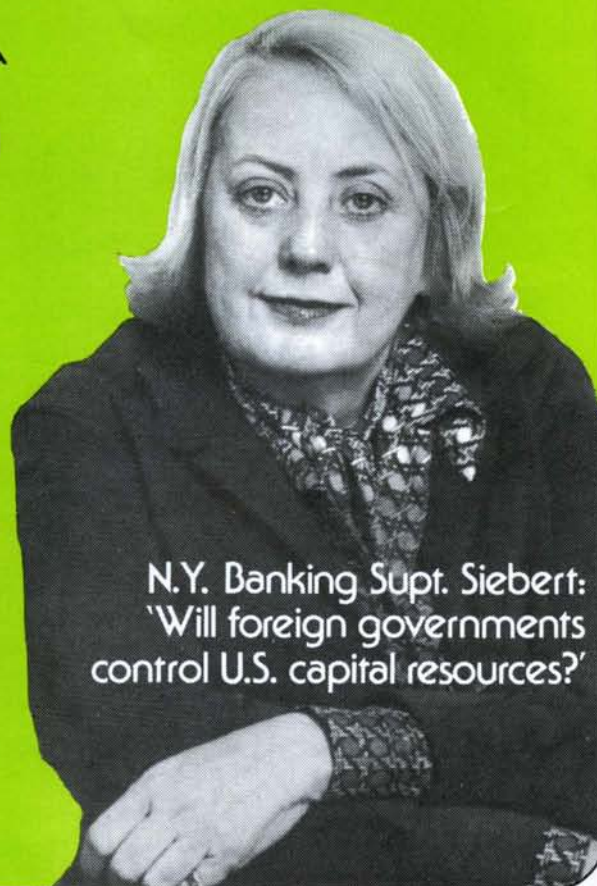


# EXECUTIVE INTELLIGENCE REVIEW

May 22-28, 1979

Cuba's remarkable  
development

## The HongShang takeover battle



N.Y. Banking Supt. Siebert:  
'Will foreign governments  
control U.S. capital resources?'

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# EXECUTIVE INTELLIGENCE REVIEW



## The HongShang takeover battle



This week's **ECONOMICS** section is largely devoted to the hottest, and most extraordinary—takeover battle on the financial scene today: the bid by the British Empire's leading drug bank, the Hongkong & Shanghai Banking Corporation, to buy up New York's big Marine Midland. At stake: the program of Margaret Thatcher's Tory government to seize control of the U.S. banking system as the means to break the back of Japanese and European development lending to the Third World, and implement a program of global "controlled" economic recession. Our cover story on the battle—for the moment focused on the person of New York State banking superintendent Muriel Siebert who, with backing from both New York and other regional bankers has declared she intends to throw out the merger—looks at all the implications: the political issues at stake, the British plan for the Eurocurrency markets, and how plans to "deregulate" U.S. banking fit in. Included are interviews with leading banking industry figures involved, plus a hot scoop on the Carter Administration's proposals for the upcoming Tokyo summit.

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### **Cuba's remarkable development**

In 1961, Cuba's Ernesto Guevara challenged John F. Kennedy's Alliance for Progress to drop their "latrine" approach to economic development and opt for a full-scale, high-technology approach. Guevara told those distinguished gentlemen that in 20 years the success of Cuba's development policies would dwarf any achievements of the Alliance. Those 20 years have passed, and Cuba stands at the threshold of industrialization while the Alliance has long since vanished. This week's ECONOMIC SURVEY explains how they did it: by eradicating illiteracy, upgrading health care, urbanizing the countryside and following through on an economic program to industrialize by the year 2000. **Page 22**

### **SALT: the issue is war or peace**

Is the great American debate on the SALT treaty a rigged confrontation? Science and Technology editor Dr. Morris Levitt explores the proposition that Alexander Haig-centered SALT foes, and "liberals" who complain that the draft treaty does too little to curb the arms race, may secretly desire the same outcome for the treaty. But there is a third prospect for the SALT debate that could produce major shifts in U.S. strategic policy—now headed on a confrontation track under the Carter administration. Included in our INTERNATIONAL package: Soviet response indicates Moscow, at least, isn't fooled by Cyrus Vance. **Page 37**

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### The 1980 presidential race

Lyndon H. LaRouche, Jr., the man credited with being architect of the European Monetary System, is about to burst into the public eye as a major, serious contender for the U.S. presidency, to the consternation of the New York Council on Foreign Relations. The Teamster officials of Michigan—where LaRouche has just begun a national tour—have formed a committee to elect him, and might have the power, as well as the determination, to get the whole of the nation's largest trade union behind him. This week's U.S. REPORT describes the groundswell of support for the man, whose campaign is a wild-card that the Council on Foreign Relations didn't consider. Plus: CFR speeds its 1980 scenario in response. **Page-55**

### Defend human rights in Colombia

Stories of electroshock applied to the genitals ... beatings with hard metal objects, smothering and being held under water for minutes at a time ... reports of the horrors of Hitler's concentration camps? These are the methods of political repression in Colombia, a country imminently threatened with a military coup. Our LATIN AMERICA report presents first-hand reports on the brutal terror and the open letter to the United Nations Human Rights Division from U.S. Labor Party Organization Secretary Warren Hamerman demanding an immediate investigation of and end to the sadistic brutality of the collaborators of the International Monetary Fund in Colombia. **Page 47**



<p><b>EXECUTIVE INTELLIGENCE REVIEW</b> September 10-23, 1978</p> <p><b>Why the World Bank Pushes Drugs</b></p> <p>Pushing heroin, marijuana, and cocaine as the Third World's main cash export crops</p> <p>New Solidarity International Press Service \$10</p>	<p><b>EXECUTIVE INTELLIGENCE REVIEW</b> November 1-13, 1978</p> <p><b>Saving the dollar—</b></p> <p>—without a recession</p> <p>London plans U.S. financial park The new world monetary system: parallel group</p> <p>New Solidarity International Press Service \$10</p>	<p><b>EXECUTIVE INTELLIGENCE REVIEW</b> November 1-13, 1978</p> <p><b>Japan exports the A...</b></p> <p>will t... arty t... in the</p> <p>New Solidarity International Press Service \$10</p>
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# The British Empire challenged

French President Valery Giscard d'Estaing, addressing 60,000 people in a mass outdoor rally in Alsace on May 15, outlined the Franco-German battle for a Europe of peace in this region that so often in the past was the cockpit of bitter rivalries between the two countries. Posing himself as a true successor to Charles de Gaulle, the French leader reminded his audience of the divided Europe of quarreling states that prevailed a century ago, when the British Empire ruled the world unchallenged.

Great Britain did its best to prevent the construction of Europe, Giscard said in his speech. Today, living standards in the U.K. are 40 percent lower than those in France. "Europe means peace!" said Giscard. And, he might well have added, "Britain means war!"

The leading British intelligence circles that installed Margaret Thatcher in 10 Downing Street have defined the issue in exactly that way. Their Thatcher government project is intended to impose fascism on Britain, cutting the dismal living standards Giscard decried still further. Concomitantly, they are gearing up a small sector of the British economy—war related industry—for confrontation with the Soviet Union.

Through such figures as Canada's Joe Clark, the Kennedy-Haig duo in the United States, and the continental European constellation of Hapsburg circles and the Socialist International, this highly radioactive British package will be exported to the entire West. The scenario for dumping Carter and installing Gen. Haig as his successor has already been broadcast by London's International Institute for Strategic Studies.

Around Giscard, however, an alliance has begun to form among key Arab forces, the Western Europeans and the Soviets that is posing an alternative to the British imperial policies, on precisely the issues of high technology energy development and East-West collaboration for peace that the Thatcher project is targeted to sabotage. Most promising is the fact that these European-led moves are occurring at the same time that a real anti-British fight is shaping in the United States.

In the days preceding his Alsace address, Giscard announced that the next phase of implementation of the European Monetary System would be enacted through an aggressive energy cooperation plan with Arab oil producer states. Giscard's statement coincided with the arrival of Saudi Crown Prince Fahd in Paris and the announcement by Fahd that France and Saudi Arabia would work together to stop the oil speculators.

Moreover, the French are making independent deals with the Saudis despite the fact that the latter—protesting Washington's Camp David war pact—have just pulled the plug on a big Western-financed mu-

nitions factory in Egypt.

Even West Germany's embattled Chancellor Helmut Schmidt has joined this renewed detente-through-development drive, which includes plans for a European-wide disarmament conference and a European-wide energy conference, spanning East and West.

The question is what will happen in Washington. Western Europe can have an important effect in driving a wedge between the United States and Maggie Thatcher's Britain if its leaders link up with anti-British ferment in the United States. The battle against the takeover of U.S. banking by London's "Dope, Inc." drug-running cartel, detailed in our cover story, and the moves to bring the powerful Teamsters union (see U.S. REPORT) behind the American presidential candidacy of Lyndon H. LaRouche, Jr.—who has just returned from Western Europe—are the strongest signs of Europe's potential allies here.

The "British Empire's" war drive has never been more open; the moment for defeating it could hardly be more propitious.

—Nora Hamerman

## The Week in Brief

Over 20 local leaders of the powerful Swedish metalworkers union have revolted against the antinuclear policies of Willy Brandt's Socialist International, represented in Sweden by the head of the Socialist Labor Party (SAP) and former Prime Minister, Olof Palme.

On May 16, the revolt broke the front pages of all of Sweden's major newspapers—including the *Afton-*

*bladet* of Palme's own SAP. The trade unionists' petition attacks Palme for repudiating nuclear energy development after the Harrisburg, Pa. nuclear "mishap" and calls instead for a national information campaign on "the great possibilities of nuclear energy." "Nuclear power has the full capacity to meet the increasing demands for an abundance of cheap, clean and secure energy for

social and industrial development," reads the petition in part. "The 180-degree turn on the energy issue by the Social Democratic leadership and the increasingly loud talk about zero-growth ... (are) in obvious opposition to the ... growth, **industrial progress** and nuclear energy which we have always fought for. A policy which so clearly opens the door for economic **stagnation** ... must be condemned as **dangerous** for the nation and the workers...."

\* \* \*

Israel is readying a major **military move** into southern Lebanon **this month**, according to reliable French sources. The pretext would be provided by a May 15 terrorist incident in the Israeli town of Tiberius, for which the **Palestinian Liberation Organization** claimed responsibility in a statement released from Damascus, Syria.

Israel Premier Begin called last week for a Lebanon-Israel pact against Syria, which maintains peace-keeping troops in Lebanon and has treaty ties with the Soviet Union. But Lebanese President **Sarkis** met for two days with his Syrian counterpart **Hafez Assad**. Out of the meetings came a plan to create a new "national unity government" in Lebanon and **prevent the partition** schemes that Israel has been pushing.

\* \* \*

**Queen Elizabeth** delivered her customary **Speech** May 15 at the **House of Lords** in London, in which she announced the policies to be followed by the Margaret Thatcher government and—this time—removed once and for all the pretext that England is a "**constitutional**" monarchy. The primary goals of the new government are to be "national security" and **rearmament**, plus **dismantling industry** to pay for it—exactly the policies the monarchy is known to support.

The Queen announced the gov-

ernment will start **selling off the state sector industries**, freeing up vast amounts of monies to rearm NATO, build up the **British "nuclear deterrent,"** and adopt a **war posture** toward Eastern Europe. Similar financing methods were proposed by the U.S.-U.K. bloc at the European Defense Ministers' meeting to increase logistical support for **five new American divisions** in Europe—to the tune of **\$10 billion**. That proposal was **blocked** by the continental defense ministries..

\* \* \*

Following up French President Giscard's late April visit to Moscow, West German Chancellor Schmidt met **Bulgarian leader Zhivkov** on May 4.

In a statement delivered during the summit, Zhivkov said that mankind's problem in providing for **raw materials, energy and food** is "too serious to allow us to waste time, financial means and strength or to sacrifice hundreds of millions of human lives in armed conflicts or a **new thermonuclear world war**.... We are paying tribute to your **realistic approach**, Mr. Chancellor."

The **joint communiqué** issued from Sofia called for **nonproliferation** of nuclear weapons "without, at the same time, impeding the use of **nuclear energy for peaceful purposes**."

\* \* \*

The semi-official **Zambian government newspaper**, the *Zambian Daily Mail*, charged in a May 3 editorial that President **Carter tails British policy** toward Rhodesia and is unwilling to launch an independent settlement initiative. Responding to Carter's statement that the recent "**election**" in Rhodesia—exposed universally as **bogus**—was a step in the right direction, the paper acidly noted that Carter is now awaiting **British directions** before making a more positive statement.

The foreign minister of **Mozambique**, another frontline nation, is-

sued a joint communiqué with visiting Czech Foreign Minister Chnoupek describing Rhodesia as "**the British colony of southern Rhodesia**." The formulation departs from the usual "the illegal Salisbury regime."

The reactions of the **black African states** should provide some reflection to the **Thatcher-than-thou U.S. Senators** who voted up a resolution this week demanding White House **recognition** of Bishop Abel Muzorewa's "majority" regime. Even the new **British Tory cabinet** hasn't gone that far yet.

\* \* \*

Otto von **Hapsburg**, Archduke of the defunct Austro-Hungarian Empire, was named on May 15 as the "**best defender of Jewish interests** on the European continent" by the World Jewish Congress.

Hapsburg heads an outfit called the Pan-European Union, many of whose members are certified members of the "**master race**" oligarchy that brought Adolf Hitler to power. But bygones are evidently bygones. At a meeting of **European conservative parties** linked to Margaret Thatcher's Tories, representatives of the ruling Israeli **Likud Party** hobnobbed in Rome with the **neo-Nazis of the PEU** the weekend before Hapsburg received his WJC title.

\* \* \*

**Saudi Arabia** has begun a sustained, low-level campaign to **discredit** the fanatical Ayatollah **Khomeini** of Iran, according to sources close to the Saudi leadership.

This marks a **shift in Saudi policy**, which usually aims to keep a low profile.

An article in the May 11 *Wall Street Journal* quoted a Saudi "legal expert" (some think it was Oil Minister **Zaki Yamani**): "Iran's executions are not Sharia (Muslim legal code). That is **lynch law**."

\* \* \*



# I. The HongShang takeover battle

*New York's Siebert: 'will foreign governments control U.S. capital?'*

In one fashion or another, almost the entire American financial community and assorted regulators had chosen sides as of EIR's deadline in a ferocious battle over the approval of the Hongkong and Shanghai Banking Corporation's proposed takeover of 51 percent

## BANKING

of New York's \$13 billion Marine Midland Banks Inc. At the apex of the fight is New York's feisty Superintendent of Banks Muriel Siebert, who indicated plans to reject the HongShang bid in a 48-page draft report now circulating within the New York State government.

Siebert's draft report, as cited in press accounts, alleges that the HongShang does not have "the attributes needed for management" of the upstate New York giant Marine Midland—an apparent reference to charges that the Hong Kong bank is involved in financing narcotics traffic.

The haste of HongShang supporters at the Federal and State government level to bulldoze the New York State regulator strongly indicates that the merger, while substantial in itself, is being fought as a test case for major policy issues which affect the banking system as a whole. Most extraordinary was the intervention on the Hong Kong bank's behalf of Controller of the Currency John Heimann, the senior Treasury official responsible for regulation of national banks. In a letter to New York Governor Hugh Carey, Heimann insisted that legislation now on the Governor's desk for signature strengthening Miss Siebert's powers comes into conflict with Federal prerogatives.

According to the chairman of one New York bank, the legislation—Senate 3333—merely extends existing state powers over New York-domiciled, nationally chartered banks, and in no way step on Federal toes. Instead, Heimann's objections apparently derive from the fact that S.3333 would enhance Siebert's prestige, helping her to face down the Governor. Overwhelmingly, the State Assembly and Senate have backed Siebert rather than Carey. In an exceptional display of confidence for Miss Siebert, Assembly Banking Com-

mittee Chairman Hermann D. Farrell introduced a bill to ban *all* foreign takeovers of large banks in New York State, expected to pass this session.

Reportedly fearful that passage of S. 3333 would give Superintendent Siebert the political backing to immediately reject the HongShang, Gov. Carey sent the bill back to the legislature for review—a stalling tactic that will buy roughly 10 days. In private discussions with legislators, Carey waved the Heimann letter as an excuse.

In a further extraordinary intervention on the part of the Washington authorities, Federal Reserve and Treasury officials hastily summoned the New York

### In this section

Departing from its usual format, our ECONOMIC report this week is heavily devoted to a series of in-depth reports, combined with press coverage and exclusive EIR interviews, on the implications of the fiercely contested attempt by Britain's premier Far Eastern drug bank, the HongKong and Shanghai Banking Corporation, to take control over one of America's largest banks, New York State's Marine Midland. This battle has at this moment pitted New York's Banking Superintendent Muriel Siebert, backed by numerous New York and other U.S. regional banks, against the plan of Britain's newly installed Thatcher government to finally reassert direct British control over the United States financial system. Our report focuses on three areas:

- A banking report which looks at the immediate takeover battle, and reviews its deeper political implications;
- An International Credit report, which situates the HongShang merger bid in the context of broader British plans to regain control over Eurodollar lending to the Third World;
- A Domestic Credit report, which examines further British hopes to "deregulate" all aspects of U.S. banking.

Superintendent to Washington for "consultations," i.e. a pressure session on the HongShang case. Reportedly, Siebert was unmoved by these remonstrations.

Finally, Gov. Carey called an informal press conference on May 15 to tell reporters that he intended to help his Banking Superintendent overcome any objections she retains to the merger, an unusual display of public pressure. From his Wall Street office, the Marine Midland chairman blasted Siebert for "jingoism" and "xenophobia."

The Treasury and Federal Reserve have made the HongShang merger the focal point—as the May 8 London *Financial Times* survey on U.S. finance predicted it would be—for an entire array of major policy proposals. These proposals, which add up to tight international controls over virtually all lending markets, with central authority passed on to the Bank for International Settlements and the International Monetary Fund, are detailed in the International Credit Markets section of our report, and elaborated in the appended interviews with commercial bankers. This accounts for the untoward speed with which the Federal regulators have dived into the issue.

Meanwhile, the 7,600 member Independent Bankers Association of America (IBAA) is prepared to join its New York affiliate in issuing a public statement denouncing the foreign takeover. The text of the New York statement is reprinted below.

### **Dope, Inc.**

Action to block the HongShang takeover of Marine Midland was initiated during late 1978 by the U.S. Labor Party. The party delivered a massive documentation of reasons for preventing the takeover to the Federal Reserve Board and private banking agencies. Prominent in the evidence given against the proposed takeover was documentation of the HongShang's historic and continuing connections to the major portion of the world's illegal opium traffic. That opium traffic is a principal source of foreign exchange income of Hong Kong and also of the export earnings of the Peking government.

The Labor Party's brief to the Federal Reserve included documentation overlapping evidence published in part in the recent, influential book *Dope, Inc.* The book is a documentation of the political and financial structure of the international illegal drug traffic as well as incorporating hard evidence on the Bangkok-Hong Kong sector of the "Golden Triangle" production and distributions themselves.

The Labor Party, combined with widespread circulation of *Dope, Inc.* into top corporate and political circles, triggered a massive, if largely behind-the-scenes support for the party's initiatives during the past autumn. The HongShang's admission that its official financial records were "cosmetic," and the Hong-

## **London: can Siebert torpedo takeover plans**

*The Financial Times of London admitted that Muriel Siebert's opposition to the HongShang takeover of Marine Midland is presently the major barrier to what it termed London's "banking invasion" in an article titled "Powerful Stimulus" in its May 8 survey of finance and investment in the U.S.*

... It is certainly true that foreign banks in the U.S. have become a powerful competitor and are one of the forces which have led large local banks to revamp their business strategies. Certainly, the banking sector is one where foreign investors are having a significant impact on a domestic industry.

Shang's refusal to make its true accounts available for inspection prompted many observers to believe that the Fed would be obliged to block out not only the HongShang takeover, but also those attempted takeovers of U.S. banks by various other City of London firms.

Recently, in an abrupt turnabout, Fed Chairman G. William Miller strong-armed approval of the HongShang takeover through the Fed's Board of Governors, and arbitrarily shut down the investigation under way by the Fed's investigative staff. Miller's action came immediately after the Bank of England had threatened to deny U.S. banks London clearing facilities if the HongShang takeover were not approved. New York commercial banks, which have recently depended upon ultra-high priced London Eurodollar funds for lending activity, either supported Miller's action or kept quiet.

After the Fed actions, only legal action by the Labor Party remained visibly a probable obstacle to the takeover, but official circles estimated Miss Siebert would not sustain a determined objection to the acquisition.

Miss Siebert's public actions of this past week came as a shock to London circles. In a frontpage *Financial Times* article of May 9, *Financial Times* New York correspondent Steward Fleming wrote: "The major obstacle to the Hongkong and Shanghai Banking Corporation's acquisition of 51 percent control of Marine Midland Bank, the 13th largest banking company, is expected to emerge this week. It is the reservations of Miss Muriel Siebert, the New York State Banking Superintendent, to the deal."

The front page of the May 11 *Financial Times*

The data is probably a little misleading and may overstate the case but it indicates that in both California and New York, for example, about one third of commercial loans are being made by foreign banks. ...

Another example of the impact which the foreign banks have had was the passage of the International Banking Act. ... The Act also required the White House to examine laws generally prohibiting U.S. banks from opening deposit-taking branches in more than one state. Action to change these laws could transform the face of U.S. banking. The foreign banks are thus helping to shape the regulatory environment in the U.S. ...

At the moment there is little evidence that Congress is seriously worried—indeed last year's International Banking Act was broadly favourable to the foreign banks. State regulators may be

another thing. Miss Muriel Siebert, the New York Bank Superintendent, has made no bones about her anxiety at a number of aspects of the foreign banking invasion of the city and the State. At the time of writing she still had to announce her decision on whether to approve the biggest foreign bank acquisition of control of a U.S. bank.

Her decision on the Hongkong and Shanghai Banking Corporation's acquisition of control of Marine Midland Bank, a \$12 billion institution, may give a better idea of just how much political opposition there is in New York to such transactions. Already some foreign bank executives fear that another wave of foreign takeovers—even where both parties favour the deal—could sour the atmosphere. The financial muscle of larger banks also makes them potentially, at least, a sensitive area for foreign investment.

carried a fresh dispatch by the same correspondent, this time including a photograph of Miss Siebert at the top of the page. In this report, correspondent Fleming reported Governor Carey's anger at Miss Siebert, supporting this report by reference to statements of Carey's Commerce Commissioner Dyson.

On the same day, May 11, the public statement supporting Miss Siebert's efforts was issued by the state branch of the Independent Bankers' Association, together with the de facto supporting statement issued by the office of Attorney General Abrams. This was the same day on which U.S. Labor Party economic-intelligence representative, and coauthor of *Dope, Inc.*, David Goldman, delivered his testimony before a New York State Banking Committee chaired by State Assemblyman Farrell.

Support for Miss Siebert's efforts from among the smaller bankers of the USA is now spilling over into the ranks of the American Bankers' Association. The fact that HongShang has admitted its "historic" connection to the illegal opium traffic, although denying its continuing connection, helps to bolster the opposition to the takeover. The deeper issue, as the *Financial Times* emphasized in an editorial column on Tuesday of this past week, is the possibility that the HongShang case may be the spark to rally political sentiment in the U.S. against British takeovers of U.S. banks generally.

## The background issue

No one factor adequately accounts for the brutal character of the factional situation around the Hong-

Shang takeover. The HongShang case either directly involves or symbolizes several major political issues, including a growing revolt within the U.S. electorate against the Carter Administration's policy of promoting ending law-enforcement action against the largest, marijuana-centered aspect of the illegal drug traffic generally.

On the pro-HongShang side are not only the London financial interests, but also the leading boosters of the Carter Administration's current Peking and Camp David policies.

During 1972-1973, as Henry Kissinger and his aide Alexander Haig pushed the "China option" forward inside the Nixon Administration, Kissinger used his position as National Security Advisor to force the CIA and the U.S. drug enforcement agencies to shift the tracing of the opium-growing "Golden Triangle" in such a way as to exclude the chief opium-growing regions of southern China. Despite Kissinger's action to cover up the opium traffic of his new Peking collaborators, the entire production and initial processing and distribution of opium and heroin from Southeast Asia is controlled, top-down by a joint cooperation of British and Chinese foreign intelligence services. The British control 60 percent of the profits, and Peking's Chinese Communist Foreign Intelligence Service controls 40 percent of the Bangkok-centered, initial phase of the operation.

The government of Israel is the third principal factor in the illegal opium trade presently. Arms traffic, diamond-traffic revenues, plus opium-heroin, plus gold-jewelry traffic are the principal source of foreign earnings of Israel, of which earnings the major portion

are "black funds" not reported in budget and related reports of the Jerusalem government. All four of these elements of international traffic are handled jointly by the same or interlinked elements of Israel's Mossad and private-cover entities. In the black money markets of the world, the four commodities are interconnected elements of the same traffic.

Both the Israeli and Chinese foreign intelligence services derive the major element of their off-shore operating funds from either the illegal-drug related traffic, or in the Israeli case, from supplementary activities such as prostitution and other activities classically listed under the heading of organized crime. The Israeli link to the opium-heroin traffic is centered in Hong Kong, where presently known "private" covers for Israeli intelligence deal in drugs and arms under the cover of air freight and related disguises.

In the case of China, the principal margin of foreign currency earnings of the Peking government are derived from remittances of "off-shore" Chinese, with the opium-heroin component the largest single portion of this income. The receipts from Hong Kong as Peking's share of the illegal opium traffic are reliably estimated to be significantly less than \$10 billion annually, but the amount is a major component of Peking's purchasing power in Europe, the United States and Japan.

The HongShang, de facto central bank for the Crown Colony of Hong Kong, is the pinnacle of all the financial transactions involved.

The other principal component of the illegal drug traffic globally is centered financially in the British West Indies, notably in Bimini and other Eurodollar banks linked closely to London and the Canadian banking system. Here, the emphasis is upon marijuana and cocaine, using production areas in Latin America and in former British colonies in Africa. The Canadian side of this traffic features top circles of the British Crown's own Venerable Military and Hospitaller Order of the Knights of St. John of Jerusalem, and Jewish-name subsidiaries such as the Jerusalem Foundation.

The most prominent figures of the Jerusalem Foundation include the Bronfman interests, estimated by Canadian sources to hold over \$7 billion in assets. Bronfman is a key part of the so-called Zionist lobby in North America. The family, which accumulated its initial wealth in organized crime during the 1920s and 1930s, is closely allied to a New York State family, the Jacobs family.

Like Bronfman, Jacobs is historically associated

with organized crime. The predecessor organization for Jacob's principal holding, Sports Service, Inc., was Emprise, a corporation prosecuted as a part of organized crime during the Nixon Administration. Jacob's interests are currently under grand jury investigation in connection with the Arizona murder of a news reporter, Don Bolles. Jacobs is a major figure in commercial sports in the United States, including gambling casinos and real estate operations of the sort usually employed for "laundering" black funds.

