sides are serious about a settlement, all these problems would go away. There are dozens of scenarios for solving

the Palestinian question, and each one is better or worse than another, but the problem is: How do we get even that far? It's like we have four maps of Los Angeles, each one somewhat different—but we're in Washington. The problem is to get to Los Angeles.

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## Support From Europe For A Comprehensive Settlement

*France, according to several newspapers in that country, is devoting much energy to promoting a comprehensive and equitable peace in the Mideast among the Western European nations — nations whose exports will play a vital role in developing the Mideast region.*

*The Mideast was reportedly the premier issue when French President Giscard met with British Prime Minister Callaghan last week. Britain has deviously been pushing for a separate Egyptian-Israeli peace (see the Economist excerpts), and Giscard surely tried to change that attitude during the summit. After the meeting, the French president admitted that he had not been successful, stating: "There is... a convergence of attitudes between the two countries with respect to the perspectives for peace in the Middle East."*

Le Figaro, "Behind the Scenes in Cairo" by a special correspondent, Dec. 14:

Four questions can be asked among many others. What is Monsignor Monterisi, the Pope's special envoy, doing in Cairo? Certainly, Pope Paul VI has always been interested in this part of the world and "wishes that peace reign in the Middle East, the cradle of Christ where millions of Christians live," but that is not sufficient to explain such an initiative. In fact, Monterisi could well have in his cassock pockets a peace plan for Jerusalem, the capital of the three monotheistic religions. But, on the other hand, his presence in the corridors of the conference could well be an indirect form of pressure on Syria, an Arab country with a very strong Christian minority which Assad (the Syrian president —ed.) himself a member of the minority Alawite community, cannot ignore.

The second question which intrigues all observers: what, in fact, is Egyptian vice-president Mubarak doing in France? No one can believe for an instant that the number two man of Egypt can spend five days abroad in this period just to visit nuclear power sites (as interesting as they may be). In reality, the number two man, who has already played a role in the Israeli-Arab negotiations during certain trips (which were secret, especially the one in Morocco), is in France before going to Rabat once more to see what Europe could offer in the realm of political and military guarantees for the two parties concerned. Moreover didn't d'Estaing evoke this question in his meeting with James Callaghan in London?

Third question: why did Moroccan King Hassan II who, let us repeat, has been the mainspring of certain things in the theatre of the Mideast, send three personal emissaries into the Arab world just recently? Abderrahim Bouabid, leader of the Moroccan left and now a firm supporter of the government, will go to the two most serious hardliners of the rejection front — Iraq and Libya. Abdelhadi Boutalib will travel to Saudi Arabia, Jordan and Tunisia, and Ahmed Bensouda will go to Syria, Kuwait and the Emirates. Most likely, Sadat is counting on the influence of Cyrus Vance in Riyadh, Damascus, and Amman but also thinks that an Arab will know how to be even more convincing with certain countries.

Finally, the last question: why was an English journalist assassinated last week as he was just leaving Cairo airport? It is already well known that this poor fellow had recognized in his plane an "important" Palestinian personality who should not have "logically" been en route to Cairo...

In brief, we are all going to assist at the official opening of the conference while asking especially... what is happening elsewhere.

Le Figaro, "The Three Hypotheses," by Paul Marie de la Gorce, Dec. 14:

The moment has come when we will know whether the Jerusalem meeting between Sadat and Begin will be a prelude to peace or not.

In reality, everything goes back to three principal hypotheses. The most optimistic would be hope that Egypt and Israel agree, in principle, on everything: the Sinai would be evacuated and a Palestinian entity would be created. The pessimistic hypothesis is that of failure: no agreement would be possible on Palestinian rights, and President Sadat would not accept arrangements limited to other subjects of the negotiation. An intermediary hypothesis would hope that, for want of an immediate solution to the West Bank, a partial and separate accord on Israeli withdrawal from the Egyptian territory occupied since 1967 is accepted, even if it is only temporary. In any case, one can say that a failure would signify without a doubt a new confrontation, and that a separate and limited accord, without putting an end to the Israeli-Arab conflict, would be compounded with the inter-Arab conflict. It is within a short period of time that the new deeds must intervene to give probability to the

most optimistic hypothesis.

*Egyptian President Sadat had this to say on the role of France at his Dec. 10 press conference transmitted by the French radio station Europe 1:*

France has played a pioneer role in Western Europe; she was the first country to have understood that our cause is just and she has developed a very objective attitude. You know perhaps that I have close, friendly relations with President Giscard d'Estaing... What I demand is that France not remain aloof from the solution to the problem of the Middle East and assume its role as guarantor in the final peace solution that we understand now. I am very happy to know that my dear friend President Giscard d'Estaing is ready for that.

The Economist, "Bilateral Track" (editorial), Dec. 10:

(Sadat's diplomatic break with Syria, Iraq, Algeria, Libya and South Yemen) raises anew the question of whether Egypt's president is trying, as he says he is, for a comprehensive peace settlement or for the far easier target of a bilateral Israeli-Egyptian peace...

The temptation for Egypt to think of itself first and last is all too plain and all too understandable: an Egyptian-Israeli deal looks possible; a comprehensive one does not.

Long before Mr. Sadat dazzled Israel with his friendliness, Israelis had accepted that they could not indefinitely hold on to Sinai. They may nuzzle about Sharm el Sheikh and haggle about oil, but the elements of a deal are there. This is not true of a deal with Syria or Jordan, let alone with the Palestine Liberation Organization which has now knotted itself into the absurd tangle of announcing that it will accept the West Bank-Gaza state but will not, in the process, negotiate with, or recognize, Israel. Envoys from the West Bank are in Damascus questioning the PLO on this contradiction.

Short of another miracle, it is impractical to speak of an early Arab-Israeli peace; on the other hand, it has now suddenly become possible to speak of an early Egyptian-Israeli peace.

How can the Egyptians be held back from a peace which they desperately need and which they have earned with their blood? It is hardly for a British newspaper to look an Egyptian in the eye and speak of justice for the Palestinians. But without a solution that offers, at least, a measure of what Palestinians reckon to be justice, the poison of the 30-year conflict will go bubbling on - and could boil over in unpredictable ways and places, including Cairo. No Egyptian-Israeli goodwill can neutralize that.

President Sadat's great moral courage in going to Jerusalem is being dissipated by his own, and by others', impatience. It can be argued that Egypt's longer-term interest lies in waiting for the others to catch up before it signs, seals or delivers a final peace treaty.

But, if Egypt is to wait, the others, including the Palestinians, must hurry. At present they are stalking off in the opposite direction. Saudi Arabia is trying to turn them round again. Mr. Begin in London politely told outsiders that they should keep out and shut up. On the contrary: anybody with any influence on any of the governments or organizations concerned should use it to

try to gather them together again and to salvage the fading hope of a general move towards an Arab-Israeli peace.

## France, Europe Offer Helping Hand For Mideast Peace

*On Dec. 14 French President Giscard d'Estaing went on national television to present France's foreign policy, particularly in regard to the Middle East. Excerpts of those remarks follow:*

The interest of all Middle East countries is peace. That is my conviction. French policy, contrary to what has been written, is not dictated by consideration of interests, even less by oil interests. (This is so—ed.) for a very simple reason, which is that we buy our oil at the international price, and if there were a crisis and an embargo, no country could protect itself alone. We saw that very well during the events of the fall of 1973. In reality, the international and European oil market is one and the same: thus, the idea that we would seek advantages either in price or supplies through our Middle East policy is totally unfounded. I think that peace is the objective. And in order for that peace to exist, it can only be a global peace, or there will be no peace in the Middle East. There will be a more or less limited disengagement in part of the Middle East. This is what Mr. Sadat says.

A global peace must be acceptable to all the parties concerned; that is on the one hand, by all the Arab countries concerned and, on the other hand, by Israel. To be acceptable overall, it must be a just peace. That is, a peace under which everyone finds an answer to their fundamental preoccupations. We have never deviated from that line. Thus it is striking to see that, when President Sadat goes much further in those theses than we do, he is applauded... This is a problem which involves certain rights:

There is the right of the Arab countries to recover the occupied territories. Why? Because the 1967 war was not a war of territorial annexation, it was a defensive war. Therefore, there are no moral or juridical elements which justify depriving the Arab countries of the recovery of their territories. The second element is the right for the Palestinians to exist and to exist under the modern form of existence, which means that the population must be organized, represented, and granted a certain number of administrative means for participation in the life of our times. The third important element is the right of the Israeli people to live in security.

