

# EIR

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1979

Restructuring the U.S. economy from the top  
Decision at the Dublin EC summit  
Muslim Brotherhood plots against Saudi Arabia  
**New Hampshire: Upset in the making?**



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# EIR

## From the Editor-in-Chief

As our regular readers will notice right away, this week we have inaugurated a new look to the *EIR*. We are convinced that our publication not only *looks* and is more readable, but will provide even more of the quality of information, analysis, and research our readers require.

Our new format is aimed at emphasizing the aspects of the *EIR* which make it so unique—our in-depth analyses that give you the story behind the story, making available the work of dozens of intelligence specialists; our insight into the breaking international and national developments, and a new news shorts section to keep you one step ahead of major developments. Our economics intelligence, based on our Riemannian econometric model, week after week tells you how the world and national economy *really* works.

The *EIR* remains the product of the finest private political and economic intelligence organization in the world, with a forecasting capability most of the governments in the world do not have at their disposal. Ours is an avowedly activist outlook; we fully intend our stories to shape the future of events they cover. The *EIR*'s exposure of the truth can shake a government and we accept this as our responsibility.

This week our cover story analyzes the New Hampshire presidential primary, the first of the 1980 campaign and, as we show, the most important. Our story takes you from New Hampshire where our staff reporters Lonnie Wolfe and Richard Freeman went to take a first-hand look at the campaign now underway, to the inside of the campaign staffs of the candidates of the Democratic and Republican parties and their strategies. Our National Editor, Konstantine George, whose analysis of the import of New Hampshire opens this story, oversaw the team of specialists who assembled this report. With this story we begin a series of previews of Campaign 1980, the primaries, the candidates, and the forces that will determine who the next President of the United States will be.

Till next week,



Editor-in-Chief

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Since Eisenhower's election to a second term, the early primary in New Hampshire has been the key to a successful presidential campaign. Either the Democrat, or the Republican, who has won in New Hampshire, has gone all the way to the White House. This year looks like no exception, EIR's analysts have found. And on the Democratic side, it looks like something very dramatic could happen: Lyndon LaRouche, a candidate the news media have hardly dared mention, has a lot of support—and just enough potential for more support that he might take it all when the votes are finally counted.

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Whether the Washington and London planners of the "Iran crisis" succeed in getting what they want—first of all, a worldwide energy disaster—will significantly depend on whether the crisis succeeds in destabilizing Saudi Arabia, chief supplier of oil to Europe. Mosque takeovers, corruption scandals—everything is now being thrown against the Saudi monarchy.

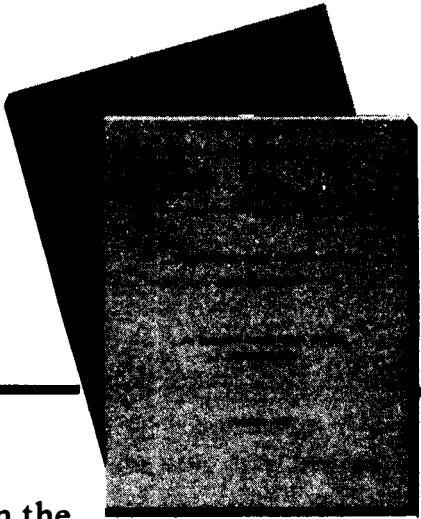
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## Next week

The flag of Great Britain is being raised again over Rhodesia as Her Majesty's governor general arrives. Next week we take a close look at how Britain assumed control over the policies of southern Africa and, in particular, at the giant mining interests that have run both sides of the "national liberation struggle" for decades. Also next week, our cover story will be a startling expose of the Club of Rome and its global United Nations based conspiracy against growth and development. The Club of Rome has gone from the days of the infamous Limits to Growth (which produced an outraged reaction around the world) to being one of the major forces shaping the "new international economic order." Our story will explain who is really behind the Club of Rome and what its objectives really are.

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## Editorial Comment

by Nora Hamerman

### A case of dangerous stupidity

It is common knowledge among intelligence circles that the Soviet government not only had nothing to do with bringing Khomeini to power in Iran, but also fully understands the British sponsorship of this prophet of feudalism.

This Soviet understanding did not prevent certain directors of Persian-language Radio Moscow from opportunistically broadcasting support for the 'anti-American' actions of the Ayatollah. Some official Soviet spokesmen, such as Central Committee member Vadim Zagladin, support the ayatollah's religious movement as a legitimate revolt against repression.

NATO's Alexander Haig has announced that he expects the USSR to collapse "without a shot" due to nationalist, religious, and economic protest movements. If the Soviets are guided by the thinking of Zagladin, Haig could prove absolutely right.

Zagladin has said that "in general, the events in the Muslim world are events which are quite justified. ... In this region there is economic, social and political backwardness, and all this is beginning to budge...."

Zagladin is pushing a factional position within the Soviet government. As a man responsible for relations with overseas parties not in power, Zagladin is one of the most prominent Soviet apologists for the Club of Rome, the thinktank of the New Dark Ages. He works with British intelligence agent Kim Philby who, as an Arabist, would have a role in formulating Zagladin's line.

Unfortunately, given the official Marxist-Leninist line on religion, there is no way to be sure whether Zagladin is a conscious agent or an oaf peddling the line's.

The problem is encapsulated in a Nov. 16 *Pravda* article, "Religion and the World Today." The article's author M. Mchedlov uses the "objective-subjective" dichotomy typical of Marxism-Leninism. Religion, he says, provides a subjective "conservative social function" in the face of "objective" material reasons for revolt.

Mchedlov finds that in Afghanistan, Islam is centered in feudal landholders. But in Iran, the landless peasants and urban unemployed are the Islamic shocktroops. Thus the Muslim Brotherhood's Afghan branch he excoriates as reactionary, but in Iran it is "progressive" because of the objective material deprivation of its adherents!

Contrary to Adam Smith and his deluded Marxist-Leninist followers, man is not motivated by "objective, material conditions," but by an overriding sense of identity located in a social movement or system. If the sense of identity is bestial—as in Iran's backward peasantry—the masses are easily manipulated into a movement dedicated to destroying the symbols of civilization. This principle of manipulation, wielded by British intelligence, lies behind the fundamentalist movements sweeping the Christian, Jewish and Islamic religions.

What Soviet materialists and their Western counterparts don't understand is that the mainstream of Christianity, Islam and Judaism has been used to reinforce a *human* sense of identity, appealing to man's impulse to perfect himself through mastering nature and building a better future for mankind. This "city-builder" tendency was shared by non-religious leaders as well—such as the Russian revolutionary, Lenin.

The Khomeini mob is anti-American only because America provided most of the industry, science and cities in Iran. Can it become anti-Soviet, as Haig and his various fellow geopoliticians predict? By Mchedlov's criteria, a revolt against "objective" economic deprivation in the U.S.S.R.'s Muslim-dominated Central Asian Republics could only be considered progressive.

Such scripts are by no means out of the question, if Moscow does not help to defuse the satanic cults, parading as religions, through which the oligarchy has pledged to bring industrial society down into rubble. But to do that, the Soviets' blunders must be corrected *epistemologically*.

## How the dollar has been rigged to fall

by David Goldman

Whether or not the dollar recovers briefly from the record low of DM 1.7030 registered Dec. 3, that currency is now considered through as a major reserve instrument by financial policy-makers in London, Washington, and the International Monetary Fund. The fall of the dollar's value on the foreign exchange markets is of great political importance, but no *independent* significance should be attached to mere exchange rates. In the last phase of the dollar's fall, the rates were artificially rigged, along with all the supporting circumstances pushing the dollar out of reserve status.

The world financial system is now undergoing re-organization according to a script proposed initially by the Bank of England, and adopted by Treasury Secretary Miller, Fed Chairman Volcker, and other cabinet officials in the U.S. Its characteristics are:

1. Top-down control of international lending—much fiercer in impact than any of the “controls” plans mooted publicly by the Bank of England or the Fed over the past year—including the use of the Iran precedent to “pool” the Third World's \$68 billion in reserves for debt repayment purposes.

2. The diversification of foreign exchange reserves out of the dollar, according to a number of plans devised by the International Monetary Fund, Schroeder Bank, Morgan Guaranty Trust, and others.

3. A “flight of funds from all currencies” into gold and commodities—the gold price was \$440 at deadline (see Commodities)—according to a scenario drawn up

late in 1978 by Bank of England consultant Sir George Boulton

Apart from the dramatic events on the markets, the immediacy of this re-organization was emphasized by French minister-without-portfolio Michel Poniatowski's statement Dec. 3 that “we are at the breaking point.” Poniatowski, long a thorn in the side of French President Giscard, proposed the degeneration of the monetary system into “currency blocs” centered on the dollar, the European Currency Unit (ECU), the yen, and the ruble (the latter a frank appeal to Soviet *Schadenfreude* over America's monetary troubles). Although other leading European politicians have made similar statements, this one is an abrasive challenge to the French President, who pledged last week to make an initiative for a new world monetary system next January, in order to cure the twin problems of currency instability and underdevelopment. The French official, who is linked through close family ties to Britain, revealed how close the City of London believes it is to the goal of removing the dollar.

The “ECU” currency bloc Poniatowski mentioned was better defined in a Nov. 28 speech by British Foreign Secretary Lord Carrington before the Belgian Royal Institute of International Affairs, in which he said that Britain would join the European Monetary System as soon as the future of sterling as a “petrocurrency”—a replacement for the dollar in international oil payments—had been settled. In other words, Britain intends to leverage the Iran crisis and the scarcity of oil



for Western Europe into a takeover of the European Monetary System apparatus. The collapse of the dollar would increase this possibility—which is why the Europeans are so stubbornly committed to defending the dollar, no matter what Washington does.

Economists like Morgan Guaranty Trust's Rimmer de Vries, and International Monetary Fund satellite groups like the "Consultative Group on Monetary Affairs" (known as the Group of 30) are proposing, as they have for some time, an "orderly diversification out of the dollar." Morgan's economist will propose that Group of 10 countries issue bonds in their own currencies to give dollarholders an alternative and recycle the estimated \$90 billion OPEC surplus, in a speech Dec. 9 before the Atlantic Institute in Paris. According to Princeton economist Peter Kenen, Chairman of the Group of 30's Academic panel, most of that organization (as well as the United States Treasury) would prefer to handle the identical operation through the International Monetary Fund. Reflecting what might be called a British consensus view, the Dec. 1 London *Economist*—in the same editorial that described the \$68 billion raid on reserves—treated these alternatives as equally acceptable, since they accomplish the same objective of eliminating the dollar's reserve status.

However, the prospect is not for "orderly diversification," also known as "controlled disintegration" in the Council on Foreign Relations lexicon (that term peppers the financial coverage of the CFR's 30-book series, *Agenda 1980s*, published by McGraw-Hill last year).

The world is tumbling downhill toward a landing point recognizable as the most-hated alternatives proposed during the past five years of financial negotiations. Specifically, the rush into commodities, still at the stage of a London and Swiss mirrors trick, but nonetheless dangerous, would hold both the industrial world and the developing sector to ransom. The result would not be a monetary system in any sense that the West has enjoyed one since the Second World War, but a revival of the worst aspects of the British Empire. In 1976, then Secretary of State Henry Kissinger proposed to do this through a new international institution, an International Resources Bank, which would channel available international lending resources only to extractive projects in the developing sector. Kissinger's plan met with more hostility from advanced sector countries and developing sector countries alike than any other proposal of the 1970s. De facto, it is already being revived.

(Next week, *EIR* will examine the status of the developing sector following the Iran freeze and the dollar crisis in depth, focusing on the International Resources Bank model for economic retrogression in the southern hemisphere.)

The related feature of the dollar crisis, the *selective*

breakdown in Eurodollar market lending, and especially lending to the developing sector, is proceeding according to the scenario developed by the Federal Emergency Management Agency and exposed exclusively by the *EIR*.

### **Iranian deposits frozen Prior to crisis**

*EIR's* cover story two weeks ago, "Britain Succeeds in Bringing Down the Dollar," warned that the intent of the American Treasury's freeze of Iran's official assets in the United States was to institute a similar freeze of assets of developing countries in general. We documented that the entire scenario had been a staged affair on both sides, specifically, that the National Security Council and the Federal Emergency Management Agency had foreknowledge of every action on the part of Khomeini, Bani-Sadr, Ghotbzadeh, and the Iranian leadership, including the taking of hostages and the threat to withdraw all assets from the United States.

*De facto, the planned freeze of the deposits of the developing sector has already gone into effect.* On Dec. 1, the London *Economist* reported that this year's \$60 billion current account payments deficit of non-oil-producing developing countries would be paid out of \$68 billion in these countries' deposits. According to banking sources in New York and Western Europe, this means that commercial banks will in effect pool such deposits to cover LDC debt service, which *EIR* estimates at \$30 billion of the \$60 billion. National sovereignty has ceased to exist as an operating principle in finance—a circumstance which the Paris daily *Le Monde* warned at the outset of the crisis would be more damaging than any financial dislocation.

Most reportage of the Iran crisis has centered on the "legal abyss," as the West German daily *Handelsblatt* described it Dec. 1, of suits and countersuits in attempts to freeze Iranian funds. Morgan has attempted to attach Iran's \$220 million, 25 percent share in the West German steelmaker Krupp, and a West German court has demanded that Morgan post a bond for the same amount; the Iran central bank, Bank Markazi Iran, has sued Chase Manhattan and Bankers Trust in London for taking over Iran's deposits; various American banks are reportedly prepared to attach each others' Iran deposits. The result, the London *Financial Times* said Dec. 1 in a feature analysis, "Tough Medicine for World Banking," is "gratifying to conservative central bankers," because it has shut down most international lending.

According to Alex Brummer of the London *Guardian* Dec. 3, the feedback of the legal conflicts could be to trigger a "domino of defaults," and "consequences too horrible to think about," i.e., a general crash of the Eurodollar markets. There is as much fraud in this

statement as in Morgan's claim (in private conversations with *EIR*) that it only took the outrageous step of attempting to freeze Krupp assets because ten other banks were waiting to do the same thing.

### **London's 'blessing in disguise**

There is no panic, and no danger that American banks will go without repayment of Iranian debt. The London *Guardian's* Hamish McRae was more blunt when, last week, he called the Iranian freeze and subsequent threat of default "a blessing in disguise" for the City of London. The U.S. Treasury, according to Treasury sources, has already told banks that Iran's deposits will be thrown into a central pool, and then redistributed among banks who are net lenders to Iran. Chase Manhattan, according to a bank official, has \$340 million in loans to Iran and \$500 million in deposits. Four American banks, Security Pacific, First Boston, Wells Fargo, and Chemical Bank, have fewer deposits than loans. The Treasury will parcel out deposits to those banks, drawing them from Chase and other net borrowers from Iran. There is absolutely no precedent, nor legal basis for such action, but the Treasury nonetheless intends to proceed, "once the political situation in Iran has cleared up," according to a congressional source close to Treasury inner councils. The same will be accomplished for any Third World country that is declared in default for ordinary financial reasons. Strictly speaking, any major bank could declare any country to be in default merely by refusing to lend additional funds to cover debt service that the country could not otherwise pay.

The motives of Chase Chairman David Rockefeller, Citibank Chairman Walter Wriston, and other leading New York bankers in playing this game were transparent: They had decided to make a deal with London against the continental Europeans, and against the European Monetary System in particular, and joined the biggest money grab in recent financial history. Their depthless stupidity in making such a deal with London must be a subject of hilarity in the London City. Sir Robert Clark of the merchant bank, Hill Samuel, made this clear in a public offer—in an interview with the Italian daily *La Repubblica* Dec. 4—to provide free legal counsel to the Ayatollah should he want to sue American banks in British courts! Clark denounced the American action (which the Bank of England had been forewarned of and had approved early in the morning of Nov. 15). Instead of freezing Iran's funds, Clark said, America should have acted according to the precedent set in 1939 by the City, which handed Czechoslovakia's gold reserves over to Hitler the day he conquered Czechoslovakia. By now Rockefeller must realize that he has been double-crossed.

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## Will the Immunities Act be used?

*An act that will change the meaning of national sovereignty—particularly of developing-sector nations—may be called into play by the U.S. Treasury, which will use the Iran crisis as its “legal” precedent.*

**T**he U.S. Treasury admitted last week that it is prepared, in the wake of the Iran crisis, to use the little-known Foreign Sovereign Immunities Act of 1976 to seize assets of any Third World nation that defaults on U.S. bank loans.

The French daily *Le Monde* noted Nov. 16 that whether or not the international financial system undergoes collapse because of the American measures [freezing Iran's assets], the most far-reaching consequence of these measures is the change in the meaning of national sovereignty.

U.S. Treasury General Counsel Santos told a reporter Nov. 22 that “the U.S. Treasury is very aware of the Foreign Sovereign Immunities Act. With respect to possible Third World debt defaults we are monitoring the Third World debt picture in coordination with the World Bank and the International Monetary Fund. While we see no reason to apply the act now, we are very sensitive to Third World debt problems.”

In case of a debt default, under the terms of the act, a government could lose its monetary reserves held in the United States or London, various types of physical

property, and its merchant vessels.

The chief beneficiary of the act is the International Monetary Fund whose austerity “conditionalities” depend on abrogating the national sovereignty of Third World governments. In this respect, the U.S. government would be acting as an IMF surrogate.

Under the act, all cases arising from commercial activity, including international loans, will be decided by U.S. courts. A foreign government is no longer immune from such prosecution, which for the most part, has been previously litigated under international law.

The act states that a foreign government, or “one of its subdivisions or instrumentalities” is liable under U.S. jurisdiction to seizure of its assets. This clause is invocable under conditions involving: a) “commercial activity”; b) “the violation of international law in which property is taken”; and/or c) a Third World government is induced to give a “waiver of immunity either explicitly or by implication.”

The background of the Act shows that the people who authored it anticipated its use under crisis conditions. The first source

working on the draft for the law, according to knowledgeable sources, was Reed Ryan, a senior partner for the firm of Shearman and Sterling. Shearman and Sterling is the law firm now involved in deciding the legalities of the Iranian debt default. It is also the law firm of Citibank, one of the first banks to declare Iran in default. The other chief formulator of the act, again according to knowledgeable sources, is Cyrus Vance, who in 1976 was a partner in the law firm of Simpson, Thatcher, Bartlett.

**T**he act was signed into law by President Gerald Ford on Oct. 21, 1976, after quietly passing through the Congress.

The act specifies that “under international law states are not immune from the jurisdiction of foreign courts insofar as their commercial activities are concerned and their commercial property may be levied upon for the satisfaction of judgments rendered against them in connection with their commercial activities. Claims of foreign states to immunity should henceforth be decided by courts of the United States and of the states in conformity with the principles set forth in this chapter.”

Any countries not willing to negotiate loans under the jurisdiction of this act, as in the current case of Venezuela, are denied loans. The government of Venezuela three weeks ago demanded that \$1.4 billion in new loans be booked under Venezuelan jurisdiction, and the lead New York and City of London banks have thus far halted the loans.

## Currency turmoil shakes the EMS

*If the havoc in the currency market continues, and if the long-term capital flight from Japan is extended to other countries, it may become impossible for the EMS to continue.*

**T**he European Monetary System (EMS) is like a bunch of Sicilian peasants living on the slopes of Mount Etna, according to the imagery of the Dec. 1 London *Financial Times* piece "Living on a Volcano: All Seems well, and then. . .

U.S., European, and Japanese currency rates all erupted last week—uncorked not by long-building financial pressures but by political decisions in London, Geneva, and Teheran. The dollar fell to record lows against both the German mark and the Swiss franc by Dec. 3, 1.709 and 1.57 respectively. The pound rose 2 percent from the week before, as did the French franc. On the other hand, the Danish Krone was devalued 5 percent, and the Norwegians escaped a similar fate only by raising their discount rate by 2 points to 13 percent. Japan managed to inch up the yen—temporarily—only by spending several hundred million dollars per day in central-bank intervention.

If the currency turmoil continues and if the long-term capital flight now experienced by Japan is extended to other countries, then it will become well nigh impossible for the European Monetary System to continue, as long as it restricts its function to currency-stabilization; the techniques used are easily overwhelmed by engineered massive currency hot money flows.

France's President Giscard d'Estaing has insisted that a new world monetary system be put in place by April. The object of those interests based in London and Geneva is to upset the EMS long before April.

**The French franc.** Over the past year the Eurofranc market has become larger than the Eurosterling market, primarily because of OPEC deposits, and this fact has given France and the EMS tremendous financial and political power. Khomeini's decision to demand payment for oil in francs means that from now on increasing portions of francs will be held in non-French banks in London, outside of the control of French government or banks. Not only the franc rate, but France's internal money supply can be held hostage to London and Teheran. Moreover, the rush into francs and marks separates these currencies from those of weaker European economies, breaking the cohesion of the EMS.