Both the Bronfman and Jacobs families are historically associated with Michigan's Max Fisher, a major fund raiser for both the Michigan State and National Republican Party. Bronfman is also notable for loans extended in the order of hundreds of thousands of dollars for the political campaign of Governor Hugh Carey.

Bronfman interests were also the sponsors of the notorious Permindex organization, the organization expelled from Switzerland under French pressure for suspected links to the fascist assassination plots against President Charles de Gaulle, and also prominent in the investigation of the assassination of President John F. Kennedy during the same period.

Apart from London's special project of takeover of the principal U.S. commercial-banking interests, the forces with something at stake in the HongShang project are numerous, and extremely powerful—and dangerous—both inside and outside of the United States.

## Strategic implications

One of the leading projects which the Thatcher government of Britain has inherited is a projected City of London takeover of direct control of the world monetary system. If the HongShang case leads to U.S. actions blocking foreign takeovers of key U.S. commercial banks, this project of Mrs. Thatcher's government is in serious trouble.

By taking over key portions of the U.S. banking community, and by wrecking the U.S. economy through aid of this increased influence, the City of London aspires to end the U.S. dollar's role as a reserve-currency, and to replace the dollar with International Monetary Fund Special Drawing Rights. By looting the internal economy of Britain for sake of enhancing short-term profit margins of London banks, and by attempting to collapse the bloated Eurodollar market onto the backs of the Federal Republic of

## Siebert drafts rejection of HongShang bid

*The May 12 New York Times reported that New York State Banking Superintendent Muriel Siebert planned to reject the HongShang bid, and had prepared a draft of her opinion. Excerpts from the Times account:*

New York State's Banking Superintendent, Muriel F. Siebert, has sent a draft report to the Attorney General stating that she intends to reject a proposed takeover of Marine Midland Banks Inc. of Buffalo by the Hongkong & Shanghai Banking Corporation.

Governor Carey, who has said the merger could improve New York's position in several pending business deals and spur economic development in the state, was reportedly furious with her decision, but an aide said the administration was powerless to take any direct action to counter it because this would create the appearance of political interference in the regulatory process.

The state's Commerce Commissioner, John S.

Dyson, warned earlier this week that Miss Siebert might lose her job if she did not act favorably on the acquisition. But a top aide to Governor Carey flatly denied that this was the case. ...

Miss Siebert questioned whether Hongkong & Shanghai had "the attributes needed for management" of Marine Midland; the potential impact on the state if "Hong Kong were taken over by China at some time in the future"; how a bank controlled by a foreign power would react in a national emergency, and the impact on "public confidence in banking in upstate New York."

She also dismissed the argument that Marine Midland needed the infusion of capital promised by Hongkong & Shanghai, which has been cited as a major reason for the merger. ...

The report concluded: "I am, therefore, giving notice of my intention to deny this application by the Hongkong & Shanghai Banking Corporation."

Germany, France, and Japan, through abrupt increases in Eurodollar reserve requirements, the City of London scheme has a credible prospect for success.

President Carter's credibility is currently at an abysmally low ebb within the United States. Candidate John Connally's campaign has been almost wrecked by recent Labor Party exposures of a tape recording of Connally's remarks to a private New York audience. The Reagan candidacy is fading rapidly. An open fight is looming between Kennedy and Carter for the 1980 Democratic nomination. Any sharp setback to Carter Administration policy inside the United States could trigger a sharp reversal of the past two-and-a-half year trend in U.S. policy.

The growing groundswell of hatred against the "decriminalization" of marijuana, public belief that both the petroleum crisis and the Harrisburg incident were and are hoaxes, plus a wave of patriotic revolt against foreign takeovers of U.S. banks and industrial corporations, could provide the impetus for such a reversal of policy trends.

It is ironical, but not otherwise accidental that the U.S. labor Party's key role in mobilizing forces against the HongShang takeover correlates with accelerating

endorsement of the 1980 presidential candidacy of the Labor Party's LaRouche.

Such endorsements to date have come from important sectors of major trade unions, and from a number of black leaders. The latter reflect the aspiration among some strata of U.S. minority groups to finally get on board the train known as the "American dream"—not to have the train stopped and put out of service just at the point they have come within reach of economic and social equality. As patriotic industrialist and professional circles detect a significant growth of the LaRouche candidacy's mass support within the ranks of labor and minorities, they, too, will tend to move toward endorsements of the Labor Party campaign.

It is more than a year until the 1980 Democratic and Republican nominating conventions, and the LaRouche campaign-already has a greater growth of support than any other contender but Senator Edward Kennedy.

Something unusual, and hopeful may now be brewing around the growing opposition to the HongShang takeover.

—by the Economics Staff of  
Executive Intelligence Review

## **New York bankers association decries foreign takeovers**

*The Independent Bankers Association of New York State issued a press release dated May 10 opposing the purchase of U.S. banks by foreign corporations. Here is that release*

The continued proliferation of takeovers of U.S. banks and banking holding companies by foreign banks or other foreign interests should be brought to an immediate halt," stated Robert Ernst, President of the Independent Bankers Association of New York State and President of the Sullivan County National Bank, Liberty, New York. Mr. Ernst went on to say, "Continued acquisition of American banking assets may very well not be in the public interest. The potential drainoff of deposit dollars may have serious economic implications for America's banking system that have not yet been explored." The IBA actively supports legislation currently awaiting the signature of Governor Carey which would provide additional restrictive powers for Superintendent Siebert and the Banking Board.

Recent press reports have implied that the IBA of New York State supports the Superintendent of Banks. Mr. Ernst said he would like it understood that there is no question about this. "We fully support

Superintendent Siebert and her concern with the entire issue. Among others such foreign acquisitions are exemplified by the takeover of National Bank of North America by the National Westminster Bank, London and the pending takeover of Marine Midland Bank by the Hongkong & Shanghai Bank."

The completion of these two acquisitions would mean that approximately one-ninth of the banking assets in this country would either be owned or controlled by foreign interests. The Association is deeply concerned about the potential deposit drain overseas and the adverse effect on our local communities. This should be of equal concern not only to residents of New York State but also to everyone in this country. Officials of the IBA of New York State have met with representatives of the Governor's office to discuss this issue and voice our concern. The Association also supports Superintendent Siebert's call for a Federal review of the principles involved in the takeover of American banks by foreign interests. The IBA of New York State will urge Congress to act in preserving the financial structure of this country.

## **Assembly Banking Cttee chairman seeks ban on takeovers**

*New York Assembly Banking Committee Chairman Herman D. Farrell (D-NYC) introduced a bill on*

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## **Marine Midland defends acquisition by British drug bank**

*Surrounded by growing controversy over its proposed acquisition by the drug-trade linked HongShang, the Marine Midland Bank, which has actively sought acquisition by HongShang, defended the deal in a May 15 press release. Following are excerpts:*

In response to news articles concerning the foreign nature of the Hongkong and Shanghai Banking Corporation, Marine Midland stated: "The HSBC desires to join forces with Marine Midland because of a high regard for our customers....

"Marine Midland seeks the partnership to better enable it to increase its business especially in New York State," according to Edward F. Duffy, Marine's Chairman of the Board, "and xenophobic attacks on investments from abroad are pure jingoism and contrary to U.S. policy and interests.... On March 16, 1979 the Federal Reserve approved and endorsed the proposed acquisition...."

Mr. Duffy's statement closed with optimism. "The plan is based on sound investment principles. It is in the best interest of the state, our shareholders and the bank. We're hopeful that the continuing discussion with our state regulator will lead to a positive decision."

## **Carey pressures Siebert to abandon opposition**

At a May 15 press conference, Gov. Hugh Carey bluntly said that he would try to influence New York State Superintendent of Banking Muriel Siebert to accept the Hongkong and Shanghai Bank's bid for Marine Midland.

Here are exchanges from that conference.

*Q: Governor...over the weekend one newspaper said you were furious because Superintendent Siebert is apparently going to...*

*Carey: No I am not furious. Last year I might have been furious; this year I'm not furious.*



May 15 that would prevent foreign acquisitions of New York banks with assets in excess of \$2 billion. If the bill becomes law it will apply to all transactions completed after May 24, 1979. Chairman Farrell recalled that he has always supported steps to make New York the banking capital of the world. Following are excerpts from a statement issued by Assemblyman Farrell in support of the bill.

While New York has been the forerunner it may not be wise to allow substantial foreign domination of New York markets without careful study. By prohibiting the foreign acquisition of New York banks with assets in excess of \$2 billion without careful study, both the federal and state governments will have sufficient opportunity to thoroughly review the issues before significant foreign control of New York's largest banks can be accomplished fact....

The banking industry has significant responsibility for making major economic decisions which affect all aspects of our society...Foreign owners may be less inclined to promote domestic investment...foreign governmental policies...may put pressure on foreign owners to change policies of the banks which they control.

New York State Banking Superintendent Muriel Siebert has noted that no developed country would permit any significant local bank to be acquired....

**Q: Do you think you could overcome the Banking Superintendent's objections and get this approved?**

**Carey:** I am sure we can get together on legislation that will strengthen the position of the banks, strengthen the competition, provide additional capital and therefore more services in banking, and then make sure the legitimate concerns of Miss Siebert or other members of the Banking Board can be answered.

**Q: Do you think her concerns about China taking over Hong Kong are valid?**

**Carey:** Well, no, if you want to be specific...in the past, the Federal Reserve and the Comptroller of the Currency and the federal legislature have looked at all these concerns. The International Banking bill handled some of this in a prior year, and the Federal government has passed on this particular transactions and they take into consideration national security and those kinds of considerations.

## 2. London bids for control over lending

New York commercial banks, together with the U.S. Federal Reserve and Treasury Department, are collaborating with leading London bankers to bring about a "managed" collapse of international lending markets. By imposing reserve requirements on the presently

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unregulated Eurocurrency markets, this New York-London alliance intends to induce a general credit squeeze—suffocating French, West German, and Japanese efforts to transform the European Monetary System into a new international monetary system based on high-technology exports to the Third World.

Last week, both Treasury Undersecretary Anthony Solomon and Federal Reserve Governor Henry Wallich told business gatherings that the Carter Administration is considering Euromarket reserve requirements as a policy option—the first time that Administration officials have ever publicly admitted that the measure is under active consideration. Meanwhile, a top Bankers Trust official revealed in a private interview (see below) that the large New York commercial banks have thrown their support behind Euromarket controls. The Bankers Trust official stated that the main purpose of reserve requirements is to discipline the Japanese, West German and other continental European banks, who for months have been quietly advancing their own plan to reorganize the Euromarkets—not to reduce credit availability as the New York and London banks propose, but to facilitate long-term financing for industrialization projects in the Third World.

Through the Bank for International Settlements, the central banks will jointly police the imposition of reserve requirements, forcibly removing "excess" liquidity from the Eurodollar market by compelling Eurodollar banks to place a portion of their deposits with the central banks. According to the Bankers Trust source, the reserve requirements will have to be in the order of 10 to 20 percent to have the desired effect ("To have a credit squeeze, we have to stick it to them").

The resulting dollar shortage will allow the New York and London banks to push up Euromarket loan spreads and enhance their profitability. Third World and other financially ailing governments will meanwhile be forced to submit to IMF austerity conditions.

The rationale for Euromarket reserve requirements was presented by Henry Wallich in a May 14 speech before the annual conference of the Bankers Association

for Foreign Trade in Boca Raton, Florida. According to Wallich, the international banking system is awash with liquidity. This is leading to a dangerous erosion in the profitability of U.S. banks' international operations, an erosion reflected in the persistent downward pressure on the spread between the rates which banks must pay to acquire Eurodollar deposits and the rates they charge loan customers. European and Japanese banks are primarily responsible for this risky situation, Wallich charged, because of their allegedly over-aggressive lending practices. Specifically, these banks have granted too-easy terms to Third World governments, allowing these countries to bypass the International Monetary Fund. "It is not a compliment to the credit judgment of commercial banks that some countries should have been afforded the means to get into debt so deeply," Wallich intoned.

Wallich and the New York commercial banks' proposed solution to the problem of declining bank profitability is to use Euromarket controls to put the world economy through a wringer. The enforcers of this deflationary program will be the IMF and the Bank for International Settlements (BIS), the Anglo-American dominated central bankers' club, which together will assume top-down control over world credit flows, riding roughshod over national sovereignty. As the Bankers Trust source said, "The key thing is that all the central banks have to get together and set international credit policy."

### **Blowing the Basel conspiracy**

Whether the New York-London banking cabal will be able to push through this program, however, is a totally open question. At the last monthly Bank for International Settlements meeting held in Basel, Switzerland on May 6-7, Federal Reserve chairman G.W. Miller presented a secret memo which called on the other major central banks to collaborate with the Fed in the imposition of Euromarket reserve requirements. This memo was subsequently discussed by Group of Ten central bankers and finance ministers at a meeting in Paris on May 15. At both meetings, the assembled officials failed to reach agreement, to put it mildly, on Miller's plan.

Concerning the earlier Basel meeting, the May 11 *Frankfurter Allgemeine Zeitung* reported that no agreement had been reached on the Miller plan because it had received "too much public exposure." In fact, what happened is that the *Executive Intelligence Review* economics staff discovered the existence of the Fed memo before the meeting and raised a ruckus in the business community on both sides of the Atlantic. A

highly placed French government source subsequently told *EIR* that the Bank of France would veto the Miller proposal. (The report in the May 16 *Journal of Commerce* and elsewhere that it was the British and Swiss who blocked the Euromarket controls is a British fairy-tale based on the Bank of England's supposed desire to defend the reserveless London Euromarket above all else.)

### **Night of the long knives**

Despite this setback, the London and New York banks are still intent on securing their own survival in the midst of a Euromarket squeeze, a survival based on cannibalizing their Japanese and continental European banking competitors.

This "night of the long knives" prospect was expressed by Otto Schoeppler, chairman of Chase Manhattan's London-based Merchant Banking Group, in an interview published in the May 15 *London Financial Times*. Schoeppler echoed Wallich's warnings concerning excess liquidity and overly aggressive lending by "non-dollar-based banks" (that is, the Japanese and Europeans). He gloated about how vulnerable these banks would be in the event of a Euromarket squeeze. According to the *Financial Times*, Schoeppler wondered out loud "whether a sharp recovery of the dollar (to be brought about through Euromarket controls—A.R.) might not very quickly affect the liquidity of the Eurodollar market, creating possible problems for some market participants with regard to the continuing financing of dollar obligations. ... U.S. banks are known to be perturbed about the increasing internationalization of syndicated lending through the activities of 'non-dollar' banks in Europe and the Middle and Far East. Such banks, it is claimed, do not have a natural dollar base and are vulnerable in that they rely more heavily on the volatile Euromarkets for funding."

British banks, meanwhile, have moved to ensure their own access to dollar deposits through expanding their U.S. operations and through takeovers of U.S. institutions, such as Marine Midland, Union Bank of California, and National Bank of North America.

Ironically, by allying with London against Europe and the projected expanded version of the EMS, the New York commercial banks will set into motion a disastrous breakdown in world trade and industrial production which could ultimately end in their own demise. The large U.S. money-center banks have become so engrossed in takeover games and beggar-thy-neighbor tactics that they have lost sight of the fact that London is masterminding a fundamental reorgan-

ization of the banking system—both internationally and inside the U.S.

Despite the free enterprise rhetoric of Britain's newly elected Prime Minister Margaret Thatcher and her Mont Pelerin Society advisors, the actual perspective of leading London policymakers is that the U.S. economy and banking system will be governed from the top down by a Federal Reserve System which is merely a wholly owned subsidiary of the IMF. U.S. Treasury Undersecretary Anthony Solomon, who is heavily influenced by London, hinted at this in a May 11 speech to a business conference in Washington, D.C. According to the *Journal of Commerce*, Solomon not only endorsed Euromarket reserve requirements but called for improved international "regulatory techniques" which would "link" the Eurodollar market with domestic credit markets. The immediate implication of this is that the Treasury and Fed plan to use Euromarket controls to halt domestic credit growth and induce a recession in the U.S. economy. (Recently, banks have attempted to circumvent the Fed's tight credit policies by importing billions of Eurodollars from their offshore branches.)

A further consequence of Euromarket controls—the destruction of the U.S. dollar's role as the international reserve currency—was outlined by a top official at the London-controlled New York investment bank Lazard Freres. According to this source, the imposition of reserve requirements on the Eurodollar market could boost the dollar in the short run by creating a severe dollar shortage, especially considering the fact that many nations must now expand their dollar borrowing to pay for the increased cost of imported oil. However, the credit squeeze could eventually become so severe as to kick off a Herstatt-style banking failure. The failure of the West German Herstatt Bank in 1974, also in a period of Euromarket tightness, created such a severe crisis of confidence that interbank lending in the Euromarket temporarily ground to a halt and it was feared that a "domino" pattern of banking failures would occur. With the imposition of reserve requirements, such a banking crisis could be potentially much more severe than the one in 1974, and could trigger a flight from the dollar. At that point, Lazard's says, the IMF would step in and completely phase out the dollar as the international reserve currency, replacing it with Special Drawing Rights. The U.S. economy would thus be placed in hock to the IMF and the IMF would assume direct control over the creation or contraction of world liquidity—the perfect realization of John Maynard Keynes' world central bank.

—Alice Roth

## Curb on Third World loans on Tokyo summit agenda

*In an interview this week a Carter Administration official involved in preparations for the upcoming Tokyo economic summit revealed that the purpose of placing reserve requirements on the Eurodollar market is to impose curbs on development lending by European and Japanese banks in the developing sector.*

**Q:** *What about the talk at the May 6 Basel BIS meeting that the "non-dollar based" commercial banks, meaning the Japanese and Germans, are the real target of the new push by Miller and Emminger for reserve requirements on the Eurodollar market?*

**A:** Well, I'm not sure I'd call what they do dumping but we do know European and Japanese banks are lending at extremely small margins over LIBOR, in fact at no margins, at zero profitability. This is not a common banking practice. There is more than just maintaining their borrowers at stake here. These are not commercially viable loans. ...

**Q:** *But isn't this a problem of the past? The DM is weak and the yen is collapsing, which means the Japanese spent over \$6 billion of their reserve supporting it—so how can the Japanese and German commercial banks remain a threat, when their central banks no longer have cheap dollars to deposit in them to allow them to dump?*

**A:** Aha, but the question is, where does the Bundesbank put the dollars? And the Bank of Japan? They don't give them to American banks when they sell dollars to support their currencies; they give them to Japanese and German banks. I'd say over 80 percent of the Japanese central bank dollar outflow, and close to 75 percent of the Bundesbank outflow, went to their commercial banks. And so in France and Switzerland: that's close to \$15 billion total (i.e., 80 percent of \$17 billion plus figures from France et al.—ed.). Not only have they not stopped their cheap loans, but we would argue that it is precisely this reflux out of the central banks into the commercial banks which has created this problem of overproduction of loans. It goes mostly to the LDCs—they borrowed \$50 billion last year and they'll borrow another \$50 billion this year—but the difference is this year the cheap loans are helping them build up their reserves.

**Q:** *What is to be done?*

**A:** Put reserve requirements on the Euromarkets.

**Q:** *The purpose of which is to contain the Japanese and Germans?*

**A:** Yes.

**Q:** *How will this be managed politically? You know Schmidt and previously Fukuda had a plan to make the Tokyo summit a forum for their grand design of globalization of the EMS ... and to hell with the U.S. and the IMF.*

**A:** Yes, well I keep telling you the EMS has nothing to do with loans to LDCs.

**Q:** *Of course the EMS currency banks don't, but Schmidt and Fukuda had wanted to use the dollar for the LDCs to take their exports. ...*

**A:** Well, what the hell else do you expect them to do with their dollars? But this is causing everyone else problems. Look, we'll deal with this at Tokyo. I have the three position papers on monetary affairs by the U.S., France for the EC, and Japan. The U.S. paper deals with all this. It calls for extension of the current efforts of governments to "improve their knowledge of and strengthen the operations of the Eurocurrency markets," which is a euphemism for imposing reserve requirements. The summitters will endorse this communique. Then the French paper written for the EC by either the French Tesor or Clappier (Banque de France—ed.), entitled "International Monetary Policy," is all on reserve requirements. "The expansion of private liquidity created by the Eurocurrency market ... is causing increasing concern. ... The role in financing the balance of payments of the Eurocurrency market has such an extent that better surveillance appears desirable ... a closer and better organized surveillance of the Euromarkets ... which are growing in their rate of supplying developing countries with supplementary reserve instruments ... of which the monetary authorities do not sufficiently monitor the effects. ... This causes a destabilization of the foreign exchange markets and ... therefore surveillance should be improved by all appropriate means." It calls on the summit to endorse "better national surveillance," which is veiled language for reserve requirements.

**Q:** *What is the rest of the burden of the U.S. paper?*

**A:** It focuses heavily on the importance of the IMF.

## Financial Times spells out Thatcher strategy for U.S.

*In its 12-page survey of "finance and investment in the U.S." May 8, the London Financial Times spelled out the Thatcher strategy for a British takeover of U.S. banking, leading to a U.S. recession and industrial collapse. Excerpts follow:*

**Banks thrust into ferment of change.** After four years of rising prosperity, Americans were wallowing in debt by the end of last year as their bankers rejoiced in the biggest profits increase in modern history. Depending on the calculations used, profits of the top 100 U.S. banks increased by between 25 and 30 percent.

But the nation's bankers do not seem to have shaken off their characteristic anxiety about what the future has in store—nor should they. Their worst fears are that the mountain of debt which has been piled up could be transformed by a serious recession into a landslide of defaults on outstanding loans. ...

The issue has potentially far-reaching implications. Some banks want to see reserves virtually eliminated, a move which would have implications for the Eurodollar markets. It is in part the absence of reserve requirements in that market which has facilitated its growth. ...

It is into this uncertain environment that foreign banks which are expanding into the U.S. are venturing. They can be assured of an exciting journey.

**The stresses of tight money...** On the banking side, it seems clear that the main causes of distortion are an excess of regulation of the wrong kind. The Fed is not allowed to pay interest on reserves held with it by the banking system. This accounts for the spread between deposit and lending rates in the system which has provoked such an orgy of disintermediation. Banks are not allowed to pay interest on current accounts—which explains the growth of new and more rewarding forms of liquidity. Consumer credit is largely exempt from the Fed's own interest rate policies under state laws limiting interest charges, which explains the continued buoyancy of demand and the threat that the supply may suddenly and disruptively dry up. Congress could cure most of these worrying ills, but is unlikely to move.

...The fact remains that the Fed has a delicate task and skimped means to achieve it; the U.S. economy needs a soft landing not only for humane reasons, but to protect a fragile and rickety credit system.

## Bankers Trust officer endorses HongShang grab, credit crackdown

A senior economist at Bankers Trust indicated his approval of the unregulated Eurodollar market and of foreign moves into U.S. banking.

**Q:** *Tony Solomon and Henry Wallich are explicitly talking about imposing reserve requirements on the Eurodollar market. What would be the effect?*

**Bankers Trust:** I recently visited the Bank for International Settlements. Several of the European central

bank governors want to do something about regulation. The Dutch governor asked the BIS to initiate a study on Euromarket regulation. On the U.S. side, Tony Solomon seems to like the idea—in view of current Euromarket spreads—but all of the G-10 and Switzerland have to agree or regulation is an impossibility.

Spreads are too low in the Eurodollar market relative to risk. This requires more stringent regulation and a more vigorous regulatory environment. Bank loans to “problem countries” have to be scrutinized.

This is the problem Wallich is addressing. However, he doesn't have the whole international banking community behind him. It's not U.S. banks which are pushing the rates down. He has to persuade the Japanese and West Germans not to push rates down.

Our bank drew the line at three quarter percent spreads—that only leaves around 35-40 basis points net, after taxes and other costs. The whole discussion of Eurodollar market regulation is more preaching to the foreigners than to U.S. banks. ...

**Q:** *Isn't it unusual that it was the U.S. which presented a proposal to the BIS meeting on May 6 in favor of imposing reserve requirements for the Eurodollar market?*

**Bankers Trust:** Well, the Fed has done a research paper on the subject—one that's in the public domain—we participated in educating them on what goes on in the Eurodollar market.

**Q:** *You have been suggesting that the large New York commercial banks wouldn't be opposed to greater regulation of the Eurodollar market, including the imposition of reserve requirements.*

**Bankers Trust:** The problem we face is that current interest rates don't justify assets employed. Foreign banks are growing rapidly and will accept lower and lower spreads. What will force the market to take a more sober view of risks? If we move to a set of developments which alert everybody to the consequences of taking big risks, or if Japan and Germany decide to become tougher. Regulation or reserve requirements in themselves won't keep banks from taking risks. We sincerely hope that the market will turn around—of course, we've been hoping that for about 1 1/2 years. ...

Reserve requirements will just increase the cost of credit—to have a credit squeeze, we have to stick it to them.

**Q:** *It appears that Muriel Siebert is going to deny the HongShang bid for Marine Midland. What will the effect be on foreign investment in the U.S.?*

**Bankers Trust:** It would be very unfortunate indeed. It would inhibit the international flow of capital.

## 3. Deregulation part of London bank grab

Jerry Jordan, the chief economist of the Pittsburgh National Bank and member of the so-called Shadow Open Market Committee, an offshoot of the Mount Pelerin Society, told a reporter May 16 that “the U.S. banking system is overregulated. This has led credit to

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seek other channels,” and in turn, he stated, is whipping up inflation. Jordan then proposed that the Federal Reserve Board drastically slash its supply of reserves to the U.S. banking system, which would greatly cut overall lending.

An aspect of the attempted British banking grab, Jordan's proposals are the “right-wing” expression of an overall City of London plan to *deregulate* the U.S. banking system, precipitating chaos, while shaking out the U.S. economy through *severe credit contraction*. Before one could say “bankruptcy court,” the U.S. banking system would be put under British top-down reorganization.

Backing up Jordan, president of the Bank of America, A. W. Clausen in a May 14 speech to the Financial Analysts Federation in San Francisco, fell into the “deregulator” trap. Stating that “anti-competitive (regulatory) barriers” are costing “the public billions of dollars each year,” Clausen called for battering down the most significant distinctions in function between commercial banking, investment banking and savings and loan banking. According to the May 15 *Journal of Commerce*, the usually shrewd Clausen asked the FAF, “Why does this country differentiate so minutely among powers of commercial banks, mutual savings banks, savings and loan firms, finance companies, industrial banks and to what end? Why shouldn't each,” Clausen continued, “be able to take in all types of deposits and make all types of loans through offices anywhere in the nation?”

Were Clausen's call for cut-throat competition to be implemented, a fullscale buy-up of bankrupted institutions would follow. Indeed, Clausen further advocated the right of large commercial banks to buy not only out-of-state commercial banks, but also investment banks and thrift institutions, all of which they are currently prohibited from doing. For opponents of “dereg,” sweeteners are on the table including the lifting of maximum interest rate ceilings, lowered reserve requirements, and repeal of the Glass-Steagle Act.