In President Sadat's visit there is, in my opinion, a partial answer to this last question because...he has shown that a state of relations is conceivable which would not simply be relations of precautions between hostile countries, but a certain relation of cohabitation....

(In response to a journalist's question—ed.) You say that we were shy at the time of President Sadat's visit to Jerusalem. We weren't shy; we simply did not express ourselves against it...In the debate, France can express an opinion on the questions under consideration, but she



has no practical or direct element to bring to bear either on the question of the occupied territories or that of Palestinian rights and a homeland.

On the other hand, there is a problem which has been raised recently and which will be key: the problem of security in the region. Up until now, the security question has been posed in terms of military precautions: occupation of the land, availability of armaments of all sorts. If we enter into a peace situation, there will be a network of regional or international guarantees which could be substituted for this set of precautions. I am convinced that the final phase of the discussion will bear

on these guarantees, and I think that France and Europe, as industrial powers, will have or can have, an important contribution to bring to this definition and perhaps to the implementation of the guarantees. This problem of guarantees is a problem that I would like to discuss personally with Mr. Begin.

A global solution is a solution that is acceptable to the parties concerned; that is, by the countries of the Middle East. It is to be hoped that this solution will be deemed good by other interested parties; that is, by the United States, the Soviet Union, and Europe.

## Assad Bows To Pressure, Maintains Opposition To Egypt-Israel Talks

Despite signs that Syria's President Assad would prefer to become directly involved in the regional peace talks in Cairo, intense internal pressures in Syria are keeping Assad in hard-line opposition to the Cairo talks.

When U.S. Secretary of State Cyrus Vance arrived in Damascus Dec. 13, he received a cool reception, and was greeted with several press denunciations of U.S. diplomacy. Assad reportedly postponed the meeting for several hours in order to first discuss the Mideast situation with a Soviet envoy, thereby showing his displeasure with the Cairo talks.

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### SYRIA

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Prior to Vance's trip, Assad and Foreign Minister Abdul-halib Khaddam traveled throughout the Arabian Gulf, trying to mobilize the oil-producing states against any possible deal between Egypt and Israel emerging from the talks. Expressing his most profound fear of such a deal, Assad warned that Syria would be the target of "Israeli aggression" after the talks in Cairo proceeded. Khaddam was even more blunt, affirming that Syria would go to "neither Cairo nor Geneva" to discuss peace, because such a move would only confirm the reality of Egyptian President Sadat's "capitulatory" trip to Jerusalem and ensuing regional diplomacy moves.

Several informed observers affirm, nonetheless, that Assad is in reality angling for a particular type of deal with Israel, and is therefore only tactically maneuvering to avoid the appearances of "capitulation" to Israel. These sources claim that Assad is most intent on securing an ultimate package that would include substantial control over a Lebanon which would be restored as a regional world banking center; full control over the agriculturally rich Bekaa Valley region of eastern Lebanon; and a voice in the final arrangements for the West Bank.

According to the Dec. 14 *Christian Science Monitor*, Assad and about 50 other top-level Syrian military men would prefer to follow Sadat's route to peace, but are numerically overwhelmed by the vast number of military men who belong to the Syrian Baath Party and who have been nurtured in its virtually religious view that Israel is the enemy of the Arab world. One informed Washington source reported that Assad is very wary of the actual and potential hegemony of Iraqi networks within the armed forces, and is therefore forced into an intransigent attitude on regional negotiations.

A Washington source favoring Israel went one step further, asserting that Assad has "lost control of the internal situation," as evidenced by the recent assassination wave against leading government officials belonging to his own Alawite community. The source predicted increasing instability throughout Syria, echoing the Dec. 5 prediction of Sadat, in an interview in the *London Financial Times*, that Syria and Lebanon would both experience "bloodshed" in the next days and weeks.

Lending credence to such predictions has been the recent sudden flareup of instability in Lebanon. Two border incidents involving Israel occurred in the south this week, precipitating Israeli military retaliation, and extremists in the Christian sector of Beirut this week began a protest strike. Ostensibly the strike was against press censorship, but in actuality it was against Syria's "refusal" to crack down on the Palestinians in Lebanon — a preview of future tension between the extremists and the Palestinians in the country.

### Syrian Press on U.S. Diplomacy in Cairo

*The following editorial excerpts from the Syrian official press indicate the intensity of opposition prevailing in ruling circles to the Cairo talks and to linked U.S. diplomatic moves.*

*Tishrin*, "Syria Will Not Kneel," Dec. 12:

In a barrage of statements these days, U.S. officials are trying not only to support the position of Egyptian President Anwar Sadat . . . but also to cast doubt on the Syrian Arab Republic's stand so as to support the Egyptian President's allegations that those who reject his capitulatory line will ultimately join this line. . . .

Following all that has happened under U.S. sponsorship and with its participation and encouragement — in terms of torpedoing peace efforts and conspiring against the work of the Geneva conference, and against some of the parties to the conference, and preparing the way for separate solutions and for tripartite Egyptian-U.S.-Israeli talks in Cairo — it is strange following all this that Vance should speak about the Geneva conference as if nothing has happened and as if Washington is guiltless in the massacre of the conference and the massacre of real peace efforts. . . .

President Assad . . . has said that Syria will not kneel . . . All of the talk about international efforts for Geneva is a kind of cover for the current conspiracy and for the regime's fall into the abyss of surrender.

The road to a just and lasting peace in the Middle East is not through pushing the Sadat regime to surrender to Israel, nor through excluding the Soviet Union, the co-chairman of the Geneva conference, from the peace efforts, nor through colluding against the PLO (Palestine Liberation Organization—ed.), nor through trying to

push Syria into a corner.

*Tishrin*, "The Difference Between Nasser and Sadat," Dec. 8:

Egyptian President Anwar Sadat has won international fame. People all over the world know him or at least have heard his name mentioned in the news. This fame reminds us of the widespread fame won by the late Jamal Nasser, with, however, one difference between the two: Nasser won international fame for his role as one of the prominent leaders of the Arab national liberation movement and for having been a leading representative of the nonaligned movement and the people's struggle against imperialist and racist regimes. Sadat's fame results from his going against the interests of his country and the Arab nation and for his going against the forces opposed to imperialism and racism in the world. It also emanates from his capitulation before the Israeli aggressors and occupiers.

Nasser was a symbol of the people's liberation, their struggle and their hopes for progress, liberation and peace, while President Sadat has become the symbol of spinelessness and capitulation and is considered a symbol of leaders who have placed themselves at the service of imperialism and racism. He has become a substitute for the late Chiang Kai-shek, Nguyen Van Thieu, Lon Nol and Nguyen Cao Ky. . . .

## Israeli Press: Begin And Dayan Disagree 'Over Everything'

*The Israeli press last week had the first substantial discussion by the Israeli media of the rift between Israeli Prime Minister Menachem Begin and his renegade Foreign Minister, Moshe Dayan. Begin favors an overall Middle East peace settlement, while Dayan, backed by British intelligence networks, is out to secure a partial peace with Egypt alone, a "solution" that would keep the Middle East dangerously unstable.*

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### ISRAEL

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*Yedioth Aharonot*, "Tensions With Dayan," Dec. 11:

There has recently been tension in the government between the Foreign Minister and several other ministers. At the same time it is believed in the coalition that these tensions are marginal and it is natural that these be felt among people with strong personalities such as the leaders of the present government.

The tensions that have recently been in evidence:

- The relations between the Foreign Minister and the

Minister of Defense. Defense Minister Ezer Weizman is very active in the political deliberations within the government and is in on the inner consultations. Dayan would prefer the issue (of peace negotiations — ed.) to revolve more around him as the person responsible for the Foreign Ministry. In view of this, there is a certain tension between Weizman and Dayan.

- The appointment of the Director General of the Prime Minister's office Dr. Eliahu Ben Elissar, to head the Israeli delegation to the Cairo conference. This has caused dissatisfaction in the Foreign Ministry. Even though Dayan agreed to the appointment, there is a feeling in the ministry that this appointment reduces the role of the Foreign Ministry in these contacts.