The opposite side is the attack on the Danish and Norwegian Kroner. These currencies were shoved under in September.

**Swiss franc.** The Swiss just repealed a number of measures previously aimed at curbing hot money inflows. The most important measures had imposed a negative interest rate through taxation on

foreigners' bank deposits in Switzerland. The Swiss claimed they were simply fine-tuning the inflows to "adjust" parities. The fine-tuning turned into a 5 percent rise in the franc's value in only a week—to a record high against the dollar. Swiss officials, such as central bank head Fritz Leutwiler, advocates replacing the dollar with a diversified currency block system.

**Japanese Yen.** Wherever other currencies are going, Japan's yen will get there first.

Up to now, despite wild rate fluctuations, the volume of trading of most currencies has not been strikingly large, nor have short-term flows been joined by the long-term capital shift that true diversification requires. The exception is Japan.

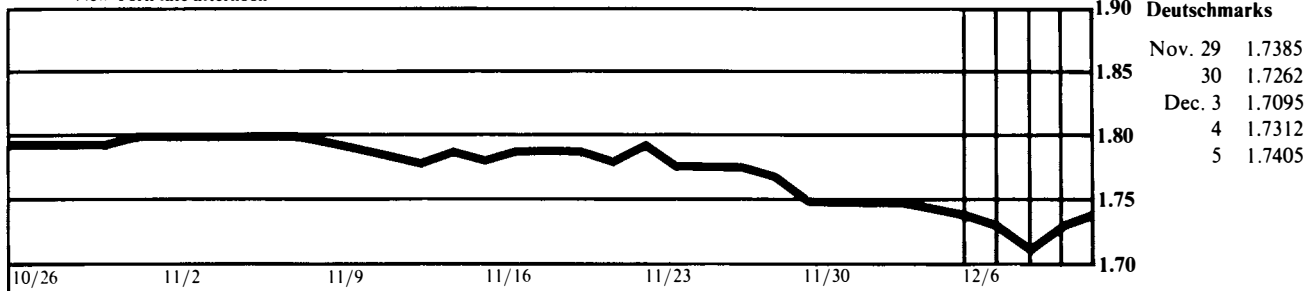
Over the past week Japan succeeded in inching up the yen rate; lost in the headlines was the fact that long-term capital is fleeing Japan. After months of foreign investor inflows into Japan, despite a sinking yen, in September Japan lost \$470 million in foreign long-term investment and another \$770 million in October. The not-yet-released November figures are expected to be worse.

The long-term capital flight on top of short-term speculative outflows and intervention by the central bank lowered Japan's foreign exchange reserves by over \$3 billion in November to only \$20 billion, compared to almost \$40 billion last November.

Despite the battering the dollar is taking, the yen will get it even worse; there is no evidence that the week-long stabilization of the yen can continue for any substantial period of time.

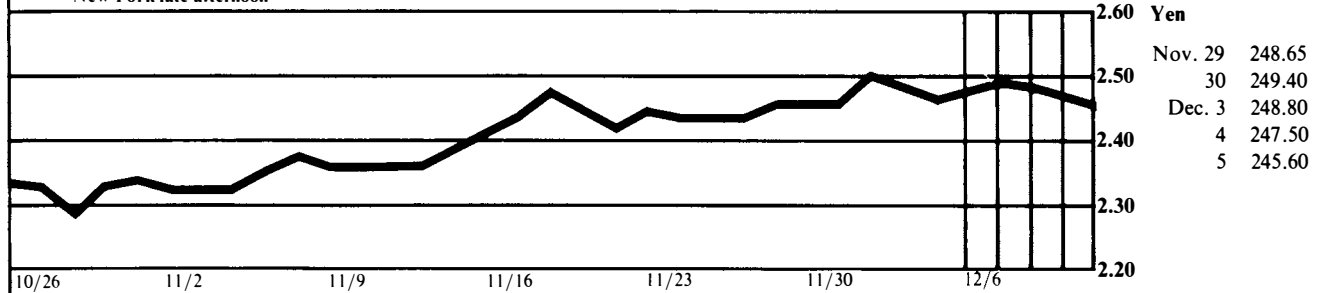
### The dollar in deutschmarks

New York late afternoon



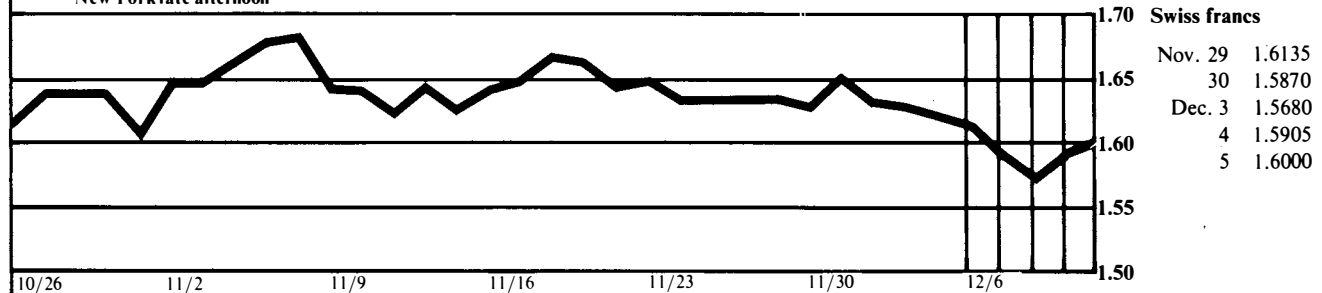
### The dollar in yen

New York late afternoon



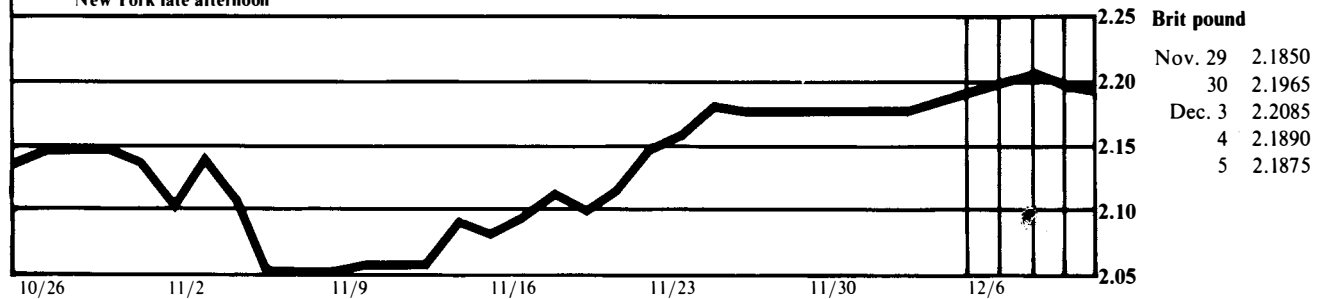
### The dollar in Swiss francs

New York late afternoon



### The British pound in dollars

New York late afternoon



## England's new 'metallic standard'

*Behind the ceiling-high prices of gold and silver are some interests known in the trade as the "silver cartel."*

A few months ago, British and Swiss bullion interests joined forces with a group of Kuwaiti investors and the Texas-based Hunt family to create an artificial silver shortage which caught many small American investors short and provoked an investigation by U.S. commodity regulatory authorities. Last week, this same "silver cartel," as it is known in the trade, was at it again, bidding up both gold and silver to new historic highs.

Despite impressions created by U.S. financial media, the "silver cartel" is no mere assemblage of faceless gnomes but is coordinating closely with the Bank of England in pursuit of two objectives:

First, the British central bank hopes to terminate the U.S. dollar's reserve currency role and replace it with a new currency system indexed to the prices of certain strategically important metals and raw materials.

Second, the metals speculation is intended to discredit French and West German efforts to build a stable, gold-based dollar credit system by creating excessive volatility in world gold markets and focusing attention on silver at the expense of gold. Between Nov. 23 and Dec. 3, spot silver prices jumped nearly 25 percent (from \$16.28 an ounce to about \$20.00), compared to a gold price increase of only 12.8 percent (from \$392.00 an ounce to \$442).

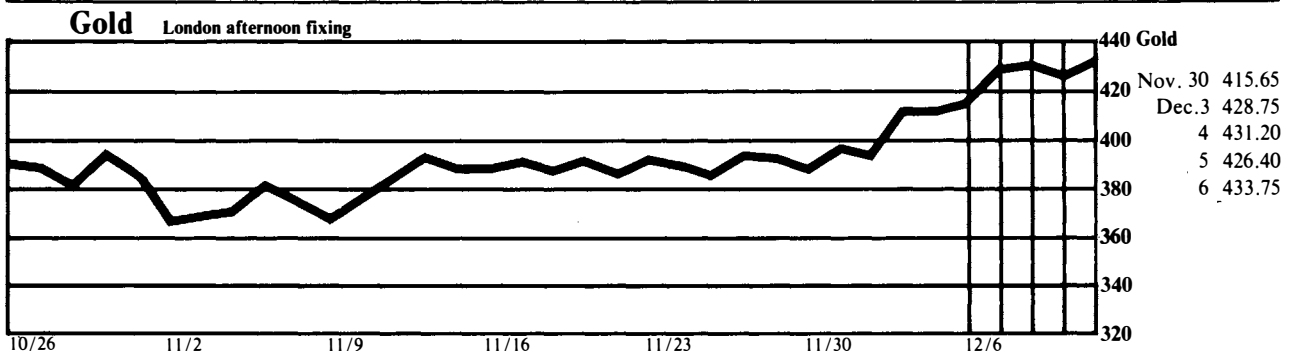
In what was widely regarded as a "trial balloon" for a commodity-based system, the *Financial Times* of London revealed last week that the Hunt family's Sunshine Mining company was arranging a highly unusual silver-indexed \$300 million private placement with unidentified investors in London. Principal payments for this loan are to be indexed to the market price of silver.

This news followed reports that

several members of the Hunt family, who are related to the late Texas oil billionaire H.L. Hunt, had been interviewed by the U.S. Commodity Futures Trading Commission in connection with the CFTC's investigations of the earlier silver market squeeze. Hunt family silver holdings are rumored to have amounted at one point to more than 75 percent of all outstanding futures contracts.

As part of its investigation, the CFTC on Dec. 3 filed a complaint against a Swiss bank, Banque Populaire Suisse, which had refused to name clients for whom it had placed large orders for silver futures.

Although the cartel has placed primary emphasis on silver, market experts say that Swiss banks are also behind the latest gold price run-up above the \$400 level, often placing their orders in the highly anonymous Hong Kong Market. Charles Stahl, a well-known gold analyst who is tied to the Anglo-Swiss circuit, recently characterized the new gold rush as a "disorderly diversification of the dollar" which had been necessitated by European governments' refusal to permit an "orderly" dollar phase-out.



## Credit rationing for the LDC's

*Only those developing nations considered sure bets—like Brazil, Peru, and Venezuela—are getting credit these days; the rest are to be “decoupled” from the world economy.*

Contrary to predictions by British press analysts and various other observers that the Treasury's freeze on Iranian assets will lead to “domino defaults” and “a situation too horrible to think about,” in the phrases of the London *Guardian's* Alex Brummer Dec. 3, the Eurodollar lending pool is not undergoing an uncontrolled collapse. Analysis of Eurodollar lending to developing-sector countries since the Treasury's freeze shows that the collapse is highly controlled.

Mineral rich countries, or oil-exporting countries, will receive loans—provided that they cooperate in maintaining high raw materials prices even under conditions of reduced industrial demand, and accept almost unbearable conditions of domestic austerity. LDC's without such resources, typified by the 19 countries who scored less than a 50 percent chance of repaying their debts in the September *International Investor* survey, bankers say, will be “de-coupled” from the world economy.

In toto, the \$60 billion current account deficit will be covered by an informal but strict “pooling” of the LDC's \$68 billion in deposits in Western banks, until larger resources can be brought to bear

through the International Monetary Fund, the London *Economist* said Dec. 1. Brazil has received a \$169 million World Bank-managed credit with a \$60 million par-



ticipation by a consortium of five Japanese banks. This marked the first time ever that the Japanese have co-financed a syndication with the World Bank, at a time when Brazil is investing heavily in labor-intensive gasohol projects to cut their oil import bill.

In what is probably its first international loan, Namibia has arranged for a 9.5 billion Swiss franc credit from Creafin, a Swiss financial corporation controlled by

Rothschild Bank AG. While the loan is guaranteed by South Africa, Namibia has rich uranium and diamond deposits as its actual collateral.

Venezuela is rumored as a good bet for hundreds of millions of dollars worth of credit for its Orinoco oil fields next year.

The example par excellence of just what it will take for an LDC nation to get a loan is Peru.

Less than a year ago, Peru barely avoided default on its over \$6 billion debt by negotiating a last-minute loan with a consortium of banks led by Manufacturers Hanover Trust. On Nov. 26, however, it arranged to prepay over \$400 million worth of postponed debt service originally due this year, and will pay nearly \$1 billion next year—outright, with no rollover. The consortium has agreed to cut its interest rates for new loans from 1 $\frac{7}{8}$  to 1 $\frac{1}{4}$  percent over LIBOR.

The reason for the apparent reinvigoration of Peru is the commodity boom in its major raw materials, including oil, copper, and silver, which is expected to add \$1 billion to Peru's export earnings. Peru has helped fuel the price take-offs by removing domestic production subsidies for some commodities. Next year's balance of payments is projected to be \$100 billion in surplus.

But it's not simply a matter of enhanced commodity prices. Peru has instituted a domestic austerity regimen as prescribed by the IMF and the banking consortium last year.

Its population is now literally eating chicken feed.

*Collapse pattern confirms Riemannian model*

# Restructuring the economy from the top down

by Lydia Schulman

In late October when most of the country's economists were still hailing the Federal Reserve's Oct. 6 credit tightening measures as good medicine for the economy, the *Executive Intelligence Review's* computerized econometric model projected that the impact of the measures would be devastating: an aggregate 15 percent loss in real economic output over an eight-quarter, continuous downturn through the end of 1981. The accelerating wave of layoffs—punctuated by the announcement of another 30,000 auto layoffs and 14,400 permanent steel layoffs the last week of November—bear out our warnings.

Our predictions were on target—and everyone else's wishful thinking—for two reasons. The first is the nature of the *EIR* model, which was uniquely designed to be sensitive to economic discontinuities such as an abrupt tightening of credit or a sharp rise in the price of energy. Secondly, the model was programmed on the basis of the right assumptions about the actual content of Federal Reserve Chairman Volcker's policy—that he had embarked on a policy of denying credit to the consumer-oriented sectors of the economy and deliberately causing a collapse. This is what Volcker meant when he told Congress in mid-October that "the standard of living of the average American has to decline." And this is what he adumbrated in his November 1978 speech at Warwick University in Great Britain where he advanced "controlled disintegration" as the economic policy for the 1980s.

## **When the credit pinch hits ...**

The *EIR* econometric model assumed that the Volcker measures were aimed at cutting back the margin of credit going to finance aggregate household and corpo-

rate deficits—not to slow money supply growth, rein in the monetary aggregates, or anything of the sort. We estimated the deficit at 8 percent by examining the current liquidity position of corporations and households, and noting that the rate of short-term credit creation during the second and third quarters exceeded the rate of inflation (and the rate of nominal GNP growth) by 8 percent, indicating a liquidity deficit of that amount.

On the basis of factoring in the relative liquidities of the different sectors of the economy, the model projected differing rates of collapse for the U.S. Commerce Department's 20 Standard Industrial Categories. The first victims of the Volcker credit crunch, the model showed, would be auto, construction, and agriculture, sectors of the economy with the highest ratios of short-term debt to liquid assets; the most illiquid sectors of the economy would be the first to instate layoffs and production cutbacks when the credit pinch hit.

The predictive abilities of the *EIR's* Riemannian econometric model stem from its fundamental differences with conventional econometric models such as the Wharton School's. The model analyzes causal relations among the sectors of tangible production, instead of trying to establish historical correlations between the different components of "Gross National Product." These correlations are inaccurate even in periods of apparent economic stability, and are wholly useless in periods of rapid economic dislocations like the present. The Riemannian model eliminates GNP entirely as a measure of economic activity, principally because it does not distinguish between productive and nonproductive activity—tangible output on the one hand, and overhead costs or service industry fluff on the other. (Overhead costs of industrial production and agriculture are useful, nonproductive activity, whereas services that do not

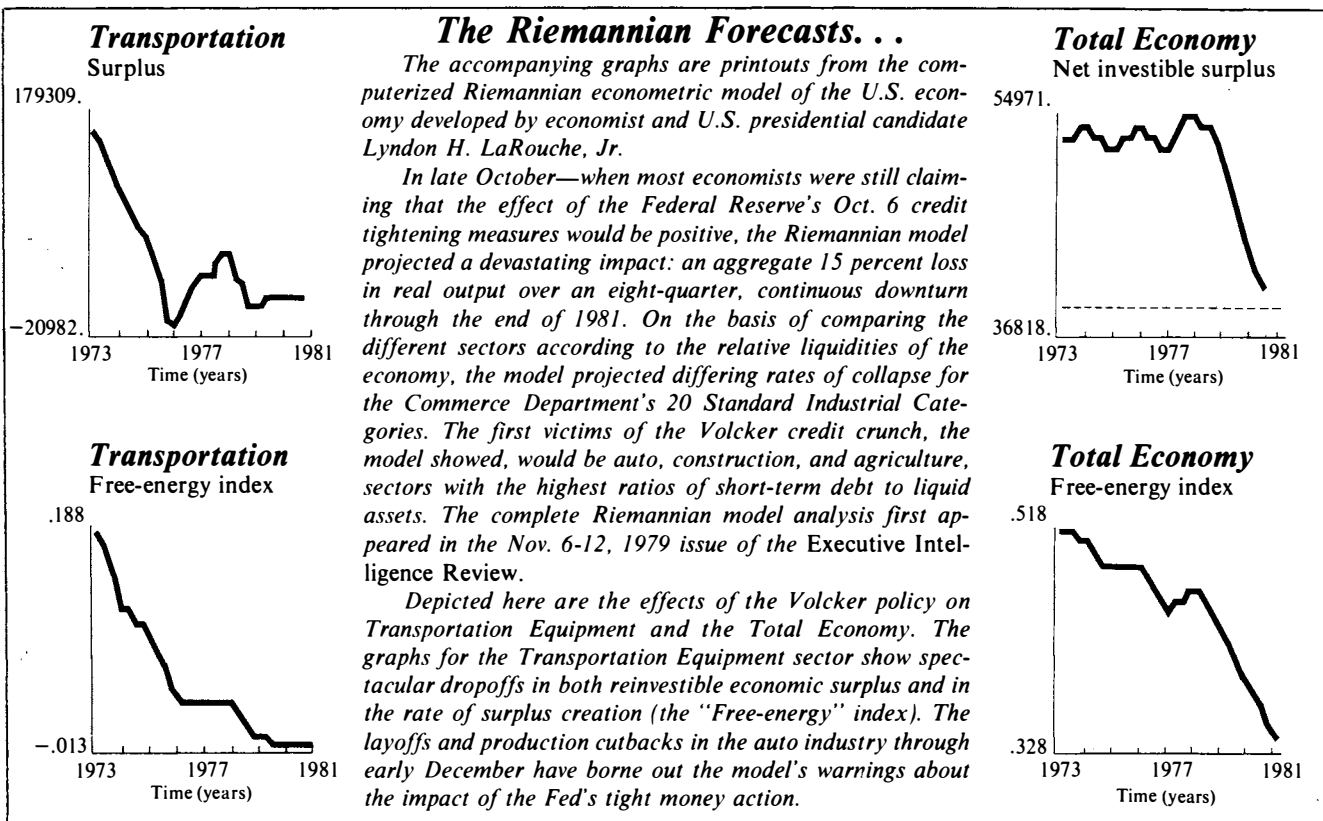


## The Riemannian Forecasts. . .

The accompanying graphs are printouts from the computerized Riemannian econometric model of the U.S. economy developed by economist and U.S. presidential candidate Lyndon H. LaRouche, Jr.

In late October—when most economists were still claiming that the effect of the Federal Reserve's Oct. 6 credit tightening measures would be positive, the Riemannian model projected a devastating impact: an aggregate 15 percent loss in real output over an eight-quarter, continuous downturn through the end of 1981. On the basis of comparing the different sectors according to the relative liquidities of the economy, the model projected differing rates of collapse for the Commerce Department's 20 Standard Industrial Categories. The first victims of the Volcker credit crunch, the model showed, would be auto, construction, and agriculture, sectors with the highest ratios of short-term debt to liquid assets. The complete Riemannian model analysis first appeared in the Nov. 6-12, 1979 issue of the Executive Intelligence Review.