But the significant question is whether the U.S.

economy and credit markets will survive the effects of banking deregulation, in the face of Fed chairman Miller's constant jack-up in interest rates and the build-up of recessionary pressures.

At the moment the U.S. economy is flush with liquidity, but in a particularly troublesome way. The business community has borrowed very heavily during the last 12 months, racking up more than \$18 billion in new commercial and industrial (C<sup>9</sup>I) loans since April 1978. In addition, corporations have borrowed in the range of \$3 to \$5 billion on the commercial paper market since January of this year.

However, banks have not garnered their liquidity from inside the United States. Indeed, since Jan. 3, corporations have sold back to the banking system a staggering \$19.38 billion in large Certificates of Deposit, diminishing bank liquidity. To partially make up the loss of funds, commercial banks have stepped up their Eurodollar borrowing from foreign branches to the tune of \$14 billion since Jan 1.

What if the U.S. banks, which are holding up U.S. liquidity through huge foreign indebtedness, are hit with a credit-crunch induced recession?

Just such a likelihood of recession increased with the May 16 release of Federal Reserve Board figures on the economy. According to the Fed, in April, U.S. auto production fell 16% over March levels to an annual rate of 7.9 million units per year. The auto fall is not attributable to the short-lived Teamster strike, but rather to the zooming cost of oil, a more permanent factor. In April, for the first time, more than 50 percent of domestic auto market share went to small-sized cars, as the market for large- and medium-sized models collapsed.

At the same time, in April, because of rising interest rates the number of housing starts dropped by 2.1 percent. Savings and loan associations experienced a new outflow of funds of \$400 million in April, reportedly due to disintermediation. Moreover, this year most of corporate borrowing—and indeed, business activity—has gone to finance a gigantic inventory accumulation, which will be dumped on the first serious signs of financial downturn. In these circumstances, U.S. banks will find their large C<sup>9</sup>I portfolio liquidated, while still being socked with a huge foreign indebtedness. These classic banking collapse conditions, when intersected with the bank “deregulation” movement, will leave U.S. banking in a pulverized mess.

—Richard Freeman

## Britain is the example

*This interview with Jerry Jordan, chief economist of Pittsburgh National Bank, was provided by an independent journalist.*

**Q:** *What do you think about the recent calls for regulating the Eurodollar market by Fed Governor Henry Wallich, Treasury Undersecretary Tony Solomon and others?*

**A:** There is a serious effort to introduce greater regulation, as there was in 1969-70, 1973-74, and other periods of high interest rates. Such an action would be consistent with the other things the Fed is doing—such as their desire to put reserve requirements on federal funds and repurchase agreements. The dominant focus of Fed policy is to limit credit extension through the monetary system. However, this just forces credit to flow through other channels—through commercial paper, for example, or whatever new instrument they can think of....The growth of the Eurodollar market in the first place was related to the overregulation of the U.S. banking system—onerous reserve requirements on financial institutions, Regulation Q ceilings, and so forth. This just forces credit to seek other channels.

**Q:** *What should the Fed be doing in your view?*

**A:** Controlling the growth of the monetary base—high-powered money. Every Eurodollar asset is related to actual dollar balances back home, and then there is the multiplier effect.

**Q:** *I've heard that the Fed is thinking about putting reserve requirements on the deposits of foreign bank branches, not just foreign branch borrowings from foreign branches.*

**A:** That would reduce the multiplier. However, when the Fed put higher reserve requirements on certificates of deposit last fall, they monetized that much government debt and completely offset the effect. What has to happen is for central banks to contract their own portfolios of government debt. Emminger and Leutwiler understand this better than anyone. If they are supporting the proposal for Eurodollar market regulation at this time, they're probably doing it to get the Fed to do something that it wouldn't do otherwise (contract their holdings of government debt—i.e., stop supplying reserves to the banking system).

**Q:** *Do you think the change in government in England will have an effect on U.S. monetary and fiscal policy?*

**A:** Britain will set a pretty good example for central bank conduct. The Bank of England is one of the stronger central banks....Yes, they would be reluctant to see greater regulation of the London Eurodollar market. It's their way to encourage others to regulate and reap the benefits themselves.



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## FOREIGN EXCHANGE

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### Japan sells its soul for the yen

The Ohira government of Japan has concluded a political deal with U.S. Federal Reserve Chief G.W. Miller to stabilize the Japanese yen. After Japan announced a major rearmament program last week, during and after Premier Ohira's trip to Washington, a series of Carter Administration spokesmen let it be known that U.S.-Japan relations had improved immeasurably.

The results were apparent on the foreign exchange market, after U.S. Fed Chief Miller told the New Jersey

Bankers' Association on May 14 that the "current value of the Japanese yen is too low" and that "U.S. officials are in close consultation with the Japanese over the weakness of the Japanese currency. . . . The consultations will continue in order to prevent a re-emergence of instability in the markets." Following the Chairman's remarks, the yen rose to the level of 213 to the dollar from its recent 215 fluctuation band. Traders predicted the yen would continue to strengthen.

However, like so many Carter Administration gambits, this deal may be worth less than the price of Ohira's plane ticket. By May 17, the yen was under pronounced pressure, trading at 216 after moving back up to the 214 level earlier in the week. The yen has been weakening since February, not so much because of the Japanese economy's sensitivity to the cutbacks in world oil production stemming from Iranian events, but because London and Hong Kong foreign exchange speculators have moved along the lines of the Jan. 9 speech by Governor Sir George Bolton of the Bank of England. Bolton predicted that the oil crisis means an inevitable, long-term capital outflow from oil-poor nations—which just happen to be such hard-currency nations as Japan and West Germany—to resource-rich nations, notably the United Kingdom, Canada, and the U.S.

—Kathy Burdman

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## GOLD

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### Jacques Rueff's revenge

The rise of gold to its record high of \$256.50 on May 16 reflects two contradictory world monetary trends.

The trend actually being realized is the general crisis of confidence in currencies caused by the International Monetary Fund's continued drive for an end to the dollar as the reserve currency in favor of the SDR. This was underlined by the fact that the major technical upward force for the gold price rise was the IMF's own announcement on May 14 that due to depletion in its gold stocks it will henceforth reduce its monthly gold

sales beginning in June from 470,000 ounces to 444,000 ounces.

Based on these sorts of factors, Charles Stahl's "Green's Commodity Market Comments" of May 14 predicted a \$280 gold price within six months.

But the trend, which is also heavily impacting gold's price for very distinct reasons, is the European Monetary System's coming use of remonetized gold in a gold exchange—i.e., a gold-dollar—standard. This would restabilize the dollar on a gold reserve basis through expanded in-

ternational trade and development.

An article in the May 11 *Le Figaro* signals that French President Valéry Giscard d'Estaing may be preparing major moves to use the European Monetary System to directly challenge the IMF.

The article in question, written by Institut de France member André Piettre, uses the occasion of the first anniversary of the death of the late President de Gaulle's closest economic advisor, Jacques Rueff, to denounce the use of substitute currencies like the Special Drawing Rights and the role of the IMF as the "agent" causing the current economic depression. Titling his commentary "Gold's Return, or the Revenge of Jacques Rueff," Piettre praises the European Monetary System and its gold-backed reserve instrument, the ECU, as the realization of Rueff's and de Gaulle's fight for a gold-based international monetary system.

—Kathy Burdman

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## BRITAIN

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### 'Dr. Strangelove' prescribes treatment for British industry

As outlined in the Queen's Speech last week, Thatcher's new Tory government is preparing to lower the broom on British industry. The new house-cleaning measures will be directed toward "triaging" large sectors of Britain's remaining civilian manufacturing capacity and defending only a narrowed base of militarily relevant high-technology industry.

Under the new regime, a small portion of the economy—the strategically crucial military-economic sector—will be set aside and buttressed, while the rest of the British economy and the population it supports are set adrift to rot. This delicate surgical exercise will be performed by Industry Minister Sir Keith Joseph, an associate of the Mont Pelerin Society, who has al-

ready been dubbed the "Dr. Strangelove of the economic world" by outgoing Prime Minister Callaghan.

Sir Keith is looking for savings of hundreds of millions in subsidies to "lame duck" industries; the money has already been budgeted for increased defense spending—raising the pay of Britain's top military officers, buttressing the Royal Air Force to defend U.K. airfields "in time of tension or war," and financing a new generation of nuclear weapons, for instance. This was implicit in the Queen's Speech, which pledged the Tory government to "maintaining the strength" of Britain's independent nuclear deterrent. Britain's new Defense Secretary Francis Pym told a NATO gathering in Brussels last week that the U.K. attached primary importance to the modernizing of NATO's nuclear force in Europe, and Thatcher "volunteered" Britain as a launching pad for missiles targeted at the Soviet Union in her two-day meeting with West German

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## TRADE

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### More geopolitics in new China trade deals

The Carter Administration and the People's Republic of China have rushed through a bilateral trade pact in an effort to head off closer moves toward economic and diplomatic cooperation between Western Europe, Saudi Arabia, and the Soviet Union. The pact, which Mrs. Kreps initialed

May 14 while in Canton province, adjacent to Hong Kong, would put China on a "most-favored-nation" basis with the U.S. It would allow a major influx into the U.S. of coolie-labor-produced consumer goods, including sporting goods, small transistor radios, hand tools, textiles, and

illegal narcotic drugs (the latter to be smuggled in on Chinese merchant ships).

U.S. government officials on Mrs. Kreps's China mission are paraphrased in the May 15 *Journal of Commerce* as admitting that the pact "took some 11 days to negotiate, an unusually short period of time for a trade agreement with a Communist country." Ironically, the Administration may not send the hurriedly assembled pact to Congress for many weeks, so as to retain it as a blackmail lever over the Soviets following the signing of a SALT accord.

The geopolitical motivation of Mrs. Kreps's pact is underlined by insistent coverage in the U.S. press as to how limited China's capacity is to absorb major capital and capital goods inflows—i.e., that something besides economics is at stake. This

Chancellor Schmidt just days after the election.

As part of the Tory war effort, state sector industry will be auctioned off to pay for defense of the realm. Legislative proposals outlined in the Queen's speech will enable the government to offer "unprofitable" portions of the nationalized shipbuilding and aerospace industries for sale to private enterprise. The activities of the National Enterprise Board, set up in 1975 to bail out ailing manufacturing plants with state subsidies, will also be curtailed. Capital grants for regional development, schemes for machine tool stockpiling and British Steel programs will also face the ax.

Although Keith Joseph has made Adam Smith's *The Wealth of Nations* required reading for his staff at the Industry Department, several economic analysts have already warned that Thatcher's government may be unable to combine the "Cobden Club" free enterprise policies with

the promised defense buildup. The Tory faction represented by the Bow Group, of which Thatcher's Chancellor of the Exchequer Geoffrey Howe is a former chairman, has just put out a pamphlet urging that the National Enterprise Board's powers be extended rather than curtailed to "re-structure" old industries and encourage new "high technology" developments with the help of revenues from North Sea oil. The NEB, however, should be shorn of its job of helping small companies, boosting exports and encouraging regional development. Instead it should act as a "short-term cash generator," providing equity and loan capital for "strategic industries," such as those devoted to research and development in "high risk" technologies, say the Bow Group authors.

Thatcher's advisors will probably end up taking their cue from Winston Churchill, who first brought strategic sectors of the economy such as oil under state control, if her war

policies are to have any degree of success. The "military, aerospace, and high technology" lobbies are very much alive in Britain, noted *Financial Times* columnist Samuel Brittan, and, allied with the Defense Lobby," they will pose the first threat to Thatcher's "free enterprise" promises.

The expected "U-turn" in Tory policies which futurists such as Enoch Powell predicted may already be taking place. Thatcher has appointed computer software expert Mr. John Hoskyns to head up her private "think tank," the Central Policy Review Staff. Government sources have denied that Hoskyns was brought in to bring his knowledge of the computer industry to bear on the future of INMOS, the micro-chip industry set up and supported by the National Enterprise Board whose role the Thatcher government will now want to evaluate very carefully.

—Marla Minnicino

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message starkly contrasts the line the same organs were emitting five months ago, when China was being trumpeted as the world's miracle growth market. *Sic transit gloria emptorum.*

#### **French issue capital goods loans**

There are other angles besides the U.S. one. Within days of the Kreps deal, the Chinese settled terms with both the French and Japanese, resulting in the issuance of multi-billion dollar loans and lines of credit by those two countries to China. Oligarchical circles in alliance with Peking are hoping that Chinese trade relations will lure France and Japan away from a nascent Western European-East bloc-Saudi bloc committed to industrial development. France, through a guarantee by the government export finance agency

COFACE, has just issued to China the largest line of credit in French history—a whopping \$6.9 billion for purchase of French capital goods, should the Chinese care to draw on it. The credit was issued under the provisions of a seven-year bilateral cooperation agreement concluded last December. The agreement foresees an eight-fold increase in trade between the two countries (to FF<sub>r</sub> 60 billion) by 1985. So far, the Chinese have placed orders for two nuclear plants (a FF<sub>r</sub> 10 billion contract).

Within a matter of days following the French credit came the announcement of a \$10 billion Japanese loan to China. Two billion dollars of that sum will be issued by the Export-Import Bank of Japan at the unusual concessional interest rate of 6.25 percent and used to finance oil and coal development projects in

China. The remaining \$8 billion in loans (issued by large Japanese syndicates headed by the Bank of Tokyo) are basically refinancing loans.

The loan for Chinese coal and oil development suggests that the Japanese have "back-burnered" the more important, long-standing proposal for joint Soviet-Japanese (and Western) development of the raw materials of Siberia.

—Richard Schulman

# Cuba's remarkable development

**“To your experts, to plan means to plan latrines.... Why don't they give dollars for equipment, dollars for machinery, dollars so that all of our underdeveloped countries may become industrial-agricultural countries.... We are for competition here, sirs. Leave us in peace, let us develop, and within 20 years let us all come together to see if the sirens' song was the Cuban Revolution's or yours....**

*Ernesto “Che” Guevara, Cuban delegate, to Punta del Este Conference where John F. Kennedy's Alliance for Progress was launched Aug. 1961.*

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Little that happened in the post-World War II period still inspires such anger or passion in the United States as the establishment of the Socialist Republic of Cuba “just 90 miles off the coast of Florida,” an event triggered 20 years ago last January with the fall of the Batista government. The “Pearl of the Antilles” fell under “Soviet domination.” Political scientists and others almost unanimously rank this as one of the worst of America’s foreign policy failures in the 20th century.

Cuba is indeed one of the most outstanding examples of United States foreign policy failures—but not in the way most people understand. Cuba, under the leadership of Fidel Castro, is one of the few humanist republics in the world today. As the accompanying report documents, gigantic economic strides have been taken through policies premised on the advancement of the skill level of the country’s population. The U.S. “failure” is not found in Cuba’s present “socialist” status, but in the policy which forced Cuba to break with the U.S. in order to develop; and in the continuing U.S. policy which defines Cuba—and its republican conception of development—as hostile to U.S. interests.

It’s time America faced up to facts: the republican United States can live with socialist Cuba, and a principled basis for cooperation can and must be negotiated. What the U.S. could *not* live with was the drug-centered Cuba of before; neither could the Cubans. No more subversive and corrupt center of influence, no more serious threat to U.S. strategic interests existed in the Caribbean than Batista’s Havana—a center of the international drug-running networks known informally as “Dope, Incorporated.”

Today the United States is more threatened than ever by the portion of drug plague originating in the Caribbean, but its center is no longer Cuba. Now it is virtually every British colony and former colony in the area whose economies are increasingly falling under the domination of the International Monetary Fund and British-directed international drug traffic with the general corruption and degradation that accompany it.

The Castro government wiped Havana off the International Monetary Fund’s map—off “Dope, Inc.’s” map. The Cubans rapidly eradicated the drug problem with a relentless crackdown action which Dope Inc.’s British Board of Directors has not yet forgiven. One noted American journalist a few years back complained bitterly that the Cuban Revolution had destroyed the “old flavor” of Havana, reporting that after a lengthy search of Havana, he was unable to find any prostitutes at all!

#### **The ‘Red Sea’ myth**

For 20 years, U.S. policy toward the developments in Cuba has obsessively centered on the alleged red danger of Soviet-Cuban influence in the area. Three weeks ago, one of the most ludicrous red scares to date was generated around the March, 1979 coup in Grenada which replaced the ruling Pinochet-allied government of Charles Gairy (a practitioner of voodoo) with a government which has stated its friendliness toward Cuba. U.S. State Department officials have already expressed their “concern” following rumors in the press of arms shipments in “mysterious Cuban crates” marked “Cement” unloaded at a Grenada dock after the coup!

A strategic threat? Grenada is an island of 100,000 people, whose principal export is nutmeg. A spicy story, indeed!

Yet, this is the stuff out of which “missile crises” are made, with the source of each new red scare invariably traceable to one of the London-based strategic think-tanks or their state-side “clones.” For instance, Carter Administration policy toward Cuba has been based on the Latin American report of the Critical Choices Commission (CCC), written by two Kissinger colleagues formerly at Georgetown’s Center for Strategic and International Studies, Roger Fontaine and James Theberge. The report contains one scenario after another for drawing Soviet-allied Cuba into a confrontation with the U.S.

The CCC report asserts that the “ultimate aim of U.S. policy” is to “reintegrate a democratic Cuba into

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the western hemispheric system. ... Cuba is a test case for the United States. ... Making Cuba the socialist camp's first true deserter is a good policy because it is a possibility." Renewing relations with the Castro-led government is considered only as it would aid in splitting Cuba from the Soviet Union, or foster internal factions against Castro.

The CCC strategy simply won't work. Over the past 20 years, a powerful national identity has been created in Cuba through what amounts to one of the most rapid transformations from backwardness to modern growth in recent history. Beginning in the mid-1970s, Cuba began institutionalizing her revolution in republican form, a process culminating with the adoption of the new constitution in 1976. Elections followed shortly thereafter—the presidency, executive bodies, the National Assembly, and regional and local representatives, are now all elected posts.

The active functioning of constitutional life completes a phase of Cuban development, providing the Cuban citizen with direct and permanent access to the planning process of nation-building. The present National Assembly discussions of the Twenty-Year Development Plan, debating the priorities for allocating the nation's resources into the next century, epitomize that process.

### **Cuba's challenge to the U.S.**

Cuba's fundamental break with the U.S. occurred over one basic issue, which had nothing to do with communism or the Soviets: *development*.

In May, 1959, Fidel Castro headed a delegation from the "new Cuba"—not then avowedly communist—to a Washington, D.C. meeting of Latin American Foreign Ministers, the "Committee of 21." Castro's speech, which a Brazilian delegate described as expressing the aspirations of all Latin America, focused on the need for U.S. aid for real industrial development—specifically, a \$30 billion, 10-year investment plan. "What we are proposing," said Castro, "will not adversely affect the United States. It will benefit future generations, since with a developed Latin America, the

U.S. will have more commerce, just as it has more commerce with a developed Canada than with a backward Canada. Besides, if we solve the economic problems now, we will lay the base for a humanist democracy in the future." The U.S. flatly refused the proposal. Cuba was forced onto other paths for nation-building.

The famed August, 1961 conference of the Alliance for Progress in Punta del Este, Uruguay encapsulated the bitter U.S.-Cuban debate. The U.S., "in feverish competition with Cuba," as *New York Times* correspondent Juan de Onis later wrote, had convened the meeting in response to pressures throughout the continent for a serious development program. The U.S. was only offering promises of a debt bailout.

Ernesto "Che" Guevara, leading the Cuban delegation, issued a challenge the U.S. has yet to answer: present a serious aid package for the industrialization of the continent. Characterizing the Alliance's version of "appropriate technology" as a policy of massive "outhouse" building, Che dared the Conference to reconvene 20 years later—and compare the results of Cuba's industrialization policy with the nations of the Alliance and their latrines.

Now, nearly 20 years later, Cuba wins Guevara's challenge. While most of the continent is starving—and still without adequate latrines!—Cuba's economy has reached the industrial take-off stage with one of the most skilled labor pools in the Third World.

This is the real "secret" behind the enormous respect Cuba commands in the Third World today. Thousands of Cuban professionals, construction workers, and military advisors have been requested for construction projects throughout the Third World—Army Corps of Engineers-style. In addition, Cuba has taken an active leadership role in such international forums as the Non-Aligned Nations and the United Nations. Cuba will host the Summit of the Non-Aligned Nations in Havana this September, and President Castro, in his capacity as Chairman of the Conference, is considering personally delivering the report of the meeting to the UN General Secretariat.



## The state directs the economy

*The following excerpts were taken from Cuba's new socialist constitution, enacted in 1976, by the People's Power Assemblies and the Council of State, Cuba's ruling institutions.*

**Article XVI.** The state organizes, directs and controls the economic life of the nation in accordance with the central plan of socio-economic development in whose elaboration and execution the workers of all the branches of the economy and the other spheres of social life have an active and conscious participation.

The development of the economy serves the purpose of strengthening the socialist system, of increasingly satisfying the material and cultural needs of the society and of the citizens and of promoting the flowering of the human personality and of human dignity and serves the progress and the security of the country and the national capacity to fulfill the internationalist duties of our people.

**Article XXXVIII.** The state orients, fosters, and

promotes education, culture, and science in all their manifestations.... In order to make this principle a reality, general education and specialized scientific, technical and artistic education are combined with work, development research, physical education, sports, participation in political and social activities, and military training ... education is free. The state maintains a broad scholarship system for students and provides the workers with multiple opportunities to study with a view to the universalization of education. In order to raise the level of culture of the people, the state fosters and develops artistic education, the vocation for creation and the cultivation and appreciation of art.

... Creation and investigation in science are free. The state encourages and facilitates investigation and gives priority to that which is aimed at solving the problems related to the interest of society and the well-being of the people; the state makes it possible for workers to engage in scientific work and to contribute to the development of science.

Cuba's much-commented-on Africa policy, as we show below, is best understood as a direct extension of this commitment to spread economic development throughout the Third World, and not some terrifying spread of "communist militarism" wherever possible. That the former is in fact the essence of Cuba's Africa policy was proved beyond doubt by the remarkable challenge presented to the United States by Cuban Vice President Carlos Rafael Rodriguez a year ago on U.S. national TV. In an interview with CBS correspondent Barbara Walters on May 30, 1978, Rodriguez laid out the basis on which detente could be built between Cuba and the U.S.

"We could cooperate in Africa ... western powers ... western people, ... the Soviet Union ... Cuba. I

invite the President of the United States to think about the possibility of cooperating for development in Africa. There is room for cooperation ... for progress ... for development. ... Africa needs financing, as every underdeveloped country needs financing. Not only in Africa, but in Latin America and in Asia. We could cooperate in the problems of development for these countries without fighting. There are many things in which you can put your money and your equipment. It would be a good business for the United States ... that is what the Founding Fathers talk about, that is what Jefferson talked about, and it's the only way to see peace."

—Gretchen Small

# Cuba: industrialized by the year 2000

Twenty years ago, Havana was known as the Caribbean playground for U.S. idle-rich. Narcotics and sugar were the economy's main economic components; gambling and prostitution the subcomponents. The streets of Havana were filled with an army of thieves and beggars.

Ninety percent of Cuba's population of 6.2 million were officially classified as illiterate or semi-literate. Over 80 percent were enslaved in mostly foreign-owned feudal plantations such as those operated by the United Fruit Co. (now United Brands) drug-running networks.

Nearly 70 percent of the island's population lived in inadequate housing—dirt-floor dwellings with no running water. Health care was completely neglected: malnutrition, malaria, and parasites plagued most of the rural population.

Industrial development was negligible; the agricultural sector in shambles. There was no energy policy,

no energy industry to speak of; no skilled work force; no infrastructure. The total 1958 electrical generating capacity of the Cuban Electric Company—the nation's only power utility—was a mere 397 megawatts.

But now, just two decades later, Havana stands proud before the world community of nations.

Illiteracy and disease have been all but eradicated. Prostitution, gambling, and narcotics were outlawed immediately following the 1959 revolution and those engaged in these depraved practices were rehabilitated and trained to become productive and active participants in the economic life of the country—or escaped to more "favorable" territory, like Miami.

In education and health care services, which are free, Cuba now ranks among the best in the world, as acknowledged by reputable U.S. medical and educational sources. Child care services, also free of charge, far outshine those offered in Western Europe and the United States. All three fields form an integral part of the process of economic and social planning, and are given top priority.

A highly ambitious 20-year development plan calls for Cuba to evolve into an industrialized nation by the year 2000, a commitment which has the full backing of the CMEA economies. The backbone of the plan is the construction of two powerful nuclear plants to be in operation by 1990.

This highly regarded and widely publicized commitment to growth and prosperity has been supported throughout by unrelenting efforts to develop the arts and sciences, the scientific and cultural education which is beginning to give birth to the "new man, free of vices and selfishness ... the man of the 21st century," as initially conceived by Castro and his now deceased top lieutenant, Industry Minister Ernesto Guevara.

Exemplary of this dedication to the advancement of science, technology, and society as a whole are the joint efforts currently underway by CMEA (Comecon) and Cuban scientists in the field of geodesic research, telecommunications, and aerospace. In a surprising revelation, Cuban authorities announced in February 1978 that Cuban cosmonauts had already begun training in Moscow in preparation for a historic 1980-81 space mission which will launch the first Cuban into space. In all likelihood, the Cuban public will be able to watch the event live on their TV screens, thanks to the collaborative efforts of Cuban-East bloc scientists who are close to putting together an inter-Sputnik ground station in Havana that will link Cuba's television and telephone grid to that of the socialist countries.

The road to development, however, has not been easy, or for that matter spared of grave errors and miscalculations. This is especially true of the initial years, and particularly, the 1967-70 period when a misguided economic policy of investing all the country's resources into the sugar cane harvest—depriving the

## Cuba goes nuclear

The Cuban government disclosed Jan. 6, 1978 that the soon to be completed Cienfuegos nuclear power plant is now expected to generate over 1 million kilowatts of electricity, double the original 1977 estimates. The plant, now in its initial phase of construction, is expected to be completed between 1980 and 1985. Construction for a second nuclear fission plant, to go into operation by 1990, is also scheduled to begin soon.

"Nuclear fission is the most viable and immediate alternative" to natural energy resources which Cuba lacks, President Castro told a group of Cuban-born American youth who recently visited the island. In the future, "the key source of electricity generation in the country will be nuclear," announced Radio Havana Domestic Service last month.

The two plants, to be built with the aid of Soviet technology and equipment, will boost Cuba's generating capacity to nearly 4,000 megawatts by 1990, *more than 100 times the amount produced prior to Castro's takeover.*

Cuba will build a modern nuclear center in the

province of Cienfuegos. The decision is in response to the growing need to develop "solid scientific foundations and cadre" for the construction of the Jaragua nuclear plant, the Cuban news service Prensa Latina reported earlier this month.