- The appointment of Maj. Gen. Avraham Tamir as the Israeli Defense Force representative on the delegation to the Cairo conference. Dayan did not agree with this appointment. On the other hand, it is Ezer Weizman's opinion that this appointment is the best that the IDF could make for the Israeli delegation. The Defense Minister stresses that Tamir heads the Planning Department in General Headquarters and has just headed the team that prepared the alternative military plans for the border problem on all fronts with a view toward the negotiations with the Arabs.

• Criticism in the government of the way the Foreign Ministry is running the overseas information campaign in the wake of the Sadat visit. The critics maintain that the Israeli information effort has created the impression on the world that Israel is following Egypt while, in fact, Israel initiated several political moves that made the Sadat visit possible.

The "black cat" apparently walked between Dayan and the Director General of his ministry, Ephraim Evron. Begin had proposed to Dayan that the Israeli delegation to the Cairo conference consist of the director generals of the Prime Minister's office and of the Foreign Ministry, but Dayan opposed Evron's appointment.

One of the reasons for the tension in relations between Dayan and Evron is the fact that the Director General of the Foreign Ministry has taken positions differing from Dayan's on certain issues.

Despite all this, coalition circles maintain that these tensions will not be able to undermine government cooperation in the determination of political moves.

Daver, "Dayan and Begin At Odds Over Everything," by Daniel Block, Dec. 13:

Coalition and cabinet sources were informed yesterday of a dispute between Prime Minister Menachem Begin and Foreign Minister Moshe Dayan over everything connected with the treatment of the Cairo conference.

The Foreign Minister is angry because the Prime Minister is reserving for himself the treatment of the matter and the Foreign Minister is not in the center of the picture. These sources also report that Foreign Minister Dayan was angry that Prime Minister Begin appeared at the joint press conference with U.S. Secretary of State Cyrus Vance contrary to custom and protocol, according to which, in such a case, the Israeli Foreign Minister should appear together with his American counterpart. In the past it was the custom that the Israeli Foreign Minister was the one to appear at the joint press conference with any guest foreign minister. This was done on previous visits by the U.S. Secretary of State.

Observers point out that, in various statements made recently, expression was given to differences in shading in statements made by Begin and Dayan, with Dayan belittling the value of Sadat's statement about "no more war" while Begin attributed historic importance to it, and also when Dayan hurried to affirm the possibility of a separate peace with Egypt, while Begin, in his statements, was scrupulous in declaring Israel's desire for a comprehensive settlement with all the Arab countries. There is also a difference between the great optimism Begin is making heard and Dayan's reservations and doubts. Dayan spoke yesterday about a short conference and about the framework for the continuation as something unclear.

Foreign Minister Moshe Dayan yesterday denied, at a

gathering of foreign correspondents, the reports of a dispute between him and the Prime Minister. Foreign Ministry sources also tried to reduce the importance of the dispute, pointing out that it could be that Dayan was feeling a certain dissatisfaction over matters of secondary importance, but there was no difference between him and the Prime Minister with regard to the principal approach and to the aims of the negotiations and debates with Egypt at the Cairo conference.

## Peres Declares He's Open To Palestinian State

*The following are excerpts from an interview with Israeli Labor Party and opposition leader Shimon Peres that was published in the Christian Science Monitor Dec. 13. The interview and comment is significant in that Peres indicates that he would not oppose the formation of a government in exile by the Palestine Liberation Organization:*

*Q: You accept the idea of a Palestinian national existence?*

*A: That's right.... Every nation can decide about its identity. If there are Arabs who consider themselves Palestinians it is their decision, not mine. And they don't have to have my approval, and my disapproval is meaningless. The question is if the PLO is a representative or a terrorist organization.... If people want to discuss ... let them keep their guns under government control. Because the moment they come with guns they don't represent, they threaten. That's No. 1.*

*No. 2: Their (PLO) charter is not for Palestinian nationhood.... They claim Israel is Palestine.... The PLO doesn't say: we are Palestinian people and for that recognize our people. That would be OK.*

*Q: In principle do you not oppose the opening position of a demand for a Palestinian state?*

*A: I can't oppose anything. I say this is a negotiation without prior conditions....*

*Q: If the PLO accepts Resolution 242 and if the PLO agrees to the idea of reaching a coexistence arrangement with Israel, what would be your attitude toward the PLO?*

*A: Then they would stop being the PLO. Then we wouldn't have a problem....*

*Peres characterized his party's willingness to compromise on the West Bank and to negotiate for the fulfillment of Palestinian national identity as "quite a major difference" from the attitude of the Begin government.*

# India Seeks 'Atoms For Peace'

With the Third World's most developed atomic energy sector, the developing sector's largest pool of civil engineers, scientists, physicists, and industrial engineers, the nation of India has today a pivotal role in transforming the developing sector.

The story of India's fight to create a skilled labor force able to use modern technology is, after the development of the Soviet Union and the U.S., the most explosive example of a transformation in economic and social life on a massive scale in this case affecting the lives of 600 million people. For the last 30 years, the Atomic Energy Commission (AEC) and the government of India have struggled to accomplish this task by applying science to every sector of development. Today, the results of this effort can be proudly exported as India's contribution to other developing nations.

The political fight over whether to accept U.S. President Carter's nonproliferation crusade or to continue on the nuclear energy path has become the center of nearly all government decisions in India today. For this reason, the "myth" of India's 1974 development of the "bomb" must be debunked. One look at India's atomic energy program and its extensive effort to utilize Soviet, U.S. and European collaboration to obtain "atoms for peace" provides a moving model for other developing countries.

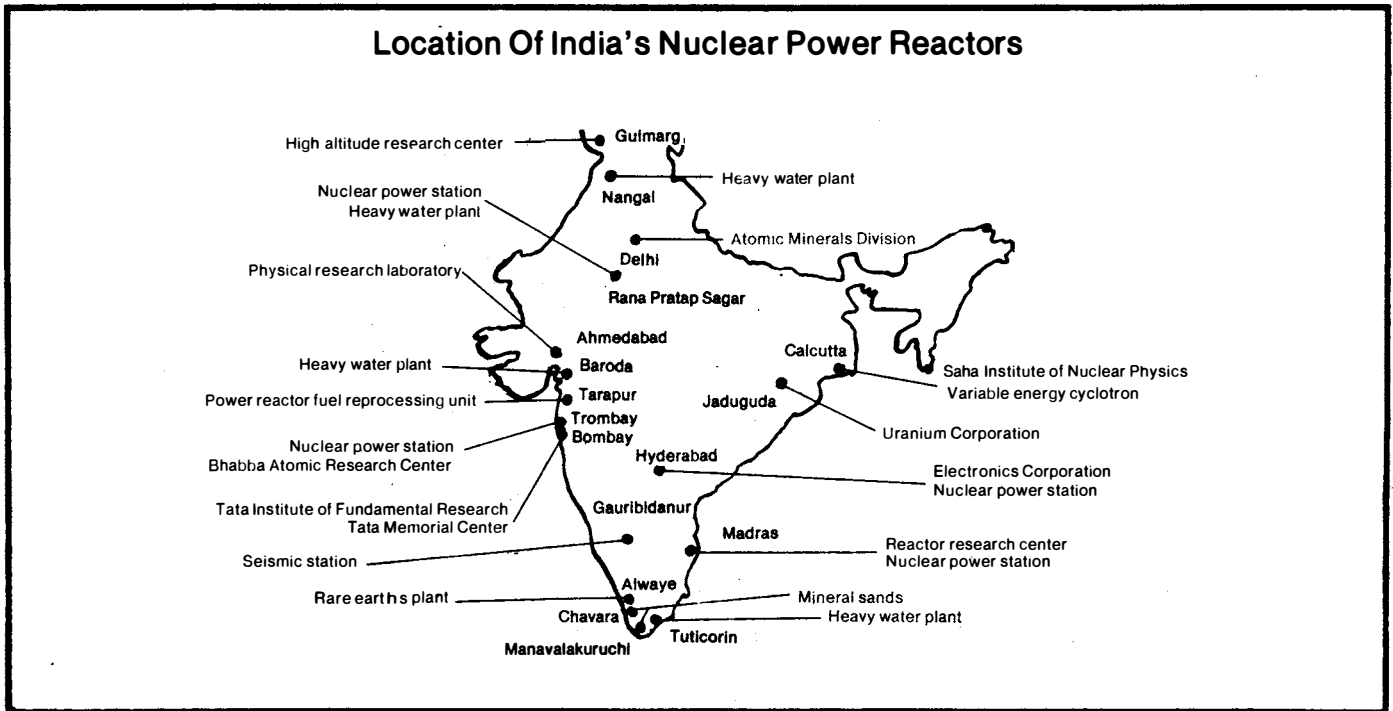
India's program to promote science and the development of atomic energy culminated on May 18, 1974 when the country broke into the select group of "nuclear weapons states" by exploding a 15 kiloton plutonium-

based bomb in the Rajasthan desert. The Indian government, a leader of the Non-Aligned Movement, announced as its reasons for proceeding with the underground explosion that research into the peaceful uses of atomic energy had reached the point where an explosion was necessary to examine the effects of its use in civil engineering. Radioactivity, the fracturing efforts on rocks, the ground motion, and last but not least the ability to use such peaceful nuclear explosions for turning the Rajasthan Desert into an irrigated agricultural heartland, were all at issue.