Depicted here are the effects of the Volcker policy on Transportation Equipment and the Total Economy. The graphs for the Transportation Equipment sector show spectacular dropoffs in both reinvestible economic surplus and in the rate of surplus creation (the "Free-energy" index). The layoffs and production cutbacks in the auto industry through early December have borne out the model's warnings about the impact of the Fed's tight money action.



contribute to the realization of real, tangible wealth are nonuseful, nonproductive.)

The model divides the tangible output of the economy into variable capital (the cost of replenishing the workforce), constant capital (the cost of replenishing plant and equipment), overhead costs, and reinvestible surplus. The rates of change of these categories are established by different equations expressing the relations among them.

The accompanying graphs depict the impact of the Volcker measures on the production of surplus and the rate of production of surplus, or the "free energy" index.

The graphs for the Transportation Equipment sector, which includes auto and auto parts production, show a spectacular dropoff in both reinvestible surplus and in the "free-energy" index.

### Phase 2: steel disinvestment

The 13,000 layoffs announced by the U.S. Steel Corp. on Nov. 27 mark a new phase in the assault on American living standards and U.S. basic industrial capacity: a restructuring of the economy from the top. The unveiling of U.S. Steel's "rationalization" program—which was shortly followed by the British Steel Corp.'s announcement of 52,000 layoffs—is part of an internationally coordinated plan to shrink world steel capacity to bring it in line with "reduced demand"—Mr. Volcker's program for "controlled disintegration."

This policy, modeled on the 1930s cartels, was put forward in an especially forthright lead editorial of the "liberal" *New York Times* on Dec. 3, "When Giant Industries Falter": "Disinvestment is just as important to economic growth as investment. By closing obsolete facilities and abandoning production in which Americans no longer enjoy competitive advantages, the nation frees both human and capital for more profitable deployment."

Just what that "more profitable deployment" will look like was indicated by Father William Hogan, SJ. This gentleman, ensconced at the Jesuit Fordham University in New York City, is the reputed leading authority on the U.S. steel industry. Hogan predicted a period of protracted growth for steel and a shift in the industry's traditional markets. Demand from the auto industry will be permanently depressed, because of the "energy crisis" and the production of lighter automobiles. The one bright spot for the steel industry, according to Father Hogan, is the coal gasification business—mining equipment, coal slurry pipelines, etc.—which is going to take up a growing amount of U.S. steel production. Father Hogan predicts that U.S. coal production will rise to 1 billion tons a year from the current 600 million ton level before long. Father Hogan works closely with the U.S. Steel Corp. and in some quarters is known as an apologist for "Big Steel's" worst policies.

## CREDIT

### How Volcker produced a 20 percent inflation rate

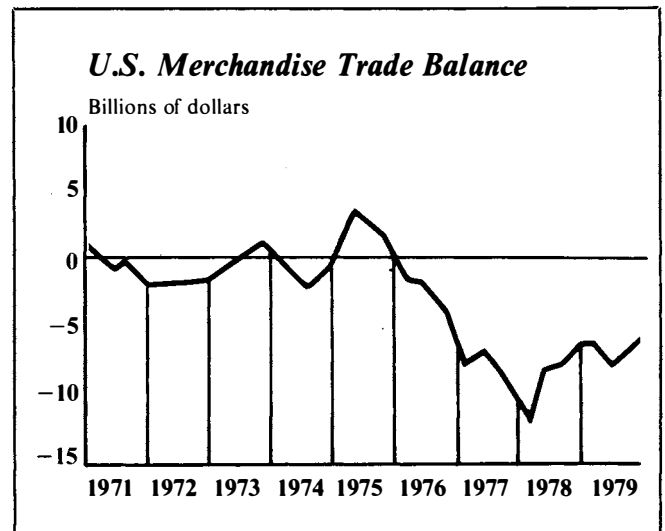
Despite Volcker's Oct. 6 vow to restrain inflation by restraining the money supply, the rate of inflation has remained at 14 percent, and inflationary credit growth has gotten worse, not better. Even if the oil-producing countries do not raise prices to the \$30 per barrel predicted for the Dec. 17 meeting of the Organization of Petroleum Exporting Countries, the U.S. economy is set for the worst inflation in the post-war period. This is the direct result of the Federal Reserve and administration's actions of the past two months.

All talk of fighting inflation to the contrary, Washington's actions deliberately promote inflation in the following ways:

1. High interest rates force credit away from productive activity and into speculation, including inflation-inducing speculation on secondary real estate markets, in commodities, and gambling investments.
2. High interest rates themselves add a gigantic sum to the interest bill of households, corporations, and the U.S. government.
3. The industrial shutdowns in steel, rubber, and other basic capital-goods industries are calculated to maintain rising prices, no matter how low demand for these products falls.
4. The rise in energy prices which the administration demand will push a further round of inflation through the economy.
5. Eliminating the dollar's reserve-currency role will force higher interest rates at home.

#### Forcing credit into speculation

**1.** The general public is under the impression that money is tighter than it has been since the war, because the entire brunt of Volcker's credit-crunch has been directed against consumers and small businesses,



including farmers. November's spectacular drop in auto sales did not take place because consumers decided to not buy cars, but because financing for dealers' inventories and consumer purchases dried up immediately after Volcker's announcement of a credit crunch. Chrysler's sales fell by 40 percent, against 20 percent for the industry as a whole—despite a \$300 per vehicle rebate—because Chrysler could no longer obtain financing for its dealers, not because Chrysler cars suddenly became less attractive than Ford or General Motors cars. Unable to issue lower interest IOUs known as commercial paper, Chrysler could no longer finance its dealers or car buyers.

The Fed ordered bankers to institute what is called "non-price rationing" (no money no matter how much the borrower will pay) upon consumer and small-business loans. Although precise data are not yet available, it is evident from the sharp drop in October retail sales—a 3 percent drop after inflation—that the reduction has been drastic. Auto dealers around the country report that banks will either refuse to finance auto loans at all, or finance only large-ticket, shorter term loans, while finance companies are unable to raise funds at all.

The 8 percent drop in housing starts in October from September demonstrates how dangerous the condition of savings banks has become. During that month, thrift institutions lost \$1.4 billion in deposits—the worst month ever. Nationally, the savings banks receive on average 9 percent interest on their existing investments in mortgages and bonds, but must pay more than 12 percent for short-term funds to replace the lost deposits. As a group, the savings banks cannot long survive.

However, money is pouring into the most inflationary forms of short-term credit, and the Federal Reserve has imposed no restrictions whatever on this side of the credit system.

- During the past two weeks, money supply growth

has taken off. It rose by \$3.0 billion and \$1.3 billion in each of these weeks respectively.

- Much of the money supply growth is due to extremely generous injections of Federal Reserve credit into the banking system. Banking reserves, the base on which banks generate new loans, have grown by \$1.4 billion since Volcker's austerity plan came into effect. (Of course, after the alleged discovery of a \$4 billion "error" in the Fed's money supply data, attributed to New York's Manufacturers Hanover Trust, all numbers issued by the Fed may be suspect.) By the Fed's own figures, however, money supply is ballooning.

- Banks are channeling these reserves away from business loans and into inflationary, money market fluff, including financing of stock, bond, and commodities markets purchases. During the Fed's last reporting week, business loans fell by \$550 million, while total loans rose by \$800 million—a \$1.3 billion shift away from industry and into speculation.

- Money is also flooding into short-term (30 to 90 day) paper investments of all kinds. "Money market funds," which take investor's money and place it in short-term paper, have run a land-office business since Oct. 7; their assets have ballooned by over \$14 billion, including \$3.7 billion during the last week in November.

Speculators who are looking for short-term gains in secondary real estate markets (buying and selling of existing buildings at higher prices) or other similar markets are untroubled by higher interest rates. Volcker's policy has not only left them unscathed, but placed the nation's credit resources at their command! Of course, elimination of the nation's personal income—the drop in living standards Volcker has sworn to bring about—will ultimately cause the collapse of these markets, since no consumers will present themselves to buy houses at marked-up prices. In the meantime, the Fed is setting the economy up for a worse crash, by encouraging an inflationary binge.

**2.** Debt already occupies more than one-sixth of the total Federal expenditure, and about one-quarter of all household income after tax. The total indebtedness of the U.S. economy is more than \$3.5 trillion. Since Oct. 7, interest rates have risen by more than 3.5 percent—adding \$100 billion to the interest expenses of business, households, and government. That is about as much as America's annual oil imports bill! Business will pay an additional \$40 billion in debt service, which must be tacked onto prices. Added to prices, this will push the inflation rate up by about 2 percent. Households will pay an additional \$25 billion, which must come out of necessary expenditures. It will aggravate the drop in personal income, already falling at a 10 percent annual rate in September, before the Volcker package came through.

### *Member Bank Reserves*

Monthly Averages of Daily Figures,  
(in millions of dollars)

<b>June</b>	40,105
<b>July</b>	40,900
<b>Aug.</b>	40,687
<b>Sept.</b>	40,958
<b>Oct.</b>	42,423
<b>Nov. 28</b> (week ending)	42,944

**3.** U.S. Steel's announcement of 13,000 layoffs prepared the announcement of a 2.6 percent price increase for basic steel products. The company's strategy—detailed in an August, 1979 report prepared by the stockbrokers Paine Webber Jackson Curtis—is to reduce steel production faster than demand falls. Since 14 percent of all steel consumed in the United States goes to the auto industry, the bottom is about to drop out of steel demand. According to the insipid formulas peddled by Washington economists, this should moderate steel prices. Not so. The game is rigged.

The same applies to all of the basic industries. Overall, the index of basic materials prices rose by one-fifth in the year to November, from an index-level of 250 to over 300. The accompanying chart shows that production in non-ferrous metals, including copper, aluminum, lead, and zinc, fell by approximately the same amount. In all these industries, and others such as rubber, capacity reductions are underway that will reduce capacity *faster* than the depression reduces demand. The 20 percent annual rate of increase of basic materials prices, which pushes up the overall rate of inflation, will continue.

**4.** The administration's adventure in Iran—unless counteracted—will produce a rise in the OPEC oil price to \$30 per barrel at the Dec. 17 ministerial meeting of that organization in Venezuela. As a result, America's oil import bill will rise by more than \$35 billion. Because energy prices are passed on through the economy, adding to the cost of manufacturing and transportation at every point in the production and distribution cycle, the effect on the economy will be much greater than the simple cost, particularly if the price of coal, natural gas, and other energy sources rise correspond-

ingly. At minimum, the OPEC price rise will add 3 percent to the inflation rate during 1980, and more if other energy sources also rise in price.

**5.** Most of the Treasury and Federal Reserve arguments in favor of eliminating the dollar as a reserve currency do not appear in the press most Americans read. They argue falsely that since the dollar has received such a beating on the foreign exchange markets—due to their incompetent policies—it must be thrown overboard as a reserve instrument. What they do not say is that foreign governments hold \$100 billion of United States government securities, as the most convenient way of holding their dollar reserves. Liquidation of these holdings—as foreign governments cease to keep dollars in their reserves—would devastate the market in U.S. government securities. This year, the government only raised \$28 billion on the credit markets to meet its deficit. Next year, the federal government will have to spend an additional \$25 billion on unemployment compensation and social security—because of the avalanche of layoffs—and will lose at least \$30 billion in tax revenues to the decline in economic activity. Under the most favorable—if they can be called that—conditions, the Treasury's deficit will rise to \$80 billion, or where it was in 1975 at the height of the recession. Under worse conditions, the deficit could rise well above \$100 billion. If foreign governments dump their holdings of U.S. securities—and they dumped almost \$10 billion in the last six weeks—the Treasury will have to raise that much additional cash by borrowing. The combined effects of higher deficits at the federal (not to mention state) level and the liquidation of foreign holdings of U.S. government debt will add a staggering 20 percent to total credit demand next year—and push interest rates up even higher.

There is a solution to this mess: If America acts with its European allies to create the gold-backed international monetary system Europe wants, as Lyndon LaRouche proposes, the dollar will rise back to its pre-1973 value.

In summation, Volcker has provoked an inflation rate of no less than twenty percent—counting only those price increases already in the pipeline—and potentially much, much higher.

## AUTO

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### Trigger for collapse

Auto layoffs now stand at 130,000 workers; profit losses for the auto industry during the third quarter totalled nearly \$1 billion dollars; and production levels are at the lowest point in 15 years and expected to go lower still.

Moreover, not just financially troubled Chrysler Corporation, but all of the Big Three automakers have slashed their December production below last year's levels: GM by 18 percent; Chrysler by 28 percent and Ford Motor Company by a staggering 49 percent. Output for the industry as a whole will be 25 percent below last December.

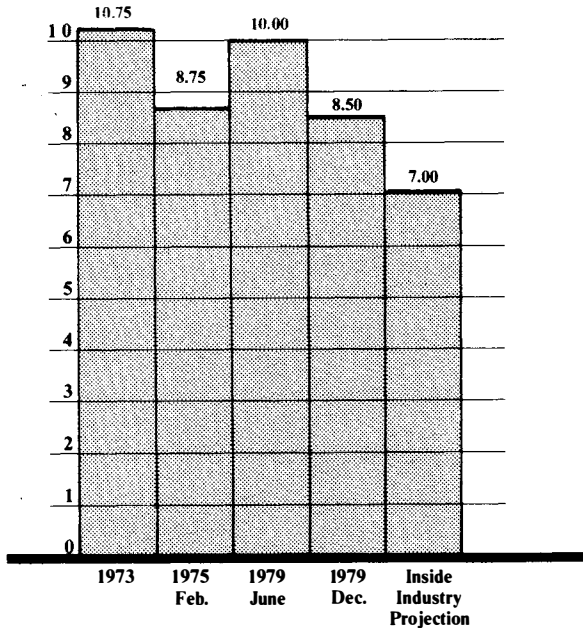
These developments were absolutely predictable. The Volcker credit crunch specifically targeted the heavily credit dependent auto industry, along with the housing sector. With consumers loans now available only at 18 to 25 percent interest rates, and with another oil hoax pushing the gasoline price into the stratosphere, auto sales have been dismal. During the first 50 days of the new model years, sales were off 18.8 percent from year-earlier levels.

The full dimensions of the auto collapse are indicated by facts such as these:

- As of Nov. 1, the auto industry had on hand an inventory of 1.75 million unsold cars—the largest inventory ever recorded on that date. Even large dealer rebates are not moving the 1980 models out of the dealers showrooms.
- Nearly 500 car dealerships have closed down in the 1979 model year that ended Sept. 30. The current profit on the sale of a \$4000 car—a slim \$110—is not enough to keep most dealers in business.
- In the week ending Nov. 30, 13 out of the industry's 43 U.S. assembly car plants were “temporarily” closed.
- On Nov. 30, the Ford Motor Company announced 30,000 additional “temporary” layoffs. This brings to

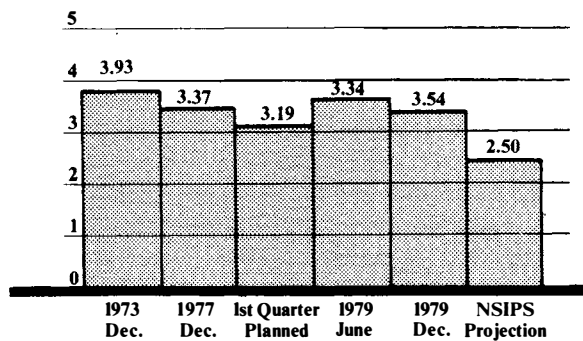
### Auto Employment (Motor Vehicle and Auto Parts Production)

# of production workers  
(in hundreds of thousands)



### Steel Employment

# of production workers  
(in hundreds of thousands)



more than 40,000 the number of temporary layoffs. In addition, the Big Three auto-makers also have 100,000 production workers on indefinite layoffs, up from a 60,000 level in mid-August.

- Third quarter auto profits were off 66 percent at General Motors and 96 percent at Ford. Chrysler reported a whopping \$453 million loss, and Ford has announced that it will show a \$1 billion loss on its North American passenger car sales for 1979.

- Fleet sales of large cars and trucks to auto leasers such as Avis and Hertz and industry car fleets are down 30 percent from year-ago levels and expected to fall further.

The shutdown in auto this December is the worst in 15 years. It is hardly a seasonal downturn. In the worst months of the 1974-75 recession—the January-March period of 1975—there were approximately 200,000 auto workers on layoff out of a total of roughly 1.1 million workers employed in auto, truck, trailer-truck and parts-producing plants. There are already 130,000 layoffs in effect—two thirds of the January-March 1975 level—even before the full force of the Volcker depression has hit.

The auto collapse will have a tremendous ripple effect on the entire U.S. economy. The U.S. auto industry, along with its service and feeder industries, accounts for one-sixth of total Gross National Product and one-sixth of total U.S. employment. Its demise means a spread via the “ripple effect” to all other industries. The auto sector consumes 20 percent of all U.S. steel produced; 50 percent of all iron; 65 percent of rubber and more than 15 percent of U.S. glass production. Moreover, 18 percent of state tax revenues, upon which the welfare of state governments depends, comes from “taxes placed on motor vehicles,” according to the Motor Vehicle Manufacturer’s Association.

## STEEL

### End of the line

Close to 35,000 steel layoffs have been put into effect or announced since last June. This 10 percent reduction in the industry’s workforce has hardly begun to reflect the impact of the Volcker credit crunch and the collapse of orders from the auto industry, steel’s biggest customer. In addition, the bulk of the steel layoffs announced to date stem from the permanent closing of obsolete steel capacity, which is not going to be replaced.

The bombshell dropped by U.S. Steel on Nov. 27, 15 plant closings and 13,000 permanent layoffs, is just one piece of an international pattern of steel shutdown. Just three days after U.S. Steel’s announcement, the British Steel Corp. (BSC) unveiled plans to axe 52,000 steel jobs (union estimates of the job losses range as high as 60,000), or more than a third of the workforce in BSC’s basic steel and iron operations. Those British steelworkers who are lucky enough to find new employment could find themselves making anything from Harrier jets to golf clubs—as has literally been the fate of laid off British steelworkers over the last several years.

In continental Europe, the “Davignon plan” to shrink European steel capacity by 25 percent is proceeding apace, with another 5,000 layoffs announced by the French firm Usinor Nov. 30.

The strategy behind the Davignon plan, the big shutdown at the British Steel Corp., and U.S. Steel's only slightly less sweeping "rationalization" program is to reduce world steel capacity, hike prices, and disperse the steel workforce into labor-intensive, make-work jobs or the defense industry. This is the cartelization policy carried out by the Nazi regime in the 1930s, writ large.

On this side of the Atlantic, U.S. Steel's decision to padlock 15 plants or parts of plants is the final stage of a deliberate disinvestment process. The plants targeted by U.S. Steel should have been shut down years ago. U.S. Steel's 4,300-worker Youngstown, Ohio plant runs on antiquated open hearth furnaces, and has one mill driven by a steam engine installed in 1908:

U.S. Steel is acting under the leadership of David Roderick, also a board member of Morgan Guaranty Trust, the bank that is trying to grab a controlling stake in Krupp, the German steel giant, in order to asset-strip it, too. U.S. Steel is accelerating its "diversification" drive. The policy of "diversifying" out of steel production into fast-profit areas was initiated under the direction of the late chairman of the company, Edgar Speer, who at his passing last summer was hailed as the last of the great "steel men." Since 1977 investment by U.S. Steel in the chemical business has quintupled to \$500 million. During that same period U.S. Steel—also a top-ranking holder of U.S. coal reserves and leading supporter of coal-based energy for the U.S.—has been involved in a joint project with the Department of Energy to develop coal gasification methods, the inefficient energy production process pioneered by the Nazis.

U.S. Steel's plans to divest its steel operations have been long in the making. Similarly, the year-end shutdown of Jones & Laughlin's 1,400-man Brier Hill works, also located in Youngstown, has been in the planning stages since LTV's Jones & Laughlin merged with the bankrupt Youngstown Sheet & Tube in 1978.

In a matter of months there will be another ratcheted in steel employment and production reflecting the current 25 percent cut back in auto production from last year's levels and the near 10 percent drop in construction activity. In the last recession, the real crisis hit the steel industry after a lag in 1977-78, and then the crisis was deeper than that suffered by any industry: 56,000 unemployed workers, 17,000 of whom were never rehired.