The Cienfuegos center will have the facilities to train up to 600 Cuban technicians in such areas as nuclear maintenance and turbine repairs. It will be equipped by the Soviet Union with the most modern technology including a "zero-power reactor, an experimental research reactor, a complex to produce radioisotopes and marked compounds, work shops to produce small lots of energy equipment, and other facilities," according to a December 1978 Havana Domestic Service report.

Estimates are that the construction of each nuclear plant alone will require nearly 5,000 workers. Thousands of additional jobs are also expected to open as a result of the newly developed nuclear industry.

The nuclear power system will be backed up by an already powerful energy grid that includes a handful of 100-400 megawatt thermoelectric plants, that will be able to light the country in the event the nuclear plants break down and need repairs.

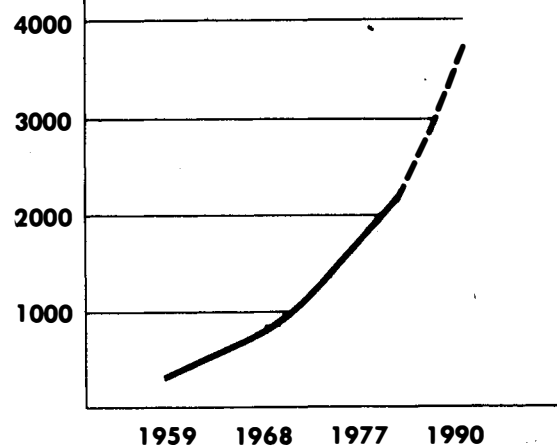
industrial sectors—led to temporary financial anarchy and disaster.

Partly as a result of these errors, but mostly because the vast majority of investments were going toward social rather than the industrial and productive sectors, the decade of the 1960s witnessed a slow growth rate averaging only 2.8 percent. However, a series of factors, including massive CMEA investment, a change in economic policies, and the fruits of the massive social investment policy of the 1960s, combined to produce an astronomic average annual economic growth rate of 14 percent from 1971 to 1975.

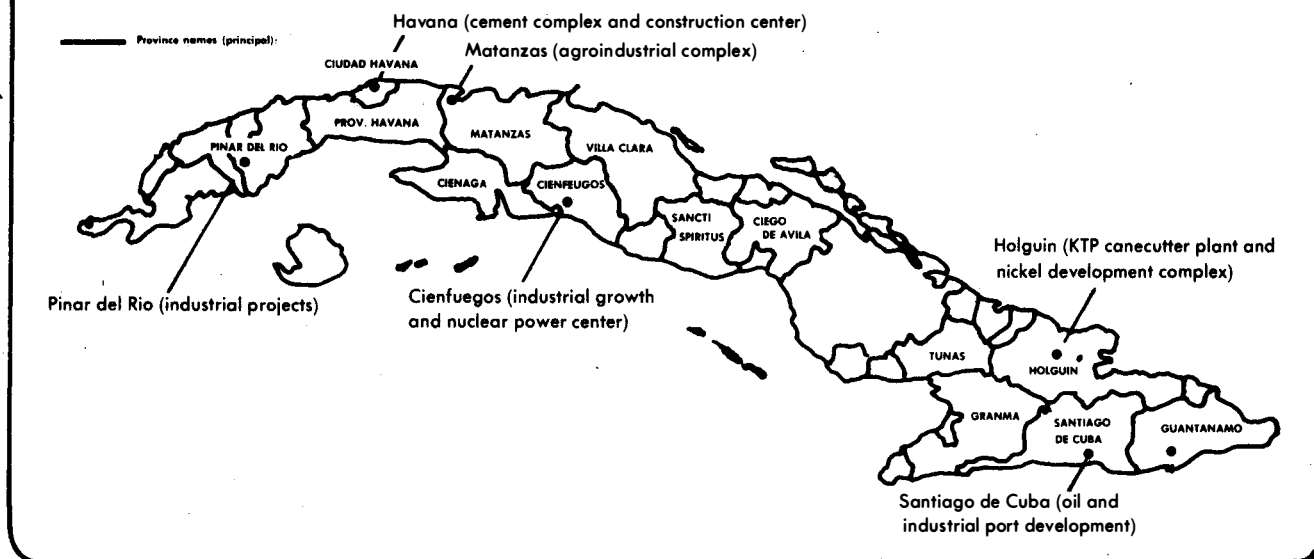
The rapid development has leveled off since then and economic adjustments are currently being made in the Cuban economy to offset the serious side effects of the world economic crisis and the continued U.S. economic blockade. This, combined with the plummeting of sugar prices and especially drastic labor shortages created with the deployment of tens of thousands of Cuban technicians to reconstruct parts of Africa and Southeast Asia, has forced Cuban economists to readjust their projected growth rate of 7.4 percent to 6 percent in the coming years. The figure nevertheless surpasses the projected U.S. growth of 4-5 percent in the coming years, and Western European figures of under 4 percent (as calculated prior to the implementation of the European Monetary System).

### Cuba's energy generating capacity 1959-1990

(projected) in megawatts



## Major industrial growth centers in the 20-year plan



### Bringing Cuba into the advanced sector

Despite the Revolution's twists and turns, the policy favoring rapid industrialization and economic development has not changed. In fact, it has become more and more sophisticated, as evidenced by the proposed 20-year development plan unveiled by Castro last July.

The plan calls for *increasing percentages of investment in industrial production every five-year period until the end of the decade*; massive investment in higher and secondary education; and boosting annual construction levels of housing, schools, child care centers and factories through the introduction of new technologies in the construction industry. This also includes the completion of two high-power nuclear fission plants by 1990 to meet the rising energy needs which will result from this plan.

Cuba's plan, which is undergoing constant revision, will guide the island's economic growth through the year 2000. This long-term planning process is key to the determination of how best to allocate and channel the island's tight resources into the development of the economy. "During the first years, we devoted a lot of time to reforms of structures, to the revolution, to survival," said Castro on July 4, 1978. "The Revolution survived and strengthened ... but we lacked a program, a plan for economic development. ... The party and government leadership, the party militants and mass organization of the people ... must have a clear view of their country through the year 2000, of what the country wants to do. ... They must know what we want to do. ..."

The 20-year development program will also monitor the first stages of the modernization and development of the steel, nickel, and oil refining industries. Steel production, which has increased ten-fold since the prerevolutionary years, is expected to skyrocket in the 1980s as the country next year will begin the first stages toward a fully developed and modernized steel industry. The same is true for oil refining capacity, which has already doubled since 1959. Also next year, the Cubans will begin construction of a huge oil refinery in the province of Cienfuegos with a capacity of 3 million tons of oil per year, according to recent estimates.

With the help of CMEA countries, Cuba will also expand nickel production in the coming years to a high 30,000 tons per year—equal to one fourth of the world's output. Specialty steel and highly resistant nonferrous metals will be produced in nickel alloys through the modern steel plants, eventually increasing the output of nonferrous metallurgy by a minimum of 90 percent.

### Industrializing the countryside

Recent breakthroughs in industrial and agricultural technologies have led to the full or partial mechanization of the nation's port facilities, livestock and poultry industry, and agriculture, with other sectors expected to be fully mechanized within the next two decades.

But most important, by the end of the 20-year development program, the Cuban sugar cane harvest will be 100 percent mechanized, freeing over 140,000 sugar workers from arduous and draining "machete" cutting practices. Already, over 200,000 Cuban sugar

workers have been freed from the fields since 1959 with the introduction of modern machinery and tractors in the Cuban countryside. The majority of these workers, many of which had already been trained as skilled workers while on the farm, have been redeployed to meet the rising labor needs of the industrial sector. With this massive drive toward mechanization, it is expected that by the year 2000, another 160,000 or so unskilled and semi-skilled workers will enter the highly skilled industrial work force. (Unlike Maoist China where up to 80 percent of the population is still bound to the land and feudal backwardness, Cuba's stated goal is to become a modern, urban-based society.)

Key to the realization of these goals has and will be the continuous introduction of new agricultural technologies. Highly modern Soviet-Cuban built canecutters such as the KTP-I are already harvesting Cuban fields and, in 1977, the Cubans announced that the ultramodern M-2 cutter—the cutter of the future—had made successful test runs on both flat and hilly terrain.

A joint Cuban-Soviet industrial complex producing KTP-I harvesters in the eastern Cuban city of Holguin was finished in 1977 and is expected to start exporting harvesters to other parts of the world by 1980. According to local specialists, the Holguin Harvester plant is the largest of its kind in the world, outproducing Massey Ferguson, Class, and International Harvester.

Special efforts are also being made in the development of sugar byproducts leading to the establishment of modern cellulose and related industrial factories in the sugar-producing interior countryside. Initial steps toward the production of pulp, paper, and boards from sugar derivatives like cane husk, have already been undertaken.

A modern infrastructure consisting of newly built and renovated highways and bridges, the most advanced railway and train facilities, and ultramodern port facilities will facilitate transportation of finished goods and services. It will also connect the vast network of new agroindustrial cities, towns and communities which have been created in the past 15 to 20 years, easing the cultural integration process between the countryside and the city.

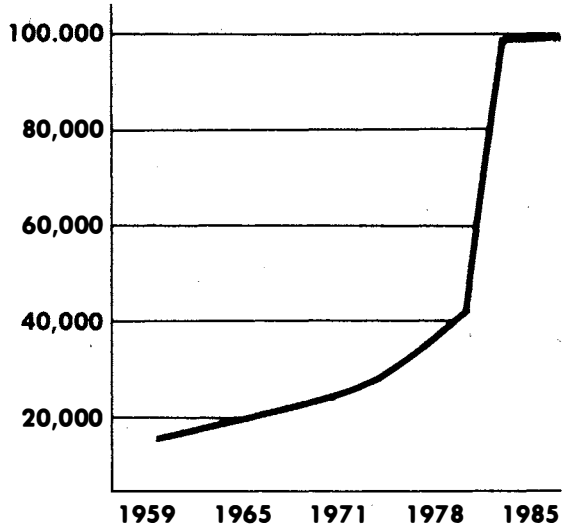
### Cuba as 'one big city'

Since the time of the Revolution, the Cuban government has undertaken the construction of numbers of new towns and new urban communities furnished with modern schools, townhouse condominiums, cultural centers, theaters, and the most modern industrial and agricultural technology and equipment available.

Some of the communities are built around large industrial and agroindustrial complexes near heavily populated large urban "nuclei"; others group concentrations of previously isolated and unskilled peasants from remote areas into modern farm cooperative towns

### Cuba's housing boom

New housing units constructed annually, 1959-1978, including projections under the 20-year development plan toward the year 2000.



Despite the country's foreign currency crunch, this year marks a 500 percent increase in housing construction since 1959.

### 'One big city' new towns and communities, 1959-1975

New towns built between 1959-1971	204
Smaller towns in the process of being incorporated into larger towns in 1975	120
New towns and communities in the process of being built in 1975	109

or a system of rural "sub-nuclei." The latter are supplied with tractors and other modern agricultural machinery as well as with technical personnel to train this new resource of skilled and semi-skilled workers.

In planning both the expansion of "urban nuclei" (main cities) through new urban communities, or the creation of new "sub-nuclei" (rural towns and farm

cooperatives), Cuban architects and engineers, as a rule of thumb, use the same conceptual approach: surround the large urban "nucleus" with many "intermediate urban nuclei" and smaller "sub-nuclei" which will, in turn, expand, helping to organize more "sub-nuclei" around the central core. Ultimately, *the aim is to turn the whole country into "one big city" using this concentric circle approach.*

The process, seriously undertaken and incorporated into the country's national development plan following the 1970 political-economic shift, "will break the city-countryside barriers ... urbanize the countryside ... (and) gradually create new forms of social organization of production, concentrating rural population in populated state farms furnished with basic equipment and the network normally associated with urban life,"

the Cuban technical magazine, *Cuba: Vivienda-Desarrollo Urbano*, reports.

This process, the magazine adds, also "strengthens the cities in the interior of the island ... limiting new industries in Havana to those which otherwise could not be built anywhere else in the country because of technological requirements."

Furthermore, "the system allows a coherent and harmonic distribution of population and economic activities in the country ... giving the whole population access to higher culture, and eliminates the barrier between the countryside and the city." This, however, does not complete the process: education and integration into the socio-economic and political life of the community must follow, the magazine concludes.

This city-building approach, which is rapidly bridging the educational and cultural gap between the rural and urban areas in Cuba, has led to the creation of dozens of medium-size cities and hundreds of new towns.

A new political-administrative system which came into effect in 1976 has changed the organizational structure of the island, opting for more smaller provinces, and fewer but larger municipalities to facilitate both the political as well as administrative integration of the city and countryside.

Credit for this massive building effort belongs to the committed skilled force of Cuban construction workers and the hundreds of thousands of workers, soldiers, students, teachers, housewives, and senior citizens who have at one point or another formed part of the over 1,100 "Construction Microbrigades."

Veterans of microbrigades, as well as hundreds of Cuban construction workers, are presently voluntarily engaged in building dozens of bridges and dams, schools and hospitals, highways and houses in African and Asian countries such as Angola, Ethiopia, and Vietnam.

"Our construction workers," Fidel proudly told a December 1978 rally, while not able to afford traveling as tourists because of Cuba's lack of foreign exchange, do "tour the world as workers, as builders, as creators." These Cuban workers, many of which now help to build other nations abroad, are also responsible for the previously mentioned vast network of highways, railways and other infrastructural transport facilities which link Cuba's growing network of cities and towns.

However, many technical and technological problems still exist. According to Cuban experts, the country's foreign currency crunch still forces the island to principally rely on the old system of nonmechanized housing construction in the countryside, and similar outdated techniques in the cities. Estimations are that the move toward more modern prefabricated housing—durable Soviet Grand Panel or IMS model-type housing—will take the Cuban economy a number of years to achieve.

### Cement production for city building

Year	Production in tons	Percent increase over six-year period	Percent increase since 1959
1959	679,000	—	—
1965	801,000	17.9	17.9
1971	1,088,000	35.8	60.2
1976	2,500,000	129.7	268.1
1979	5,000,000 (est.)	100.0*	736.3

\* 1976-1979 period comprises only three years. No figures are available for 1982 projections.

### Cement production in Cuba speeds by other Latin countries

in kilograms per capita

	1972	1974	1979
Cuba	166	201	496
Argentina	228	210	274
Mexico	166	181	225
Colombia	134	140	N/A
Brazil	115	143	209
Chile	140	137	N/A

Source: The Cuban journal, *Viviendas y Desarrollo Urbano* and the World Bank's *World Regional Cast Summary—Economic Outlook*.



However, the construction sector will be spurred this year by the completion of two huge cement plants which will boost the nation's production capacity to 5,000,000 tons per year, double the already high rate. The Cienfuegos plant, equipped with the most modern technology from East Germany, will become the biggest in Latin America with a daily production capacity of 49,000 tons per day.

## The role of education

The secret to the success of this massive city-building and industrialization project can be found in Cuban educational policy. "Once we eradicated illiteracy (in the early 1960s—ed), the next item on the agenda was the necessity to organize education in such a way that it would insure the unlimited absorption of knowledge for all Cubans, from the new-born infant to the senior citizen, facilitating the integration, fortitude and enrichment of a different society—that would create the new man," states the 1975 official Cuban educational handbook, *La Educación en La Revolución*.

The Cuban educational approach, as was best stated by former Industry Ministry Ernesto "Che" Guevara in the early 1960s, relies on a foundation of technical and scientific knowledge capable of continually producing and upgrading the quantity and quality of scientists which supply the institutes and research facilities. This approach, continued Guevara, must also be molded to "produce the men that will employ the

present technology and be capable of absorbing newly acquired technological knowledge. ... Society must be converted into a gigantic school."

Today, in a country where the population scarcely reaches 10 million, more than 1 million adult workers attend cultural and technological improvement courses. Another 2.7 million are enrolled in primary and secondary school; over 65,000 receive preschool early childhood education; 140,000 students, half of them workers, attend college, while tens of thousands more pursue skilled trades and vocational careers in the technological and vocational institutes. In short, nearly half of Cuba's total population is attending school.

In preparation for their 21st century entry into the industrialized world, strong emphasis is being placed on higher education. According to *La Educación en La Revolución*, the Cuban government plans to turn the "college-town" concept into a national phenomenon. This concept, which has dominated Cuba's higher education policy over the past decade, consists of "bringing the science and technology of the universities to the population as a whole."

Having solved the problem of illiteracy, the journal states, we decided that "the noble concept of 'university city' must give way to the concept of 'university nation.' *Every inch of our national territory would be converted into a university campus equipped with laboratories and all known subjects of learning, turning workers into students and students into workers.* The creation of these off-campus centers in the proximity of factories and

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## 'Death to Illiteracy'

On Sept. 26, 1960, Cuban President Fidel Castro announced before the UN General Assembly: "Next year, our people propose to launch an all-out offensive against illiteracy, with the ambitious goal of teaching every illiterate person to read and write. Organizations of teachers, students, and workers—the entire population—are preparing themselves for an intensive campaign. Within a few months, Cuba will be the first country in the Americas to be able to claim that it has not a single illiterate inhabitant."

By August 1961, 105,000 city-based teachers and students completed a basic training course especially geared to educate the illiterate peasant, and were redeployed to the countryside under the banner "Death to Illiteracy." This new team of tens of thousands joined another 165,000 adult volunteers already deployed in rural areas.

By Dec. 21, 1961, which marked the end of the campaign, this army of over a quarter million

educators had taught over 700,000. Another 300,000 illiterates were to be educated in the coming years. By the mid-1960s, there was not one illiterate in Havana.

The method of organization used to teach new teachers and students throughout the campaign utilized the "concentric circle" approach. The advanced would teach the less advanced, who in turn would replicate their newly acquired knowledge in others, and so forth. The value of the approach, as one educator at the time put it, was that it began to bring culture to the remote countryside areas.

The literacy campaign marked the first mass mobilization in the country since the revolutionary takeover. However, it was not to be the last of this sort. Similar campaigns, based on the literacy campaign, were later launched to combat vagrancy and crime, machismo, and other culturally backward tendencies and customs.

work centers makes the upgrading process much simpler.”

By 1985, the Cuban government projects that it will be graduating over 300,000 students per year, more than twice the present number. Of these, a large percentage will be nurses and doctors, scientists and engineers, teachers, and other professional and technical personnel.

Although this policy was by no means cheap, nor did it produce results overnight, in the long run it has proven most efficient in rapidly solving the nation’s drastic manpower deficiencies. Today, the nation produces enough construction workers and engineers, doctors and teachers to export them to foreign countries. The many sacrifices of the 1960s and 1970s which made possible Cuba’s large investments in technology, health, education and welfare, Cuban president Castro told a nationwide TV audience on Dec. 30, 1977, “have paved the way for a new field of export for this country: its talent and intelligence.”

In a speech three days later, Castro explained his revelation. There are a number of fairly well-off Third World nations, he said, which have requested the services of our “legions of technicians” and are willing to pay for it. “It’s a new possibility,” he said, a possibility which will, in turn, allow Cuba to reinvest the returns in “economic activities, industrial and housing investments ... more schools, universities ... the quality of services, education and culture.” With that revenue, he asked, “can you imagine how many hundreds of thousands we can develop today, and skilled workers in the polytechnical and technological institutes; and how many engineers, doctors and teachers we would be able to develop?”

The president summed it all up when, in this description of Cuba’s educational objectives under the 20-year development plan, he stated: “We are going to produce engineers, technicians, economists and physicians not only for us, but for many Third World countries which have not had these opportunities.” What additional resource will the Cubans use to carry on this formidable task? “Man’s brains,” declared Castro in a recent speech. “We are not an oil-producing country, but we have brains and we are going to develop them; we are developing them!”

As a result, the country’s massive educational investment policy has given every Cuban worker today a minimum level of primary education. Every Cuban worker to date possesses at least a sixth-grade education and efforts are being made to upgrade that to the high-school level.

In addition, thousands of Cuban workers now

### Cuba’s Literacy Cadre Force

Organization	No. of Educators
People’s Educators (soldiers, students, etc.)	121,000
Schoolteacher Brigades (teachers)	35,000
The Conrado Benitez Brigades (mostly schoolteachers)	100,000
Workers Brigades “Patria O Muerte”	15,000
<b>Total Literacy Campaign Force</b>	<b>271,000</b>

attending classes in their own workplaces are being offered multiskill as well as multilingual education as part of their daily routine—a process accelerated in 1968 with the nationwide implementation of the “school-city” concept of “bringing the schools to the countryside.”

So strong has been the emphasis on scientific and technical training that, by 1972, over half of the total enrollment at the University of Havana was in the natural sciences. This was made possible with the return of gifted science students who had earlier been sent to the socialist countries for postgraduate training, and an influx of East bloc visiting professors. In the years 1966-1969 alone, Cuba produced more scientists than in all its combined previous history.

Preparation of this “new Cuban man”—“the man of the 21st century”—begins at the preschool “child centers” and nurseries, which start the child from the time he or she is five months old. There is presently a vast national network of over 700 nurseries—mostly located in or near the mother’s workplace—with a capacity for schooling 65,000 children. In comparison, the City of London, with a population only slightly lower than Cuba’s, provides only 155 government centers with space for less than 8,500 children.

Our children, said Castro in the early 1970s, constitute the future of our nation. That’s why we must invest to give them a better education, a better life, and better health through the expansion of our already modern health facilities.

## Wiping out illiteracy, June-December 1961

	June	July	August	October	Dec. 21 End of the campaign
Known number of illiterates	684,000	822,000	985,000	988,000	979,000
Number of students	465,000	594,000	776,000	500,000	N/A
New literates	22,000	62,000	119,000	354,000	707,000

## Health care: 'man's most valuable asset'

	1958	1973	1976	1980 (est)
Rural Hospitals	1	53	56	60
Functioning clinics	0	260	336	400
Dental clinics	0	96	N/A	120
Maternity clinics	0	40	47	50
Hospital beds	28,536	40,313	46,404	53,000
Medical schools	1	3	4	N/A
Graduating doctors per year	300	900	1,300	3,500
Nursing schools	1	28	34	40
Graduating nurses per year	80	400	800	3,000
Provincial schools for medical technicians	0	7	N/A	14
Laboratories of hygiene and epidemiology	0	31	35	40
Number of doctors	6,130	8,000	12,000	18,000
Blood banks	1	21	25	28

A comparison of public health care in Cuba, before and after 1959, shows dramatic progress under Fidel Castro's tenure. In 1958 for instance, there were 161 clinics—"Auxiliary Houses"—but most of them were non-functional; half of the total number of doctors in 1958 had left Cuba by 1965 and yet by 1973 the number had increased by almost 2,000. The 20-year campaign for health care has wiped out Tubercular meningitis, poliomyelitis, diphtheria, and malaria.

## Preventive health care

Cuba is the only Latin American nation today whose population does not suffer from malaria or malnutrition. The nation's overall health system, although still passing through a transitional state, already ranks with the best in the world.

However, this was not always the case. Prerevolutionary Cuba was a tropical nightmare of disease and sickness. Malaria, dysentery, epidemics, and malnutrition plagued much of the rural population. Official infant mortality figures showed an appalling 52 deaths per 100 births, even after the statistics were severely trimmed by the government of despot Fulgencio Batista. Many did not reach the age of 10, few lived over 60. There was only one rural hospital in the whole interior countryside; no clinics.

In contrast, the island's 9.5 million people today enjoy an average life span of 72 years, among the longest in the world. Infant mortality has been drastically reduced to 22 in 1,000 births—the lowest rate in all the developing world and equal to the U.S. rate 10 years ago (since then the U.S. has lowered it to about 13 per 1,000 births).

There are now over 336 clinics and rural hospitals equipped with the most modern medical technology; and more than twice the doctors and nurses than there were even before the mass flight of the medical profession in the 1960s that reduced Cuba's medical population by 40 percent!

In fact, every new housing development is accompanied by a clinic, while factories are constructed with medical facilities and safety measures incorporated into the blueprint. Every neighborhood and many workplaces have their own medical and dental clinics.

Good health is indispensable for learning, it should be encouraged and protected, and adequate health measures should be taken to prevent sickness from occurring, the Cuban government stresses. The state of an individual's health in the course of daily living is as much a concern to the Cuban health care system as the actual treatment of an illness.

The Cuban approach is an innovative version of the "preventive medicine" approach. "We should not wait for an illness to occur," former Public Health Minister Dr. Gutierrez Muniz told the Second National Forum on Hygiene and Epidemiology. "We should rather take the offensive and prevent it from happening in the first place."

"Health care is not a matter of providing service to

the sick," Gutierrez continued, "but rather avoiding sickness, taking a person's normal state of health into account and defending it. Only in exceptional cases, when sickness has broken through every barrier, should it be necessary to fight that sickness."

"A Revolution is fought for the good of man, and his health is his most valuable asset," underscored Cuban leader and party spokesman Pedro Miret.

The key to the success of Cuban medicine has been the delivery of ambulatory (outpatient) care through the neighborhood clinics, which are considered the backbone of the Cuban health care system. The clinic provides all basic outpatient services like medical examinations, prescriptions, pre- and post-natal care, dental treatment, outpatient psychiatric treatment, etc. Medical "health teams" at these institutions are also responsible for reaching out to the surrounding community, workplace, school or factory.

Another very important factor has been the educational training of doctors, based on the socialist concept of work-study—work half a day, study half a day. During the first year of medical school, the future doctor does physical maintenance labor at the health facilities; the second year, nursing, the third, clinic work, and so forth. During their internship, the doctors also work in rural areas and factories, imparting to them a better understanding of the production process through collective work. Women now make up half of all interns and medical students.

But most important, the Cuban Revolution has gained notoriety around the world for its high occupational health standards. According to the 1975 *Health Care in Cuba Journal*, "workers in shipyards, mines, certain textiles and printing plants who face occupational hazards receive periodic blood tests and other medical exams, extra rest periods, special diets and other precautionary methods." In many workplaces, the journal adds, nutritious meals are provided free or at very low cost.

In addition, reports the journal, "pollution is closely controlled ... and laboratories measure the level of noise intensity, vibration, lighting, environmental concentrations of gas and dust, 'microclimate' and ventilation at workplaces." Job monotony, which in varied circumstances could lead to carelessness resulting in job accidents, is lessened in many factories by rotating workers to different jobs and integrating them into adult education courses.

—Fernando Oliver

# Cuba: its foreign policy is development

Journalists and think-tankers have gone to great lengths to explain what motivates Cuba's foreign policy. While "Soviet proxy" has practically become a household word for Cuba, explanations have also ranted from Fidel's ego being too small for one island (The London *Guardian*) to a charge of "military communism—the communism of the War God Mars" (The *Christian Science Monitor*).