But across the world denunciations were heaped on the Indian Pokharan experiment. Averell Harriman in the U.S., the British and Canadian governments, the prime donors to the labor-intensive Rajasthan World Bank's canal project, rejected the Indian government explanations, imputing the explosion of the "bomb" a covert military rationale. Canada suspended nuclear-related contracts and sales, and a round of conferences were quickly called to ensure that other "threshold" developing countries would be contained.

While the military implications of developing sector nations changing the strategic balance of power are very real, India's contention that peaceful nuclear explosions (PNE) are intimately tied to an economic growth strategy cannot be dismissed.

Statements by scientists internationally since the 1950s for the utilization of science in industrial development, have pointed to the fact that nuclear engineering, particularly where heavy earthmoving or irrigation works



are involved, is at least ten times cheaper and faster than any conventionally applied approaches. That this was a primary purpose behind India's "bomb" development is proven by a discussion of the origins of the Indian atomic energy program. For example, India, after the U.S. and the Soviet Union, has today the largest pool of scientists, nuclear engineers, physicists, and mathematicians of any nation in the world! Why?

### India's Scientific History

The fundamental principle guiding India's commitment to industrial development since India's first Prime Minister Jawaharlal Nehru was the need to produce scientists to provide the technologies needed to catch up with the advanced sector. In 1945, even before independence, the late Dr. Homi Bhabha, the country's foremost scientist, appeared before the nation's leading capitalist family, the Tatas, and demanded that they, as promoters of development in steel and hydroelectric power, make a major investment in creating India's first fundamental science research institute.

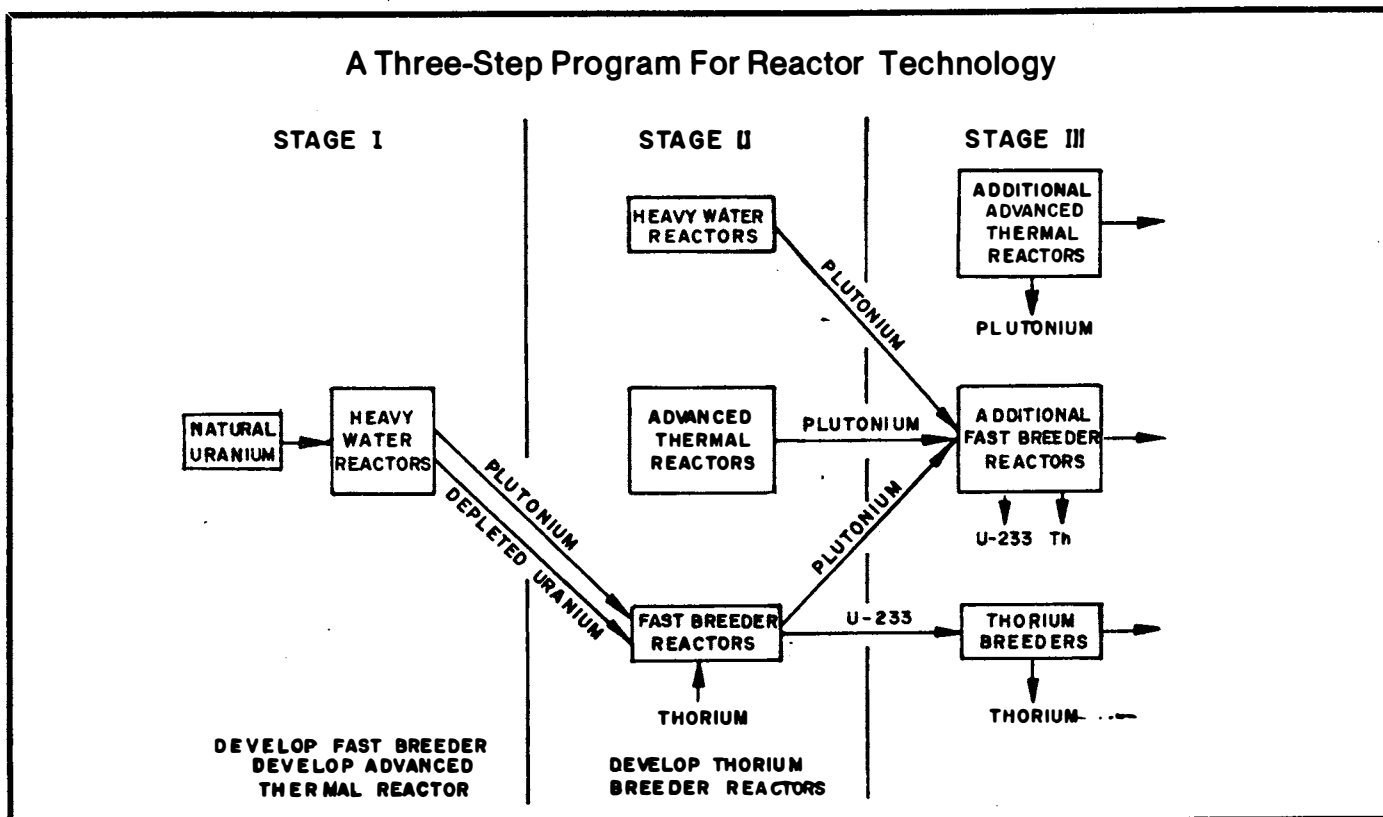
"An institute is needed as an embryo from which I hope to build in the course of time a School of Physics comparable to the best in the world. When nuclear energy has been successfully applied to power production, in say a couple of decades from now, India will not have to look abroad for its experts, but will find them ready at hand." Bhabha's speech was delivered a year before the first atom-bomb was used over Hiroshima.

In 1945 Bhabha thus founded the Tata Institute for Fundamental Research, the "cradle of Indian science." He explained its first task to both industrialists and politicians on the day of the institute's inauguration:

"It is absolutely in the interest of India for such a school to form the spearhead of research, not only in the advanced branches of physics but also in the problems of immediate practical application to industry."

The latter aspect as it relates to nuclear energy has been the most controversial for the entire Third World. From the start, needs of expensive nuclear energy research have been represented as "pie in the sky" while the labor-intensive approaches to "economic development" have been justified as the only alternative. Bhabha polemicized strongly against this approach and the "cow-dung economy." In 1955 he stated, "The total per capita consumption of energy in the U.S. is equivalent to the burning of some nine tons of coal per annum per capita. The same per capita rate of consumption in India, assuming a population of 400 million or so, would correspond to the burning of 360 million tons of coal per annum. Let us leave out the cowdung economy for the moment. The utilization of a potential 35 million kilowatts of hydroelectric power would make little difference to this arithmetic, since installed hydroelectric capacity of 35 million kilowatts corresponds to an annual goal consumption of 90 million tons. We therefore come to the inescapable conclusion that the resources of hydroelectric power and conventional fuels in India are insufficient to enable it to reach a standard of living equivalent to the present U.S. level. That is what we must strive for."