Steel industry economists are now projecting a 10 percent total drop-off in steel consumption in 1980, which will translate into at least another 10 percent cut in the workforce over the year (probably more, because the production cuts will be made at the industry's oldest, most inefficient plants, which employ more than their share of the steel workforce). But even a 10 percent cut in consumption is a very conservative projection.

In September—before the Volcker measures were

announced—steel shipments to the auto industry totalled just 1.3 million—34.8 percent below last year's level. The shipment numbers for October and November—when the auto industry began to cut back in earnest—were much worse.

Meanwhile, the auto industry's share of steel shipments dropped down to 15.6 percent in September. In 1978 automakers took 21.7 percent of all steel deliveries shipped.

Steel shipments and production have not nosedived by a comparable amount as yet, because of increased shipments to steel service centers, industry middle men who in turn sell their inventories to final users of steel. But with demand from auto, consumer durables, the capital goods industries, and construction drying up, the steel service centers are now running down their inventories and cutting back their new orders to the steel industry.

## CONSTRUCTION

### "Down so long"

According to a spokesman for the Mutual Contractors Association, the Washington-based association of large industrial contractors, the heavy construction industry is already so depressed that the Volcker credit crunch won't have that big an impact.

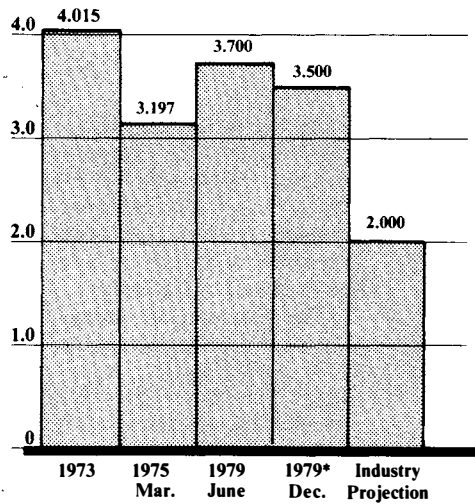
Things can and will get a lot worse, however. In late November, Mr. Charles Parker, project director of the National Association of Minority Contractors, reported that all of the projects of his association's members in the Washington, D.C. area had been put off until the first quarter of 1980. A similar situation existed around the country. "If interest rates come down by February or March, then our members say they'll go ahead with the projects. If not..." Mr. Parker is projecting a 15-16 percent official unemployment rate in the construction industry in 1980, and a real unemployment rate much higher.

Figures released in early December show that the volume of new construction contracts, for both residential and nonresidential construction, tumbled by 9 percent in October from October 1978. The big dent was caused by a staggering 41 percent plunge in so-called nonbuilding construction, due entirely to the moratorium on nuclear plant construction. Contracting for nonresidential construction rose a nominal 14 percent in October—a decline in deflated terms. However, industry economists note that the effect of the Fed's tight money policy won't begin to impact industrial plant construc-

### Construction Employment

(Home-building and Nonresidential Construction)

# of production workers  
(in millions)

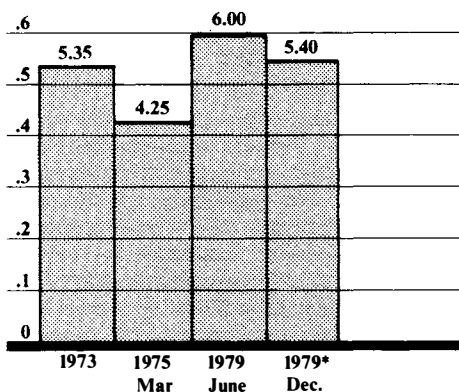


\*Approximate

### Rubber Employment

(Including Plastics)

# of production workers  
(in hundreds of thousands)



\*Approximate

tion for another couple of months, when corporations make the decision to scrap their capital investment plans.

In October new housing starts came in at a seasonally adjusted annual rate of 1.76 million units, down from 1.91 million in September. The home building industry is now projecting a drop to 1.1 million units in 1980, equal to the nadir of the 1974-75 home building depression.

One of the earliest effects of the Volcker measures was to drive mortgage rates up as high as 14 percent in states like California where there are no state usury laws in effect. A study on housing affordability prepared by the NAPM shows that with 14 percent mortgage rates, only 8 percent of the nation's households can afford to buy a \$65,000 home with a ten percent down payment.

In the 22 states where there are usury laws in force, mortgage money has simply dried up.

The unemployment picture for the industry is bleak. When the Volcker measures were first announced, the NAHB predicted that the result would be the layoff of 1.5 million construction workers, including 675,000 workers in the home building industry alone (3.7 million workers were employed in contract construction last June).

## RUBBER

### A flat year ahead

Approximately 10 percent of the workforce in the rubber industry has been laid off over the last six months. At Goodyear, 3,000 production workers out of 30,000 are on furlough; 1,900 Firestone workers out of 18,000 are out; and Uniroyal has laid off 1,400 of its 15,000 hourly workers and 750 or 9 percent of its white collar workers. Mansfield, Mohawk, and a number of the smaller companies have been shutting down unprofitable plants and are headed out of business for good. Sources in Detroit report that Uniroyal—the Chrysler of the rubber industry—will not last past next June. Uniroyal employs 3,500 workers in the Detroit area alone.

As in steel, the situation is even worse than it looks. The above layoffs and closings reflect a permanent shutdown of “excess capacity” by an industry which is furiously trying to adjust to permanent depression conditions, especially in the auto industry. The “big three” companies are shutting down older capacity which still produces non-radial tires.

Yet, the “ripple effects” of the current 25 percent shutdown in the auto industry—which accounts for approximately 25 percent of rubber's market—are still to be felt. The Rubber Manufacturers Association in Washington is projecting a “flat year” for tires in 1980. Both the original equipment business (sales to the auto industry) and the replacement business are expected to be off by at least ten percent. “Trends in personal income are one of the key variables we look at in assessing the outlook for the industry,” says Mr. Thaddeus Malesh of Firestone. The replacement business accounts for three-quarters of the industry's tire sales, and with real income levels dropping precipitously, the rubber industry expects Americans to prolong the time before they replace the tires on their automobiles. The one hope of the industry is that by 1981 everyone's tires will be worn out and there will be a good year for the replacement business.

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# Business Briefs

## World Trade

### Saudi Arabia "suspends" contract with Italy

Saudi Arabia's state oil exporter Petromin Dec. 5 "suspended" a contract it signed June 12 with Italy's national hydrocarbons agency, ENI. The contract was ENI's first deal with Petromin and would have provided 93 million barrels of crude oil over three years at the extremely favorable price of \$18 per barrel. This would have gone far toward covering the projected 20 percent shortfall in Italy's oil supply for 1979.

The Saudi move will have repercussions beyond Italy, since Italian refiners supply much of the rest of Europe with refined petroleum products.

The Saudi agency explained that it took the action as a result of a scandal brewing in Italy, which has resulted in a parliamentary investigation, concerning an alleged 7 percent commission paid to unknown "mediators" in the June 12 deal.

That scandal had already been denounced, the day before Petromin took its action, as a maneuver by the "Seven Sisters" oil multinationals to force ENI and the small Italian refining companies to go to the Rotterdam spot market for their crude, pushing up the price of oil in general in Italy. ENI and the independent refiners are reported to be lacking crude supplies to the extent that they are operating at least about 65 percent of capacity at present.

## Domestic Credit

### Futures dominating cash market

U.S. financial futures markets, which have been described as "outright speculation," have grown rapidly in recent months, according to the Dec. 4 *Financial Times* of London. The Chicago and New York futures markets, which cover

a range of financial instruments including currencies and interest rates, have already begun to dominate the cash markets—raising a host of questions about these markets' adverse effect on the U.S. money supply and the management of the national debt. Richard Sandoz of Conti Financial, a subsidiary of the giant U.S. grain-trading firm Continental Grain, believes that "in five years' time the cash markets will just be an appendage of the futures markets."

Chicago economist Milton Friedman is credited with having designed the first U.S. financial futures market, the Chicago Mercantile Exchange's International Monetary Market (IMM), which offered a number of currency futures contracts beginning in May 1972. The Bank of England's decision to float the pound sterling in June 1972, launching "the era of increasing currency instability," was a great "stroke of luck" which allowed the IMM to succeed, the *Times* notes. The sterling float occurred one day after Chicago Mercantile's Leo Melamed conferred with Bank of England officials on how the bank might "help" his new project.

Financial analysts have dismissed the new markets as little more than "floating crap games," in which participants place bets on where the prices of financial instruments, such as Treasury bills, will go.

## Transport

### Conrail announces layoffs

Conrail, the nation's largest rail corporation, is laying off 1,550 workers next week, in response to declining freight traffic, the concern announced. November levels of freight dropped 12 percent below year-earlier figures. Over the past two months, freight traffic as a whole has averaged 2 to 3 percent below 1978 levels.

It appears that rail-car leading companies are facing bankruptcy as the recession begins to hit freight traffic. National Railway Utilization Corp. has

just laid off half its employees and closed three offices; its car utilization has fallen 20 percent in October and November. ITEL Corporation, another major leasing company, is verging on bankruptcy, and its corporate bonds are now selling at less than half of face value.

The Interstate Commerce Commission is reportedly planning measures that could further harm the car-leasing industry. The Commission is considering a proposal to abolish incentive per diem surcharges on certain categories of rail cars, which would cut profits on these cars by around 50 percent.

## Labor

### Fraser may reopen Chrysler contract

United Auto Workers President Douglas Fraser, speaking to reporters in Washington, D.C. Dec. 4, said that the UAW might have to "negotiate a new wage contract within days of a Senate Banking Committee 10-4 vote rejecting the administration's Chrysler bailout package in favor of an amended version that stipulates a UAW three-year wage freeze as one of the prime conditions for federal loan guarantees to Chrysler.

Fraser's remark occurred in reply to a question as to whether the UAW would reopen to negotiation its recently signed contract with Chrysler. "In negotiations, I learned long ago never to say never," said Fraser.

The Senate Banking Committee's three-year wage freeze would amount to a 40 percent real wage cut, according to UAW figures. The current UAW pact contains a 10 percent annual wage increase, still below the rate of inflation.

Yesterday, Chrysler officials leaked to the *Baltimore Sun* that Chrysler "may run out of cash in January." Senate liberals appear anxious to extend discussion and debate on the bailout into January, a timetable that would thus coincide with a public announcement of imminent Chrysler bankruptcy. Since



the Senate Banking Committee bill differs from the House's bailout bill, at least there will be a protracted House-Senate reconciliation fight in Conference Committee.

## Banking

### Citibank management shift due to Edwards?

Citibank's surprising promotion of Thomas Theobald, John Reed, and Hans Angemueller to the title of "Senior Executive Vice-President," apparently settling the line of succession to the bank's chairmanship, may be related to last year's David Edwards scandal.

Foreign exchange trader Edwards put the bank under a Justice Department spotlight by alleging that he had been fired for refusing to cooperate with illegal transactions designed to evade British taxes. The charge created a media stir that lasted for months. *EIR* obtained an interview with Edwards in October 1978 in which the purported whistle-blower implicated bank high-ups.

Strangely, the bank officers whom Edwards reported to, including a German-born foreign exchange specialist, all got promotions, while Executive Vice-President George Vojta, a former Yale Divinity School student, was tarred by the scandal. Theobald was always considered behind Vojta in promotion schedules at Citibank, and his promotion ahead of his old boss, bank insiders believe, may be a result of the Edwards manipulation.

The story does not end there. Edwards, *EIR* revealed at the time of the scandal, had been sent into Citibank as an industrial espionage agent by his former employers, Samuel Montagu and Co., the leading British merchant bank and gold trader. Coincident with the management change, Citibank for the first time officially hailed the "post-dollar era," in the form of a *Financial Times*

interview with Vice-Chairman Costanzo.

Did the "British" wing at Citibank carry out a coup?

## International Credit

### British "freeze" Iran assets

The British court system Dec. 5 froze Iran's banking deposits inside Britain. The court order came at the request of Chemical Bank of New York, which sought the freeze in the form of an injunction. Chemical Bank charged the Iranian government had defaulted on a \$50 million loan, representing Chemical's participation in a \$500 million loan syndication to Iran headed by Chase Manhattan bank.

The British court order will apply a freeze to all of the assets of the Iranian government as well as its central bank, Bank Markazi Iran.

But some members of the British private banking system were seeking to bring Iran back into the private financial markets. This would effectively undo the current asset freeze.

On Dec. 3, Sir Robert Clark of Hill Samuel investment bank told an Italian newspaper that the American banks' freeze of Iranian assets represents "a serious error in judgment. The Iranians have asked for lawyers," Sir Robert continued, "and we have made available counsel."

Moreover, added Clark, "this action by the Americans reflects badly on the City of London itself, old boy."

A banking analyst for a New York city investment house said that "The current officials of Iran's Finance Ministry and Treasury are British educated and have close ties to London," the analyst said. "I'm told by people on top of that some British banks will bring the Iranians back into the markets soon."

When Czechoslovakia shipped its gold to London as the Nazis invaded, he said, London shipped it right back to the new Nazi government.

## Briefly

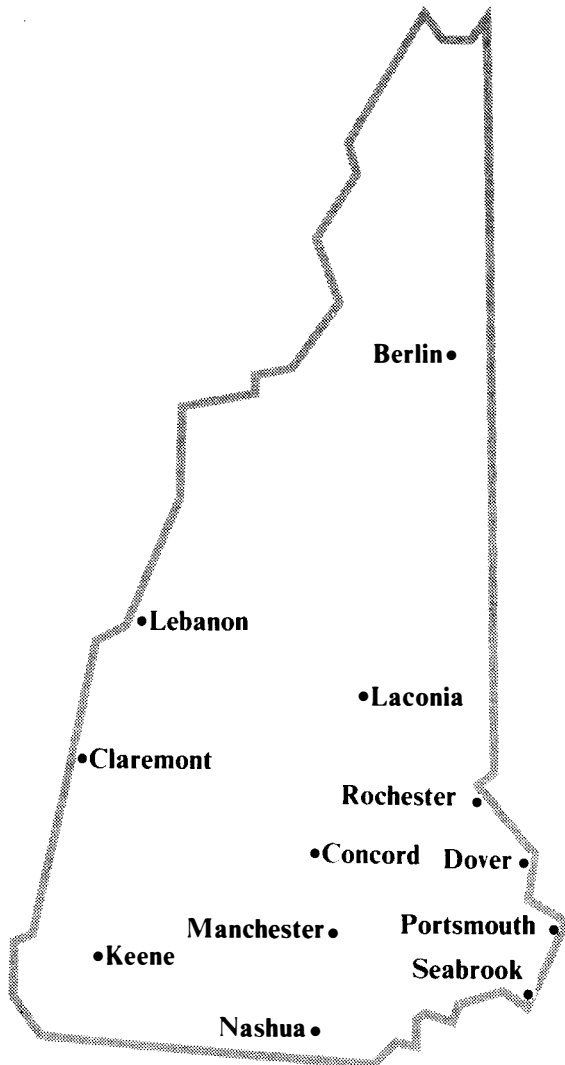
● **RICHARD COOPER**, Undersecretary of the Treasury, is leading a combined Treasury-State Department delegation to Western Europe to explain the U.S. freeze on Iranian assets. The tone for Cooper's trip was set by Sen. Jacob Javits who criticized Europe from the Senate floor Dec. 4 for regarding the Iran crisis as a "bilateral issue" rather than as an "acid test" for the postwar political and financial system.

● **TASS NEWS AGENCY** is reported to be urging the oil-producing nations to pull their petrochemical profits out of "highly unreliable and vulnerable" American banks. The decline in the value of the dollar, says Tass, is decreasing the profits of these nations. It warns the oil producers of U.S. use of financial pressure, as in the freeze of Iranian assets by the U.S. Treasury.

● **"WE'RE WORRIED,"** a senior official at Bankers Trust told a congressional source, in reference to the spate of suits and counter-suits between American and Iranian banks filed in British courts. "We're on very shaky legal ground, and frankly are not getting the level of U.S. government support we thought we would. Everyone's against us. But it's nice to know someone in Congress is interested."

● **PERU'S GOVERNMENT** has hired a consortium of Lazard Freres, Kuhn Loeb-Lehman Brothers, and S. G. Warburg to devise plans for its new oil surplus. In the works is an investment deal with Shell, which has as one feature Peru's taking more than its current 50 percent share of output from Belco and Occidental. Oil production is to be increased 25 percent next year, all of which will go on the Rotterdam market and garner over \$1.2 billion in additional foreign currency reserves.

## New Hampshire: Upset in the making?



by Konstantine George

American voters confront a 1980 election year that is without historical parallel since the election of 1860. Now, as then, the presidential election is dominated by one overriding question: will the United States choose a leader who can rescue the nation from the gravest crisis in the history of the American republic? Consequently, the first presidential primary in New Hampshire on February 26 takes on decisive significance in this year's campaign.

1980 follows four years of what many regard as the worst administration in U.S. history, with an unbroken record of economic and foreign policy disasters. The disasters are the product of an administration and Federal Reserve run by individuals committed to promoting what they term "controlled disintegration" of the global and domestic economies.

The United States is currently in economic crisis, threatened with a depression worse than the 1930s, and in foreign policy a crisis that is systematically disintegrating American national interests abroad. And reaching epidemic proportions, the proliferation of drug usage among America's youth, if not arrested and reversed by the next President, would alone, through destruction of the minds of the nation's youth, settle the question of the nation's future.

The American voter knows, at least in the back of his or her mind, that 1980 will not merely determine a four-year presidential outcome, but indeed the question of America's continued existence.

In this unique election year, a candidate equally

unique in credentials has entered the picture: Democratic candidate, Lyndon H. LaRouche, Jr. Although his name has been conspicuously absent from the national media, he is widely known in both international and domestic policy-making circles. His general aim is to revive the principles of the American System pioneered by Treasury Secretary Alexander Hamilton under the first administration of George Washington. LaRouche is regarded as the "intellectual author" of the European Monetary System, cornerstone for the creation of a new international gold-based system—the first point in LaRouche's six-point program. LaRouche has also designed domestic programs, consistent with Hamilton's American System, summarized in his mass-circulation program.

LaRouche's strategy, as his national campaign director Warren Hamerman explains, is to take the New Hampshire Democratic primary and use the upset victory as the springboard to eventual triumph at the party's national convention.

For that, New Hampshire voters hold the key. The state's electorate exemplifies the "reality principle" that upwards of 70 percent of America maintains a firm belief in the principles of scientific-technological progress and economic growth. The state's voters, furthermore, take seriously their singular role in determining the outcome of presidential elections.

An influential New Hampshire Democrat, not alone in his thinking, recently summed up the stakes in the February 26 primary: "Kennedy's election means the death of the Democratic Party in the state, and Carter's

election means the death of the nation." Were the primary contest a question of Carter versus Kennedy, and the GOP field only, a predictable "lesser of two evils" mindset would prevail, with Dems turning to the GOP, or simply abstaining.

The New Hampshire primary would then be mere theater. Three years ago, one insider to Republican National Committee discussions involving Henry Kissinger, revealed that a "deal" had been struck in Anglo-American policy-making circles whereby a Republican candidate would secure the 1980 election; no matter which GOP candidate was chosen at the 1980 convention, the policy course for the 1980s would not differ.

Such revelations, though apparently dated, shed interesting light on the actual course of the current GOP presidential sweepstakes, and pinpoint the term theater as an accurate description for the current eight-man charade in progress. All the frontrunner GOP candidates—Bush, Connally, and Reagan—have endorsed the fiscal austerity policies of Federal Reserve Chairman Paul Volcker. And the eight have never attacked one another on any issue.

Whichever candidate acquires the GOP nomination, the same Council on Foreign Relations-based crowd of stringpullers gains the presidency.

### **Election '80: Up for grabs**

The GOP situation is sewn up at the top levels, for now. The 1980 electoral outcome is a total uncertainty, however, because the New Hampshire Democratic pri-

mary is up for grabs. The reason: it's a three-way race—Carter, Kennedy, and...

Every political machine in the country is now watching the New Hampshire primary as the bellweather defining, through voter turnout and preference, the mood of the citizenry. Party professionals' "New Hampshire watch" now includes a hawk-eye look at the "LaRouche factor."

Professionals start their study of campaign prospects with the following basics. The state of New Hampshire contains 176,000 registered Republican voters, 146,000 registered Democrats, and 159,000 Independents. Given a three-way race (and throw Jerry Brown in as a minority fourth) and an approximation of a turnout in the 60 percent range, and 40,000 votes is the base line for victory. It can only be secured by a large combination of Democratic and independent votes. (Independents, may, under New Hampshire state law, change their registration to party affiliation anytime during the primary campaign and be eligible to vote.) This combination corresponds politically to the non-GOP portion of the bloc of voters subscribing in outlook to the principles of the American System. That combination, once mobilized and pulling for a candidate, means victory for that candidate.