The centerpiece of Cuba's foreign policy, however, is sovereign development—its own and that of the entire developing sector—and it is that commitment which has won them the growing respect of the entire Third World, capitalist and socialist alike. Cuba has taken a leading role within the Non-Aligned Movement fighting for the creation of a new world economic order and will host a crucial meeting of the Non-Aligned in September of this year.

When requested by another Third World country whose sovereignty is threatened, as was the case in Angola, Cuba has been willing to back their policy commitment to development with arms. This is what the Cubans mean by "internationalism"—a national moral commitment to aid other developing sector

nations to overcome the backwardness imposed by the International Monetary Fund and World Bank.

The figures speak for themselves. Cuba has sent 45-50,000 military advisors and technicians to Africa, Southeast Asia, and Latin America. In every case, their collaboration with national governments has established economies able to fend off the International Monetary Fund. For example, Angola where in 1976 there were approximately 20,000 civilian and military personnel from Cuba involved in education, public health, construction and industry. In Vietnam, Cuban personnel are involved in road construction and in developing new technologies for poultry production and agriculture.

Such an approach in no way means that Cuba is "irrevocably" committed to confrontation with advanced sector capitalist nations as some have charged. Quite the contrary, Cuba favors detente and peaceful coexistence, and has publicly proposed direct collaboration with the capitalist West in the industrialization of the Third World, a proposal best expressed in the interview by Cuban Vice President Rodriquez quoted in the introduction to this survey.

In a speech given July 28, 1978, Fidel Castro summed up the conception underlying Cuba's internationalism:

"The Cuban Revolution would not even exist without internationalism. During all ages, in all countries and at all times, revolutionaries fought and devoted their best energies to the noble principle of human progress. In being internationalist we are paying our debt to mankind....

"We are resolutely advancing toward becoming a country with a high culture. Our path in this field has no limits. We live from what our technology, our natural resources and our sweat are capable of creating, but we will not be selfish like the snail locked in its own shell, and we will offer the world everything that is within reach of revolutionary and international generosity... After all, what is Cuba without the rest of the world?"

## Castro in Angola: work the main thing now

*Fidel Castro first toured Africa in March of 1977, visiting Mozambique, Angola, Libya, Somalia, Algeria, Yemen and others. In Angola, then barely emerging from the brutal battle against the South African invasion, Fidel repeatedly stressed that the major job facing the country is "work": reconstructing the country after decades of colonialist looting. Excerpts follow from his address before a mass rally in the Golfe slum area of the Angolan capital of Luanda on March 24, 1977.*

"...If one wants to get an idea of what colonialism and capitalism ... with their exploitation of man by man

are like, all he has to do is tour Luanda: fabulous homes, beautiful buildings surrounded by slums. ... There was no running water in the slum, no electricity, streets, transportation, schools or doctors. ... There was a lack of everything necessary and an abundance of everything negative: parasitism, tuberculosis, malnutrition, disease of all kinds, illiteracy, ignorance, unemployment, discrimination, humiliation, suffering, poverty and misery....

Now these problems must be solved and Comrade Neto and the MPLA are trying to do so. What do they find? There are no engineers, architects—the colonialists were the only ones who had mastered them....

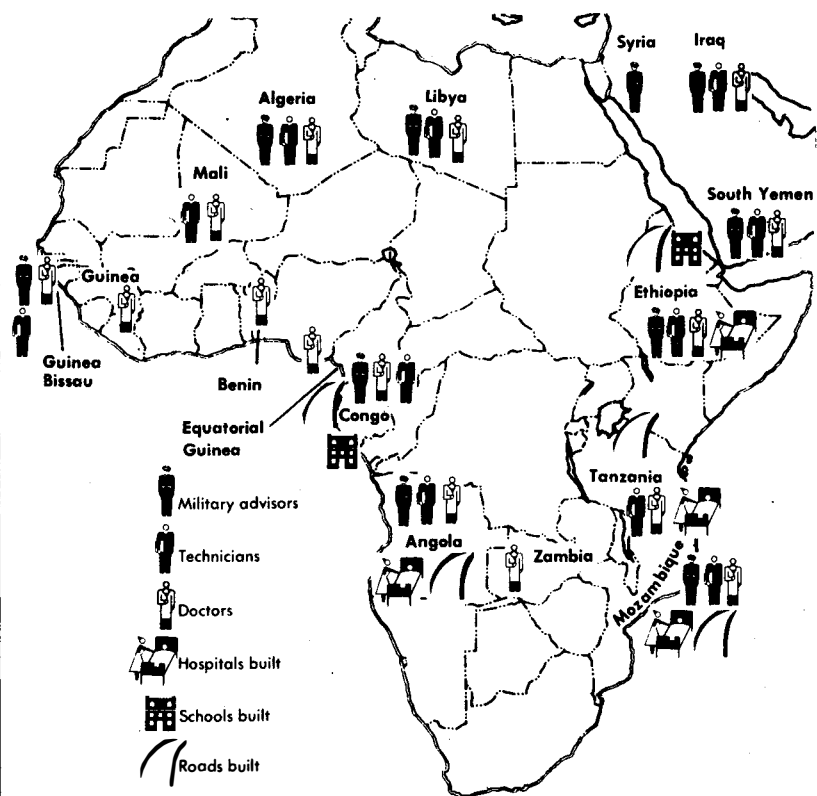
We understand all those problems. This is why we called on our construction workers in Cuba to help develop construction in Angola. That is why there are hundreds of Cuban construction workers in this country. We assumed the responsibility of rebuilding a number of bridges. ... We must build them and at the same time teach the Angolans all about bridge construction. ... We will build the bridges, and we will defend the construction of those bridges by being both workers and soldiers. We who are simple technicians who know how to build can also fight.

*From a speech before a rally in Caxito, Angola, the same day*

"...Work is very important for the Revolution. ... Work, the development of the country, is the main thing now. Independence does not mean immediate access to well-being and riches. Independence means the opportunity to start working for oneself....

There is a shortage of technicians and cadres. It will take many years to train those technicians and cadre because more than 15 years pass from the time a child enters school to his graduation from university. And now you must face these problems in order to have more schools, hospitals, roads, homes, clothes, shoes, books, food and culture. We, your friends, must help you as much as we can.

## Cuba's new exports: knowledge



There has been no lack of reportage in British and American newspapers of the fact that Cuba has sent military troops and advisors to African countries. It has not generally been reported that Cuba has also sent technicians, teachers, construction workers, medical personnel, and supplies to these African nations, where they have made major contributions. In fact, the primary function of even Cuban military personnel in Africa, among other Third World regions, has been economic, not military. The much-maligned "presence of Cuban troops" is somewhat comparable to the presence of the Army Corps of Engineers in the United States.

Ours isn't a rich country. It is a small country, without great natural resources. But, in 18 years of revolution, we have made some progress. We now have doctors, engineers, architects, skilled workers. ... We have doctors, and many of them are willing to come work for the health of Angolans. We have told Comrade Neto that we won't set any limits on our cooperation; we will offer all the cooperation that may be needed....

This is what socialism, Marxism-Leninism, and proletarian international mean!"

# The SALT debate: war or peace?

*The following article is by Executive Intelligence Review's Science and Technology editor, Dr. Morris Levitt, a physicist, who counts studies of advanced weapons systems among his specialties.*

The announcement at the White House on May 9 by Secretary of State Cyrus Vance that the United States and the Soviet Union have reached basic agreement on a new strategic arms limitation treaty, SALT II, has opened the way to a momentous national debate on U.S. strategic policy. The debate over ratification of the treaty in the Senate, which has already effectively begun, will either be a vehicle for dissipating the already slender war-avoidance potentialities of SALT, or provide the basis for transforming U.S. strategic purpose into an effective peace-winning instrument based on cooperation with the other advanced sector nations for development of the Third World.

The outcome will depend on which of two diametrically opposed conceptions of SALT becomes hegemonic. If the debate remains in its initial rut of simple pro and con arguments about the specific provisions of the treaty, then win, lose, or draw, the world will be moved closer to the brink of thermonuclear war. Such a debate coheres with the conception of SALT emanating from the top of Britain's International Institute of Strategic Studies (IISS), and administered by Secretary Vance. That is to make SALT an instrument of U.S.-Soviet conflict management in the Third World within the broader strategic context of the New York Council on Foreign Relations' "controlled disintegration" scenario for the world economy. With that outlook dominant, it is a foregone conclusion that "conservative" opposition to the treaty will provide the springboard for NATO chief Alexander Haig's presidential campaign, while "ultra-left" opposition will lead a simultaneous drive for a shutdown of science and technology. That is exactly the kind of contradictory—but lethal—strategic policy embodied in Bertrand Russell's flip-flops in the late 1940s between espousing virtually simultaneously nuclear disarmament and nuclear first strike.

Instead, the debate on SALT ratification must be shifted to the fundamental issue of bringing U.S.

strategic policy into correspondence with the views on SALT and detente now prevalent in the Soviet Union, France, and West Germany. The Soviets have made clear that they view SALT as inseparable from the framework of effective detente that they have shaped in crucial agreements for economic, scientific, and military cooperation with President Giscard of France, Chancellor Schmidt of West Germany, and in the multi-party Helsinki accords. This view has been further reflected in recent proposals for enhanced scientific cooperation in fusion research and other areas by leading Soviet scientists.

## **The underlying strategic issues**

Behind the public debate for the credulous by the credulous on what are ostensibly the major issues of "national security" involved in SALT, quite a different discussion is being conducted by Anglo-American inner circles.

The latest evidence that Secretary Vance's objective is to sanitize U.S.-Soviet relations in order to win Soviet concessions on North-South policy was spelled out in Vance's address last week to a community college conference in St. Louis. There Vance reiterated the necessity for a world of "multipolarity," the codephrase coined by National Security Council chief Zbigniew Brzezinski for the CFR's "controlled disintegration" Project on the 1980s. As put more bluntly by Vance, in terms similar to those used earlier by fellow CFR project manager George Ball, "multipolarity" means that while the U.S. will not try to run the whole show in the Third World, the other industrial nations including the Soviet Union must respect the basic Anglo-American imperative of imposing International Monetary Fund conditions for further winding down technology transfer and economic development in the Third World.

This approach to the Soviets, implicit in Vance's SALT policy, was fully spelled out in more highbrow form last week in the German weekly *Die Zeit* by Christoph Bertram, head of London's International Institute for Strategic Studies. In a major piece entitled "Does the Third World Have an Effect on the East-West Relation—May It Even Have a Strategic Signifi-



cance for the Superpowers?," Bertram argues that the "old model ... of East-West polarity ... no longer corresponds to reality." Instead, Bertram argues that "with the decay of the earlier system of order" which subsumed Third World conflicts "under the discipline of East-West deterrence," the wars of the 1980s will erupt in the Third World. These will be due to "disputed borders, regional drives for hegemony, and religious conflicts"—precisely the British-directed destabilizations presently occurring.

The strategic significance of this shift is that "in spite of considerable agreements, weighty differences in interest" exist between the *Western* industrial powers in their policies vis-à-vis the Third World because of different raw materials dependencies.

The punch line: given both the increased instability and increased financial-strategic value of raw materials in the Third World, East-West relations and detente will increasingly be conditioned by Soviet conduct in that sphere. The carrot: Soviet access to raw materials and participation in the new order. The stick: If the Soviets don't go along, then "the East-West relationship (will) be increasingly strained."

### **The SALT debate**

The IISS strategic outlook of controlled conflict is reflected in the statements of "support" for SALT made at the White House announcement of the agreement by Vance and Secretary of Defense Harold Brown. As opposed to the Soviet view of the inseparability of SALT and detente, Vance stated that "we have demonstrated through the SALT process that even as we compete in some areas, the United States and the Soviet Union can and must cooperate." In this vein the *Washington Post* quoted an aide to a pro-SALT Senator as saying that the key is "SALT without detente."

Simultaneously, Brown intoned that "if the Soviet Union will emphasize cooperation rather than competition, SALT will also allow a healthier state of U.S.-Soviet relations." Secretary Vance's speech in December 1978 to the Royal Institute of International Affairs further illuminates this perspective. At that time Vance told his peers that a SALT treaty would permit the U.S. to transfer military resources from strategic nuclear deployment to theater (tactical) nuclear forces and to NATO forces.

### **Soviet reservations**

The ambiguity of the "SALT process" has not been lost to the Soviets, who in at least four major ways have expressed their reservations: first, they refused to issue a joint announcement with the U.S. and instead said nothing for 17 hours after the Vance statement. That silence was only broken with a bulletin on Radio Moscow of the form "according to the U.S. State Department. ..." Third, the journal *Literaturnaya Gazeta* wrote that no one should have "any illusions

that this agreement ... will put an end to the arms race," and that, moreover, "there are going to be some heated battles around the SALT pact in Washington." Finally, according to TASS of May 11, the Soviets only *tentatively* agreed to a summit meeting in Vienna during June 15-18 to finalize the agreement.

The agreement itself will require another two to three weeks of negotiations by U.S. and Soviet specialists in Geneva to translate the agreed upon principles into treaty language and to finalize all the quantitative details. The many items and protocols in the proposed treaty boil down to the following:

The ceiling on the total number of delivery vehicles, whether missiles or bombers, will be lowered from the present level of 2400 down to 2250 by 1981. Each side is further restricted to a maximum of 1200 missiles armed with MIRVs (independently targetable multiple missiles or warheads), of which no more than 820 can be land-based.

The net result is that the Soviets would have to *reduce* their present number of ICBMs or bombers by 100, while the U.S. eventually scraps several hundred bombers. While the Soviets retain numerical superiority in missiles, especially of the heavier variety, this is offset by a much more impregnable U.S. submarine fleet, a restriction from a potential 40 to a limit of 14 on the number of secondary missiles that can be mounted on Soviet ICBMs, and maintenance of an overall 2 to 1 U.S. warhead advantage. All knowledgeable analysts agree that this adds up to roughly equivalent nuclear strike forces, and that verification of the respective force levels is not a significant problem.

Despite this basic parity, and the obvious advantages of avoiding an uncontrolled arms race, assorted "yahoos" and treaty "critics" are already opening fire on the treaty, putting the two-thirds Senate majority required for U.S. ratification of the treaty in doubt. Watching this spectacle, Chancellor Helmut Schmidt of West Germany commented on the upcoming treaty debate: "I think there might be changes and not for the better. This process has taken far too long."

### **The Haig option**

If not headed off by a proper strategic debate, a protracted Senate wrangle will create the climate for the Haig presidential option as Carter is subjected to a "League of Nations" type humiliation by the Senate. While Haig has already jumped on his white horse to express his misgivings on SALT, Vance's hand is simultaneously being strengthened. The Brahmin Secretary will be off to London soon for meetings with "pro-SALT" Prime Minister Thatcher's new Foreign Minister, Lord Carrington, backed up by support from Steven Rosenfeld of the *Washington Post* for a free hand at the summit.

As the final set piece in the overall scenario, a

## New Bonn-Paris-Moscow initiative for 'post-SALT' Europe

The governments of West Germany, France, and the Warsaw Pact countries have set in motion a major new initiative, intended to become operational after the signing of a strategic arms limitation treaty (SALT II), according to late reports from Europe. This closely-coordinated maneuver is aimed as a "one-two punch" against the "SALT without detente" approach advocated by the Carter Administration.

The Warsaw Pact annual Foreign Ministers meeting, held in Budapest, Hungary May 14 and 15, issued a call for a conference of the signatories of the 1975 Helsinki Final Act on Security and Cooperation in Europe—all of Europe plus the United States and Canada. The purpose of the conference, according to initial reports on Radio Moscow, would be "to consolidate trust, ease the threat of military confrontation, and reduce armed forces and armaments in Europe." The statement called for the signing of a treaty banning first use of either nuclear or conventional arms, and for the speediest possible conclusion of SALT II and moving ahead to SALT III.

Immediately following the Warsaw Pact announcement, the West German Defense Ministry informed the *Executive Intelligence Review* that the ongoing NATO Defense Ministers' meeting in Brussels had agreed to a plan, put forward by West German Chancellor Helmut Schmidt and French President Valery Giscard d'Estaing, for negotiations over the Warsaw Pact proposals to begin as soon as the SALT treaty is signed.

These moves are the outcome of recent top-level discussions between the French and West German heads of state and their counterparts in the Soviet Union and Eastern Europe. Giscard met with Soviet President Brezhnev in Moscow at the end of April, and Schmidt traveled to Bulgaria for discussions with Bulgarian President Todor Zhivkov during the first week in May. The Schmidt-Zhivkov talks stressed above all the need to avert the danger of World War III, as Zhivkov warned that a new world war "would surely be the last, as hardly anyone would survive to fight another."

peculiar left opposition to SALT has emerged. Led by such antitechnology ultras as Federation of American Scientists director Jeremy Stone, and antinuclear FAS physicist John Holdren, this faction's "kill science" purpose dovetails with Vance's own publicly stated attitude toward preventing further scientific and industrial development in the Third World. Ostensibly peeved at SALT II because it does not really provide for arms reduction, this "left opposition" also dovetails with the threat to science and technology posed by both sides in the ongoing *Progressive* magazine "H-bomb" case.

### The technology question

Because that case exploits the lack of a clear line of demarcation between basic science and justifiably classified weapons parameters, the present clause in SALT II calling for future restrictions on "qualitative" weapons developments in SALT III is very ambiguous in meaning. Under present conditions such a clause could serve as the basis for an attack on both Soviet science as well as for undermining U.S. weapons oriented labs which are focal points of high powered U.S. science and technology.

Ironically, the "military hero" Haig himself raised

exactly the same issue as the "left" when he lumped his opposition to SALT with the premise that the U.S. has continuously "underestimated the Soviet capacity for technological progress"—exactly the capability that Vance and Co. would like to eliminate.

### The MX hustle

Meanwhile, other "conservatives" in the Senate are being roped into a less subtle tactical ploy. The hottest political provision in the treaty is that both sides will be limited to the introduction of just one new weapon system. On the U.S. side, this boils down to whether or not the U.S. will beef up its submarine force, by definition an effective second strike capability, or whether it will go ahead with the MX mobile missile. The latter has first strike overtones, and is also favored by rabidly pro-China Senator Scoop Jackson (D-Wash.) as well as by the utopian Air Force faction and Secretary Brown. A push for the MX would simultaneously be seen as a provocation to the Soviets, as an attack on the submarine-leaning Carter, and as a rallying point for conservatives who would be rounded up later by Haig.

The nation thus has a clear-cut choice. It can either tolerate a sham debate on SALT whose purpose is to

mobilize support for sanitized, controlled conflict with the Soviets to implement the controlled disintegration of the advanced and Third World sectors—a policy which, with or without SALT, will lead to a thermonuclear confrontation with the Soviets in which the U.S. would be obliterated as a nation. Or we can seize this opportunity to engage in a great national debate on the nature of a true war-avoidance and peace-winning policy based on scientific and economic leadership by the U.S. for global development.

## IISS head spells out coming East-West conflict

*Following are excerpts from International Institute for Strategic Studies head Christoph Bertram's article "Does the Third World Have an Effect on the East-West Relation?" which appeared in the weekly Die Zeit.*

The good old model of East-West polarity—here America, there Russia—has not altogether disappeared from our awareness. How deeply rooted it is, time and again becomes clear when events in the Third World—in Angola, in the Horn of Africa, in Southeast Asia—are forcibly fitted into the framework of East-West politics. However, the old model no longer corresponds to reality. The world has changed

First. The East-West opposition is no longer the only and most dangerous international conflict material. While Europe and the superpowers do not enjoy absolute security, they are nonetheless in an incomparably better position than the rest of the world.

Secondly, wars and conflicts in the Third World will increase in the coming decade. With the decay of the earlier system of order—which also made conflicts in the Third World more difficult because it could subsume them under the discipline of East-West deterrent—conflict materials again come to the fore....

The fourth point. Between the western industrial powers there exist, in spite of considerable agreements, weighty differences in interest in their policies vis-à-vis the Third World. These differences are principally due to their different raw materials dependency.

Now not every small war or every little conflict somewhere in the Third World is relevant to the security policies of the states of East and West....

In the case of three types of conflicts in the Third World, however, this is different: when a local conflict threatens to lead to a direct military confrontation between East and West; when war and unrest in certain regions of the Third World put into question the raw materials needs of our economies; and when, finally,

negative conclusions are to be drawn from the behavior of a state in faraway conflicts, concerning its reliability as an ally regarding the security situation in Europe, which touches us directly. . . . The second category is more important. There are many examples. A new oil embargo as the result of a Mideast war, continuous disruptions of supplies as the result of civil war, unrest, international revolution in areas which are decisive for our raw materials imports—as, for example, in the Persian Gulf or in the south of Africa. The problem exists. However, it lies not so much in the danger to the present raw materials supply. With regard to this disruptions might be possible to handle. The problem, rather, lies in the danger to future supply. A long-lasting guerrilla war between the white minority regime in South Africa and its black neighbor states or a growing unrest in Iran will not so much endanger the output of existing mines and oil wells, but it will endanger the massive investments upon which the future exploitation and thus access to sufficient raw materials in the coming decade depend.

The third category is the most difficult to describe.... Conflicts in the Third World very frequently attain a proxy or symbolic function; they are imparted from the outside with the East-West stamp and are evaluated as indicators for the status and the outlook for the East-West relationship. No wonder that the Soviet Union is astonished about the Western reaction concerning its African activities....

The system of international order of the last three decades has dissolved, and the structures of a new system are at least recognizable in outline. In the transition period military might will gain increasing weight. The readiness for intervention in the Third World will increase and simultaneously the reluctance in the Third World itself to force the solution of political problems with military means is diminishing.

Third, the danger of conflict in the Third World combined with the increasing worry in the industrial countries concerning safe access to raw materials gives a new political weight to events in the developing countries.

Cooperation between East and West in the northern hemisphere becomes increasingly questionable in the face of unchecked and militarily determined rivalry in the southern hemisphere. A separation between the two may be desirable but it is not possible to carry out. Soviet opportunism and Soviet expansionism in the Third World must weigh heavily on detente even if the security of the Western community is seldom immediately concerned....

...There is much which indicates that the Soviet Union will, in the face of growing internal difficulties, ...seek a way out by means of that ability to which she primarily owes her position as a world power: namely, the area of military might....

# Moscow: accord does not remove war danger

The announcement in Washington that a strategic arms limitation treaty (SALT II) with the Soviet Union is nearly concluded, and will be signed by Presidents Carter and Brezhnev in Vienna in the middle of June, was greeted with restraint in the Soviet press. The government daily *Izvestia* May 12 called the treaty "a triumph of patience and endurance, a triumph of reason"—but cautioned that opposition in the Senate "casts a shadow" over what has been achieved.

A number of commentaries in the Soviet press demonstrate that while Moscow sees a SALT agreement as a necessary and important war-avoidance measure, the mood in the Soviet capital is scarcely euphoric, but rather reflects the grim realization that the Carter Administration remains committed to policies which risk World War III—SALT or no SALT. Especially since the issuing of an important Communist Party Central Committee resolution May 5, the Soviet media have been geared to mobilize the population in the face of the continuing war threat and associated "psychological warfare" being waged by Anglo-American intelligence services.

Of prime concern to the Soviet leaders is the Carter Administration's "China card" policy of using the PRC as a battering ram against the USSR—the same policy, as the Soviet press has pointed out on many occasions, that Great Britain pursued unsuccessfully with Germany in the previous two world wars. Central Committee member Georgi Arbatov, head of the Moscow USA and Canada Institute, said at a press conference in Washington last week that his country fears that the U.S. and China are heading for a military and political alliance, which would mean the collapse of detente. The same message was voiced in the Communist Party daily *Pravda* May 4, which reported information completely blacked out in the U.S. media: that the first-ever U.S. military delegation went to China recently. *Pravda* placed this in the context of the offer made last month by Chinese Vice Premier Deng Xiaoping to place American espionage equipment in China to monitor Soviet compliance with SALT. *Pravda* also reported the first negotiations by an American firm, Fairchild Industries, with China for arms sales.

As the articles excerpted below demonstrate, Soviet commentators do not see the "China card" and related U.S. policies as coming solely from the most overt anti-Soviet spokesmen within and outside the Administration, like Zbigniew Brzezinski or outgoing NATO

commander Alexander Haig. In fact, these men share with the "Fabian" members of the Administration like Secretary of State Vance the basic goals of "controlled disintegration" of the world economy and confrontation with the Soviet Union in third world hotspot areas. The article "Real and Imaginary Threats," by leading *Izvestia* commentator V. Matveev, (see below) demonstrates by its attack on Vance the understanding of this situation on the part of some Soviet analysts.

## Mobilizing the Soviet population

A major mobilization of the Soviet population around the war danger was announced in the military daily *Krasnaya Zvezda* May 12, with the issue of a new poster series entitled "Imperialism is the source of the war danger." The series stresses the need to prevent "the arms race which threatens to place the world at the brink of a nuclear catastrophe." This campaign was sparked by a Central Committee resolution May 5 that called for improved work by the Soviet media to "unmask" western cold-war supporters, and to combat an offensive by Western intelligence services "against the minds of the Soviet people."

A crucial part of this mobilization is to draw upon the Soviet population's experiences of the heroism of World War II and the industrialization drives of the 1930s, as the quality of effort required today to prevent thermonuclear war. In a picture—unprecedented since 1956—*Krasnaya Zvezda* May 5 ran a page-one drawing of Lenin talking to Josef Stalin! This year is the 100th anniversary of Stalin's birth, and some Soviet leaders would like to rehabilitate him as a way of consolidating support today for the positive achievements which the Soviet population associates with his rule: the national commitment to industrialization and scientific progress, and the effort to form foreign policy alliances with continental Europe and the United States against British imperialism. In the drawing Stalin was left unidentified by *Krasnaya Zvezda* and was sketched looking away from the artist; but no Soviet citizen would ever mistake that Georgian mustache.

Recalling the experience of the war, *Izvestia* announced that a street in Moscow is being renamed, "at the request of a group of Soviet war veterans," after the late Marshal Georgi Zhukov, the mastermind of the World War II victories at Stalingrad, Moscow, and Kursk.

—Susan Welsh

## Soviet press on threats from Schlesinger, Vance

"Real and Imaginary Threats," by V. Matveev, *Izvestia May 5*: [U.S. Energy Secretary] J. Schlesinger is vested with considerable authority in the purely civilian domain, but frequently talks as though he headed up the Pentagon, for example in his statements about oil supplies from the Persian Gulf area. He asserts that a situation might arise when the United States is required to "use force" to guarantee such supplies....

Some people in Washington would like to create the impression of "threats" where none really exist, while simultaneously closing their eyes to the real and most serious dangers to the interests of many countries. Official Washington departments have adopted an evasive, ambiguous position on the Chinese aggression against the Socialist Republic of Vietnam....

None other than U.S. Secretary of State C. Vance, in an interview to a correspondent of the *Asian Wall Street Journal*, admitted that "normalization of relations with China and the conclusion of a new agreement with the Philippines on military bases" represent closely interdependent steps which, according to C. Vance, should "strengthen the strategic positions of the USA in Asia."