Once the Tata Institute existed, the other mechanisms for science and its applications followed in rapid succession. In 1946, a tentative Atomic Energy Commission, chaired by Bhabha, was created; in 1953 it became a fully empowered partner of the Indian Planning Commission. In 1954, the Atomic Energy Establishment



(later named Bhabha Atomic Research Center — BARC) was founded, and by 1955, Asia's first experimental reactor outside of the Soviet Union was built in Apsara, India. Institutions of science (see map page 1) flourished, and by 1958, the Indian Parliament adopted a major resolution on science policy. In part it states,

“The dominating feature of the contemporary world is the intense cultivation of science on a large scale, and its application to meet a country's requirements. It is this, which for the first time in man's history, has given to the common man in countries advanced in science, a standard of living and social and cultural amenities which were once confined to a very small privileged minority of the population. Science has led to growth and diffusion of culture to an extent never before possible. It has not only radically altered man's material environment, but, what is of still deeper significance, it has provided new tools of thought and has extended man's mental horizon. It has thus influenced even the basic values of life, and given to civilization a new vitality and a new dynamism... The wealth and prosperity of a nation depend on the effective utilization of its human and material resources through industrialization. The use of human material for industrialization demands its education in science and training in technical skills. Industry opens up possibilities of greater fulfillment for the individual. India's enormous resources of manpower can only become an asset in the modern world when trained.

“... The Government of India has decided to pursue a policy 'to foster and sustain the cultivation of science and scientific research in all aspects...; to ensure that research scientists of the highest quality are available to the country; and their work is an important component of the strength of the nation; ensure that the creative talent of men and women encourages and finds full scope in scientific activity; encourage dissemination of knowledge, and discovery of new knowledge; to secure for the people of the country all the benefits that can accrue from the acquisition and application of scientific knowledge.'”

## International Campaign

India took its fight for peaceful nuclear energy to international forums from the very early 1950s. Following World War II it rejected the “Baruch Plan” with essentially the same arguments India used when refusing to sign the Nuclear Nonproliferation Treaty of 1968. Both were efforts, in different ways, to maintain control on materials and know-how within the nuclear weapons states, according to spokesmen, and India was determined to develop an independent atomic energy capability.

Contrary to most common slanders that this was all a cover to acquire her own “bomb,” India in the very same period was in the forefront of the peaceful uses of nuclear energy. When U.S. President Eisenhower first put forward “Atoms for Peace” plan in 1953, India's United Nations spokesman, Krishna Menon (an otherwise acid critic of U.S. cold war policies), hailed it as an “initiative that has caught the imagination of this Assembly and the world.” In 1953, Bhabha began the strongest international efforts to bring his projects to fruition. Constantly travelling, in touch with U.S. and Soviet scientists, and British and French nuclear specialists, Bhabha became so well-known that he was unanimously made chairman of the United Nations first Conference on the Peaceful Uses of the Atom in 1955.

In the keynote address to the conference, Bhabha made the first international call for the development of fusion power:

“It is well-known that atomic energy can be obtained from a fusion process as in the H-bomb, and there is no basic scientific knowledge in our possession today to show that it is impossible for us to obtain this energy from the fusion process in a controlled manner. The technical problems are formidable, but one should remember that it is not yet fifteen years since energy was released in an atomic pile for the first time by Fermi. I venture to predict that a method will be found for liberating fusion energy in a controlled manner within the next two decades. When this happens, the energy problems of the world will truly be solved forever for the fuel will be as plentiful as heavy hydrogen in the oceans. The so-called barriers of science have again and again in the past been proven surmountable by man.”

Bhabha's initiatives were constantly to link the advanced sector's existing nuclear technological capability with India's emerging scientific expertise. Through 1956, he was received receptively by Soviet scientists and some of the other European nations, such as France and in British nuclear energy circles. But in 1956, British policy went into a strongly anti-plutonium utilization mode, leaving Bhabha's out in the cold. It had been Bhabha's belief that only the construction of numerous plutonium plants such as the later Trombay Plant, could increase the total resources of nuclear fuel developed initially from a fixed amount of uranium. In 1956, Bhabha turned to his U.S. collaborators to begin work on the Tarapur Atomic Energy Plant. The Tarapur plant today provides the entire electricity grid for the Maharashtra state.

There were two major international programs that left their imprint on the Indian programs. One was Operation Plowshare, a U.S. Administration program to utilize nuclear explosions for civil engineering purposes. Among the operations conceived of in this strategy, was

1958's "Project Chariot" where the feasibility of building deep-water harbors by means of nuclear detonations was demonstrated. Following this U.S. investigative effort, Bhabha worked closely with another fusion power proponent, the former U.S. Atomic Energy Commission chairman, Glenn Seaborg. In the Soviet Union, the use of nuclear explosions for construction of water storage in the Central Asiatic Republics was watched closely for application in India.

Bhabha's contributions to Indian science were abruptly ended when he died in a 1966 crash of an Air India plane that left no survivors. However, the motion that he began for utilizing the atomic energy sector as the essential vehicle of international collaboration with the developing and advanced sectors was carried forward by his successors, including the current Chairman of the Atomic Energy Commission, H. Sethna.

India today has agreements for peaceful nuclear energy applications with two neighbors, Bangladesh and Sri Lanka. An agreement with Sri Lanka for PNE applications to port development is under consideration, while with Bangladesh the larger issue of water control for both the Ganges and Brahmaputra is the first item on the agenda. Similar agreements exist with Brazil, Iran, Egypt, Indonesia, among other Third World countries, with Indonesian and Iranian scientists using Indian AEC facilities as training centers.

In the advanced sector nations, agreements for fast breeder development exist with France, including a 1971 agreement for fast-breeder technology transfer. The blueprint was drawn up by Indian scientists examining the French Project Phénix. Research agreements also exist with the socialist sector, with the Soviet Union

having played a big role in the development of Indian scientific research. U.S. and Canadian bilateral agreements have been in cold storage since the Pokharan experiment.

In 1968, on the eve of the takeoff of India's atomic energy program as a commercially viable proposition, the World Bank released a special study dissuading developing nations from proceeding on this "dangerous" course of development. In India, the World Bank's project is the multi-million dollar labor intensive canal-digging project in Rajasthan which began as a food-for-work program. It has yet to be finished and Rajasthan remains an unarable desert.

### The Necessity For Nuclear Power

The Indian Atomic Energy Commission's publicly stated task is the following: India, with small and only recently discovered oil resources desperately needs alternative fuel sources. Coal reserves are large, but not big enough. Cowdung has been the energy basis for the village-level economy (the largest part of India) but its viability as an abundant energy source is highly debatable despite World Bank investments in biogas plants.

This picture, presented by the AEC, has led to the emphasis on nuclear energy on a commercial basis as a necessity, even though the major development question has up to now relied on the commitment of the scientists, rather than in the actions of politicians.

The moment peaceful nuclear explosions are implemented on a wide scale, two policies must be revised.

### Commercial Reactors

NAME	LOCATION	DATE OF COMPLETION	COLLABORATION	TYPE	SIZE AND USE
Tarapur	Bombay	1969	(General Elec.) Indo-U.S., 1963-completed	enriched uranium based	420 MWe electricity grid for Maharashtra industry
Raps I*	Rajasthan	1972	Indo-Canadian Atomic Energy of Canada Ltd	natural uranium CANDU System	440 MWe electricity grid for Rajasthan
Raps II*	Rajasthan	1978**	Indian commissioned	natural uranium CANDU-Heavy Water	400 MWe
Kalpakkam	Madras	1976	Indian-French	natural uranium CANDU-Heavy Water	470 MWe
Narora	Uttar Pradesh	1981-82	Indian	same as above	2 units, each 220 MWe

\*Rana Pratap Sagar

\*\* 2 yrs. behind schedule due to supply problems.  
Originally scheduled for 1976

First, where is the labor displaced to go, and second, where are the capital investments needed for crash nuclear development to come from ?

These questions are at the center of the current national debate. The Janata government has put forth a program that proposes to dismantle institutions such as the Center for Scientific and Industrial Research (CSIR) and decentralize the CSIR's role as a "link" between business, government and the AEC. Here are the facts that belie the political rhetoric.

### What India Has

The "star" of India's atomic energy effort is the Bhabha Atomic Research Center (BARC), the national research and development institution for energy and related disciplines. It includes within its facilities four research reactors (see chart below), a uranium metal plant, a fuel elements fabrication plant, a plutonium plant, and a large civil engineering staff. The total strength of the BARC facility in Trombay, as of 1973, was 10,276 science-related personnel, about half being skilled scientists and technicians. It is here that Third World scientists come to train and partake of India's expertise in applying nuclear energy to developing sector conditions, and also here that the government sends its development blueprints to be processed, critiqued, and finalized. BARC in essence is the school Bhabha built to compare with Princeton or Cambridge, according to his own words.