The party professional then gauges the capability of a given candidate in pulling that winning combination behind him. Pertinent to the New Hampshire watch are the 1979 Democratic mayoral primaries and elections, and how that crop of candidates identified with or endorsed by Sen. Edward Kennedy fared.

They in fact fared miserably. The press took careful note that identification with or endorsement from Kennedy was a political kiss of death.

—In Cleveland, Kennedyite incumbent Mayor Dennis Kucinich lost in a city with a 7 to 1 Democratic voter registration edge, to Republican George Voinovich. Voinovich's victory was effected through an alliance catalyzed by the LaRouche organization in the city, involving predominantly Democratic black and white ethnic urban machines.

—In the Boston mayoralty contest, Kennedy liberal Joseph Timilty was crushed by incumbent mayor Kevin White.

—Also in New England, in the Connecticut Democratic primaries in Hartford, New Haven, and Bridgeport, Kennedy-linked contenders were soundly beaten. In New England, as in the Cleveland case, the Kennedy crew lost to a white ethnic/black political machine alliance.

—In Erie County, New York (Buffalo), James McGuire, for whom Kennedy campaigned, lost to a Republican in the race for Erie County Commissioner by a margin of over 2 to 1. This is the greatest margin of

defeat ever suffered by a Democrat in Erie County history.

Those are the highlights of the wreckage of the Democratic Party left by Kennedy endorsements. The perception now throughout the party—as charged by Cook County Democratic regulars—is that the Kennedy campaign is a vehicle to fragment the party and throw the election to a Republican.

With Carter, the overriding problem is that he can in no way avoid running on his and his administration's record. In the public's view, that is not a winning platform. A Carter victory in New Hampshire would launch Carter into the nomination, and given his record of failure and moving the country to the brink of ruination, would certify Democratic Party defeat in November.

Presidential primaries, however, never take place in a vacuum, despite the theater. The voters' minds are never off the issues, and that holds doubly true in this most critical of elections. The need for a leader with a clear program to get the country out of the economic and foreign policy mess is what the voter knows is required.

### **Volunteer organization Makes the difference**

Presidential primaries, and this holds especially true in New Hampshire, are won or lost depending upon the quality of the volunteer organization built by the presidential candidate. In the eyes of hard-nosed professionals, this factor more than any other, has led to the conclusion that the three-way Democratic race in New Hampshire is up for grabs, and to intense speculation that a LaRouche upset can in no way be ruled out.

The largest on-the-ground organization in the state is the LaRouche campaign, with a full-time staff of 28, manning eight offices located in eight of New Hampshire's ten largest towns and cities. The LaRouche volunteer organization, consisting entirely of New Hampshire residents, several hundred in number, is also the largest in the state. At this juncture in the primary campaign, with a total of 12 candidates listed on the ballot, only three, Carter, LaRouche, and Baker, have filed with the Federal Election Commission for matching funds.

LaRouche has used a town hall meeting tactic to engage in a dialogue with the electorate on foreign and economic policy issues. LaRouche has held many such meetings, with participants ranging from 50 to 250 in number.

For the public record, LaRouche's Democratic opponents and their spokesmen tend to downplay LaRouche's chances for scoring an upset. Their actions, however, speak far louder than their words.

Since the take-off of the LaRouche campaign, Carter, Kennedy, and Brown have set up the largest professional

campaign staffs ever recorded in New Hampshire primary history. The Carter campaign now has 20 full-time staffers, Kennedy has 25, and Jerry Brown has a total of 20. The norm for Republican candidates, and also for most candidates in all past primaries is a staff of eight or nine on the average. Carter, in 1976, took the state with a staff of 12.

LaRouche's opponents are not only buying huge staffs, but, as the case of Carter shows, importing volunteers for door-to-door canvassing, to make up for the lack of a strong state resident volunteer organization. Next week, the "Georgian invasion" of New Hampshire begins, with over 100 "volunteers" from the state of Georgia arriving to spend the month of December canvassing the state's voters. Jerry Brown's "volunteers" consist of greenie and prodope imports from other states.

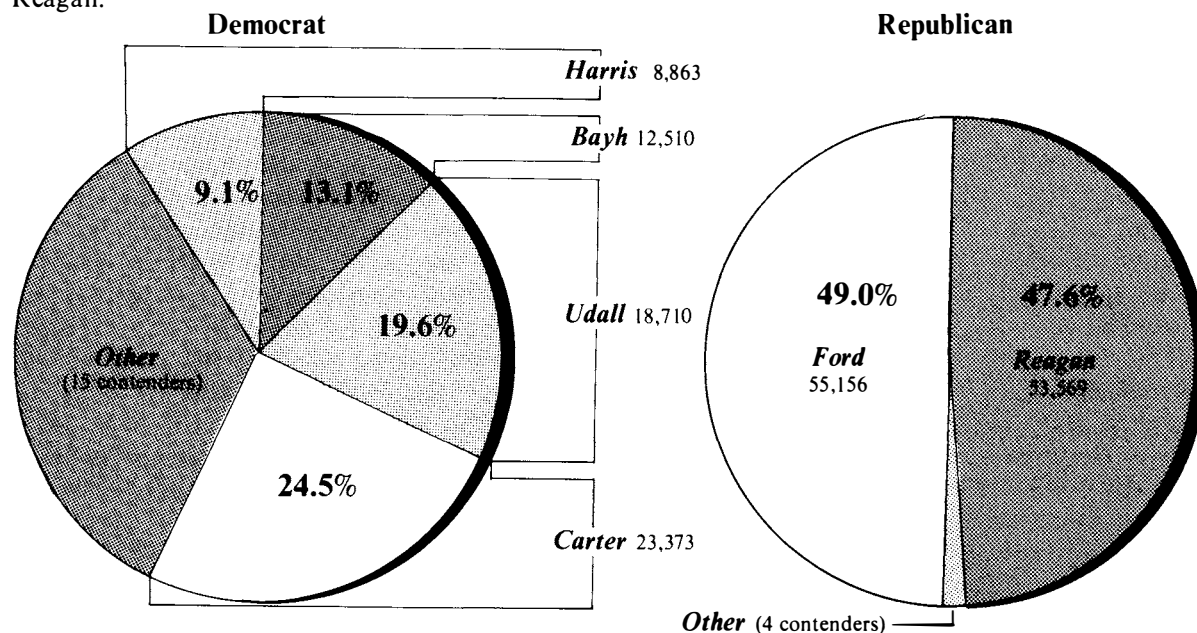
The New Hampshire primary is being turned into a mandate on policy issues determining America's future. The fight centers on what candidate LaRouche has termed the two methods by which an American election can be won. The first, termed by LaRouche the "Kleenex

method," compares the candidates preferred by the Anglo-American Eastern Establishment as so many tissues in a box, with the policy-making Council on Foreign Relations plucking a winning candidate-tissue out of the box.

The second method is the method by which Abraham Lincoln won the election of 1860, mobilizing that 70 percent of the American population that supports the American System outlook, forging an alliance of labor, industry, minorities, and farmers across party lines with a program in the national interests. Each President since Eisenhower has won on the "Kleenex method." Given the electorate's comprehension of the gravity of the crisis confronting the nation, 1980 offers a unique opportunity for the mobilization of the United States electorate around the Lincoln method. Provided it has the resources and support, the Lincoln method is unbeatable. The employment of this method by LaRouche in New Hampshire has already created a situation where the primary is up for grabs, and the greatest political upset in the century could be in the making.

### How It Worked in 1976

In the 1976 New Hampshire presidential primary, then-unknown Jimmy Carter was the Democratic Party's winner with only 24.5 percent of the vote cast in a "beauty contest" of 29 contenders, including favorite son candidates. The chart below shows only the four top runners, who together polled only 2/3 of the votes cast by Democrats. Four names appeared on the GOP primary ballot that year, including four of the Democratic contenders. The only actual Republican candidates running were incumbent President Ford and former California Governor Ronald Reagan.



# What the nation's Granite State looks like

## **ECONOMY**

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### *A success story that could turn sour*

*by Richard Freeman*

New Hampshire, a small state, with a heavy proportion of manufacturing workers in its total workforce, has set a blistering pace for population and industrial growth in the last decade. Now, with a shortage of skilled labor and lack of new industry due to shortsightedness in planning, many of the state's growth projects face an uncertain future.

New Hampshire distinguishes itself from other New England states, notably Maine and neighboring Vermont, by the degree to which it has been determined to industrialize with the latest technologies. Though, for the last 10 years, its governors have been professed "free enterprisers," the state has grown as a result of a decidedly dirigistic, top-down use of government tax breaks and reduced energy costs to encourage industry to locate in the state. This policy has partially succeeded.

Of its more than 300,000 workers, almost 29 percent are in manufacturing, the thirteenth highest percentage in the country. Many of these workers are in the newer industries of electronics, ball-bearings, machinery and rubber. It still has older industries, such as shoe and textiles, which have fallen upon especially hard times, as has shipbuilding. These will need an infusion of high-technology to survive. However, New Hampshire's tremendous overall industrial growth has tended to compensate for those sectors in decline.

Some credit goes to former Governor Meldrin

Thompson who helped abolish all taxes on industrial inventories, work-in process and process machinery—replacing these with an 8 percent net business profits tax. New Hampshire still has no general income, sales or use taxes. In addition, the state has developed, mostly in the last 15 years, 53 industrial parks sponsored by state, local and private development organizations that provided over 57,000 acres in sites for new and expanding industries.

This was accompanied by the construction of a modern, efficient, state-wide highway system to facilitate the rapid transport of goods. New Hampshire's expenditure for highway construction and maintenance was the second highest in the Northeast, and 133 percent above the national average.

Butressing this development, the cost of electricity per kilowatt-hour for industrial use in New Hampshire is the second lowest in the Northeast (while New Hampshire's residential and commercial charges for electrical use are among the highest in the region).

The energy and tax breaks had a dramatic impact. New Hampshire's population increased for most of the decade at a 13.4 percent annual rate, which compares favorably with most "sunbelt states."

### **Neglect of skilled labor**

But hidden beneath this development is New Hampshire's neglect of its most prized possession; the next generation of its labor force.

The labor force of a state must be judged as the parameter of future development. The labor force's ability to absorb new technologies and thus contribute to increased productivity is directly proportionate to its level of educational and material upbringing.

For the most part, during the 1970's, New Hampshire lured—or looted, depending on one's perspective—the labor force of the neighboring state of Massachusetts, which was undergoing heavy unemployment because of the shutdown of aerospace-related electronics business.

New Hampshire's 25-34 age labor force grew at more than a 35 percent rate between 1970 and 1976. Part of this can be attributed to the post-World War II baby boom. But New Hampshire's low native growth rate currently is reflected by the 3.0 percent growth for ages 1 to 9 in the past decade.

The question of the development of skilled labor-power in the future involves education expenditures now. But New Hampshire's expenditures for education were the lowest in New England and only 55 percent of the national norm. Its health and hospital expenditures were only 75 percent of the national norm. Its provision for workmen's compensation is also among the lowest in the country.

These lacks have exhibited two results: a shortage of skilled labor, and in some regions a dramatic falling off of industrial growth. In this respect, New Hampshire is at a crossroads, and will not go forward unless it solves this critical labor-power problem.

### The nuclear issue

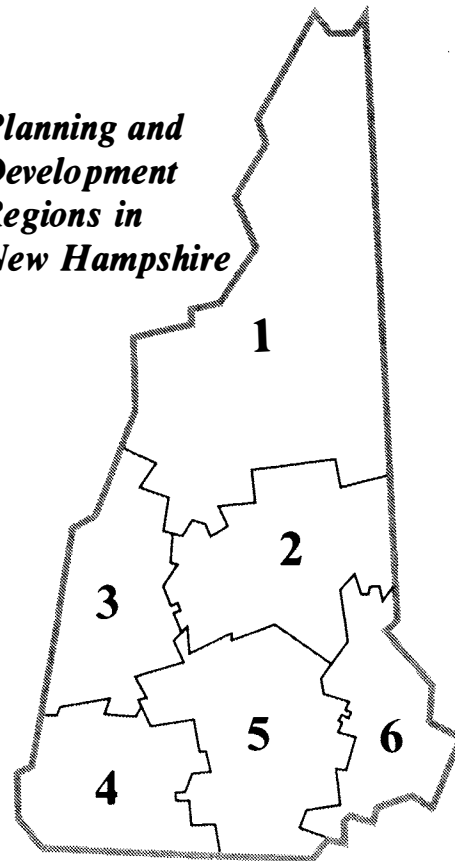
Another problem besetting New Hampshire's economic development is the energy picture. New Hampshire gets almost every drop of its oil and natural gas from out-of-state. Its natural gas comes via a Tennessee Gas Transmission Company pipeline, while most of its oil comes in through the southeastern port of Portsmouth. The ongoing energy crisis makes New Hampshire very vulnerable.

New Hampshire moved forcefully and creatively to break out of its energy bind in the early 1970's by planning the Seabrook nuclear facility, which will produce nearly a gigawatt of energy when it is completed— if it is—early in the 1980's. However, the nation's environmentalists which have received support from the presidential campaign of Jerry Brown and Ted Kennedy, have done everything in their power to deny New Hampshire this necessary power supply.

In fact, it is the case that if New Hampshire were to build three other plants like Seabrook, it could confidently draw much new industry into the state, and become a net exporter of energy to the New England area energy grid.

As New Hampshire enters the 1980s and the presidential race, it has the achievements of the last 10 years as a foundation for future growth. Yet, the policies it adopts will determine whether it rests on its laurels, and turns sour, or correct its flaws to guarantee a future.

### Planning and Development Regions in New Hampshire



- Region 1: White Mountains Region**  
Population: 70,000  
Lumber and Tourism
- Region 2: Central Lakes Region**  
Population: 74,000  
Fabricated metal products; stone and clay products; tourism.
- Region 3: Connecticut River Valley**  
Population: 71,000  
Machinery goods; textiles. (Education: largest overall employer)
- Region 4: Monadnock**  
Population: 82,000  
Machinery products; miniature bearings industry.
- Region 5: Merrimack Valley**  
Population: 400,000  
Electronics; machinery goods; leather products; rubber and plastic products; printing; lumber; textile.
- Region 6: Sea coast**  
Population: 236,000  
Leather and leather products; rubber and plastic products; primary metal products.

# ELECTIONS

## *As New Hampshire goes, so goes the nation*

It has long been a political truism in regard to presidential politics that "as New Hampshire goes, so goes the nation." It would be more apt to say that without a running start in New Hampshire, a candidate won't have much of a chance for the Presidency.

The 1980 New Hampshire presidential primary is unique, in that there are no political parallels in the history of that primary. In particular, the momentum of the campaign of Democratic candidate Lyndon H.

LaRouche is demonstrating the potential for an upset in the making. Should it occur, it would be the biggest in the 20th century.

While no political parallels can be drawn with past primary fights, the significance of New Hampshire in the presidential campaign is as true for 1980 as in all past elections. From 1956 to the present, no candidate has succeeded in winning the Presidency by either failing in, or attempting to circumvent the New Hampshire primary.

Beginning in the 1976 presidential election campaign, with the installation of the January Iowa caucuses and the early Massachusetts primary, liberal media pundits began intoning that "New Hampshire is no longer primary." This attempted counter to the New Hampshire primary has never taken hold with American voters and, despite what may be said, not by any presidential contender either.

What has held true for some 23 years still holds true today. The accompanying chart, listing the "winners" in the New Hampshire presidential primaries since 1948 (along with a corresponding list of the candidate elected in that year's general election) demonstrates that political rule-of-thumb.

### *How the Presidency is "won" in New Hampshire*

	Dem. Primary Winner	GOP Primary Winner	President-Elect
1976	Carter	Ford	<b>Carter</b>
1972	McGovern*	Nixon	<b>Nixon</b>
1968	McCarthy*	Nixon	<b>Nixon</b>
1964	Johnson	Lodge**	<b>Johnson</b>
1960	Kennedy	Nixon	<b>Kennedy</b>
1956	Stevenson	Eisenhower	<b>Eisenhower</b>
1952	Kefauver	Taft***	<b>Eisenhower</b>
1948	Truman	Dewey	<b>Truman</b>

\* Indicates that the candidate listed did not win a plurality of votes, but that his showing was significantly better than what had been predicted and consequently resulted in the generally accepted political commentary that this candidate "won" the primary.

\*\* Lodge won the GOP primary as a last-minute write-in entry.

\*\*\* At the time of the New Hampshire primary, then-General Eisenhower was a registered Democrat.



# POLITICS

## *Conservative voters, liberal power brokers*

by J. Pierce

New Hampshire, the northern New England state that draws so much attention each election year, has undergone a significant shift in its voting population as a result of the influx of skilled workers from Boston, Mass. and its suburbs into the state's eastern district. The shift in population has added significantly to the size of cities in the seacoast region, while overall New Hampshire in the last decade has had one of the most rapid industrial expansion rates in the nation. Nonetheless, its largest city, Manchester, has less than 100,000 inhabitants out of a total state population of under one million.

Traditionally, the state had been a Republican one, with important contributions made by the conservative Democratic machines that dotted the state, particularly in areas dominated by New Hampshire's Franco-American population. When the LaRouche for President campaign opened offices in the state, there were 176,769 registered Republicans, 146,026 registered Democrats and 159,620 registered Independents.

Until the influx of Bostonians into the state, there was no liberal voting element to speak of. There has been historically an overlap between voters in the conservative wings of both parties as well as a proportionately large number of registered Independent voters whose "swing" votes have determined the outcome of most every election. Since New Hampshire primary laws allow registered Independents to vote in either Democratic or Republican primary, this "swing" principle has held a true influence in primary votes.

And New Hampshire's voters take very seriously the political primary process. The population traces its heritage back to the American Revolution and so has a proud commitment to the American System tradition of progress and the free election of those who would lead this nation. The town meeting approach to hearing the candidate out on the issues uppermost in the minds of New Hampshire residents is an important part of that political process.

But running counter to the sentiments of the popula-

tion are the power-broker families of Bass and Dunfey who play a determining role in the politics of not only New Hampshire, but Massachusetts, Vermont, Connecticut and Maine.

The Bass family members are Republicans, liberal, progressive Republicans. The most prominent member of the family, Robert Perkins Bass, came to the state from Illinois at the turn of the century, served in both the U.S. House of Representatives and the Senate, and in 1912 became governor. He led the state Republican Party into an alliance with the progressive wing of the national party associated with Teddy Roosevelt. And he played an initiating role in introducing primary elections into New Hampshire, putting the state on the political map.

It is outside New Hampshire that his important political connections are to be found. Robert Perkins Bass was a founding member of the New York Council on Foreign Relations which in 1976 engineered the victory of Jimmy Carter, using the New Hampshire primary and the Iowa caucuses as the springboard. As an elder statesman, Bass chaired the liberal think tank, the Brookings Institution.

The New York Council on Foreign Relations was founded in 1919 by the British Royal Institute for International Affairs, the institutional command of British Secret Intelligence Services. Most—perhaps all—of the Council on Foreign Relations' charter members were well aware that the institution's primary purpose was to represent the British oligarchy's strategic policy-outlook within U.S. policymaking. The CFR's activity has concentrated on ensuring that both the policies of candidates and the candidates selected to run for the U.S. presidency, and those who win, are acceptable to the British oligarchy. The Bass family's witting adoption of such British "agent-of-influence" postures in family members'

### *New Hampshire Voters*

<b>Total population:</b>	836,366
<b>Voting Age Population:</b>	574,000
<b>Registered Voters:</b>	488,871
<b>Registered Republicans:</b>	177,330
<b>Registered Democrats:</b>	146,854
<b>Registered Independents:</b>	164,687

Population figures above are the latest available, dating back to 1976. Registration figures represent those available from New Hampshire's Secretary of State, dated November 1978.

political activities throughout this century is confirmed by Robert Bass, Sr.'s Brookings Institution position.

Brookings is a U.S.-based institution directly controlled by the City of London financial community, as a "think tank" representing City of London economic policies. The special role of the Brookings Institution has been to influence Congressional policymakers, provide "economic advisors" and draft most economic legislation introduced in both the Senate and House of Representatives. Brookings also dominates various executive branch economic policy-units, including the President's council of economic advisors, the Office of Management and the Budget and others. It closely coordinates with the New York CFR.