"The Great Robbery" by Yuri Gudkov, *New Times, No. 17, April, 1979*: ...Whence this sudden "oil shortage" which Secretary of Energy James Schlesinger has called an "energy Pearl Harbor"?... At the very height of the "oil crisis" the United States imported 11.5 percent more oil than in the corresponding period in 1978.

The conclusion is obvious: the "energy Pearl Harbor" is nothing but a myth, and an ill-timed myth at that....

The "crisis" is designed to make the Administrations [sic] and the millions of consumers more tractable. And it is being skillfully created and maintained....

"The Great Robbery," as the whole thing has been called by the Americans themselves, is not passing unnoticed. Schlesinger, who openly acts as a government lobbyist for the monopolies, has particularly incurred public anger. The scandalous behavior of the "energy czar" caused Senator George McGovern and

then five other Congressmen to demand his dismissal. The White House, however, turned down the demand. And there is a good reason for that.

The "oil crisis" created by the monopolies and whipped up by Schlesinger has proved to be a good camouflage for openly militaristic plans. The dispatch of the aircraft carrier *Constellation* to the Middle East waters, the imposing of arms on Saudi Arabia, the new round in the militarization of Israel and Egypt, and the plans to establish American bases in the Middle East are all ascribed to the looming spectre of "oil hunger" and, consequently, the threat to the "vital interests" of the United States. There is no more truth in that than in the fables spread by the oil barons. But in both cases it is the interests of millions of Americans that are sacrificed.

## On Haig's "destabilization strategy"

"The Hidden Springs of the Anti-Afghan Strategem," by Dmitry Volsky, *New Times, No. 16, April 1979*:...None other than General Alexander Haig, in what might be called a farewell message before retiring from the post of NATO Supreme Allied Commander in Europe which was published in the Belgian *Le Soir*, enjoined the Atlantic bloc to pay attention to the "appearance in Afghanistan, South Yemen and Ethiopia of states with allegiance to the Soviet Union" and to avoid inciting "traditionally friendly Third World countries, such as Saudi Arabia, to adopt an attitude complaisant to those they perceive as the likely winners." From this it can be clearly seen that the strategem for "destabilization" of the situation in Afghanistan—a strategem that has been joined by the Peking accomplices of imperialism—is part of a broader design directed against all the peoples of the Middle East....

...Efforts are being made to fan regional conflicts, to use Pakistan against Afghanistan, to set the Afghan revolution against the Iranian, and to bring the Sunnis and Shiites into collision with each other. To this end the new Kabul government is ascribed with an intention to persecute Islam, despite the fact that it invariably treats Moslem religious sentiment with the utmost respect....

# Saudis, French plan energy future

*Fahd visit to Paris also encourages Europe's pronuclear stance*

Crown Prince Fahd of Saudi Arabia, the Foreign Minister Prince Saud, and Riyadh Governor Prince Salman arrived in Paris on May 12 for a series of crucial meetings with French leaders including President Valéry Giscard d'Estaing.

The Fahd-Giscard summit talks, which covered a broad range of topics including the crisis in the Middle East and the world energy situation, ended with the establishment of a working partnership between Paris and Riyadh that will coordinate a challenge both to the Carter Administration's Camp David war strategy and to the City of London's Great Oil Hoax.

The most important aspect of the Saudi-French discussion was the apparent agreement to bust up the traditional London control over the world oil market.

In a speech delivered on the eve of Fahd's arrival in Paris, French Prime Minister Raymond Barre declared that France would take the initiative in upcoming talks among the members of the European Community to do away with the uncontrolled oil market in Rotterdam, Holland, where, Barre said, the major oil companies—especially British Petroleum and Royal Dutch Shell—hold Europe hostage by their ability to jack up oil prices through speculation.

The Barre statement received immediate support from Prince Fahd. In a radio interview, the Saudi leader stated that his country was prepared to offer Western Europe assurances that it could have all the oil it needs, at fair prices, and that "price anarchy" must end. Fahd directly attacked international oil speculators, including the major oil companies.

The French and Saudi statements are unprecedented in recent history. They show a firm determination to stabilize the world oil market on the basis of long-term, oil-for-technology deals, reducing the role of the Seven Sisters in controlling world oil.

## World oil conference?

What lies behind the new French-Saudi links? For several months, the French, Saudi Arabia, and Mexico have been leading an international effort to convene a world energy conference. According to one of the architects of the conference, Saudi Oil Minister Zaki Yamani, the meeting would be held to discuss a

comprehensive solution to the world economic crisis, including energy, raw materials, debt, and industrial development in the Third World.

It was this perspective several months ago that motivated President Giscard to call for an Arab-African-European summit of heads of state, to implement the Grand Design behind the newly formed European Monetary System.

Now, in a speech delivered on the occasion of Prince Fahd's visit, Giscard suggested that a partnership between Western Europe and the Arabs is key to rebuilding the world economy.

That was also the theme of an important meeting in Kuwait of the Organization of Arab Petroleum Exporting Countries (OAPEC). At the meeting, Mana Said Oteiba, the oil minister of the United Arab Emirates, praised Western Europe's stand on the Middle East and called for closer ties with the Arabs. But, he said, first the Europeans must recognize the Palestine Liberation Organization.

In an interview in *Le Monde* (see below) Fahd dropped a bombshell. "The Soviet Union is playing an important role in the area," said Fahd, whose country does not—yet—have relations with the USSR. The lack of diplomatic ties, said Fahd, should not be taken as a sign of hostility.

That was underscored by information from U.S.

## Barre criticizes oil speculation

*In an interview with the French daily Le Figaro May 8, Prime Minister Barre declared:*

If some countries do not understand the need to develop nuclear energy, they will pay for it very dearly in the future. As far as oil prices go, we have picked up excessive outbidding on the Rotterdam market, which has forced up prices in an abusive fashion. We must avoid speculative increases.

intelligence and oil industry sources. According to them, Saudi Arabia has already begun, quietly, to deliver oil to the USSR. Last week it was reported that a four-man Saudi delegation is preparing to make a visit to Moscow.

With Giscard having just returned from Moscow, it is evident that the USSR, France, and Saudi Arabia are now closely coordinating their strategy.

—Robert Dreyfuss

## Fahd: Saudi oil will advance cause of peace

*In Paris for a summit meeting, Saudi Arabia's Crown Prince Fahd gave the following interview to the French daily Le Monde.*

[The Israeli-Egypt treaty] is a call for war and not for peace, because it pushes our region towards violence and extremism and contributes to the shedding of even more blood. ... If the United States wants a just, permanent and global settlement, they must establish a direct dialogue with the PLO....

We are conscious of the important role that the Soviet Union plays in international politics and we want this role to be one of supporting the just causes of the Arabs. I do not think that one should necessarily interpret the absence of diplomatic relations between our two countries as a sign of hostility. As for the re-establishment of diplomatic relations, it is a question which will be settled around events which would contribute to a decision....

Even if new conditions have contributed to the increase of oil prices on the international markets, which has permitted the international oil companies to make enormous profits off of the oil producing and consuming countries and has led to a large number of oil countries not bending to the previous agreement on prices, the Kingdom of Saudi Arabia, for its part, will not make any unilateral decisions without prior consultations with the producing countries....

...I will not fail to praise the courageous attitude of France towards the Palestinian cause, our fundamental cause. I do not doubt that France, which plays a leading role in the European Community, will contribute much in bringing about a European attitude which will support the cause of peace in our region.

## French-Saudi cooperation 'a clearly hostile act'

*The New York Times expressed dismay over increased cooperation between France and Saudi Arabia in their lead editorial on May 16 which is excerpted below.*

That master showman, Anwar el-Sadat, is talking about a fund-raising drive of a magnitude normally attempted in the United States only for Israel by the United Jewish Appeal. He could, he says, ask Congress for a further loan of \$525 million for the 50 American F-5 fighters that Saudi Arabia promised to buy for Egypt but now won't. ...

Most probably, the Saudis now believe they have more to fear from an open rupture with more radical Arab nations, like Iraq and Syria, who do not trust the peace with Israel, than from a cooler relationship with the United States ....

America's dependence on Saudi Arabia at the moment is boundless, and it is not lessened by the Saudis' economic ties to the West; their oil exports can, perhaps, be reduced but the West's prosperity cannot be sacrificed in revenge.

If Mr. Sadat is right, the Saudis are now maneuvering—with France—to rid themselves of the one dependence on Americans for which they volunteered when they bought 60 modern F-15 fighter planes for delivery in the early 1980s. Although they deny it, Mr. Sadat says the Saudis are angling to buy the French Mirage 2000 fighter instead.

President Carter fought hard in Congress to arrange the F-15 sale, not out of friendship but to make the Saudis dependent on the United States for something—training, service and spare parts. That bit of American influence is even more important in the present atmosphere. Instead of striking back mindlessly at the Saudis, the United States needs to stand firmly by the plane deal and demand that France call off its Mirage peddlers. It is bad enough for a great power to be caught over the Saudi barrel. For an ally to exploit our predicament would be a clearly hostile act.



# Hamburg meet: Third World needs A-power

Last week in Hamburg, West Germany more than 3,000 representatives from all over the world met to discuss nuclear energy development. The central theme of the Congress, sponsored by Foratom, the European Community nuclear organization, was development of nuclear technology as the key to Third World industrialization and stability.

What made this conference, titled "Nuclear Power-Option for the World," especially significant was its strong affirmation of the urgency of nuclear development despite the Harrisburg Three Mile Island incident with its attendant hysteria, and heavy antinuclear pressure from U.S. and British attendees at the meetings.

Following the opening plenum keynote delivered by West German Chancellor Helmut Schmidt, presentations included one by a leader of the West German nuclear manufacturer KWU on "Nuclear technology transfer—spectrum for the developing countries," followed by detailed presentations from the Italian, Pakistani and Brazilian nuclear agencies on the same issue. The Pakistani representative blasted the Carter Administration's nuclear nonproliferation policy. An equally firm address was given by the head of the Soviet fusion program, Academician E.P. Velikhov. Velikhov, who has made repeated overtures and proposals to the U.S., Europe and Japan for an international fusion effort to realize this imminently feasible open-ended energy source, emphasized the importance of the fusion-fission hybrid.

Sharply contrasting the behavior of U.S. and British nuclear industry spokesmen present, French and West German spokesmen laid out a clear perspective for expanded nuclear development internationally. Michael Pecquer, administrator of the French Atomic Energy Agency, CEA, underscored that government's recent positive response to the lag in the Iranian oil supply. He stressed that France will build five new nuclear reactors yearly as part of its stepped up domestic program through 1985. He denounced so-called soft energy technologies—solar, biomass, wind—as "ridiculous" for serving France's industrial development plans. France is, together with West Germany, the leading force behind using the European Monetary System as the launching base for development of massive industrial technology development projects in key developing sector countries. Nuclear power will play a central role in this grand design.

He also reaffirmed France's firm opposition to Carter Administration policy on the fast breeder

reactor, the next generation of nuclear technology and a field in which France is the most advanced technologically. He concluded by stating that Harrisburg "proves that nuclear energy is safe: The worst conceivable accident did not produce one single injury. The implementation of the 'green strategy' [environmentalist demand to end nuclear energy] could only be done in an authoritarian state."

## Support for nuclear development

A press release distributed jointly by the European Labor Party and the Fusion Energy Foundation on "Harrisburg Hoax—Sabotage Against the American System" together with West German ELP Chairman Helga Zepp-LaRouche's call, "Atomic Power or Nuclear War?", were the focus of much discussion among delegates, with British representatives lobbying intensively against the ELP's pronuclear approach. But the best indication of the effort to demoralize conference attendees was in the presentations by the editor of an influential Washington-based newsletter, *Energy Daily*, and Carl Walske, chairman of the U.S. nuclear industry association, Atomic Industrial Forum (AIF). *Energy Daily* publisher Llewellyn King declared flatly, "institutional barriers preclude the nuclear option in the USA ... nuclear power will have to be nationalized." King went on to predict an explosion in the Middle East, including Iranian-backed PLO terrorist attacks on Saudi oilfields.

Walske's organization, the most influential nuclear industry association, works closely with King and with the Heritage Foundation, a Washington-based British intelligence project which has advised the U.S. nuclear industry to "lay low" and avoid a pronuclear counter-offensive in the wake of Harrisburg. Walske told the Hamburg assembly, saying, "In the U.S., we are now entering a somewhat turbulent period during which we shall be considering the lessons from Three Mile Island ... There will remain the possibility of accidents which can kill thousands of people." Walske also cautioned the European audience, "There is always a temptation to declare that other peoples' accidents could not happen to us. .. This is foolish"—a stab at French and German spokesmen who have stressed this point in the wake of Harrisburg. Walske, whose own organization has capitulated politically on every major Carter Administration offensive against nuclear development, predicted "two to three more years of near zero orders for nuclear plants."

—William Engdahl

# 'No industrial nation can give up nuclear power'

*The following excerpts are from a speech given by West German Chancellor Helmut Schmidt at the Hamburg meeting of the European Nuclear Conference on May 7th.*

I remind you that the world's population is growing unceasingly. When I went to school in this city in 1925, we learned that there were 2 billion people in the world. Toward the end of this century, 75 years later, there will be nearly 6 billion, three times as many. Industrialization, especially in the Third World, is, thank God, increasing—and that means our energy requirements are increasing.

In this country, we are trying to obtain a situation in which one percent growth is connected with less than one percent additional energy consumption by means of conservation. In the developing countries, which are, primarily, in the process of building up their industrialization, such a favorable relationship—one percent growth of GNP with less than one percent growth in energy consumption—cannot be achieved.

Our German fate, as an exporting country, is connected extremely closely to the fate of the world economy as a whole. It is in our interests, but it also corresponds to our responsibilities for the countries less well off, to do everything possible to assure that energy scarcity does not hinder or even prevent the continued growth of the economy....

There are developing countries, large and important developing countries, that only needed a tenth of their export earnings to pay for the oil they consumed in 1972. Today, they have to pay one-third of their export earnings to pay for imported oil. That difference between a tenth and a third or more is no longer at the disposal of the developing countries for development of agriculture, for the development of modern industry.

Experts calculate that world energy needs by the year 2000—that is not far away, that is precisely 20 years and 6 months,—will double from six and a half billion coal equivalent units to 13 billion. ... A worldwide distribution fight for energy can also lead to confrontation among the big powers, or, in other words, I want to state clearly that a sufficient energy supply has become one of the essential elements of maintaining peace in the world—a recognition which will generally be seen everywhere in a few years....

If one looks at the country which is the biggest consumer of energy, the United States, it would be necessary to consume an additional 90 million tons of oil per year to replace the energy already produced by nuclear energy—if you wanted to replace it, regardless

of the investments which would be necessary to make this possible.

This clearly means that no industrial country, neither in the West nor in the East, can afford ... to exclude the use of this additional energy source.

I am talking about nuclear energy which already plays an indispensable role quantitatively in the world economy, even though it is still only an extending, complementary role in energy supplies. I think that nuclear energy must play this role for the foreseeable future—for the rest of this century at least—in order to be able to cover the needs of the developing countries for energy transfers at good economic conditions....

Nuclear technology is not only important for immediately covering energy needs. It is, at the same time, the basis of modern industry with a large number of future-oriented jobs, and is an important element in technological progress for industry as a whole. Industrial countries with high wage-levels, for instance this country, with higher levels of social services, will only be able to keep pace in the world economic structural change if they continue technological and economic progress. They would otherwise—in any case, if they are democratically governed states—be in no position to increase their development aid. Even the Federal Republic will only be able to keep its position in this group of especially productive industrial nations, if we perfect nuclear technology.

The fear that, later on, a turn around away from nuclear energy would be impossible unless we turn away from it now does not appear, to me, to be very enlightening. A second such turn around would be impossible. The allegedly temporary character of such a step would very probably be a sad self-deception. The skilled workers, the technicians, the engineers and researchers would have to look for other work. And it is very probable that we would lose the option of peaceful use of nuclear energy for the future.

For this reason—but not only for this reason—no large industrial country in the world, neither West nor East, has ever decided for such a shutdown....

Therefore, I think it is necessary that the government is urging an international conference, beyond the present context of governmental interface on reactor security, be called. The East European states must, without a doubt, also participate, because they operate many nuclear power plants, have experience and know the dangers....

Many of the arguments against nuclear technology are actually arguments against the entirety of modern industrial society, which, in many ways, gives rise to deep reaching philosophical questions far beyond just this technology. ... But pessimism about civilization is not the order of the day; it is not the renunciation of new technologies but, rather, the promotion of better technology. ...

# Defend human rights in Colombia

*New repression hastens disintegration of constitutional democracy*

Over the past days and weeks, the battle taking place within Colombia for the defense of constitutional rule has reached new levels of intensity. Widespread arbitrary arrests, torture and other violations of human rights of persons of diverse political affiliations occur daily. The right-wing military forces allied with Conservative Senator Alvaro Gomez Hurtado are redoubling their efforts to take political control of the country, and convert it—as Gomez has promised—into a legal producer and exporter of marijuana to the United States.

Most Americans readily understand the implications of that for the future of their children.

Reports received by *Executive Intelligence Review* say that the secretary general of the Colombian Communist Party, Gilberto Vieira, is now being set up for arrest on charges of connections to “subversive groupings.” Given the unique role of the Communists in preserving democracy in Colombia, such reports indicate how far the situation has deteriorated. On the strength of a “confession” extracted under torture from the leader of the Communist-led agrarian federation FENSA, Vieira is accused of leading the Revolutionary Armed Forces of Colombia (FARC). The latter is an armed peasant unit which operates as a defense organization in the countryside against the organized violence of the landed oligarchy.

Should Gomez-allied forces try to arrest Vieira, it will mean they have decided to drop the last pretense of “respect for democracy” and return the nation to the civil war period of the 1950s when Conservative Party chief Laureano Gomez—Alvaro’s father—attempted to outlaw virtually every democratic institution.

Gilberto Vieira is a Senator of the republic and respected leader of the opposition forces; he could only be arrested if his congressional immunity were violated—an action which would presage an assault on the institution of Congress itself.

With this special report and ongoing coverage of Colombia, *Executive Intelligence Review* undertakes a campaign to bring to the attention of the international community the truth of the life and death battle being waged by that nation’s democratic forces—and to bring pressure to bear on the perpetrators of hideous torture

and those who would degrade and bestialize the Colombian population by forcing it to become producers of marijuana for the advanced sector. The documentation included here, and additional information, have been presented to the appropriate international agencies—the United Nations, the Organization of American States, and several church and private agencies. Every possible pressure must be placed on them to ensure they act immediately on this information.

—Cynthia Rush

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## Human rights forum: ‘rights are nonexistent’

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*The following are excerpts from the General Declaration unanimously approved by the National Forum on Human Rights in Bogotá, Colombia.*

The National Forum on Human Rights and Democratic Liberties was called by citizens of different ideologies, groupings and political parties, at a time of profound national alarm as a result of repeated detentions and illegal house entries, violations of the right to defense and the application of various forms of physical and psychological torture during interrogations by military justice. The Forum was convened to repudiate the Security Statute implemented by extraordinary decree, No. 1923, on September 6, 1978, and the arbitrary application of Article 28 of the Constitution which authorizes apprehensions and detentions in the name of the national government.

Examining the information, documentation and testimonies presented at the Forum we can infer that, with the Security Statute and the arbitrary application of Article 28, the National Constitution is being infringed upon; furthermore the obligations contracted by the Colombian state when accepting the Universal Declaration of Human Rights and ratification of international accords of the Inter American System and

of the United Nations have been violated.

The Forum therefore is profoundly concerned that spokesmen for the Colombian state make respect for human rights contingent on whether a person is subject to penal investigations; (these individuals) merit the just and impartial judgment that the Universal Declaration allows. This governmental position is equivalent to the unilateral violation of international agreements and of the guarantees and rights under Article 3 of the National Constitution. By claiming these rights, the Forum also condemns all terrorist actions.

Given the previous violations it is paradoxical that Colombia condemns, before international organizations, governments like those in Chile and Nicaragua for violations of human rights while at the same time maintaining a permanent state of siege complemented by the Security Statute and the undue application of Article 28.

Social reality in Colombia, analyzed in this Forum, indicates without any doubt that social rights referenced by the Universal Declaration of Human Rights and approved by the General Assembly of the United Nations in 1948 are nonexistent in Colombia for the immense majority of the population.

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## Rights forum documents torture

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*The following is from the Report from the Committee on Tortures to the National Forum on Human Rights in Bogotá.*

Twenty-four delegates intervened to formulate denunciations which were documented concerning cases of illegal house break-ins, detentions, and tortures which have occurred in various places throughout the country, and in particular at the headquarters of the Brigade of Military Institutes in Bogotá and in other military installations.

Among the denunciations were personal statements from individuals who were detained and suffered tortures like Mr. José Asunción Silva, Jaime Ruíz and Consuelo de Mogollon, and the priest Saturnino Sepúlveda.

At the same time, the commission received hundreds of letters from around the country from prisoners, lawyers and families in which they describe the ways in which they have been tortured.

### Concept of legal medicine

Also a statement was heard from Dr. Odillo Mendez, former director of the Institute of Legal Medicine, discussing the medical check-up given by this institution

to a group of students who had been detained in October of 1978. Dr. Mendez presented copies of medical judgment of the Institute, and the analysis made of the photographs of the injuries. The document from the medical examination concludes that 18 people had visible external injuries produced by sharp and blunt instruments as well as by burning, applied during the time they were detained. We should point out that the final document from the Attorney General's office denied such tortures, omitting the medical judgment after these documents disappeared from the office archive.

This commission came to the conclusion, as did the Honorable Commission of Representatives, that the tortures against those detained did indeed occur. The various delegates denounced deaths, disappearances, tortures and illegal house entries in cities and in the countryside.

### Psychological and physical torture

Taking off from the various declarations, the letters and the documents received by the commission, it is clear that the tortures inflicted upon those detained were both physical and psychological.

The commission concluded that sensory deprivation, the blindfolding for several days, the lack of food and sleep, having to endure deafening noises and blinding lights constitute torture and cause mental disturbances.

Physical violence consists of blows to various parts of the body, especially the stomach, back, legs, head, and genital organs.

In the same manner those detained are hung with their arms behind their back; then comes the application of electrical shocks. Another form consists of submerging them completely in water until they faint; to this they add hanging.

Various stories point out that the tortures are applied in three successive stages, each one more intense than the previous.

### Responsibility of the high commands

Due to the large number of people who have been tortured in military installations, the commission has come to the conclusion that such acts could not have occurred if they did not have the approval of the high (military) commands.

Based on denunciations and abundant documentary evidence, the commission has concluded that physical and psychological torture is being systematically employed in Colombia as a way of obtaining confessions and declarations.

The National Forum on Human Rights will denounce the violations that are going on in Colombia before international organizations in charge of defending these rights.

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## Jurists expose 'Nacht und Nebel'

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*On April 4, a commission made up of parliamentarians Hernando Hurtado and Humberto Criales de la Rosa, publisher Manuel Cepeda, and lawyers Gelaslo Cardona, Alvaro Echeverri, Hernan Suarez, and Hermelinda Castellanos, met with the Colombian Minister of Government, Dr. German Zea Hernandez, to denounce military abuses and tortures against political prisoners. The abuses were summarized in the following document:*

We have been delegated by the Association of Democratic Jurists to personally hand you this memorandum which describes in a succinct manner the irregularities that continue to be committed ... against political prisoners; the obstacles that continue to be placed against the right to a legal defense and the manipulations occurring to try and implicate certain parties as participants in subversive or illegal activities.

### Provocation against Alvaro Vásquez

1. Dr. Alvaro Vásquez del Real, a lawyer, dedicated to scientific investigation and the social sciences, professor and writer, and member of the Executive Committee of the Communist Party, has had a dossier made up against him based on testimony from informers and paid provocateurs in order to try and link him and his party with guerrilla activities, linking him to activities which occurred nearly 20 years ago in 1966.

2. In the same manner the home of ex-parliamentarian and secretary general of the CSTC (Communist-led trade union federation—ed.) Roso Osorio, known defender of workers, was broken into by the military and an order for his arrest issued with the clear objective of political and union persecution, given his total rejection of any illegal activity.

### The case of Lucio Lara

3. Mr. Lucio Lara, a journalist for *Voz Proletaria*, newspaper of the Communist Party, has been detained for more than 20 days; his whereabouts are unknown; he has been savagely tortured and he has not been placed under orders of any judge. Further, they are trying to force him to make declarations about supposed charges made against his family.

### House searches and detentions

4. Illegal house searches have continued during the early morning hours and now, not only are arrests

made, but money, valuable objects and jewels and even children's toys are being taken, forgetting that we are in the middle of International Children's Year....

### Peasant regions

5. In the peasant regions of Cimitarra, Yacopí, Urabá and some others, [military] inspections continue; illegal house searches and detentions, accompanied by cruel physical tortures also continue....

### Psychological and physical tortures

6. Almost the totality of those presently detained and many others who have been set free because of lack of evidence against them, have been subjected to completely illegal treatment which ranges from physical to the most refined psychological violence.

They are not given enough water or food; they are not permitted to sleep; they are tied the whole time; they are forced to trot for hours until they collapse, they are forced to remain standing, they are interrogated for hours on end and some have even been brought to hallucinations through drugs or special inhalants. We can cite among others the cases of José Asuncion Silva, Lucio Lara, Pedro Osorio, Josue Diaz.

### Defense obstacles

7. In terms of limitations and difficulties to the Right to Defense we can point out the following:

Names of those detained are not printed, nor the places where they are being held. [Prisoners] are not permitted to receive clothing or drugs, nor are they told what judge or authority has approved their detention, nor are they allowed legal or family assistance.....

Many times, given the location of military courts, it is difficult for lawyers to enter these locations and they cannot find out the time and date of important proceedings, such as cross-examinations, testimonies, etc.

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## Militarization and torture against the peasantry

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*The following is excerpted from the Communist Party daily Voz Proletaria of April 5.*

It has been in the countryside where the most fierce and extreme fascist cruelty has occurred. For the peasantry, repression is not new, because for the last couple of years they have been suffering all kinds of assaults that violate their constitutional and human rights.

### **Cruel tortures**

In this region (Urabá-Antioquia) there exists a concentration camp called the "Green House" whose commander Colonel Velandía puts into practice his studies of Nazi books. Those detained are forced to remain standing for several days, with their hands tied behind their backs; they are frequently beaten with machetes, pipes, or stones, blindfolded with a tourniquet on their necks ... Sacks are placed over their heads, and they are submerged in water. They are threatened with execution and they are threatened with having their faces disfigured by bottles; all this is done without allowing them to have food or drink. Captain Rey, commander of the post of Mutata, is a specialist in directing these activities to force victims to confess or become informers if they want to continue living.