As of 1977, India has 2 completed commercial reactors and 3 which will reach completion within the next 5 years. The system used initially in Tarapur in 1969 utilized enriched uranium — all of which must be imported from a select group (U.S., Great Britain and

USSR). According to Indian government sources, following a major debate in the 1960s on whether India should deplete her scarce resources to acquire the European centrifugal enriching capacity, it decided against further enriched uranium-based atomic plants. Instead, the Canadian CANDU model has been chosen as the principal design for future projects. India has some 3.5 mn. tons of provable, minable natural uranium resources to make it viable.

Current scientific debate in the country revolves around two issues. The first, is the issue of the fast breeder reactor. With the world's largest thorium deposits, the Bhabha Atomic Research Center (BARC) is currently engaged in designing a mini-research reactor using uranium-233 from thorium. The chemical separation of the "breed" uranium-233 is to be carried out in a fuel reprocessing plant; its transformation into fuel elements for use in reactors is to be a major step in utilization of the thorium reserves. The experimental reactor Kalpakkam—a fast breeder operating on a plutonium-fuelled, sodium-cooled basis is the other model under consideration. Besides plutonium, or uranium-233, either depleted uranium or thorium could also be applied.

The choice of what fuel cycle to choose for long-term development, given an availability of some resources and not others and tight economic constraints, has not been easy. A faction of the AEC in India, and many within the Carter Administration have been promoting the development of thorium based cycles, at the expense of the other so-called "dangerous" plutonium and enriched uranium based reactors. India has huge thorium reserves and has become a major target for this thorium propaganda.

### Experimental Reactors

NAME	LOCATION	DATE OF COMPLETION	COLLABORATION	SIZE AND TYPE
Apsara	Barc*	1956	Indo-Canada	1 MWe
Zerlina	Barc*	1961	—	Zero-energy thermal reactor
Purnima	Barc*	1972	—	Zero-energy fast reactor
Cirus	Barc*	1960	Indo-Canadian	40 MWe
Kalpakkam	Madras	—	—	Fast breeder — experimental
Trombay Plutonium Plant	Bombay	1964-5	—	Plutonium Separation and reprocessing plant

\*BARC — Bhabha Atomic Research Center. Heavy water program geared to augmenting production to 400 tons per year.



But the facts belie this strategy. Scientific calculations are that the doubling time — the time in which input fuel is fully reproduced by the plant — for the thorium plant is some 300-400 years; the uranium or plutonium based breeders are some 10 years. Further the thorium cycle, barely in its research phases, remains a far slower plant. For India and the developing sector, with or without thorium reserves, development tasks and strategies do not give that open-ended time for completion.

This was Bhabha's own view when he proposed the need for international collaboration in atomic energy rather than a slow, "self-reliant" strategy replicating failures and successes again and again in each country. Bhabha proposed the fast breeder as a transition to a fusion-based economy. BARC has now kept the thorium research going, but has committed the future plants to the CANDU model until the enriched uranium supply problems can be solved internationally. Another level of research going on is the fusion-fission hybrid system and the utilization of thermonuclear fusion reactors as a means of converting thorium into uranium 233.

The scarcity of investible resources has frequently been the constraining factor. This is demonstrated vividly by the fact that while India has more experimental reactors (see chart p. 5) than any other developing country, making them commercial is a different story. A fine balance currently exists between the utilization of domestic resources and foreign collaboration. The World Bank recently released reports calling for liberalization of regulations governing the atomic energy sector, a policy which would mean dilution of the BARC research programs. Beginning with the first Tarapur plant, Bhabha's decision to enlist foreign collaboration as necessary at various phases with domestic training has reaped major benefits for the AEC, and progressively turned the whole operation over to Indian hands. Tarapur took 66.3 percent; Kalpakkam 20.3 percent, and Narora will be fully Indian built.

French collaboration will continue on the fast breeder technology, and while certain equipment is produced indigenously; the major delays on the schedules have been caused by the suspension by Canada (in particular) of needed supplies.

## Peaceful Uses

At any point over 600 miles from coal deposits, it has been proven that PNE is the cheapest and effective way to begin on major development projects, according to BARC estimates. The Rajasthan Pokharan explosion had no radioactive contamination. In the 1960s, the AEC used the best estimates of U.S. and Soviet efforts in this direction to draw up blueprints for other areas where it would be useful. The following are several highlights:

\*\*India has a huge coastline but few natural harbors. BARC estimates are that PNE can create several new harbors along the western coast. Cost estimates indicate that harbor excavation, etc. through PNE is ten times cheaper than conventional methods — by 1973 figures, \$5 million compared to \$55 million. The speed of the programs is also accelerated ten fold.

\*\*The Subcontinent's priority problem is irrigation combined with a feast-or-famine monsoon uncertainty. In 1969, Glenn T. Seaborg of the U.S. AEC outlined the

following proposal. Rubble-filled chimneys can be created by underground nuclear explosions for developing and managing ground water. Such chimneys and cavities in rocks of low porosity could store water preventing loss by evaporation. Such chimneys may also partition a compartmentalized aquifer system increasing the potential utility of the aquifer system. Seaborg's proposal was applied to the Ganges plain by Dr. Rama of the Tata Institute for Fundamental Research, who did the extensive analysis of such storages to hold water along the delta. Withholding a portion of the monsoon rains, in artificially created reservoirs could as well be done by current tubewells pumping system.

The principle of filling up reservoirs in the rainy season and emptying them in drought periods has also been applied to the southern Indian Ocean plateau, where the rivers (unlike the Himalayan originated rivers) are more seasonal. It has been estimated by TIFR that 200 such "chimneys" could effectively develop and manage ground water for the entire peninsula. Cost estimates reflect the needs for such a program: the Ganges-Cauvery "link" project by conventional methods is calculated at Rs. 25 billion. The PNE based project is Rs. 2 billion.

By far the most significant project for international study is the Rajasthan project itself. Where the Pokharan bomb test took place, close to the Pakistan border (perhaps too close according to uncomfortable Pakistani spokesmen), a desert region can be rapidly irrigated. Its feasibility provides the model for large parts of Africa and Mideast.

## Nuclear Complexes

The potential scope of utilization of nuclear power plants in India is best demonstrated by examining the 1966 BARC-initiated projects for the "Nuclear-Powered Agro-Industrial Complex— Nuplex." BARC proposed it for two areas, the Ganges plain and the Saurashtra dry region. In the Ganges plain it involved a nuclear energy plant of a capacity of 3000 Megawatts (CANDU model) around which would be organized the agricultural and economic activities of the region. The first block of the complex would consist of a nuclear energy center with fertilizer and aluminum plants in its vicinity and the second block a similar agricultural complex. The two blocks would be linked by a power transmission and distribution system and rail and road transportation networks. The industrial block would produce fertilizers for agriculture and power for tubewells. BARC estimates that through double and triple cropping, availability of water, this complex could feed 30 million people.

The Nuplex has been named by many Indian scientists the "strategy for survival" for agriculture. More appropriately, Bhabha pointed out its true purpose when he first conceptualized the need for something of its type in discussions with Oak Ridge U.S.A. scientists. "What the developed nations have, and the underdeveloped lack is modern science and an economy based on modern technology. The problem of developing countries, is, therefore the problem of establishing modern science in them, in their thoughts and in their actions to transform their economies to one based on these notions."

— Leela Narayan

# St. Louis Newspapers Draw Battle Lines

The St. Louis daily newspapers are in a shooting war with each other over issues that reflect the emerging national political polarization between zero-growth policies and those of the American Whig tradition for economic growth. The dispute, between the staunchly Whig *Globe-Democrat* and the *Post-Dispatch*, perhaps the nation's most vehemently "Fabian liberal" paper, is a significant indicator of more general U.S. factional fights, since St. Louis is one of the few remaining cities where two genuinely competitive newspapers exist to air such a battle.

The *Globe-Democrat* issued the declaration of war with a front-page editorial on Thanksgiving day saying that the *Post-Dispatch* "emits a barnyard stench which is a measure of a good deal of that paper's pretense at news coverage: rot." This came in response to a series of *Post-Dispatch* articles based on FBI documents that the *Post-Dispatch* alleged "show that the Bureau considered its access to the *Globe-Democrat* (in the 1960s — ed.) an important part of the counter-intelligence operation in St. Louis against so-called 'new-left' organizations, dissidents, and persons suspected of being Communists."