In the current electoral battle, one finds Robert Perkins Bass, Jr., a member of the CFR, an avowed supporter of George Bush, currently the Council's favored GOP contender.

His brother, Perkins Bass, heads the Maine wing of the family. He married into the Bird family of Boston who have significant interests in banking, special ma-

chinery and paper manufacturing. This wing of the Bass family has networks into the Democratic Party, including the machine of former Maine Governor Curtis who served as Democratic Party chairman in 1977.

**Dunfey family** members are Democrats, liberal Democrats. They came on to the New Hampshire political scene only recently with the influx of liberal voters from Massachusetts. In the late 1950s, the family made its ascent from "rags to riches" through investments in a chain of hotels, inns and resorts. Tourism had been suggested by Columbia University economist Seymour Harris as a prescription for revitalizing New England's economy sagging with the collapse of the shoe and textile industries.

Family scion, William Leo Dunfey, then began to diversify into real estate and insurance. The Hartford-based Aetna Life Insurance Company then bought into the Dunfey Family Corporation, combining it with Aetna's own network of hotels in Georgia, Texas and California.

The Dunfey family are members of the Kennedy

## LaRouche, Kennedy, and Seabrook

With nuclear power one of the major issues in the presidential campaign, New Hampshire's Seabrook nuclear construction site became the focus of a heated controversy this past fall. While most New Hampshire residents extended evident support to nuclear power, the national anti-nuclear movement chose the site as an "environmental" campaign focus, culminating in a demonstration there on Oct. 6, 1979, that very nearly turned violent.

What was planned at Seabrook, whose nuclear plant is projected to be the largest in the nation upon completion, was a "human wave" assault by 10-15,000 "greenies" who intended to occupy the area until the plant's construction was called off. That this did not occur, but rather devolved into a demoralized demonstration by a relatively smaller number of environmentalists, was due largely to the political penalty and exposure directed at the action's planners by presidential candidate Lyndon LaRouche.

Apart from LaRouche, however, no presidential candidate spoke out against the terrorism that was planned. As a result, LaRouche's campaign gained

significant support around the Seabrook issue; as he did not hesitate to point out, candidates Kennedy and Brown in fact had key supporters who were directly involved in the planning of the aborted terrorism.

The LaRouche campaign compiled intelligence on environmentalist groups scheduled to participate in the Oct. 6 violence, and circulated that intelligence widely among the voters and state and Federal law enforcement officials. The documents put together included the startling revelation that upper-echelon figures in the Kennedy machine were behind the logistical and financial support essential to the demonstration.

For example, Ted Kennedy personally addressed the founding convention of the Citizens Labor Energy Coalition, one of the organizations key to preparing for the Seabrook action. Kennedy's speeches against nuclear power and various legislation had been drafted by one Jim Kubie using information provided by one Vince Taylor, a leading person connected to the Musicians United for Safe Energy (MUSE) Foundation. The foundation in turn had brought together rock stars, Jane Fonda-Tom Hayden and other anti-nuclear celebrities to stage bacchanalian drug-rock concerts to raise money and recruit bodies for the Seabrook terrorism. Many of the foundation's backers were also prominent Kennedy supporters, including Morris Abram of the Field Foundation, which fun-

Democratic machine, emerging into prominence in the early 1960s. Able to influence both the liberal and conservative wings of the party, the Dunfey family has been able to neutralize the old-line conservative Franco-American machine which played a major role in Democratic policy circles up until the 1960s.

In the current electoral battle, one finds William Dunfey, a long-time member of the Democratic National Committee overseeing the family's work from the top. Walter Dunfey, lawyer, is on the state Democratic Committee and is part of the Carter/Mondale campaign in New Hampshire. Steven Dunfey, a state representative, is the Manchester area coordinator for the Kennedy campaign. And Leo Kanteres, son of a real estate tycoon and a top member of the Dunfey machine, heads up the staff for Jerry Brown's campaign.

Like the Bass family, the Dunfey family also has its branch in Maine. Robert John Dunfey is a member of that state's Democratic Finance Committee and is also closely allied to former Governor Curtis, having served as coordinator of Curtis's 1970 reelection campaign.

neled a great deal of money into the environmentalist groups. Abram was the first member of the New York Council on Foreign Relations to endorse Ted Kennedy.

The night before the scheduled violence, LaRouche appeared on statewide television to emphasize Kennedy's responsibility. The candidate's organization, by circulating this information, said that its purpose was not only to prepare state officials and law enforcement agencies for what they might face Oct. 6, but to do what was possible politically beforehand to prevent serious violence by laying responsibility squarely at the door of the Kennedy machine figures named. In that way, the penalty of public exposure faced these planners if any serious incidents did occur.

The result was a rather tame affair by comparison with what the organizers of the event had originally planned—the beginning of “environmental terrorism” in the U.S.A. Instead, numerous groups of a “moderate” variety, made aware that they were being used as a cover for violence by a few hardcore professionals, withdrew from the demonstration. Secondly, various celebrities, who came under the heat of LaRouche's exposure, also distanced themselves from the event on various pretexts. In the end, the environmentalist movement suffered a serious setback, and LaRouche came to the fore as the leading political spokesman for nuclear power in the nation.

## VOTERS

### *What's on their minds*

*by L. Wolfe*

Over the course of the last several decades, the New Hampshire electorate has rightfully earned the fear and respect of national politicians for being among the most critical of all voters. The *EIR* team of reporters, which spent several weeks in the state covering the upcoming Feb. 26 primary, found Granite State residents concerned for both their nation's and their families' future. If a candidate is to capture the minds and the votes of New Hampshireans, he is going to have to answer some very tough questions on the following concerns:

**The national economy.** The general perception of most voters—both Democrat and Republican—is that the U.S. economy is headed for an economic disaster in the months ahead. New Hampshire, while holding a bright promise for future development, is a very poor state. The first shock waves of Federal Reserve Chairman Volcker's tight credit policies have hit the state hard—hitting hardest and first the numerous small towns that dot the state.

As one southern New Hampshire businessman put it: “The small guy is just not going to make it.”

The promise of future industrial development—which New Hampshire residents translate into more jobs and a lowering of tax rates—is rapidly evaporating. It is therefore appropriate that they regard the economy as the number one domestic issue and will judge candidates on what they propose to do about it.

**Energy policy.** Contrary to some reports in the national media, the people of New Hampshire are overwhelmingly pronuclear. Only a small minority in the state is antinuclear and most residents comment that they are upset that candidates such as Brown and Kennedy have made an open appeal to this minority, seeming to disregard the interests of themselves and their neighbors. The central issue of the nuclear question—which New Hampshireans view as central to the entire energy policy ques-

tion—is the battle to build the Seabrook nuclear power facility. Most residents of the state, especially in the southern, more urban areas, regard Seabrook as vital to the maintenance of their standard of living. The planned environmentalist siege of Seabrook was a hot issue in late September/early October.

The question is not nuclear yes or no. What has New Hampshire residents concerned is how to fund it. Administration economic and energy policy and environmentalist action have caused delays and huge cost overruns at the construction site. The utility's proposal for a rate hike is unpopular, as is a state bond issue to fund construction. The last time that was proposed, New Hampshire voters defeated it. How do you fund nuclear power without placing the burden of cost on the resident? One candidate, Democrat Lyndon LaRouche, has proposed that within an overall policy of fostering industrial growth and advanced energy development, such construction could be funded through federally backed low-interest loans.

The nuclear issue is thus the most pressing of the energy policy questions on the minds of New Hampshire voters, but it is not the only issue. In New Hampshire, with no public transportation, the family car is a necessity and residents are concerned over the price and supply of petroleum products. Most people place the blame for the problem on both the Carter administration and the oil multinationals. Some point their finger at the OPEC countries, but the anti-OPEC feeling was, until recently, not very intense. Nor do people buy the idea that major conservation programs are the answer. The New Hampshire voter is looking for candidates who offer a balanced and complete energy program oriented toward production and nuclear energy.

**On morality.** Much has been made in the media concerning the reputation of New Hampshirans as an extremely moral electorate. Our reporters found that to be true, but the focus of this issue is misrepresented by the press. Ted Kennedy is most certainly hurt badly in this state by the Chappaquiddick incident, but for New Hampshire voters that incident does not embody the morality question.

Rather, throughout the state and especially among middle-age adult voters—the majority of the electorate—the drug problem and what to do about it are very much on their minds. They look with horror at national candidates who talk about drug decriminalization, who refuse to deal with the growing problem. That the voters regard as immoral.

The drug problem is far greater in New Hampshire than one might expect. Studies have shown drug usage rates comparable to such places as New York City and

Boston and hitting youth on the campuses and in high schools.

Another issue is abortion, though apparently not the major factor it was in the 1976 elections.

**Gun control.** This remains a key concern of nearly everyone in the state. New Hampshire is still very rural and a large percentage of the population own guns for hunting. But the issue goes deeper. New Hampshirans are proud of their American Revolutionary heritage and the issue of gun control hits on the constitutional right to bear arms.

The vast majority are totally opposed to the type of restrictive gun legislation being proposed by Senator Edward Kennedy and others. The National Rifle Association and allied groups are among the most active of the political lobbies opposing such legislation. It is hard to imagine a candidate doing well in the state if he pushes for restrictive gun control.

**Foreign policy.** A very active debate over the merits of the SALT II treaty has now been pushed to one side by the events in Iran. Over the last few weeks, this issue has tapped into the already intense patriotic fervor among the electorate. Many residents have remarked that the issue binds both liberals and conservatives together. Underneath this unanimity of purpose and a good amount of hype from such media as the *Manchester Union Leader*, there is a good deal of skepticism about the national leadership.

People remark in discussions on street corners and in bars that they do not buy the stories being offered by “official Washington” and various politicians about why the events in Iran came to be. And the electorate wants answers.

If the election were held today, these questions would not necessarily predominate. But the election is more than two months off and people are beginning to think beyond the immediate flow of television news. Already they are angry at Kennedy for his remarks against the Shah.

In summary, the electorate is worried and skeptical. They are not going to accept glib promises or easy solutions from the dozen candidates courting their votes in both primaries. It is normal for the candidates to begin a full media blitz of the voters here come January, spending money for media both in the state and in nearby Boston. But in New Hampshire that is not what gets the vote out. As one former Carter supporter commented: “I don't think that you are going to find people voting for smiling faces and empty promises. ... We are not dumb you know.”

# How the 1980 presidential candidates stack up

The following summary report on the campaign organizations of the leading presidential contenders in the New Hampshire primary was prepared from on the scenes evaluations by the staff of *EIR* and from information obtained from the candidates' state spokesmen. It is assembled in a grid format to give our readers the chance to make a quick, accurate comparison.

Several points stand out and deserve comment.

On the Democratic side, campaign professionals with experience in running primary presidential bids in New Hampshire tell us that all candidates have made a level of full-time staff commitment which is almost unprecedented. Normally a Democratic contender will operate with a full-time staff of approximately five to 10 people. Yet, with nearly three months before the primary date, each candidate—Kennedy, Carter, LaRouche and Brown—is using more than 20 full-time staffers. While the national campaign organizations of Kennedy, Brown and Carter have attempted to downplay the significance of the primary, the level of staffing clearly shows that each thinks New Hampshire crucial.

Brown has attempted to set up an infrastructure, but his own people say that he has failed to consolidate any real organization in the state. Brown has spent a large part of his time on campuses trying to court the college vote. Even if he were to do well there, his lack of depth anywhere else makes him a long shot in the primary.

Both Carter and Kennedy, despite elaborate efforts and staff are behind schedule on the nuts and bolts of building a campaign. Carter is relying on the state party machine, especially those around New Hampshire Governor Gallen. Kennedy is relying on a volunteer organization. Our professional sources say that both will have trouble turning out the vote. Thus the recent influx of

Kennedy and Carter staffers takes on the appearance of a panic.

The LaRouche staff, on the other hand, has placed much importance on the primary campaign. They are operating according to a carefully defined gameplan which has steadily increased the number of full-time staffers, at the same time expanding their infrastructure. The LaRouche organization, according to our sources, has the best in-depth operation in the state—on any given day it can put more people in the field than Carter, Kennedy or Brown.

On the Republican side, staff deployments are normal—five to 10 for each staff, and fewer local offices. Reagan has the best organization, but, said one source, his organization is flabby—taking a lot for granted.

Connally has written off the state and, according to people inside his campaign, whatever campaigning he does in the state is just to “keep up appearances.”

Crane looks good on paper, but there is a standing joke around Manchester that his best staffer is the fluorescent light in his office, which is kept on all the time and is usually the only thing working.

Baker is expected to do poorly, though he certainly cannot afford it.

That leaves George Bush who is quietly building a machine of sorts. He has the endorsements from the Bass family power brokers in the Republican Party. His staff includes former Governor Hugh Gregg as campaign coordinator and is carefully cultivating the image that Bush is an underdog with low expectations. Bush, they say, will be catapulted into national prominence by winning in Iowa and will then “scare the pants off Reagan in New Hampshire.” Bush plans to spend a considerable portion of his time popping in and out of the state.

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# DEMOCRATS

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**James E. Carter**

**Campaign staff.** Twenty full-time staff; offices in Manchester, Portsmouth, Salem, Nashua and Berlin; state headquarters in Concord.

**Endorsements.** Governor Hugh Galen, State Senate Democratic leader Robert Preston.

**Major issues.** Energy, "especially the high cost of heating oil" and inflation. Foreign policy—"that's always an issue," Carter spokesmen emphasize that their strategy—which may include the issues they choose to emphasize—is "very secret." Other observers say that "Carter can't run on anything except his administration's record." It appears that because of the nature of the administration's record, issues will be de-emphasized in favor of garnering delegates through political debt-collection.



**Lyndon H. LaRouche**

**Campaign staff.** 28 full-time staff, 25 part-time; offices and volunteer organization in Manchester, Nashua, Berlin, Portsmouth, Concord, Rochester, and Claremont.

**Endorsements.** former State Representative Theresa Drabinowicz (Nashua), Kenneth F. Chenette, vice-president, Merrimac County Labor Council, William A. Desmarais, former State Representative (Nashua).

**Major issues.** A new gold-based world monetary system to brake inflation, expansion of the Export-Import Bank to revive world trade, a revised tax policy in favor of savings and productive investment, a comprehensive energy policy emphasizing nuclear fission and fusion, and hydrogen and hydrogen-based fuels, a reorganized executive branch to make the federal government manageable, and outlawing dangerous drugs.

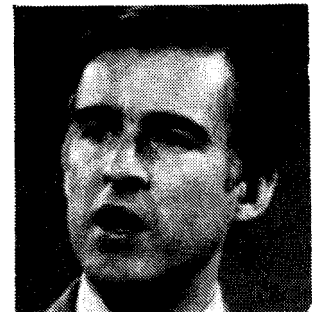


**Edward Kennedy**

**Campaign staff.** Twenty-five full-time staff; offices in Salem, Nashua, Keene, Dover, Concord, Berlin, and Manchester.

**Endorsements.** Not available from staff.

**Major issues.** Favors a moratorium on nuclear energy, nationalized health care, gun control and drug decriminalization. Inflation is also an issue as is leadership.



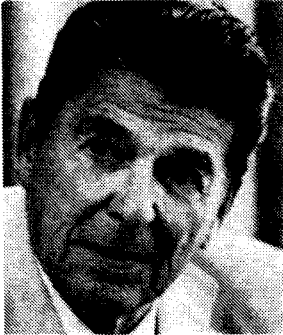
**Edmund G. Brown, Jr.**

**Campaign staff.** Twenty full-time staff; office in Manchester, others planned for Dover, Nashua and Berlin.

**Endorsements.** State Representatives Jim Kaklamanos (Nashua), and Terry and Phyllis De Nafio (Dover) and Democratic State leader Leo Kantares.

**Major issues.** Stop the Seabrook nuclear power plant construction and the issuance of new permits, give tax credits for wind and solar, mass transit for southern New Hampshire, and affirmative action for women.

# REPUBLICANS



**Ronald Reagan**

**Campaign staff.** Ten full-time staff members; a campaign chairman in every city; and a ward-level organization.

**Endorsements.** New Hampshire Senator Gordon Humphrey, former Governor Lane Dwinell, New Hampshire Senate President Robert Monier, former New Hampshire Senate President Alf Jacobson.

**Major Issues.** Backs the Kemp-Roth proposal for a 33 percent tax cut, deregulation of oil and trucking, and an energy policy stressing nuclear, coal, gas, gasohol, wood and hydroelectric; opposes gun control and SALT II. Supports high-interest rate policy arguing that tax cuts will lower inflation as well as welfare cuts. Foreign policy would favor a strong China and maintaining Israel as America's strategic ally in the Mideast.

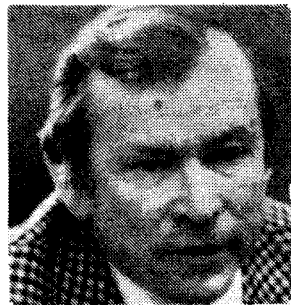


**John Connally**

**Campaign staff.** Nine full-time staff; one office in Concord; 300-person state committee.

**Endorsements.** Not available from staff.

**Major issues.** Not available from staff, but reportedly Connally intends to rely not on issues, but on a strongman image and his stature as a former Cabinet member.

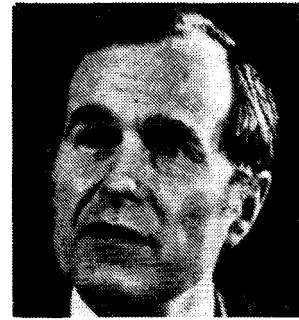


**Howard Baker**

**Campaign staff.** Nine full-time staff; one office in Concord.

**Endorsements.** Former New Hampshire Governor Walt Peterson.

**Major issues.** Foreign policy, energy and economy. Opposes SALT II, PLO recognition; backs conservation, oil and gas decontrol.

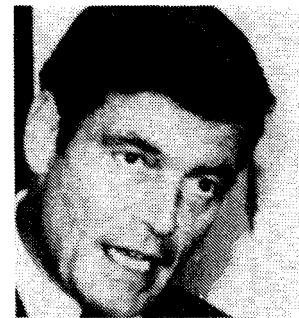


**George Bush**

**Campaign staff.** Six full-time staff; one office in Concord, others planned.

**Endorsements.** Former Governor Hugh Gregg, former Governor Sherman Adams, General Melvin Zais, GOP State Cochairmen Robert Bass and Victoria Zachos, Senator Frank Wageman and Rep. James Cleveland.

**Major issues.** Backs an antiinflation policy and an antinuclear energy program; supports the President on Iran; proposes cuts in spending and a balanced budget.



**Philip Crane**

**Campaign staff.** No full-time staff; one office in Manchester; relies on volunteers.

**Endorsements.** State Representatives Irene Shepard, Rober Wood and Guy Granger.

**Major issues.** Fiscal conservatism and free market economy are the centerpiece of the campaign. Opposes SALT II, gun control, nationalized health legislation.

## Candidates file for matching funds

On Nov. 27, Democrat Lyndon H. LaRouche became the third presidential candidate to file for matching funds with the U.S. Federal Election Commission. Earlier, both President Jimmy Carter and Republican contender Howard Baker had filed.

LaRouche's organization, Citizens for LaRouche, is the only one so far to include New Hampshire in its 20-state list for the matching funds application. Although the U.S. Treasury does

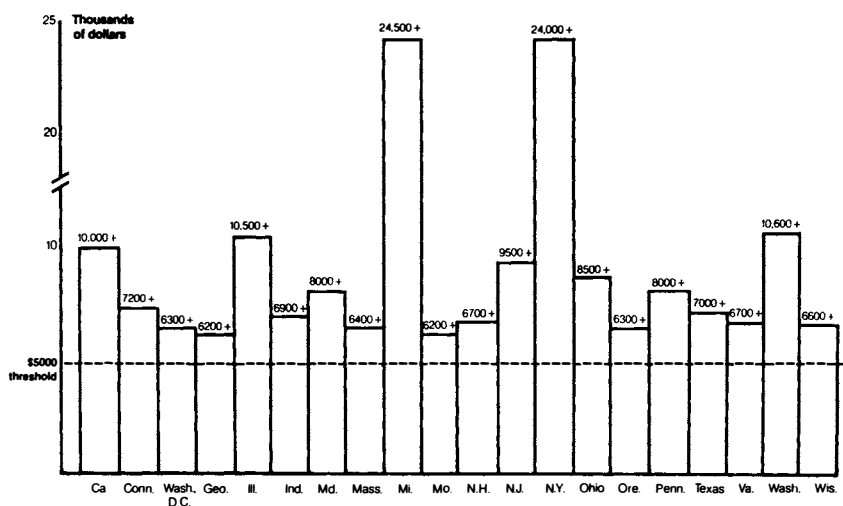
not pay out the matching funds until Jan. 1, 1980, the application should be approved by the Federal Election Commission within the space of several weeks.