### **In Puerto Boyacá**

In December of last year, a commission formed by representatives of all political factions, trade unions and municipal community organizations of Puerto Boyacá denounced to the national government the climate of terror and uncertainty of citizens' rights being imposed by the military. One of the parliamentary commissions which visited the region later on confirmed the veracity of the denunciations, including the restrictions on free travel through the area, the control of drugs and food, the imposition of a special pass as well as the tortures at the military camp El Marfil which is run by Captain Ortiz. One peasant, who didn't give his name for fear of reprisal, said: "We are not enemies of the authorities, but we do not agree with the humiliation to which we are being subjected in the region. With the confiscation of all foodstuff, there are neighbors who, although they live 15 hours away, have to go for provisions to Puerto Boyacá; children are dying of hunger and sickness. An old man was detained, insulted, submitted to hunger and thirst, tied and his back and arms were burnt with cigarettes, only because he signed a petition calling for the demilitarization of the region. Another peasant was hung from a tree because they found a can of fruit in his home; they then transferred him to Cimitarra, where they stuck pins under his nails, inflicted burns all over his body and tried to asphyxiate him by immersing him in water.

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## **Prisoner recounts ordeal**

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*The following is testimony given by torture victim Vicente Guataquira to Voz Proletaria, the newspaper of the Colombian Communist Party.*

Comrade Vicente Guataquira, a worker at the National University, finds himself in the Modelo Prison. One can see the terrible torture marks. The Attorney General's office ordered him examined by the legal medical corps after being visited by a newsmen's association. From the Modelo prison, comrade Guataquira sends the following:

"On March 18 at six in the morning a B-2 patrol illegally entered my home where I was asleep with my wife and children. With violence, the military insisted that I tell them if I knew a man by the name of Martin Cruz and his whereabouts.... As I did not know such a person—and I repeated this insistently to the military—they forced me to go to the Brigade and at the same time detained my wife. They put me on a truck to take me to the Cavalry School at Usaquen; but before entering they forced us to take out our own handkerchiefs and they blindfolded us with them.

"Later they put me in a car and they took me to another place, where they hit me very hard in the head, chest and legs with their fists and revolvers, and they threatened to kill me. Because I continued to insist that I did not know this Martin character, they took me to another place which is like a dark plaza where they gave me electroshocks, especially in the testicles. They threatened me once again with their rifles and finally they sat me down on a bench where the interrogation took place in the midst of continuous blows and dirty words.

"While this interrogation was going on I was aware that in a nearby place they were torturing my wife.

### **Electrical discharges to my head**

"On the evening of March 18 they washed me with water various times. They stuck my head in a tank full of cold water, and applied electrical discharges to the tank. That night, they kept on transferring me from one floor to another, with various 'investigators' hitting and kicking me. They kept me like this until March 19.

"On the third day they put me in a car and took me to another place. There they told me that we were several kilometers away from the city and that now they were really going to execute me.... In that place there was a sort of plaza with all this equipment for torture. With my hands tied behind my back they hung me from an apparatus....

"They then kept me for another few days, allowing me to rest so that all torture marks would disappear, but still [April 15] my arms are full of wounds produced by the handcuffs during the hangings. I hardly have any feeling or movement in my right hand."

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## Newsmen denounce tortures

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*The following is excerpted from an article in the April 19 issue of the Colombian Communist Party daily Voz Proletaria.*

During a meeting held with the Public Ministry Monday April 16, the National College of Journalists, the National Association of Press Workers, the union of workers from *El Tiempo* newspaper, the Colombian Television Association, the Colombian Circuit of Graphic Reporters, and the Colombian Federation of Newsmen and Workers of Mass Communications Systems presented testimony about tortured newsmen.

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### The evidence

Spokesmen for the press organizations presented the head of the Public Ministry with proof of psychological torture committed in the various cavalry schools and other branches of the Brigade of Military Institutes against newsmen Jairo Munoz and German Teran, and physical and psychological torture against Lucio Lara and Augusto Lara.

The Attorney General of the nation, who days before had denied that tortures were occurring in Colombia, had no choice but to heed the denunciations ... and exclaimed in a moment of disbelief: "But how is it possible that one person could have their head under water for such a long time without drowning!"

Hours after the interview the Attorney General of the nation, Guillermo González Charry, designated a commission of doctors and jurists to initiate an investigation of those cases that were denounced and present a report before the end of this week.

*The following is the text of the declaration presented to the Attorney General by the Associations of Journalists:*

We are journalists and press workers. But above all we are Colombian citizens. And as such we cannot remove ourselves from the general concern ... about the way things are going in our country. There is restlessness among public opinion due to the abuses and excesses that have been committed by the Armed Forces. Many cases are known of arbitrary and illegal

house entries and arrests committed by the military almost always without an order from a judge. Personal libraries are ransacked and in some cases private property is endangered by those who supposedly safeguard life, honor, and the population's property. We do not support attacks against human life and the physical integrity of the people. We condemn all acts that threaten the dignity of man. The situation is even more serious when those very sectors of the State that have been created to safeguard internal public peace and guarantee national sovereignty ... are involved in this situation.

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## The ordeal of Lucio Lara

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*The following are excerpts of the testimony of Voz Proletaria reporter Lucio Lara, which was smuggled out of prison.*

(I) Lucio Lara Maldonado, holder of journalist identification card No. 1643 granted by the Ministry of Education, hereby confirm the violation of human rights in Colombia on the part of the government, and denounce from this area of reclusion in the Cavalry headquarters at Usaquen the following facts before the public:

On March 21 of this year I was detained on orders from the BIM (Brigade of Military Institutes—ed.). At 4:30 a.m. they illegally entered my home under the pretext of "looking for arms." After not finding anything but books, they took me, blindfolded me, and kept me this way until April 4 when I was questioned.

### Unending interrogations

On March 28 all tortures ended. At 9 p.m., they took me out under the threat that they were going to apply the "fugitive law" if I did not tell them where my sister Nefer and my brother-in-law Luis Morantes lived and if I did not confess that the *Voz Proletaria* newsmen were tied to the guerrillas of the FARC, or confess the names of newsmen that had any ties to any guerrilla group. As I honestly do not know where my brother-in-law and sister are, and the names of any newsmen with those kinds of ties, I was threatened with death and they took me to a tank of water, even though I was running a very high fever. They almost drowned me. They hung me with my hands tied behind my back for 15 minutes. I felt faint because they were violently hitting me. They insisted I tell them the whereabouts of my brother-in-law and my sister. When I answered negatively once again, they took me to the water tank again and then forced me to walk barefoot on rocks



and other seemingly hot objects. Because of the cold and the physical violence I lost all sensibility.

### **Death threats**

They also placed a revolver in my ear and threatened to shoot me if I did not name names of newsmen and of my family. On Thursday at 1 a.m. they suspended my "lesson".... Then they let me sleep for only one hour and the interrogations continued in this concentration camp. Finally they told me that when I was allowed to go free I would have to separate myself from *Voz Proletaria*, and that they would give me one month to resign from my job at the Communist Party weekly. If I continued collaborating after that time, they would kill me.

...They also threatened to detain my mother and my children and torture them in my presence if I did not tell them what I do not know. There was a moment when I thought that they would take them because I had already seen women and children being tortured. Peasants, especially those from Yacopí are the ones that get it the hardest. I saw one cruelly beaten. José Joaquín González, for example, was beaten by five torturers until they busted his insides ... according to him he was defecating blood for 10 days. Finally they sent him to a military clinic and then they let him go. After all this, the person detained has to sign a document stating that he "was treated well." There was another peasant that reached such a level of despair that he pulled himself loose and ran out screaming like a crazy man, "kill me, kill me." Two soldiers caught up with him and he was subjected to new beatings.

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### **City Council told of torture**

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*The Bogota City Council's special commission to investigate the charges of torture released a 40-page report from which we excerpt the following from the introduction.*

The special commission designated by this corporation to investigate the denunciations of bad treatment and

torture of political and trade union prisoners, had the opportunity, ... to visit the Picota, the Modelo and the Buen Pastor jails. There we heard direct testimony of various prisoners who had initially spent 10 days or more in the headquarters of the Cavalry batallion, which is part of the Brigade of Military Institutes. We were able to verify that some (prisoners) had marks of the bad treatment they had received before, during, and after the interrogations. We turn over to you copies of these testimonials so that clear criteria can be formed regarding everything that has occurred. We invite you to take this documentation, which we will shortly present to the President of the Republic, as a serious contribution to prevent these reprehensible violations of constitutional and legal rights from being committed in the future.

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### **'A power above the President'**

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*The following are excerpts of an interview with the Colombian poet Luis Vidales by the Liberal daily El Espectador on April 19. Luis Vidales was arrested by the military, interrogated and tortured.*

My case is not personally important although I may continue suffering physical injuries from the forced standing I was submitted to for one day. But in it there is something of greater importance. I am told that the President was surprised when he was told of my detention. This, instead of flattering me because of the good image (I have of the President) whom I have esteemed for years, was a motive for concern, in my position as an observer of Colombian events. I thought, "So, there is a power above that of the President."

I came to the conclusion that there does exist a power over that of the President and that this power is none other than the military.... This did not please me ... and got me to thinking: would it be impossible, given this situation, for all patriots in Colombia to join together around the President to defend democracy, and to strengthen with their support the President of the country?"

# Open letter to UN Division of Human Rights

*Warren Hamerman, Organizational Secretary of the U.S. Labor Party, submitted an open letter to the United Nations Division of Human Rights on May 10, charging that the wave of terror in Colombia was launched to secure a drug economy. The U.S. Labor Party and its fraternal parties in Colombia, Mexico, Canada, and Europe are waging an international campaign to bring public attention and immediately bring an end to this gross violation of human rights.*

On March 30 and 31, and on April 1 of this year, 1,554 delegates from every region of Colombia gathered in Bogota to participate in a Forum on Human Rights and Democratic Liberties, and to analyze the growing evidence of widespread torture, illegal arrests, and other violations of human rights in that country. Eminent individuals of all parties and political persuasions—ranging from jurists, trade unionists, and medical doctors to a number of Senators and Congressmen and a respected Conservative ex-Foreign Minister—reached the definitive conclusion that current repressive measures being carried out by the Colombian military are in flagrant violation of the 1948 United Nations Universal Declaration on Human Rights (to which Colombia is a signatory), and that there is in fact a grave danger that the military may soon decide to finish off Colombia's frail democracy altogether through a Pinochet-style military coup.

The purpose of the U.S. Labor Party in writing you this open letter is to publicly second these charges and to present you with solid documentary evidence from the torture victims themselves—of which we enclose only a small portion of that presented to the Forum, and which is available for your consideration. More particularly, it is our purpose to draw attention to the *causes* of the terrible repressive nightmare that is now engulfing one of the last democracies in Latin America—and that will engulf the entire world unless those causes are eliminated.

As the U.S. Labor Party showed in a July 1978 publication, "There Are No Human Rights Under the IMF or World Bank," the principal and worst violators of human rights in the Third World are the World Bank, the International Monetary Fund, and the City of London and Wall Street financial interests that direct these institutions. Colombia is no exception: World Bank/City of London policy is to turn Colombia into a marijuana-producing paradise, and to terrorize

and destroy any political forces that actually or potentially oppose this plan.

The single, most outstanding fact about the hair-raising tortures now being executed in Colombia is that its perpetrators are identical to those who argue openly for the legalization of marijuana production in Colombia, and for the country's conversion into a total drug economy along the lines encouraged by the World Bank. Those forces are associated with feared Colombian Defense Minister and would-be Pinochet, General Luis Carlos Camacho Leyva, and his political mentor and controller, Conservative Party leader and self-avowed Falangist, Alvaro Gomez Hurtado.

## **The evidence from the Forum**

As of this writing, the government of President Julio Cesar Turbay Ayala continues to deny strenuously the existence of torture in Colombia. On Feb. 23, 1979, Defense Minister Camacho Leyva answered a foreign critic that "we are respectful of the law and we protect freedom of expression, of assembly, and of association"; he then denied the existence of "supposed tortures" in Colombia.

On March 12, Secretary to the Presidency Alvaro Perez Vives challenged "those who claim to possess proof [of torture] to present it. . . . I have announced and I reiterate, because the President wants it that way, that if any proof is presented, the implicated officials will be implacably sanctioned."

In the course of proceedings at the Forum on Human Rights, verbal and written testimony was taken from dozens of victims of outrageous tortures (see below). As a rule they had been arrested in the dead of night, taken to various military detention camps, and questioned about alleged links to one of a number of terrorist groups. Standard operating procedure has reportedly been to force prisoners to stand for anywhere from 24 to 36 hours at a stretch; to be kept awake for similarly long periods of time; to be hung by their arms, which are tied behind their backs; and to receive brutal beatings and electroshock on sensitive parts of the body, including the genitals.

Further, there are reports of extensive violations of due process, of inadequate access to legal counsel, and of threats and harassment of lawyers defending torture victims.

Report after report presented to the Forum had passages like the following, taken from one victim's

account:

They hit me very hard in the head, chest, and legs with their fists and revolvers, and they threatened to kill me.... (Then) they stuck my head in a tank full of cold water, and applied electrical discharges to the tank....

After days of examining countless cases of similar testimony, the Forum's Committee on Tortures concluded: "Based on denunciations, backed up by abundant documentary evidence, the commission has concluded that physical and psychological torture is being systematically employed in Colombia...."

Two weeks later, and in the face of such massive public evidence, Interior Minister German Zea told the press: "I have received information that there have been excesses committed by some authorities, and I have personally investigated these charges. I can assure all Colombians that, if the tortures are proven, those responsible will be sanctioned and dismissed immediately."

In mid-April, the Union of Workers of Antioquia charged the military police with torturing one of their leaders by forcing him to strip and sit naked on an ant hill for almost 30 minutes. In the *only* case to date where the government has admitted the existence of torture, the soldier responsible was investigated and found guilty as charged—and imprisoned for 8 days for his crimes!

### **The political objective**

In late 1975, the international financial mafia which runs the world drug trade—based in the City of London and the notorious Hongkong and Shanghai Banking Corporation—targeted Colombia to replace Mexico as the main supplier of marijuana for the U.S. market. Mexican President Echeverria that year had launched a successful drug eradication campaign, and so the overlords of "Dope, Inc." set about leveling all Colombian opposition to converting that nation into Mexico's replacement as a drug-producing hothouse.

In September 1975, for example, the anti-drug Inspector General of Colombia's Armed Forces, Gen. Rincon Quiñones, was assassinated—allegedly by urban terrorists, who to this day have neither been identified nor captured.

But the most serious obstacle to taking over Colombia for drug production has been that country's well-organized labor movement, and in particular the Colombian Communist Party (PCC). Although it is only in the last year that these forces have begun *explicitly* to denounce the growing dominance of the drug trade in their country, their unwillingness to tolerate World Bank-imposed austerity and their demands for development of Colombia's industry and agriculture have constituted from the beginning a tremendous stumbling block to Dope, Inc.'s designs.

On May 1, 1976, Colombia's best known trade union leader, José Raquel Mercado, was kidnapped

and murdered—again by "urban guerrillas"—only weeks after he had called for an unprecedented alliance of the country's four trade union confederations.

In September 1978, the new Turbay government used its authority under the existing official State of Siege to institute a broad new Security Statute which attempted to outlaw strikes and the possession or distribution of "subversive propaganda," and which established military justice for all major areas of criminal activity.

The massive roundups and torture of prisoners documented at the Bogotá Forum on Human Rights have occurred under the thin legal veneer of this Security Statute, and under the recently invoked Article 28 of the Colombian Constitution, which permits "even in times of peace but there being grave motives to fear the disturbance of the public peace," the suspension of the writ of habeas corpus for up to 10 days. It is that 10-day period which the military is now exploiting to torture their prisoners into making forced "confessions."

A central target of this campaign has unquestionably been the Colombian Communist Party, whose Sub-Secretary General, Alvaro Vasquez del Real, has been jailed for over a month on flimsy charges of being "linked to terrorism." Many Communist Party members have been detained and tortured. The ultimate objective, as the PCC itself has charged, is to outlaw the party and then attempt to drive it out of existence.

### **Falangist activism**

It is well known inside Colombia that the Liberal Turbay government is in fact dominated by a faction of the Conservative Party led by Alvaro Gomez Hurtado—the son of Colombia's most hated dictator, Laureano Gomez, and a self-avowed Falangist and supporter of Adolf Hitler in his own right. Leading "Alvaristas" today hold such key cabinet posts as Defense (Camacho Leyva), Justice (Escobar Sierra), and Labor (Martin Bernal). These individuals are directly heading up the current witchhunt.

But it is also Alvaro Gomez Hurtado and his allies who are the strongest advocates of the legalization of marijuana production on Colombia—as countless editorials in the "Alvarista" daily *El Siglo* attest. It is the Grancolombiano banking group linked to Alvaro Gomez which is also on record endorsing the marijuana trade, and which has been publicly accused of financial involvement in that multibillion dollar business. And it is the "Alvarista" layers in the military that directly protect—and participate in—drug-running activities.

It is the contention of the U.S. Labor Party that stopping torture in Colombia and putting an end to the drug-runners who currently dominate that nation's economy are one and the same task. Both are intolerable violations of human rights, and for that reason, we call upon the U.N. Division of Human Rights to take vigorous action on both these counts.

# CFR election scenario accelerates along with groundswell for LaRouche

The groundswell of endorsements, benefits, and meetings for presidential candidate Lyndon H. LaRouche, Jr., as he begins the first leg of a national tour in Michigan—combined with the reemergence of a European-Saudi-Soviet axis against London's war drive—has prompted the City of London and its New York Council on Foreign Relations cohorts to accelerate their "Haig versus Kennedy" 1980 presidential scenario ahead of all previously considered "timetables." The LaRouche groundswell is highlighted by the formation by top Michigan Teamster officials of the Teamster Committee to Elect LaRouche President, opening the way for endorsement of LaRouche by the largest trade union in the United States. The burgeoning labor support for LaRouche is coupled with intense and widespread consideration of support and endorsements from a pro-progress cross-section of corporate and industrial America, including backers now appreciative of the U.S. Labor Party mobilization against the king of the dope-running banks, the HongShang. The LaRouche Michigan tour begins with an address by invitation to the Detroit Chamber of Commerce May 19.

The threshold quality of events surrounding the LaRouche campaign for President has forced London and the New York investment banks to pull the plug on the very idiot they installed in the White House after the 1976 elections. Operation "lame duck" against Carter was made official with the release by the International Institute for Strategic Studies of London, declaring Carter to be "incapable of leading the Western world ... having no coherent world outlook or policy ... the United States requires a coherent policy under strong leadership." On cue with the release of that study, IISS-member "journalists," such as Richard Burt of the *New York Times*, announced on May 17 a wave of resignations from the Carter National Security Council. A column in the May 17 *Times* by William Safire, an intimate of Thatcher Tory circles and Senator Jacob Javits, cited the IISS study's conclusions as the reason for the seven NSC staffers deserting ship.

Juxtaposed to the staged "controlled disintegration" of the Carter Administration is the gearing up of Haig and Kennedy.

Haig had been originally scheduled to begin touring the U.S. after June 15—two weeks following his resignation as NATO commander taking effect. The revised Haig timetable looks as follows. Two days following release of the IISS study, Haig gave an interview to the military paper, *Stars and Stripes*, under a rubric identical to that of the IISS, "the U.S. must change its style of leadership." On May 22, Haig and his stalking horse, John Connally, will jointly be the featured speakers at the California State Bankers' Association Conference. On May 24, Haig will be the guest speaker at the Overseas Press Club in New York. Following that, he'll begin touring and speaking across the country, gaining heavy exposure from the controlled national media.

The escalation of the Kennedy campaign is even more marked, and not surprisingly, given the LaRouche-Teamster developments, centered on the mobilization of the Zionist lobby apparatus in the AFL-CIO together with Doug Fraser of the UAW to counteract rising LaRouche sentiment in organized labor. The highlight illustrating this turn of events was the appearance of Lane Kirkland, Secretary Treasurer of the AFL-CIO with Kennedy and Fraser at Kennedy's "informal" candidacy declaration at his Senate Caucus Room speech on health care.

The three-way race that will determine the fate of the nation has now been joined.

## Michigan Teamsters form Committee to Elect LaRouche

Leaders of the International Brotherhood of Teamsters in Michigan announced on May 15 the formation of a Teamster Committee to Elect Lyndon LaRouche President. The announcement of the formation of a Teamster Committee is viewed as the first major step toward securing a full endorsement for LaRouche from the nation's largest and most powerful union.

The Teamster leaders expressed the hope that "...an endorsement by the IBT would open the way for other labor, business, farm, and community-minority groups to endorse LaRouche: groups whose leaders we know are now considering such endorsements."

By the end of the week, more than 50,000 copies of "Bulletin Number 1" of the Michigan Teamster Committee to Elect LaRouche will be in hands of Teamsters in the United States and Canada.

### **Kennedy all but declares**

Senator Edward Kennedy (D-Mass) all but officially announced his intention to seek the Democratic nomination at a well-publicized press conference in Washington, D.C. May 14, when he unveiled his national health insurance bill. Kennedy pointedly made his announcement in the same room that both his brothers used when they declared for the White House, amid a bandwagon atmosphere created as the defection of his House supporters from President Carter's gas rationing bill produced a crushing Administration defeat to help kick off his campaign. Virtually every question centered around the 1980 presidential race.

Of significance were the people who shared the podium with Kennedy, endorsing his platform. AFL-CIO Secretary Treasurer Lane Kirkland, a "brinksman" of long standing and one of the founders (along with John Connally) of the Committee on the Present

Janger, was there. Kirkland told the audience that if Carter does not endorse the Kennedy bill labor would look elsewhere for a candidate. Also attending the announcement was United Auto Workers President Doug Fraser. Kennedy was also flanked by Senator Claiborne Pell (D-RI) who sits on the board of the Ditchley Foundation, the top Anglo-American planning group. Senator Jacob Javits (R-NY), the leading GOP Zionist, also was by Kennedy's side.

That same night Kennedy addressed a conference of Americans for SALT in Washington, D.C., putting himself in the forefront of the fight for Senate endorsement of the SALT treaty. Kennedy's calculated dove image is aimed at pitting him directly against Haig, who intends to return to the U.S. to lead the "anti" side of the SALT debate.

The regional apparatus for a Kennedy campaign is already being put into place, patterned after the "Dump Johnson" drive of 1968. In Minnesota, Democratic Congressman Richard Nolan, a protégé of Vice-President Mondale and a veteran of the Eugene McCarthy anti-Johnson campaign, is leading the move. He has announced that his Minnesotans for a Demo-

## **Teamsters for LaRouche announces its formation**

*The Teamsters Committee to Elect LaRouche issued the first of a series of nationwide bulletins announcing its activities this week, and promising further efforts to secure support for LaRouche. Following are excerpts:*

As all working people know, since the mid-1960s, and especially since 1976, the IBT and all of organized labor have been under severe attack. This attack has come primarily in the form of lower and lower real wages in a stagnating economy, and secondarily (but dangerously) from direct government assault and from a range of Foundation-funded "dissident" groups. As the economy has weakened, and inflation gone wild over this period, government and "dissident" attacks have increased. In our judgment, either this is reversed through the 1980 election campaign, or American labor will be finished.

The IBT leadership is not a bunch of aristocrats who were born with silver spoons in their mouths and a large inheritance at their disposal. They are leaders in the largest single union in the world today because of their concern for the American worker and through their determination, minds, and muscle have helped to build this great country to what it is

today. ...Building our nation's power to grow is what being an American is all about. ...

The IBT, centralized, strong, and unshakeably for development, is the best example of what the American labor movement ought to be. Teamster support for Eisenhower's Atoms for Peace policy, Teamster defense of high wages for American workers, Teamster opposition to "pick and shovel" style backward employment policies. These examples mark the dividing line between the 70 percent of Americans who are nation builders and the 30 percent who are the constituency of the do-nothing so-called leaders and politicians of today.

While we don't yet fully understand all of his international policies, we have met Mr. LaRouche, and we know him on a deeper level. We know he understands the real International Brotherhood of Teamsters. We know he is committed to high rates of industrial, technology and scientific progress. Therefore we trust the man, and we are confident that as we understand his stand on other issues better, these will fit into his basic outlook.

Only LaRouche has the economic know-how and the moral commitment to make America great again....

cratic Alternative will pull together a strategy session in St. Paul, Minnesota, June 10, to plan the selection of Kennedy delegates to the Democratic national convention. A similar effort is underway in Iowa, where the first party caucuses will be held on Jan. 21, 1980. The Iowa Kennedy supporters are being organized by the UAW's Bill Fenton, the International Association of Machinists and the Democratic Socialist Organizing Committee. In Cleveland, too, draft Kennedy organizing has begun. In New Hampshire, "dissident Democrats" allied with Senator John Durkin (D-NH) have just unveiled plans for a write-in campaign on Kennedy's behalf in the pace-setting New Hampshire primary Feb. 21.

In New York former New York City Council President Paul O'Dwyer, a leader of the "Dump Johnson" movement, has created a "National Committee for a Democratic Alternative." The group took a full page ad in the *New York Times* May 6 calling for Carter's ouster.

#### **Haig comes out of his Brussels closet**

General Alexander Haig is not waiting until his term as NATO Supreme Commander ends in June to begin his

presidential bid. In an interview just published in *Stars and Stripes*, Haig declared that the U.S. "must change its style of leadership." Haig gathered U.S. and European media to his headquarters in Mons, Belgium last weekend to put out the word that he is eager to return to the U.S. to "speak out publicly to my concerns" on SALT, alleged Soviet aggression and inadequate NATO defenses.

Haig is already building his campaign apparatus, using Connally as his frontman. The Connally campaign, which has been run by Rita Hauser, a founder of the Committee on the Present Danger and a leading Zionist insider, is now solidly in the Haig camp. On May 15, it was revealed that Samuel Hoskinson, a leading staffer on the National Security Council, had resigned to become the issues director for John Connally, writing his major positions on domestic and foreign policy. Hoskinson has been a close personal friend of Haig since their days as students together at Georgetown University. It was Haig who originally brought Hoskinson, a "dirty tricks" specialist, from the CIA to the NSC. Hoskinson stated that his resignation this week from the NSC was to focus on Carter's weak leadership.

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## **International support for LaRouche**

*Since February of this year, a number of international political, industrial, and intellectual leaders have expressed their support for the presidential candidacy of U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.*

*February, 1979: Dr. Emmanuel Tremblay, author of the noted book Grow or Die, in an interview EIR Vol. VI No. 7: Feb. 27-March 5):*

(The LaRouche program) is...inspired by values which extol human creativity and provide the only economic basis upon which we can solve the main contemporary problems...values that are diametrically opposed to those advocated by the Council on Foreign Relations-linked personalities in the Republican and Democratic parties and the Trilateral Commission.