The implication that the *Globe-Democrat* is a tool in intelligence agency harassment of individuals is, on reflection, absurd. It was, after all, the *Globe-Democrat* which on July 25 published the first condemnation in the country of the Federal Election Commission's harassment of the U.S. Labor Party in an editorial, "Curb the Federal Election Commission," while the *Post-Dispatch* has piously endorsed an expansion of the Election Commission's arbitrary powers.

The actual issue runs much deeper, as the *Globe-Democrat's* publisher G. Duncan Bauman made clear by stressing that the *Globe* "cherishes its role as a supporter of the American system." It might be added that the *Globe's* competitor cherishes its role as a supporter of the British system.

*Excerpts of editorials on key issues, more than adequately draw the lines of their fight.*

## *On Nuclear Power*

*Globe Democrat* editorial, "Carter Breeder Decision Repudiated," May 7:

President Carter is attempting to gloss over the earth-shaking impact of his decision to put the fast breeder nuclear technology in mothballs will have on the American people. . . .

*Unfortunately for the nation this turns out to have been a political decision without any solid scientific basis. . . . (emphasis in the original)*

*Post-Dispatch*, "Risk to Avoid," Nov. 9:

. . . If the risk (of nuclear accidents) is so great that the industry must have the protection of a law limiting its

liability (the Price-Anderson Act) and providing for inadequate federal compensation, the clear implication is that both the law and the power plants represent poor public policy.

## *On Carter's Energy Legislation*

*Globe-Democrat*, "Reject Disastrous Energy Bill," Oct. 27:

President Carter's approach, as expressed in the House bill, is a plan to straitjacket the oil and natural gas industries and rely almost entirely on conservation to solve the domestic energy shortage.

*Post-Dispatch*, "From April to November," Nov. 10:

. . . He (Carter) failed to communicate the need for the sacrifice he said was required or the crises he said the nation would face tomorrow if it did not act today. . . .

## *On Vote Fraud*

*Globe-Democrat*, "Same Day Registration Defeated," Nov. 10:

. . . Rejection of instant voter registration in state balloting (in Ohio and Washington — ed.) should write finis to the ill-fated plans of the Carter Administration to gain passage of an instant voter registration law by Congress. Same-day registration is an invitation to fraud. . . .

*Post-Dispatch*, "Vote Against Voting", Nov. 11:

. . . Although fraud is a risk, safeguards against it can be built into the administration of the law. The real reason for opposition to such a law . . . is fear of a large turnout of last minute voters, many of whom would be unpredictable and uncontrollable. . . . But the action of one state (Ohio — ed.) should not be taken as the mood of the nation. No one knows how many of those Ohio election-day registrants were turned out by foes of election-day registration.

## *On Economic Policy and the 'Full Employment' Bill*

*Globe-Democrat*, "Utopia by 1983," Nov. 1977:

. . . Before Americans become too enamored with the Utopian vision held forth by President Carter and rabid Humphrey-Hawkins backers in Congress, it would be well to look at the record. After more than 40 years of increasing federal intervention into the private economy, including incredible expenditures for all manner of public works, public service jobs and supposedly 'stimulative' deficits, unemployment remains at about 7 percent . . . Americans should reject this promise of Paradise by 1983. . . .

*Post-Dispatch*, "The Humphrey-Hawkins Compromise," Nov. 16:

The full employment bill that has won President

Carter's endorsement is a substantial retreat from the measure introduced last year by Senator Humphrey and Rep. Hawkins but it probably represents the most that can be expected in the present political climate, a 7

percent unemployment rate notwithstanding. . . . If that is not a giant step toward full employment, it is superior to the alternative which, it appears, is not legislation at all.

## The British Invasion of U.S. Media

Rumors are flying that following British Lord Beaverbrook protégé Rupert Murdoch's "success in taking over the *New York Post*, big British names and money are hungry for more media "buys" in the U.S. The Hon. Vere Harmsworth, who recently bought *Esquire* magazine for his London-based Associated Newspapers firm, with Clay Felker as his American editor, is now considering taking over the DuPont family press in Wilmington, Delaware.

The DuPonts, once a leading American industrial family, has put its four Wilmington papers up for sale, and Harmsworth says he just can't think of a "nicer, pleasanter prospect" for U.S. acquisitions. The Hon. Vere Harmsworth is a descendant of Lord Beaverbrook's confrère, British journalist Lord Northcliffe, ne Alfred Harmsworth. Together, Beaverbrook and Northcliffe founded a British press empire at the end of the last century which included all of Britain's major national daily press and Commonwealth publications. While billed as "competitors" for public consumption in their lifetimes, the two were close political allies dating from before World War I.

Harmsworth's hunt for U.S. press now marks the first anniversary of Australian-born Rupert Murdoch's acquisition of the *New York Post*, the *Village Voice*, with the magazines *New York* and *New West* out from under their former editor, now Harmsworth-employee Clay Felker.

The new editorial tone at the *New York Post* is best characterized by a recent front-page headline screaming "Sam Sleeps" over an "exclusive" picture of a mass murderer sleeping.

"Mr. Murdoch's impact on New York has been (so) massive" since he took over the *Post* from Dorothy Schiff and the Kuhn, Loeb banking house last year, comments the British *Guardian*, that "hard on the heels of Mr. Murdoch is the Hon. Vere Harmsworth and his Associated Newspapers . . . creating another British, or Commonwealth if you prefer, publishing empire, like Mr. Murdoch's" in New York.

But that may not be all the Hon. Vere Harmsworth is after. New York press columnist Jane Perlez reports he has already shelled out some \$400,000 for a "financial survey" conducted by the British-based Morgan Stanley investment bankers in New York — for a newspaper acquisition that comprises only 350,000 readers all told! It is more likely that that kind of investment and homework may auger interest in more than just the DuPont press. The family is still a major industrial and political force in Delaware, and a number of leading U.S. press companies are also in the bidding, which closes Jan. 28, for their papers.

### *Back to Basics*

The Hon. Vere and his wife "Bubbles" have been shopping around for newspapers in the U.S. for some time now, already acquiring the male magazine, *Esquire*. That magazine his Honor intends to turn into a "fortnightly" in order to orient "away from a monthly literary journal" toward "more of a news magazine," emphatically in the British mode. "We intend to take *Esquire* back to its beginnings as a men's magazine," an editorial spokesman for the new owners told a reporter last week, adding "but I don't mean a girlie magazine or anything like that."

New *Esquire* editor Clay Felker says he will return the magazine to "basics" and restore its former subtitle, "Magazine for Men." Felker should know. As editor of *Esquire* from 1957 to 1962, he introduced what he called the "New Journalism" to *Esquire*. Felker now promises to make *Esquire* a "new kind of news magazine" on the model of what Rupert Murdoch did to the "new *New York Post*."

### *Peers of the Press*

Northcliffe and his "junior partner" Lord Beaverbrook first introduced the "New Journalism" to Great Britain in the late 19th century. Alfred Harmsworth then earned his peerage by mutilating the "Old Journalism" newspapers of record into a hybrid of petty gossip, rumors, sensation, and gimmickry called the "New Journalism." His emblem was: Give the crowd what will make 'em drool and "hand the paper about."

In fact, the premise of Northcliffe's New Journalism was conditioning the public to a steady diet of dribble in the press. Build up the "talking points" and banal items that the "props of the Old Journalism" would never print, Northcliffe instructed his editors. And play up these points "a hundred fold." Today, Rupert Murdoch terms this the revolution of the "new" news that "people will . . . react to and will talk about," against the old "mannered and reflective journalism . . . that belongs to the magazines and Sunday papers," but not the daily press.

Through a phony "competitor" relationship, Northcliffe and Beaverbrook bought up all the major newspapers of record, the major British national daily press, between them. They also collaborated in running Anglo-American private intelligence propaganda operations in World War I, with backing from the English branch of the Rothschilds. Beaverbrook carried this tradition into World War II, working with British intelligence czar Sir William Stephenson camouflaging the British-Hitler alliance through publishing disinformation in his press. Beaverbrook was a warm friend of the Nazi

Führer and lamented the change in British policy and outcome of the war in his memoirs years later.