In comparing the fundraising of different candidates, LaRouche stands out for having the lowest average contribution toward his total of \$186,000 of matchable funds. That is generally considered indicative of broad-based support. For example, the average individual contribution (not al-

lowed to exceed \$1,000) to LaRouche was \$82.00, received from many more individuals than the average \$597 contribution received by Jimmy Carter towards his total of \$970,000. Republican contender John Connally's average contribution was \$660.00 according to his quarterly report to the FEC (he has not filed for matching funds in order to avoid spending limits). In New Hampshire, LaRouche's average individual contributor gave \$37. Jimmy Carter's average contributor has given \$58; however, that average for Carter is misleading, because most of his total was given in large contributions by a very few.

To qualify for matching funds, a campaign organization must raise more than \$5,000 in each of 20 states. Citizens for LaRouche, for example, filed for contributions raised in the states of California, Connecticut, Washington, D.C., Georgia, Illinois, Indiana, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Texas, Virginia, Washington, and Wisconsin.

The government then pays to the campaign organization an amount equal to the total. Some candidates, like Republican Ronald Reagan, have not filed for matching funds, even though they have met the requirements. One reason may be that receipt of matching funds entails a restriction on total spending in primary election campaigns. In New Hampshire, a candidate who receives matching funds cannot spend more than \$400,000. In Florida, the limit is approximately \$1 million, and so forth.



*Citizens for LaRouche submits more than \$186,000 for presidential primary matching funds*



## Documentation

# How the campaign chiefs see it

## Carter

*This interview was conducted with a staff member of the Carter/Mondale campaign committee.*

**Q:** What is your national primary priority?

**A:** The President will be running in every primary and in every caucus around the country. The most salient characteristic of the 1980 Democratic presidential race is the question of proportional representation in the primaries. Our major task is to target our resources everywhere to take delegates.

**Q:** Aren't you emphasizing New Hampshire at all?

**A:** Sure it's a significant early primary, but New Hampshire is just important in the media, and has been traditionally, but not this time. New Hampshire and Maine are Kennedy's base. Carter should be expected to do about as well there as Kennedy will do in Georgia. Besides, Minnesota is the same day as New Hampshire and has three times as many delegates. ...

**Q:** What about Iowa, is that not a Carter priority?

**A:** Iowa is important, sure, but it's a very difficult battle, Kennedy's pouring in everything he can, he claims now Iowa is the first test—of course he claimed Florida was the first test until he lost it completely—I can't go into our strategy any more. We just understand proportional representation and we plan to go in there and slug it out, state by state. Our strategy is very deliberate, very measured—and very secret.

## LaRouche

*Warren Hamerman is the national campaign director for Democrat Lyndon H. LaRouche, Jr. In the following interview, Hamerman outlines the candidate's strategy toward the New Hampshire primary and beyond.*

**Q:** We understand that Citizens for LaRouche has just filed for federal matching funds to the Federal Election Commission on \$185,000 in contributions to the LaRouche presidential primary campaign. That sounds low in comparison to Carter's and Baker's.

**Hamerman:** That is only the beginning. By Dec. 9, we expect to have \$1-2 million. The character of the LaRouche matching funds indicates that LaRouche's campaign is the most broadly based, grassroots-supported campaign in recent American political history, including the Wallace campaign.

We raised the money from 2,533 individual voters at an average contribution of \$80 each. The average contribution to the Carter campaign by comparison is \$600, while it is \$660 for the Connally campaign.

The same pattern shows in New Hampshire. There, Citizens for LaRouche raised over \$6,365 from 190 contributors at an average contribution of \$39.70. And contributions came from every county in New Hampshire. Recent matching funds submissions from Republican hopeful Howard Baker have not included that state. Historically, no one raises money this way. The LaRouche campaign has entered a completely new stage.

The money raised has enabled us to launch a major media campaign in the state of New Hampshire, which has so far included full-page political advertisements in the *Manchester Union-Leader* and the leading papers in Berlin, Concord, Portsmouth, and Laconia, as well as the *Boston Globe*. The increased recognition of the candidate will add to our fundraising abilities. On Dec. 1, seven billboards featuring "LaRouche, Democrat for President" with his portrait-photograph went up at key locations around New Hampshire. Four more will be in place by Dec. 15.

And, after a normal two weeks' processing time, we anticipate that the Federal Election Commission will award an equal amount to what CFL presented as contributions under the stipulations of national law. These funds become available on Jan. 1, 1980 for the primary campaigns.

Money is also being raised throughout the United States specifically for the New Hampshire media drive, which includes the purchase of radio and television spots. We are currently selling \$100 per couple tickets to CFL campaign parties to take place simultaneously in 18 cities on Sunday evening, Dec. 9. About 2,000 tickets have been sold so far, including 350 each in Detroit and New York.

### **More staff, more volunteers**

**Q:** How does LaRouche plan to defeat both Kennedy and Carter?

**Hamerman:** We have 29 full-time organizers there. This compares to about 26 for Kennedy, and now 20 each for Carter and Brown.

Citizens for LaRouche has opened headquarters in Berlin, a town in the north where LaRouche has made two campaign tours. Another office was opened in the state capital, Concord, one in Portsmouth and Rochester on the coast, and an office in Claremont. In Manchester, we set up a second office just for volunteers, while the new office in Nashua is being manned by volunteers and professional staff.

One distinctive feature of our campaign is that the new offices in Manchester, Berlin, Nashua, and Concord are all manned by volunteers—our "citizen militia," you might say—as well as by the "regular army" of full-time campaign staff. The citizen militia concept goes back to the American Revolution in this state.

LaRouche is not selling toothpaste or deodorant and is not gearing his campaign to simple marketing tech-

niques like the other candidates. LaRouche insists on engaging the population in a real discussion of substantive issues, uplifting them rather than merely appealing to them and that is why we are purchasing 5-minute to half-hour media spots.

In fact, the campaign is already functioning in a way that goes far beyond the primary election itself. On two issues, that of the high interest rates imposed by Federal Reserve head Paul Volcker and the Iran crisis, LaRouche has successfully mobilized the citizenry. We distributed thousands of copies of a four-page "Citizen's Guide on the Economic Crisis" in New Hampshire following the imposition of the Volcker measures. That has resulted in calls and other pressure on Congress to force Volcker to back down from his destructive credit policy or resign.

### **Tomorrow the nation**

**Q:** Why so much emphasis on one single state?

**Hamerman:** When LaRouche wins New Hampshire, he has the presidential election. LaRouche's name and program for putting the American System back on track are known throughout the country. Everywhere, people are looking to see if he is electable.

On the morning after Feb. 26—primary day—we're looking for a political shock that will affect not just the United States, but Western Europe and Mexico, where LaRouche's program is also well known, and it will be proven that he can win.

Either we will gather enough delegate strength in other primaries to get the nomination at the Democratic convention or, as in 1940 when Wendell Wilkie won the Republican nomination, the entire national party ranks will push through with "we want LaRouche."

LaRouche is a natural to win New Hampshire and not just because he's a native son of the Granite State. LaRouche has the advantage because the citizenry of the state takes seriously the tradition of the town meeting process for gauging candidates.

**Q:** How would you gauge the New Hampshire population?

**Hamerman:** LaRouche's Thanksgiving Day message had a tremendous impact. Several thousand dollars of New Hampshire's CFL matching funds as well as hundreds of nominating petition signatures can be attributed to these Nov. 22 ads. One student, who called a CFL office to volunteer, described the ad as having convinced him "there is a true fourth alternative" in the Democratic Party.

One response frequently heard in the streets of LaRouche's hometown of Rochester was, "We're not going to let Ted Kennedy buy out this state."

Supporting Kennedy is synonymous among party regulars in New Hampshire to splitting the Democratic Party. Kennedy people are all over the state trying to buy endorsements, but there's a political backlash. His liberal policies and permissiveness on drugs are unacceptable to most of the electorate.

Carter is known to be unelectable. Carter's blunders on economic and foreign policy make him unthinkable as a second-term President, and Jerry Brown is recognized as merely the "stimulant" for the Kennedy campaign.

LaRouche has pledged that he will increase the rolls of Democrats in New Hampshire. In the primary, the LaRouche vote will come from Democrats and from a large number of independents who will sign up as Democrats in order to vote for LaRouche. Since the LaRouche campaign began, more than 1,500 new Democrats registered in the city of Manchester alone. Election board officials report that many signed up just to be LaRouche campaign workers.

### Other states

**Q:** What do you plan for the rest of the nation?

**Hamerman:** We just opened a CFL office in Fort Lauderdale, Florida. LaRouche's energy advisor will be holding a series of forums there on energy early in December.

We also have an active campaign in the primary states of Wisconsin and Illinois. LaRouche campaign workers have started petitioning to be on the primary ballot in New Hampshire, Illinois and Massachusetts.

Citizens for LaRouche puts out a weekly "International Information Bulletin" that is distributed to foreign diplomats, journalists, and businessmen here in the United States as well as to similar circles in France, West Germany, Italy, Sweden, Mexico, and Colombia.

LaRouche recently held a successful reception for diplomats in Bonn and was favorably covered in the well known Athens conservative daily *Akropolis* in a prominent three-part feature series.

This all shows that LaRouche is not an underdog. He is already a world leader advising governments on economic and strategic policy and is widely credited as the intellectual architect of the European Monetary System launched last year by the European Community.

Our campaign theme is "Put World Leadership in the White House in 1980."

## Kennedy

*A member of the Kennedy for President campaign staff granted the following interview on their primary election strategy.*

**Q:** What is your national election strategy? Does New Hampshire provide a key test?

**A:** With the adoption of proportional representation and federal funding since 1976, every delegate in every state is now of equal importance. The 20 delegates we get in New Mexico are just as important as the 280 we might get in New York. The name of the game in running for the nomination is no longer that of picking out five key primary states and hoping for big media results to carry you to the nomination. Now you must go equally in each state for all the delegates you can get because the nomination will be decided by a handful of votes. ... We're going in straight chronological order of the primaries. Iowa, Maine, New Hampshire, Minnesota, Massachusetts. If the primary is in Iowa today, we'll be there; if it's in Alabama next, we'll drop Iowa and move.

### No strategy?

**Q:** But don't you have to make your planning based on some strategic objectives?

**A:** Decisions on where to campaign are being made on a day-to-day and in some cases on an hour-by-hour basis. It all depends on how the media moves, on what the media labels as the key states at the time, that decides our media coverage expenditure and where we'll be or go...

**Q:** But isn't New Hampshire a key state?

**A:** There are no key states. The key states come and go every Tuesday or Saturday. Anyone who says otherwise is crazy. It's better to lose the total vote in a state and come up with the delegates along the way.

**Q:** But don't early wins in New Hampshire, Iowa, etc., mean national gains?

**A:** Nonsense, if your scenario had any importance, Carter would never have gotten the nomination in 1976. He lost 10 out of the last 14 primaries, but was only 400 delegates short in June at the convention—and then he bargained ... that's what we'll do. *New Hampshire is no more important than any other state.*

# Brown

*Following is an interview with a member of the staff of Governor Jerry Brown's campaign for President.*

**Q:** What is your presidential campaign strategy?

**A:** Well, voters in primary states are much more likely to vote Brown than those in caucus states because there is so much pressure from both Carter and Kennedy on the traditional machines which can get people to the caucuses—labor, urban machines—tremendous pressure. You see their jobs are on the line. It's not just what Jane Byrne did in Chicago, threatening to cut jobs if people didn't go for Kennedy. Carter's doing it too. So no one will come out for Brown—but, there are a lot of closet Brown supporters.

**'Especially the gays'**

**Q:** Closet?

**A:** Sure, many people are in the closet. They believe in Brown, but their jobs are threatened in the traditional machines. So we have a two-pronged strategy.

Our first priority is to organize our constituencies, the people who support us now in California, for those caucuses. The women, the environmentalists, the anti-nuclear people, the supporters of individual freedom, the gays—especially the gays. We have to go out and inject the gays into the caucus states, like Iowa. The gays, they're good now, they can produce bodies now and turn them out for elections, but they can't get them organized for the caucuses. We're trying to educate them and our other constituencies so that they can penetrate the caucus delegate system.

Our job is to convince the people climbing over the walls of nuclear power plants with wrenches that the way to stop nuclear power is to go climb over the walls of the caucuses and make sure Jerry Brown is President. They don't normally vote in presidential elections, our constituents, you see....

Our second priority is to pry those people in the traditional machines loose, by doing well in some other early primary like New Hampshire—they will need a catalyzing event, a cathartic event. We have very low expectations. We've got to raise our expectations. Then all our constituencies will be organized, even the ones in the closet—they'll start to pull out of the old machines. I don't even know what the Democratic Party means any more, we can take Democrats, Republicans, we don't care.

**Q:** So what's your regional strategy?

**A:** Well, everywhere we're going to campaign on the issues, not the blahdy-blah about leadership and other "vagueries." In Iowa, we will stress our fiscal conservative side. It's a very conservative state. People are basically fiscal conservatives there because we're on hard times now. Now, in New Hampshire, we'll push our socially liberal side. We'll push our environmental record—it's an environmentalist state, very much an outdoors state.

**Q:** But don't the New Hampshire residents hate the outside environmentalists, aren't they conservative?

**A:** No, no, we intend to capitalize on the Seabrook vote—all the other Dems can go and vote in the Republican Party. And then we have our creative energy program. A National Energy Corporation, a National Import Authority for oil, the North American Common Market, oil on federal lands, solar tax credits, biomass—sugar cane and other things....

**Q:** Well, what's after Iowa and New Hampshire?

**A:** Then New York, we'll run a big free media campaign. People read the newspapers there. Buying media is very expensive, but it's the easiest state to get free media. All we have to do is to keep controversial, keep cranking out our programs on the substantive issues that will grab headlines. Keep doing the unusual.

**Q:** What will you say to New York's bankruptcy with your fiscal conservatism?

**A:** If they ask us for a bailout? We don't have a policy yet... We don't know what we would say.

**Q:** So the national strategy is...

**A:**... To carry Wisconsin, New York, Pennsylvania, Michigan, and California. If Carter finishes third in New Hampshire and Massachusetts, he's in trouble. People hate him in Massachusetts—not just that they like Ted, they hate Carter—that's why we have our new national headquarters here.... Then, we take Wisconsin. It's the most independent state, women, environmentalists, anti-nuclear people. We're just starting in there now. Next week, Brown is going there, making it a big priority. And then we're dealing with a different chemistry—Carter becomes irrelevant and we get big money.

**Q:** How will you deal with Kennedy—Chappaquidick?

**A:** No, no we can't mention Chappaquidick. The American people have a lot of problems and that's not one of them. Personally, I think Senator Kennedy did the right thing—he's a man in which we can place our complete trust. We'll just go after him on the issues, that's all.

# Reagan

*The following interview was conducted with a staff member of Ronald Reagan's presidential campaign.*

**Q:** How important is the New Hampshire primary for you?

**A:** New Hampshire is certainly important to us. We are putting a lot into it. We expect to win. We have a broadly based organization in the state with precinct chairmen, everything that an organization needs there. If we win the New Hampshire primary, we expect it to be all over. Sure, there will be additional races, but the tone will have been set.

**Q:** There are reports that George Bush's campaign is gaining in New Hampshire and that if he gets a strong showing as second this will hurt Reagan. Do you agree?

**A:** Bush has a good chance to be second. If the contest is between Reagan and Bush we welcome it. Bush is a good man, but there is an overwhelming disparity between the grass roots support for Reagan and for Bush. If Bush beats Connally and Baker in New Hampshire he will be the man to challenge Reagan.

**Q:** Do you plan to wage a strong campaign in the other early primary states?

**A:** We intend a full effort in all the early primary states—Connecticut, Massachusetts, Vermont, South Carolina, Alabama, Georgia, Illinois, Florida.

**Q:** The other campaigns are saying that they don't think New Hampshire is all that important, that if they hurt you in another state it will have the same impact.

**A:** Saying that you show that you don't understand the significance of the New Hampshire primary. If you spend time talking to the national political reporters such as the *Washington Post*, the *Sun-Times*, etc. they will tell you it's important. All the rest of the candidates don't expect to win and they expect to put something together after the New Hampshire primary.

## Reagan 'has support'

**Q:** Do you think that Reagan can be significantly damaged after the New Hampshire primary in the other states?

**A:** Anyone with polling capabilities will tell you that there is a dramatic difference between Reagan and the other candidates: support.

**Q:** The Connally campaign thinks that if he gets one win before the Illinois primary then that will give him much momentum because they believe he has a lot of support in Illinois.

**A:** The polls don't show Connally having a lot of support in Illinois or elsewhere. Of course, it's possible that someone will beat Reagan somewhere, but so what.

**Q:** Because of the importance you attach to New Hampshire, are you putting a lot into that primary?

**A:** We are putting as much time and effort into the state as the law will allow. According to the FEC laws, you only can spend \$265,000 in the state. We are getting as many volunteers there as we can, we have thousands there. The Governor will be in New Hampshire often—once a week beginning Jan. 1.

**Q:** What about the reports that the convention will be deadlocked?

**A:** If we win in New Hampshire, we think that the nomination will be solved.

**Q:** What are the issues the Governor believes he gets his support on?

**A:** It is the basic themes he has been emphasizing—the economy, energy and our international status.

**Q:** Do you think that the New Hampshire primary is important too for the lesser known candidates, that if they do well there this will boost them forward, people such as Baker?

**A:** Baker has more natural support nationally and in New Hampshire than any other candidate opposing us. He has a problem of organization, he has not been able to capitalize on organization of his natural support.

**Q:** What about in the Democratic primary in New Hampshire. What if a candidate gave Kennedy a strong defeat there?

**A:** That would be an incredible shot in the arm to that candidate. Kennedy should win in New Hampshire, but he has to win big. If anyone comes close, it will be very important.

**Q:** What if the LaRouche campaign in the Democratic primary in New Hampshire were the one to give Kennedy that challenge?

**A:** Well, one thing you shouldn't fail to remember is the prime importance of New Hampshire for the campaign and this is recognized by the voters there. They don't go for people who they don't expect to be the nominee. LaRouche will get only minimal support because of that. If he did get significant support it would be dramatic....

# Bush

Following is an interview with a member of the staff of George Bush's presidential campaign.

**Q:** What is your national primary strategy, what states come first?

**A:** We are oriented almost totally to the calendar, we have a very undifferentiated campaign, we are by no means limited to one region or another. Iowa, New Hampshire, Arkansas, Puerto Rico, Alabama, Florida, in all these areas our strategy was to get in early and set up organization at as local a level as possible. Our objective is simply to show we are the only alternative to Reagan, no question he is now the front runner and will be going into the convention. We have to show that, unlike Connally, we can run well everywhere. He admits publicly, "my campaign begins in the South." That's in the primaries.

## Straw man?

**Q:** Aren't you placing any emphasis on New Hampshire or Iowa? You're supposed to be very strong organizationally in New Hampshire. . . .

**A:** That is crap, I'm tired of people setting us up as straw men, saying we've promised to do well in any particular place. It's not true we've got the best in New Hampshire. Reagan has the best organization in New Hampshire. New Hampshire is not particularly important. No state is particularly important. We'll just do ok in New Hampshire, very hard to tell, very conservative state . . . Reagan is very strong. Our strategy there is to do just a bit better than people expect.

**Q:** Do you have any issues to emphasize to New Hampshire voters? Like wood stoves?

**A:** No, we have no specific issues there as opposed to anywhere else, you know how it is, you put some local twists on some issues. Bush came out big for woodburning stoves. It doesn't matter, the strategy is the same everywhere. . . .

**Q:** What about Iowa, some papers say you might take it. . . .

**A:** No, no, all we'll do in Iowa is score better than is expected of a candidate now running five percent in the polls, no more. Reagan is immensely popular. Reagan's man John Sears says Bush is spending all his time in Iowa and if he does well it doesn't mean anything. So we're

not thinking about these states. Our strategy is the same thing—do better than people think.

All we care about is by the time of Illinois and Wisconsin in March, we must be the clear alternative to Reagan. We'll do this by doing better than Connally, he has some very high negatives—known as a wheeler dealer. A lot of people all over the country have a lot of different things against him. . . .

**Q:** And no one has anything in particular against George Who?

**A:** Well, that's not quite true, a lot of people don't like his connections to the UN and the CIA. . . . Connally told the *Wall Street Journal* this week we can't win because people object to Bush's association with the Trilateral Commission and the CFR. . . .