*March 1979: Dr. Andriano Valeri, Vice-President and Director of the Italy-OPEC Chamber of Commerce in Milan, in an interview (EIR, Vol. VI, No. 9 March 13-March 19):*

In the U.S., so far as I know, the only political platform coherent with the industrial development of the Mideast and the world, is that of Lyndon H. LaRouche....(LaRouche) launched, in 1976, a proposal for an International Development Bank (IDB) which poses East-West cooperation for the industrial devel-

opment of the Third World...(and) was the basis for the creation of the EMS. The LaRouche candidacy seems to me to represent the only alternative to the program of austerity and war of the present administration.

*April 13, 1979: Dr. William V. Banks, supreme president of the International Masons and president of WGPR-TV in Detroit, April 13:*

I, Dr. William V. Banks, endorse Lyndon H. LaRouche for President of the United States of America in 1980.

I have met with Mr. LaRouche and he has the moral fiber of an individual who can get the United States out of its present crisis. ...

*May 8, 1979: Alf Matthews, the Canadian National Education Director of the International Union of Elevator Constructors, May 8:*

I, Alf Matthews, endorse Lyndon H. LaRouche for President of the United States in 1980...Only the qualities of leadership exhibited by LaRouche and his collaborators are, in my judgment, sufficient to pull the world back from the brink of disaster. Under a LaRouche presidency, the United States would join the European Monetary System and begin a major export drive, focused on nuclear reactor exports.

# Congressional Calendar

## **E**mergency preparedness measures under scrutiny

In conjunction with the Carter Administration's activation of and centralization of the emergency preparedness apparatus under the National Security Council, which went into effect April 1, extensive Congressional activity on this issue is developing. Congressman Weaver (D-Ore) and Senator Gary Hart (D-Colo) have introduced an amendment to the Nuclear Regulatory Commission authorization bill that would prevent the NRC from licensing a new nuclear plant unless the state it was planned for had an extensive emergency measures program established. Hart has also proposed that existing nuclear plants be shut down within 6 months of adoption of the authorization if the state in which a plant is located does not have an emergency evacuation plan ready. Weaver will introduce this same amendment on the House floor.

At this time 16 states which have no emergency evacuation plans have nuclear plants operating. The NRC authorization with these amendments have passed the House Interior Committee and the Senate Environmental and Public Works Committee. House action is expected by July.

As well, the House Armed Services subcommittee on military installations is holding hearings May 15 and 16 on civil defense aspects of the Three Mile Island crisis.

At the same time Congressman Toby Moffitt (D-Conn) has been holding investigative hearings into the adequacy of current emergency planning for nuclear plant accidents. Using a recent General Accounting Office study which shows that only 10 states have a Nuclear Regulatory Commission approved

emergency plan, Moffitt's House Government Operations Subcommittee on Environment, Energy and Natural Resources has been investigating what such a plan looks like and its adequacy for "nuclear plant disasters." The subcommittee also investigated the extent to which the NRC has used its authority to force utilities to have their own detailed emergency plans. On May 7 the subcommittee heard from environmentalist guru Ralph Nader, as well as state and nuclear industry officials from South Carolina on emergency measures planning for the Oconee nuclear station. It held another hearing in White Plains, New York on the emergency planning for the Indian Point nuclear plant. On May 14 NRC chairman Hendrie testified. The Committee will shortly issue a report on their investigation into the extensiveness of emergency measures planning.

## **O**pposition to Department of Natural Resources kills bill

President Carter's attempt to create a new Department of Natural Resources has met with such stiff resistance that he has dropped the idea for the rest of his term of office, according to Administration officials who asked not to be named. The proposal was drafted by the President's Reorganization Project, whose staff, largely from the Rand Corporation, also drafted the reorganization of the emergency preparedness agencies. The Natural Resources Department would have taken the U.S. Forest Service out of the Agriculture Department and the National Oceanic and Atmospheric Administration out of the Commerce Department and put them into the new agency which

would amount to a beefed up Interior Department. This would have given the new agency control over development of extensive federal lands and off-shore mineral and oil and gas development. The measure was widely opposed by agriculture, industry, and forestry groups who saw the move as aimed at replacing policies oriented to technological and industrial development with environmentalism. Carter had attempted to assuage this opposition by introducing his measure as legislation rather than as a reorganization plan which would only need to escape congressional veto for 60 days in order to become law, but the opposition was still too strong for the Administration's plans.

## **W**heat cartel in the works?

What amounts to a wheat cartel is being put into place, after a meeting May 10 in Saskatchewan, Canada with the Agriculture secretaries of the U.S., Canada, Australia and Argentina, the four major world wheat producers. At the meeting the four agricultural secretaries agreed to maintain a high price for wheat, to not dump surplus wheat supplies, and to begin creating a wheat bank. These measures would give the fledgling cartel critical control over the flow and availability of this basic staple. Following the meeting, demands have already appeared in some major press outlets to the effect that wheat only be sold to OPEC nations in exchange for specified amounts of oil, and that wheat sales be used to enforce other economic policies on certain countries.

The final communiqué of the meeting declared that "in view of the increasingly important wheat consumption we encourage the



building of food stocks." Their aim is creation of a 15-20 million ton reserve stock of wheat. The Department of Agriculture has now informed members of the House and Senate Agriculture Committees that sometime in the latter half of May they can expect legislation from the Administration to establish a government-held wheat reserve of 4 million tons. They are urging Congress to pass the legislation on the basis that this will force the other wheat producers to do the same. The measure is widely opposed by the National Association for Wheat Growers. The four nations expect to meet again in June to discuss further developing the wheat reserve.

### **S**ynthetic fuels promoted

While the nuclear energy industry is under heavy attack, Congress is vigorously pursuing the development of extremely expensive and inefficient synthetic fuels, as well as various 19th century fuels such as wind power. On May 15 and 16 three House agriculture subcommittees will review various proposals for developing alcohol fuels. Congressman Richard Ottinger's (D-NY) subcommittee on Energy Development and Applications has a full agenda of hearings on these items. In June they will hold hearings on developing a wind energy program, and solar energy. In July this subcommittee will investigate various programs aimed at converting waste into heat and synthetic fuels, and will also hold hearings on such alternate fuels as coal liquification, tar sands oil, and alcohol fuels. Coal gasification as an energy source will be reviewed in the fall. During the second session of Congress the subcommittee also plans a

major discussion of how to bring such low-technology "alternative" energy programs to the underdeveloped countries.

### **M**oves afoot to resume the draft

The House Armed Services Committee on May 10 endorsed an amendment to the Defense Authorization Bill that would require the President to establish a mechanism for the registration of all males 18 and over who could be called up for duty in the event of an emergency. The measure now goes to the Rules Committee where it could be out and on the House floor in as short a time as two weeks. The Senate is still in the process of marking up the legislation and it is uncertain whether a similar amendment will be added, or whether the issue will have to go to a conference committee for final action.

### **H**elms, Stevenson apprehensive as Senate approves Camp David aid

By a margin of 73 to 11, the Senate approved the Administration's \$4.8 billion Camp David aid package to Egypt and Israel May 14. Leading the small group of opponents of the legislation, North Carolina Republican Jesse Helms warned that "this agreement is not a peace treaty at all." Reemphasizing the concerns expressed in a Senate speech March 27, Helms charged that the United States was potentially being drawn by the Israelis into "an economic and possibly military operation to crush the Arabs altogether." Helms added: "The building up of a powerful 100,000 man intervention force for the Mideast, now under

active consideration by Secretary Brown, might be another move in this direction. The establishment of a powerful new fleet in the Indian Ocean could be still a third step." Also significant in this context, Helms added, is "the construction of more American military bases in the area" and the mooted "reestablishment of the draft."

Helms called for a comprehensive settlement, including Israeli withdrawal from all occupied territories, and "to make the Middle East a nuclear free zone, to seek a ratification by all parties in the area that nuclear war is out of the question."

Illinois Democrat Adlai Stevenson concurred that the treaty would not and had not brought peace to the region. "I suggest a way to encourage the peace process instead of involving the U.S. expensively and dangerously in a process which could lead toward more instability in the Mideast, more economic dislocation in the world, more Soviet influence, and ultimately, war."

Also voting against the legislation authorizing U.S. aid to Egypt and Israel were Democrats Quentin Burdick (ND), Russell Long (La), John Melcher (Mont), and William Proxmire (Wisc). Republicans voting against the bill included, besides Helms, Barry Goldwater (Ariz), Mark Hatfield (Ore), James McClure (Idaho), and Milton Young (ND). Independent Harry Byrd (Va) also opposed the measure.

—Barbara Dreyfuss  
with Susan Kokinda,  
Washington

### There's more to the rubber strike than meets the eye

The selective strike by 8,200 members of the United Rubberworkers union against Uniroyal, the nation's third largest rubber producer, entered its second week with no end in sight. The negotiations are stalemated as both sides await the outcome of a union-initiated suit charging the federal government with illegal interference in the negotiating process. The suit claims that government officials, including inflation czar Alfred Khan and Council on Wage and Price Stability head Barry Bosworth have blocked potential contracts by threatening Uniroyal with "government sanctions" if they break the Carter 7 percent wage guidelines.

URW President Peter Bommarito claims that Uniroyal had agreed last month to a "pacesetter contract" calling for wages and benefits well in excess of the government guidelines, only to later reject the package following government pressure.

While this Carter-forced test-of-wills continues, our sources report that some nasty in-fighting within both Uniroyal and the rubber industry contributed to producing the strike. It is well known within Uniroyal, that the company is being run by its chemical-division oriented management.

As a matter of fact, Uniroyal is undergoing a major retrenchment which pushes investment in

its chemical and non-tiremaking lines. According to at least one source, Uniroyal's chemical management has been looting its tire division for some time. Industry insiders report that a long strike might give the "chemical boys" the needed impetus to move to scrap the tiremaking line completely. Our sources also report that the "cost management people," who authored the tiremaking disinvestment policy, are the ones pushing the confrontation with the union. If government sanctions are applied, they claim, it would hit the non-tiremaking divisions as well. They are receiving backing from the company's Wall Street investment bankers.

All this seems to suit the other rubbermakers—Goodyear, Goodrich, and the much-attacked Firestone—who would welcome a further cartelization of the industry. It also seems to suit General Motors, which purchases most of Uniroyal's tires. They have reportedly applied the pressure by informing company officials that GM would take its business elsewhere if the company agrees to a contract above the guidelines. GM has stockpiled tires for a long strike.

Sources close to the negotiations say that unless there is a major shift in the situation, the strike could drag on well into the summer. The last URW strike in

1975 lasted more than 150 days.

#### Airline strike continues

The strike by the International Association of Machinists (IAM) against United Airlines, the nation's largest commercial carrier drags on with negotiations at an impasse. Now in its seventh week, the strike has shut down UAL operations. Shippers report that for all practical purposes reliable, cheap air freight is now impossible, forcing them to shift to other modes. From the passenger side, coupled with the disastrous effects of airline deregulation on service, the overload created by the strike has made obtaining commuter seats, especially to out-of-the-way cities, extremely difficult. Here, as in the rubber strike, the Carter guidelines policy continues to stymie negotiators.

Meanwhile, other Carter-program forced strikes appear likely. The contract expires next month for most warehouses and food-processing facilities organized by the Teamsters and the International Longshore and Warehouseman's Union (ILWU). Toward the end of the month, contracts expire covering over 60,000 workers in the electrical equipment industry and between the Teamsters and the haulers of automobiles.

—L. Wolfe and M. Moriarty

# AMERICAN SYSTEM

## Abraham Lincoln and American System politics

*Senator Edward Kennedy may not yet be a declared candidate for President of the United States, but his antics around the country and in the halls of Congress make it clear that he is waiting for the green light from his mentors at the New York Council on Foreign Relations. He is raising a populist hue and cry over the evils of big business and the dangers of high technology and nuclear power in every sector of the economy—including health care. He already has legislation in Congress to deregulate industry and reform antitrust legislation—all, of course, in the name of democratic free trade.*

*We are reminded of similar "free trade" advocates of the 19th century: Stephen Douglas and George McClellan, the Democratic opponents to Abraham Lincoln. Their brand of politics and economics, widely known at the time as the British System, would have made impossible the industrial development of the United States. In the 1860s, Abraham Lincoln was the foremost spokesman for the American System, its conception of labor power and industrial progress. We present the following excerpts from his favorite campaign speech for the 1860 presidential election.*

All creation is a mine, and every man a miner.

The whole earth, and all within it, upon it, and round about it, including himself, in his physical, moral, and intellectual nature,

and his susceptibilities, are the infinitely various "leads" from which, man, from the first, was to dig out his destiny.

In the beginning, the mine was unopened, and the miner stood naked, and knowledgeless, upon it....

Man is not the only animal who labors; but he is the only one who improves his workmanship. The improvement he effects by Discoveries and Inventions. His first important discovery was the fact that he was naked; and his first invention was the fig-leaf apron.... The first important improvement he ever made in connection with clothing, was the invention of spinning and weaving....

The discovery of the properties of iron, and the making of iron tools, must have been among the earliest of important discoveries and inventions. We can scarcely conceive the possibility of making much of anything else, without the use of iron tools....

Transportation—the removal of persons and goods from place to place—would be an early object, if not a necessity with man. By his natural powers of locomotion, and without much assistance from discovery and invention, he could move himself about with considerable facility; and even, could carry small burthens with him. But very soon he would wish to lessen the labor, while he might, at the same time, extend, and ex-

pedite the business. For this object, wheel-carriages, and watercrafts—wagons and boats—are the most important inventions....

As man's food—his first necessity was to be derived from the vegetation of the earth, it was natural that his first care should be directed to the assistance of that vegetation.... The plow, of very early origin; and reaping, and threshing, machines, of modern invention are, at this day, the principal improvements in agriculture. And even the oldest of these, the plow, could not have been conceived of, until a precedent conception had been caught, and put into practice—I mean the conception, or idea, of substituting other forces in nature, for man's own muscular power. These other forces, as now used, are principally, the strength of animals, and the power of the wind, of running streams and of steam....

The idea, being once conceived, ... would soon be extended to others....

The advantageous use of Steam-power is, unquestionably, a modern discovery. And yet, as much as two thousand years ago the power of steam was not only observed, but an ingenious toy was actually made and put into motion by it, at Alexandria in Egypt. What appears strange is, that neither the inventor of the toy, nor any one else, for so long a time afterwards, should perceive that steam would move useful machinery as well as a toy.

## Lopez Portillo urges U.S. lawmakers to back producer-consumer conference

Mexico's President José Lopez Portillo told visiting members of a subcommittee of the House Science and Technology Committee last week that failure to implement his proposal for international agreements to expand and more justly distribute energy production will lead to another "world war."

This is the strongest warning the Mexican President has sent to the U.S. on the dangers of allowing Energy Secretary James Schlesinger to continue policies which range from plans to "send troops to secure U.S. energy supplies" to contrived gasoline scarcity in the U.S. and the grabbing of Mexico's energy resources to fuel the Anglo-American war machine.

In the face of what Lopez Portillo has called an "apocalypse," the Mexican government has picked up the tempo of its international organizing to win support for the Lopez Portillo proposal for an energy producer-consumer conference to establish international agreements to regulate energy production and distribution to make energy readily available to all nations. In September the Mexican President will bring his proposal to the United Nations.

Having secured support in Europe, various Arab nations and in Latin America over recent months, the government moved strongly on three flanks this week:

- At the United Nations Commission of Trade and Development (UNCTAD) meeting in

Manila, the Mexican delegation's main thrust was in promoting the proposal for an energy producer-consumer conference as the key battle to be won in order to establish a new world economic order. "A rational energy policy can and must be the beginning of the solution of the entirety of problems we face ... if a global equitable accord is not reached, there will be scarcity, injustice and violence," said the head of Mexico's delegation. (More in Commodities.)

- On May 7, the Czechoslovak Ambassador to Mexico set a precedent for the rest of the Comecon countries by calling the press to announce that his country totally supports the Mexican initiative and that it will express that support in UN deliberations. A week later Bulgarian President Zhivkov entered into oil negotiations with his French counterpart Giscard.

- Lopez Portillo himself is expected to brief Cuban President Fidel Castro and Costa Rican President Rodrigo Carazo in two meetings in Cozumel, Mexico, on May 17 and 19 respectively.

### Mexico's Caribbean project

Mexico's energy collaboration plans in the Caribbean-Central America region are the best expressions of what it means by its energy proposal. In his meeting with the Science and Technology subcommittee members, Lopez Portillo told them that the best example of a better international energy distribution system is a

quadrilateral swap deal being worked out now by which Mexico would supply Cuba with a portion of the oil that Cuba now receives from the Soviet Union, and the Soviet Union would redirect the same amount of oil to fulfill Mexico's contract to Spain. As an example of production agreements consistent with his proposal, he also told them that Mexico wants to build a hydroelectric complex in a river dividing Mexico and Guatemala in order to feed electricity to the entire Central America region.

Mexico's "Caribbean project," Foreign Minister Santiago Roel told the press May 15, includes transfer of technology from the Mexican Petroleum Institute—one of the most advanced technological institutions of the Third World—to the Central American country of Costa Rica.

### Collaboration with the U.S.

That the U.S. has a key role to play in Mexico's plan was restated to the congressmen by President Lopez Portillo when he told them that Mexico planned to continue its nuclear program and he indicated that the road remains open for the U.S. to supply nuclear technology to Mexico if the U.S. wants to take the orders. According to the congressmen, quoted in the daily *Uno mas Uno*, Lopez Portillo linked future natural gas sales to cooperation in obtaining this technology.

Nonetheless, the status of U.S.-Mexico negotiations over natural gas sales clearly shows that Schlesinger is still in control. On May 8, Mexico's National Patrimony and Industrial Development Minister, L. Andres de Oteyza, told the press that "There is no big news" in the negotiations because there has been no effort so far to meet Mexico's insistence on a fair international price for its gas.

—Elsa Ennis

## FACTS BEHIND TERRORISM

### Noose tightens around Italian terrorists

Investigations following the April arrests of Professor Antonio "Toni" Negri and a circle of some thirty other leftist "theoreticians" based in universities and newspapers in Rome, Milan and Padua, have begun to provide a detailed international map of the support networks which sustain the Italian Red Brigades.

The arrest of Negri, a founder of Potere Operaio (a precursor of the Red Brigades) and a Political Science professor at the University of Padua has sparked protests from Negri's collaborators in universities and in the Italian Social Party (PSI). However, as the result of the seizure of Negri's documents from archives at the Feltrinelli Foundation in Milan, evidence showing him the mastermind of the 1978 kidnapping and murder of former Italian President Aldo Moro continues to mount. On May 15, Roman Judge Guasco, who is directing a section of the Moro investigation told Italian press: "The evidence gathered so far is sufficient (for a court case) and is still increasing. Whoever says it is a frame-up doesn't know what he's talking about."

Since May 7, when the Feltrinelli offices were raided and the documents confiscated, Negri has been under questioning by Italian magistrates. The evidence contained in the Feltrinelli files in-

cludes:

- A letter from Red Brigade leader and founder, Renato Curcio advising his correspondent to "Ask Toni N" for details on a planned kidnapping operation.

- confirmation that "Red Brigades Strategic Resolution No. 4," following the death of Moro, was typed on Negri's typewriter.

- A letter to Negri that begins, "Dear Toni, Many comrades don't understand that the split in Potere Operaio is only formal..." This letter references a division in the organization that Negri founded which spawned the Red Brigades, and its "above ground" grouping, "Autonomi," which Negri ran in Padua.

In Ascoli Piceno, Italy, a man claiming to be from the Red Brigades made a telephone threat to the home of Gianfilippo Ciccanti, a candidate for Parliament for the European Labor Party. The caller first asked for Mario Fanini, the ELP President for Italy, and then told Ciccanti, "This is the Red Brigades. We will shoot you in the legs."

The call occurred a few minutes following an appearance by ELP candidates on TVASCOLI, a private television network, in which the ELP candidates named several leaders of the Italian Socialist Party (PSI) as controllers of terrorism through their collaboration with and defense of Negri.

### Threats against LaRouche in U.S.

The "New Jewish Defense League," which has been blamed for several bombings directed at Arab diplomats and businessmen in New York, has begun a campaign of death threats against Lyndon H. LaRouche, chairman of the U.S. Labor Party and a 1980 presidential candidate who also serves as a contributing editor to *Executive Intelligence Review*. In a three-day period last week, the offices of NSIPS news service received three telephone death threats from individuals claiming to be from the JDL.

Diplomatic sources in Europe have warned the U.S. Labor Party that a plan for a "George Wallace"-type hit on LaRouche is already underway, to take place in the course of LaRouche's campaign.

One JDL threat specifically named LaRouche, as well as making general threats against Labor Party members. "You are a bunch of anti-Zionist pigs. We're going to get you. We believe in action, not just words," one caller, who gave the name "Bob Schmidt" stated. Before making these threats, "Schmidt" also attempted to learn the extent of the information in the possession of NSIPS concerning the activities of "New JDL" member Mordecai Levy, who was exposed recently trying to organize a fake "Nazi Party" rally in a Philadelphia park. Levy was also employed by the American Jewish Committee's "Trends Analysis" section to infiltrate right-wing groups. (A full report on the Zionist lobby's creation of "Nazi" groups will appear in next week's *Executive Intelligence Review*.)

—Michele Steinberg

# WORLD TRADE REVIEW

## New trade deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Chinese Peoples Republic from Japan	(1) oil and coal development projects (2) payment for past and future purchases from Japan under Sino-Japanese long-term trade arrangement	\$10 bn	(1) \$2 bn at 6.25% for 15 yrs from Japan's Eximbank;  (2) \$6 bn at 1/4% over LIBOR (short-term); \$2 bn at 1/2 over LIBOR (medium term). Both latter loans are from syndicate organized by Bank of Tokyo.	Memorandum type agreement signed
Mexico from Japan	Power projects to be carried out by Mexico's Comision Federal de Electricidad	\$600 mn	10-yr loan (with 5 yrs grace) at 7/8% over LIBOR issued by Japanese consortium headed Japan	II
Singapore from U.S.	Singapore Airlines will buy 12 U.S. commercial jets, spare parts, and engines (9 planes from Boeing, 3 DC-10-30s)	\$524 mn	\$154 mn in Eximbank credits	I
Colombia from Holland, U.K., and U.S.	Colombia's Econiquel will build the Cerro Matoso nickel mine (26,000 tons/yr) with participation of Royal Dutch Shell and Hanna Mining	over \$200 mn	Credit Commercial de France, World Bank, and others	III
Nigeria from I.B.R.D. (World Bank)	General development project	\$190 mn per annum	World Bank	III
Iraq from West Germany	Iraq has ordered two automated brick factories and five liquefied petroleum gas tanks from Salzgitter Stahl and other W. German firms	DM 350 mn	NAv	II
Peru from World Bank	Earmarked for financing of high priority industrial-goods imports, intermediate goods, and spare parts; also high-priority public sector investment programs in investment mining and infrastructure	\$115 mn	17 years (with 4 yrs grace) at 7.9%	III
Abu Dhabi from U.S.	Whittaker Corp. will manage and operate a 534-bed acute care hospital in Al Ain, Abu Dhabi	\$110 mn	NAv	II
Saudi Arabia from Italy	SGI and a 2nd Italian company will build in Saudi Arabia 1,300 homes and a plant for prefabricated housing	\$80 mn	NAv	III
Cameroon from W. Germany	Loan for infrastructural development (includes roads and port modernization)	\$44 mn	W. German gov't	III
Morocco from World Bank	Rural electrification	NAv	\$42 mn loan	Loan issued

**Abbreviations:**

U = Undetermined  
NAp = Not applicable  
NAv = Not available

**Status:**

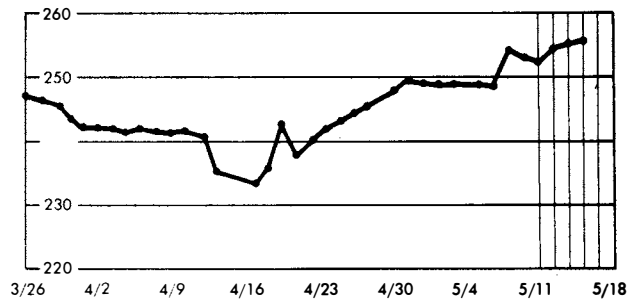
I = signed, work in progress  
II = signed, contracts issued  
III = deal signed  
IV = in negotiation  
V = preliminary talks

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## Gold

London afternoon fixing

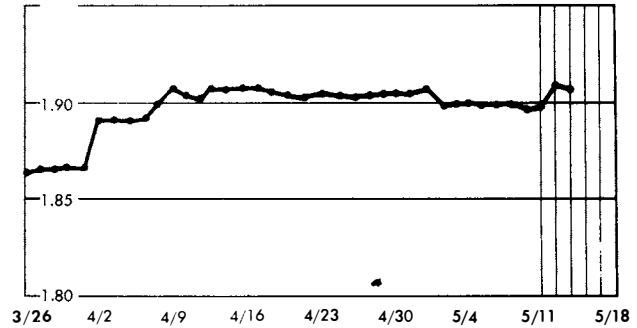
May 14	251.00
15	255.50
16	256.50
17	256.80
18	256.40



## The dollar in deutschemarks

New York late afternoon

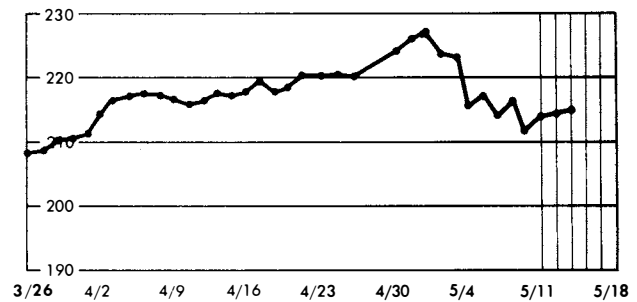
May 14	1.8993
15	1.9072
16	1.9055
17	1.9140
18	



## The dollar in yen

New York late afternoon

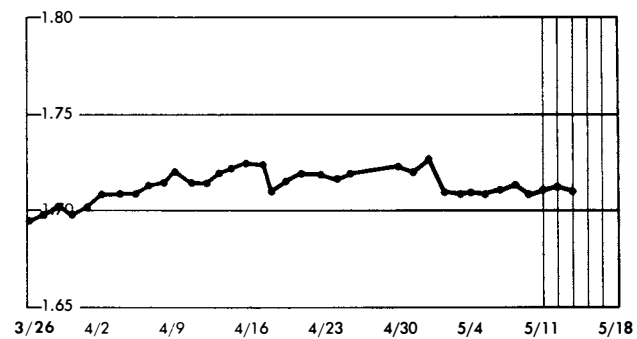
May 14	214.00
15	214.10
16	214.25
17	217.15
18	



## The dollar in Swiss francs

New York late afternoon

May 14	1.7205
15	1.7283
16	1.7270
17	1.7335
18	



## The British pound in dollars

New York late afternoon

May 14	2.0465
15	2.0657
16	2.0600
17	2.0575
18	