### *Still In The Family*

In keeping with the tradition of the peerage, Vere Harmsworth is now opening up shop in New York through an American front, the gullible Clay Felker. The Felker front gives the appearance of competition between the Harmsworth-Murdoch New York concessions. However, relations will probably be "friendly." Murdoch and Harmsworth share the same financial backers, through two branches of the multifaceted British-based Lazard Freres investment Bankers. Murdoch's private financial agent in his *Post* acquisition, Stan Schumann, this year became a member of Felix Rohatyn's Big MAC financial-control board for New York. Moreover, Rohatyn is the leading partner of the New York offices of Lazard Freres.

Harmsworth and Felker's financial advisors in the *Esquire* acquisition are the U.S.-based branch of Max Warburg and Sons, international bankers. E.M. Warburg, son Eric, runs the E.M. Warburg and Pincus Co., Inc., the New York branch of the family bank who financed the *Esquire* transaction. Sons Felix and Paul run another U.S. Warburg banking affiliate, Kuhn, Loeb — the same banking house from which Rupert Murdoch purchased Dorothy Schiff's *New York Post* last year! Son Sigmund heads up the London branch of the bank, popularly known as *the* bankers to the British government. Through this British operation, the Warburg family codirects Lazard Freres' "Chatham House," a major British financiers' think tank, officially known as the Royal Institute for International Affairs. The Crown's invasion into the New York journalism field promises to remain in the family.

— Fay Sober

## NBC's New Smear Job

### *Exclusive to the Executive Intelligence Review*

When NBC-TV producer Paul Altmeier called the U.S. Labor Party's Boston office to ask a few leading questions about the Party's role in exposing the environmentalist Clamshell Coalition's planned "green" terrorism campaign, reporters for this news service started checking around. Cause for concern stemmed from NBC's aborted "dirty trick" of last summer, when the network hired professed FBI informant Greg Rose to pose as an "expert" on the USLP in a projected slander,

to have been conducted through NBC's feature "Weekend" show.

When asked if NBC was back for more of the same, producer Altmeier heatedly refused to provide any information. Other NBC executives were more diplomatic, but equally closemouthed.

A round of calls to sundry lower life forms acting as public relations personnel for a variety of environmental groups turned up nothing. Calls to representatives of the nuclear industry revealed that they had been fed a cover story about a feature in the words involving "technical data."

Finally, however, the source was uncovered.

"You must mean Paul Altmeier's piece on my project," said Donna Warnock of Ralph Nader's Center for Science in the Public Interest (CSPI). Warnock proceeded to describe The Nuclear Surveillance Project, a CSPI operation designed to accuse the nuclear industry and power companies of conducting illegal spying on environmentalists.

Indeed, Warnock is something of an authority on spying. As a go-between coordinating the Institute for Policy Studies terrorist command center with the Federal Elections Commission, Warnock engaged in extensive exchange of information with FEC Public Information officer David Fiske — including gaining access to FEC records on the Labor Party.

When apprised of the fact that the attempt to link the Labor Party with a phony story on Utility Company spying was blown, NBC furiously backtracked, and offered promises that the USLP would not be mentioned — or if so, only in passing.

Producer William Wheatley later confirmed that NBC still intends to go ahead with a toned-down version of the utility spying slur. "This is not about anything nuclear," he said. "It's about the utility industry. Your concerns (about environmental terrorism) are well founded, but misplaced here. We interviewed a lot of people, but no 'Clammies' or protesters." Thus, NBC is putting the environmental terrorists on the back burner — for the moment — in favor of their "respectable scientific" frontmen.

The forthcoming feature, which is to be aired the week before Christmas, will cap a series of "nuclear waste and proliferation" hoaxes trumpeted by NBC, including last winter's much-derided "Danger: Radioactive Waste" and a news presentation on the same topic Dec. 1. NBC is rapidly establishing a reputation as the principle media outlet for environmentalist trash, and a chief character witness for the "respectability" of terrorism.

— Charles Tate

# EIR Daily Energy Intelligence Bulletin

The Executive Intelligence Review is pleased to introduce its new Daily Energy Intelligence Bulletin. Produced by the same EIR staff that puts together the news and analysis which has made the EIR Weekly unique in its field, the bulletin will provide the subscriber with all the news in the energy field. The bulletin includes the latest news, world press briefs, short features, rumors, reports on the ecologist's latest moves, and the energy lineup on Capitol Hill — all provided to you in short form, five days a week. With this service you will have all the world's energy news at your fingertips on a daily basis.

\$2000 per year\*

Special arrangements have been made with the publisher of the International Journal of Fusion Energy and Fusion magazine, and all charter subscribers to the EIR Daily Energy Intelligence Bulletin will also receive a one year subscription to these periodicals as a bonus. This offer is limited to subscriptions received by EIR before October 15, 1977.

\*The price includes airmail or first class postage. Telex or express mail can be arranged at additional cost.

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G.P.O. Box 1922  
New York, N.Y. 10001

EXECUTIVE INTELLIGENCE REVIEW SPECIAL REPORT  
DAILY ENERGY INTELLIGENCE BULLETIN AUGUST 18, 1977  
'EX' WATERGATE PROSECUTOR CHARGES 1.5 BILLION DOLLAR COST  
OVERRUN IN ALASKA PIPELINE

AUG 18 - IN A HIGHLY UNUSUAL PROCEDURE, THE STATE-RUN ALASKA PIPELINE COMMISSION, ITSELF SPENDING MORE THAN 1 MILLION DOLLARS IN ITS INVESTIGATION, HAS CHARGED THAT THE ALYESKA PIPELINE SERVICE CORPORATION 'WASTED' SOME 1.5 BILLION DOLLARS IN CONSTRUCTION OF THE MUCH PLAGUED ALASKA OIL PIPELINE. THE ALYESKA CORP. HAS CHARGED THAT THE STATE REPORT IS BIASED AND THAT THE INVESTIGATORS 'NEVER INTENDED OBJECTION OF TERRY LENZNER WHO WAS PREVIOUSLY INVOLVED IN THE POLITICAL FAC-TIONAL WAR AGAINST NIXON WHEN LENZNER WAS DEPUTY COUNSEL TO THE SENATE WATERGATE COMMITTEE. INFORMED SOURCES IN THE PETROLEUM INDUSTRY CONFIRM THAT THERE HAS BEEN AN INTENSE EFFORT TO SCENES ACTING AT TIMES THROUGH ITS EXXON INTERESTS TO SABOTAGE THE DEVELOPMENT OF THE LARGELY BRITISH POLITICAL AND FINANCIAL BY AN EXPLOSION AND FIRE EARLIER THIS SUMMER HAS ALREADY CAUSED SUBSTANTIAL DELAY IN EP ALASKA OIL REVENUES, WHICH WAS FURTHER AGGRAVATED BY A US INTERSTATE COMMERCE COMMISSION DECISION FORCING DOWNWARD REDUCTION IN RATES CHARGEABLE BY THE PIPELINE CONSORTIUM TO ITS CUSTOMERS.

BRITISH NUCLEAR REPROCESSING INQUIRY GETS BOOST

AUG 18 - THE ONGOING BRITISH GOVERNMENT-ORDERED PUBLIC INQUIRY INTO THE QUESTION OF WHETHER THE EXISTING NUCLEAR FUEL RE-PROCESSING CENTER OF BRITISH NUCLEAR FUELS LTD. AT SIND-SWALE GOT A MAJOR BOOST WITH THE TESTIMONY THIS WEEK FROM THE NUCLEAR INSTALLATIONS INSPECTORATE THAT 'THERE AP-TO BE NO SIGNIFICANT SAFETY PROBLEMS THAT CANNOT BE OVER-COME. IN OTHER TESTIMONY, DR. STANLEY BOWIE OF ABERDEEN ENVIRONMENTALIST GROUPS, THAT THE PLUTONIUM BYPRODUCT SUCH REPROCESSING WAS ONE OF THE MOST DEADLY SUBSTANT BOWIE POINTED OUT THAT ALMOST EQUALLY DEADLY FALTERI THE CAFFEINE PEOPLE DRINK EVERY DAY IN THEIR COFFE-ED BY AMORY LUVINS IS BELIEVED BADLY FALTERI BRITISH AFFILIATE OF THE SO-CALLED FRIENDS OF THE GOVERNMENT WILL S-AGREEMENT TO T-CONTRACT. CLEAR REPROCESSING CONT-CESSING OF I-OF THE CR-