**Q:** He should talk. . . .

**A:** That's just it.—but especially people don't like the U.N. and CIA.

## No issues

**Q:** And the convention, how do you differ from Reagan on the issues?

**A:** Issues? Off the record? I have a hard time trying to find out what the issues are. . . . There are no major issues. The two candidates are remarkably similar on issues. So Bush has a \$20 billion tax cut and Reagan has gone all the way for Kemp-Roth at \$35 billion. It makes no difference to the electorate. People's decisions will rather be based on the candidate's style, experience, and most of all his *physical qualification*. The physical ability to campaign and then the physical ability to do the job of President. . . .

**Q:** Can Bush beat Kennedy? Isn't he too faceless?

**A:** Sure, on the morality issue. He won't have to bring up Chappaquiddick, he'll just have tremendous strength as a clean candidate. Bush is out in front on integrity, he's been in the forefront of personal finance disclosure. . . . Kennedy will have to defend his wobbling on Iran, two years ago he was for the Shah because his coterie of advisors told him to be for the Shah, now he's against, he doesn't know where he is. . . .

**Q:** How will he fight Carter? What's his position on Volcker's tight money policy?

**A:** He has no position on Volcker. . . . He'll fight Carter on experience. Look what Carter's brought into the White House, he ran against Washington, against experience, and his administration's a flop . . . Bert Lance . . . Hamilton Jordan, good campaign director, lousy chief of staff, took him three years to figure out he *was* chief of staff.

# Connally

*Following is an interview with a staff member of the John Connally for President campaign.*

**Q:** What primaries do you see as most important to your campaign?

**A:** All of them are important. That is not something the other campaigns say. We are running against Reagan. Reagan has a national constituency. He can be in there for the haul. If we beat him in Iowa and New Hampshire and don't set things in the other states, where do you go from there? By the time we get to Illinois, we will have to have won one state before Illinois. We will try to win them all. There is a good chance for success.

**Q:** What about New Hampshire? Do you think you might do well there? And how important is it for you to do well in the first primary state?

**A:** Bush has spent 40 days in Iowa and New Hampshire. We won't, that's hard to do.

**Q:** Didn't Carter use those first primaries to establish momentum and then go on to win the nomination?

**A:** The difference between Carter and the situation now is that Carter was not running against anyone with a national constituency. Reagan has a precinct-by-precinct organization, especially in the South.

## Counting on Illinois

**Q:** Do you think that Illinois is important, since you mentioned that you have to win one state before then?

**A:** We are in excellent shape in Illinois. The *Columbus Dispatch* poll came out today showing that Connally had 38 percent to 34 percent for Reagan in Ohio. You have to prove that Reagan is not invincible. If you prick him in the beginning he will bleed and drop fast. Illinois is important because by the time of the Illinois primary, a third of the delegates will have been picked.

**Q:** Where do you think that you will defeat Reagan?

**A:** Probably in one of the southern states. It is not probable that we will win in New Hampshire or Iowa. We recognize that Bush and Reagan have spent a lot of time there and have excellent operations there.

**Q:** Where do you expect most of your money to come from?

**A:** It has come from Texas, California, Illinois, Tennessee, New Hampshire. We have done very well in New

Hampshire; we exceeded the quota for New Hampshire that we had set for ourselves. We also got money from Georgia, Florida, Ohio, Pennsylvania, and New York where we did very, very well.

**Q:** What issues do you think will be most important to getting support for Connally?

**A:** Well, inflation, energy and the issue of leadership will be key. People are looking at that.

**Q:** I have heard that many people believe that no one candidate will get the number of delegates needed to secure the nomination on the first ballot. Do you think that is true?

**A:** We don't think there will be a brokered convention. By the Illinois primary, we will know who is the winner of the nomination. So if a candidate invests all in New Hampshire and Iowa and then gets a licking, he will have no other chance. If he does win, he gets medium momentum but you have to have the foot soldiers for the primaries. The primaries are mechanical. The party apparatus and the organization are key. The media is important but it's not the whole thing.

# Haig

*Following is an interview with a member of the Draft Haig staff which is backing a Republican presidential bid by former NATO chief General Alexander Haig.*

**Q:** Assuming that you succeed in convincing General Haig to seek the nomination, what do you think will be your prime tactic in seeking the nomination? Given that you are starting so late, do you think that you can win in some of the primaries, particularly New Hampshire, or do you think you will have to concentrate on the convention?

**A:** Within the next week, the question of his candidacy will be resolved—one way or other. I'm convinced that he is going to announce. The question is where are we going to focus the campaign? The question is whether to focus on New Hampshire or Florida. There is a debate on this though. Of course, the Draft Haig committee cannot get involved, but we have recommended against involvement in New Hampshire. We have done this for a series of reasons. One is that even if we raise a lot of money and focus hard on New Hampshire, it is hard to spend the money there. It is difficult to buy the radio and television time. Haig has to come out far ahead of the others. Our indications are that not all the time has been sold but that if there are

10 candidates buying time equally then it puts us at a disadvantage because we have to make a bigger showing because we have less time to be known.

The other factor is that General Haig has not been involved in New Hampshire yet on a personal basis and it is a state demanding a large amount of personal time. All indications, however, are that New Hampshire residents are not decided on a candidate, that they are not very strong for any other candidate. I would feel against going into New Hampshire.

**Q:** You think that Florida is more important for you in terms of the first primary states?

**A:** Yes I would focus on Florida. There are more opportunities there to make the candidate known. In Florida, there are many media outlets versus New Hampshire with only a few. Also in New Hampshire you have to file much earlier for the primary than in Florida.

Also in Florida, there are a large number of retired military personnel and active military people. Also we could make a major press effort with five press outlets there. We had several hundred people at the straw poll though the General was not a candidate. So Florida has great potential.

Iowa is not a place for us, as it is a caucus state and the people are focused on that, and it is hard to come in late.

**Q:** Do you think that General Haig actually could win some of the early primaries given that he is starting so late?

**A:** I think he can win some of the primaries. There is a feeling in the party that none of the candidates are effective. There is no real forward motion on any of them. Gov. Reagan is running at 40 percent to 50 percent of the delegates but not gaining. In fact there are defections from his camp. Bush is up in strength, but is a steady third. If Connally fades, as it appears he is, Bush could be second. People are looking for a new face.

The race has only two possible winners: Reagan and Haig. Other candidates show no potential growth. It remains for Haig to prove that he can win. This will be shown by some wins in the primaries.

But I would not look for anyone to have a majority at the convention. That's what the governors and senators are saying. Ten Republican senators were interviewed and they said that no one would get it on the first ballot.

**Q:** Do you have any prominent people that have agreed to back the General?

**A:** Yes we have prominent senators and governors but I can't say now who they are.

**Q:** What are the major issues that you think General Haig will get support on?

**A:** He will have strength on the basis of leadership qualities and integrity. As you know the Washington press thinks highly of the way he handled Watergate.

**Q:** How active has he been in the last few weeks? Has he been making a lot of public speeches?

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## How the press sees it

Recent press coverage of the New Hampshire primary runs the gamut from flat declarations that the nation's first primary is just not that important to reports that the primary is taken so seriously that voters are beginning to weight the alternatives to the incumbent and current "front-runners."

The first suggestion that candidates should look elsewhere for a

gauge of their voter strength came in late September. Columnist Tom Wicker wrote in the *New York Times* that the New Hampshire primary is "insignificant" and "over-rated." He was seconded by a *Detroit News* editorial arguing that New Hampshire ought not to be as important as it is, because it is not "a representative American state."

The following is a selection from how the press—two regional and one national—is viewing the New Hampshire primary.

**"Democrats Searching for a Viable Candidate," Manchester (N.H.) Union Leader, Nov. 27.** Rank and file Democrats in New Hampshire are beginning to admit that they are

going to have to go outside of their party ranks to find an alternative to the bumbling, fumbling policies of President Carter. Some of those who saw Sen. Edward Kennedy as a viable choice are changing their thinking. They say the man from Massachusetts is as confused as the man he wants to replace. Recently Teddy was asked what steps he would recommend to lessen the inflation rate. His reply was pure double talk. He said, "We have to look at new ideas and new suggestions (he didn't mention what these might be). We could do a lot better and I'd commit my full being toward that...." Asked what kind of reduction he would aim for in the first year of his term, he replied, "I



A: He has made about 65 to 75 speeches in the last five or six weeks. His national headquarters for the Draft group is in Washington. He has a regional group for the Northwest, out of Seattle, Washington and has people in Illinois, Florida, Pennsylvania, Oklahoma. There is a National Veterans for Haig group operating out of Kansas City now.

## Baker

*Following is an interview with a member of the staff of Senator Howard Baker's presidential campaign.*

**Q:** *What would you say are the key states that you are targeting for the primaries?*

A: We have in the last two to three weeks done a review of where we need to concentrate our time and effort, in terms of the Senator's time and the campaign's effort. We have targeted nine primary states—Iowa, Arkansas, Puerto Rico, New Hampshire, Massachusetts, Connecticut, Vermont, Illinois, Wisconsin. These all come in the first few weeks. You have to do well in these first ones and build off of them. We need to make a very respectable showing to show we are perceived as a campaign with a structure and support of people. We need this to show we are a serious campaign.

**Q:** *How important is New Hampshire to you?*

A: It is important just like Iowa caucuses are. New

Hampshire carries quite a bit of importance because it is the first primary state—everyone looks there and if you do well then everyone says you have something going. Each adds to the next layer of primaries.

**Q:** *What are the issues that the Senator believes he will get support on?*

A: The Senator this week in Iowa is dropping seven new programs for the campaign. They will be on energy, the economy, and national security. The energy programs include a new community energy program. He is calling for reprioritizing our national security interests to show that the U.S. is willing to defend itself.

**Q:** *What do you expect to be his base of support—both geographically and constituency wise?*

A: He will get broad support. Based on the constituency he had in Tennessee, he has broad-based support.

In terms of the areas of the country that he will get support from, we expect to do well in the border states, in the Northeast and in the Midwest.

**Q:** *How many campaign offices do you have?*

A: We have 35, but we are targeting those nine states.

**Q:** *What will Baker's activity in New Hampshire look like in the next weeks before the primary?*

A: A lot of people say that Baker will be a half-time candidate. He has been because of his Senate post but he has left that now to campaign fulltime. He has already spent 17 days in New Hampshire and expects to spend 20-22 days in New Hampshire.

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can't answer that meaningfully. But we can do better."

**"LaRouche: a different kind of candidate,"** *The Berlin (N.H.) Reporter*, Nov. 7. If you've been shopping in the political supermarket recently, you've probably noticed that all the political packages have different wrappings and names, but contain remarkably similar products.

For the selective political shopper looking for something novel, presidential candidate Lyndon LaRouche is a totally different product. You'd probably find him in a rather plain wrapper on one of the bottom shelves. But you wouldn't have to wait until after the election to open the package and

find out what's really there.

Lyndon LaRouche lays it on the line—and he seeks to accomplish almost as much with his campaign as he does with the presidency he confidently expects to win. And one of the keys to becoming president, he says, is to capture 40,000 New Hampshire primary votes.

In the traditional sense, Lyndon LaRouche will campaign to prove to voters that his total economic/energy/government program is the sanest program for America today.

**"After Iowa, Candidates Still have Far to Go,"** *The New York Times*, Dec. 2. After all the preliminary maneuvering, the battle for the

Democratic presidential nomination begins officially in the Iowa precinct caucuses on Jan. 21, in the first actual vote of 1980, followed by the Maine municipal caucuses on Feb. 10.

Both President Carter and Senator Edward M. Kennedy have tagged Iowa as their first real test. Both want a win. Each says the other cannot afford to lose. After a long hesitation, even California's Gov. Edmund G. Brown, Jr. is itching to enter the Iowa fray...

New Hampshire primary Feb. 26 ... Because the Northeast is Mr. Kennedy's home territory, the Carter camp has already sought to discount the significance of defeats there. ...

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# National News

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## Haig will declare soon

General Alexander Haig will announce his presidential candidacy on the Republican ticket next week, according to press reports. Haig will rely on a "tough man" image to capitalize on popular rage over the Iran crisis and other crises now in the planning stage, according to information.

That Haig will make up his mind this week was stated by the communications director of the "Draft Haig Committee." Will he run? "I am convinced he will," said the spokesman.

Haig has been given strong press coverage recently, as the press levels stronger and stronger attacks on both Kennedy and Carter. Columnist TRB in the *Baltimore Sun*, for example, said that "once every few years" a military man runs for office, and now, "the time is ripe."

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## Puerto Rican terrorists eye mainland

Puerto Rican terrorists who ambushed a U.S. Navy bus killing two and wounding five Dec. 4 could set off a wave of terrorism in the mainland United States, according to information in possession of *EIR*. The terrorism would include Iranian students, "new leftists" and others besides the Puerto Rican FALN terrorist group now operating in the U.S.

As *EIR* has reported, the National Security Council's "Iran crisis" is intended to have a "playback effect"—providing a credible pretext for "Khomeini supporters" and others to conduct terrorism that was planned for the United States well in advance.

The known supporting networks for terrorists in Puerto Rico—the Hispanic Commission of the Episcopal Church and the American Friends Service Committee—are also most prominently behind the FALN and other U.S.-based terrorist organizations. The AFSC has

been running a public campaign against U.S. naval operations on islands off Puerto Rico, the circumstance for the Dec. 4 terrorist attack.

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## Ask recall of Chicago mayor

Chicago's political and financial stability is threatened by Mayor Jane Byrne, says an article appearing in the Dec. 4 Chicago Tribune, a large-circulation black newspaper. The article is entitled "We need to recall the mayor."

Firefighters in the city have authorized their leadership to strike because Byrne reneged on a campaign promise to grant them a formal contract. The Board of Education has not been backed by the mayor in its application for credit, and so the public schools are in turmoil, and teachers face payless paydays.

Transit workers are also threatening to strike.

The article's author, Bob Widerick, argues that the Illinois state legislature should pass a law giving Chicago residents the right to recall the mayor.

The streets of Chicago have been the site of mass leafletting recently by an organization called "Citizens for Chicago." The leaflets contain information on Mayor Byrne's connections to organized crime and casino gambling.

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## Lodge: "We are for Bush"

Former Ambassador to the United Nations and 1960 Nixon running mate, Henry Cabot Lodge, recently told an interviewer of a strategy to make George Bush the media-designated "winner" of the early Republican primaries.

Lodge minced no words on what was planned in the backrooms: "I'm committed to a candidate. I'm for George Bush. George Bush will be the next President of the United States."

Can Bush take the New Hampshire

primary? "We think we can. We are doing everything we can so that he can." Lodge's "we" in past discussions has referred to the "Boston Brahmins," persons associated with the Boston World Affairs Council. When pressed to define "we" in the present context, Lodge declined either an affirmation or denial.

Can Bush take the Massachusetts primary? "We think we'll take Massachusetts," came Lodge's reply.

Former Republican presidential seeker George Romney has also announced that he's for Bush.

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## Ask Iran Probe

Two prominent businessmen in New Hampshire, a state at the height of the political primary season, have added their voices to those asking for an investigation of U.S. government preplanning of the Iran crisis. Ralph Johnson, from Keene, N.H., president of the New Hampshire Association of Realtors and a director of the National Association of Realtors, and William Ryan, President of the New Hampshire Credit Union League Corp. and a director of the National Credit Union Association, have issued the following statement:

"I call on Congress to investigate the Foreign policy planners responsible for the crisis in Iran. In order to pursue the evidence that the crisis was premeditated and prearranged, Congress must ask:

1. Why Zbigniew Brzezinski, Ramsey Clark, Henry Kissinger and others collaborated with the international Muslim Brotherhood to establish the Khomeini regime in Iran and then trigger the seizure of American hostages.

2. Why the Federal Emergency Management Agency (FEMA) activated its energy rationing and monetary controls plan weeks before hostages were taken.

3. Why the policy makers who organized the crisis are the same people who insist that the American people must be forced to accept slashes in energy consumption and economic growth."

## Briefly

● **SPY SCANDALS** in Britain are about to spill into the U.S.A., judging by articles appearing in British newspapers. The *Observer* says Ernest Henry, a German-born Russian diplomat, controlled British agents Philby, Maclean and Blunt before Philby et al. defected to the U.S.S.R. Henry also recruited Soviet agents in America in the late 1940s. James Angleton, a former CIA official, has mentioned former director William Colby, and David Aaron, former aide to Vice-President Mondale in this connection.

● **GOVERNOR GALLEN** of New Hampshire was the recipient this week of a \$2 million grant from Jimmy Carter, reports the *Boston Globe*. The money—delivered suddenly in the middle of the primary season—will go to building a public transport line between Concord and Boston.

● **JOHN CONNALLY'S** campaign staff has gone through a reshuffle, say sources. Connally hired a cost-efficiency expert who fired 20 members of Connally's Washington staff. Connally had 160 staffers in the nation's capital. The saved dollars will go toward his media campaign.

● **JIMMY CARTER** is acting more like a Republican than a Democrat, the Kennedy and Brown people are charging in New Hampshire. Carter's fiscal austerity and other anti-social program postures are not good Democraticism, his opponents say. How official Kennedy and Brown intend to make the charges is another question; the New Hampshire Democratic Party state constitution says that anyone can be a member of the Democratic Party—no matter of what political or philosophical persuasion.

## Baker Campaign In Reverse Gear

Just as most presidential candidates are gearing up for the primaries, Senate Minority Leader Howard Baker's campaign for the GOP nomination is going into reverse gear.

Baker has scaled down his campaign drastically, deciding to concentrate all his efforts on Iowa and New Hampshire.

During the past two weeks, most of Baker's leading advisers have deserted. The first to leave was Donald Sundquist, his campaign manager. Sundquist was followed this week by the rapid-fire resignations of Bernie Windon, Baker's political director; Chic Cudlip, his schedule man; and William Savard, director of his campaign in Iowa.

Those remaining are not optimistic. According to Wyatt Stuart, Baker's new campaign manager, "We are running into difficulties in New Hampshire and Iowa, and it's late, damn late."

Baker's campaign began to deflate soon after "straw votes" in Maine and Florida in which Baker "did less well than was expected." Baker has made it clear he is conceding the South to his opponents, a move which is seen by many to aid the campaign of the liberal George Bush. Bush needs to gain southern support; Reagan and Connally's southern constituencies are already well staked out.

## Kennedy praised in Iran, Soviet Union

The Dec. 4 San Francisco television statement by Senator Ted Kennedy labeling the Shah of Iran's regime "one of the most violent in history" has won ire from Americans, but praise from the leaders of Iran and one faction within the Soviet Union. Iranian Finance Minister Abolhassan Bani-Sadr and Central Bank head Ali Nobari both hailed Kennedy for enhancing the chances for a "compromise," and signs were held

aloft in Teheran reading "Teddy for President."

A Dec. 5 commentary by Soviet writer Petrov in *Pravda*, cited Kennedy and former U.N. ambassador Andrew Young as two American sources who support investigation of the Shah's "crimes against the Iranian people." The Petrov citation came in the context of an article backing the Khomeini regime's complaints against the Shah, while criticizing the hostage-taking as such.

Meanwhile, the United Nations Security Council voted 15 to 0 to condemn the hostage-taking action.

## Call for Investigation of Iran Set-Up

Ralph Greene, secretary-treasurer of the Federal Printers Union #713 in Washington, D.C. called Dec. 4 for a congressional investigation of high U.S. official complicity in the Iran crisis. Greene said:

"The recent actions of Iranian strongman Ayatollah Khomeini are deplorable to every American. They must be halted and the American hostages released. However if we are to avert the horrible consequences of war and oil shortages we must point the finger at the real perpetrators of the crisis.

"Based on evidence available in the public domain, it appears entirely possible that high government officials in the United States such as Zbigniew Brzezinski and Cyrus Vance; such as 'respected advisers' Henry Kissinger, David Rockefeller, and Ramsey Clark, and the controllers in the United States of the Muslim Brotherhood, must take the blame for the crisis in Iran.

"This scandal must be investigated before there is any further loss of life. Therefore, I call upon the United States Congress to undertake an official emergency investigation into the domestic actions of the following individuals: Henry Kissinger, Clovis Maksoud, Thomas Ricks, et al. of the controllers of the Muslim Brotherhood in the United States."

## Decision at the Dublin EC summit

by Susan Welsh

Great Britain is now more isolated from continental Europe than at any time in postwar history, following the sound defeat delivered to Prime Minister Margaret Thatcher by France and West Germany at the summit meeting of the European Community (EC) in Dublin Nov. 30. As the *Irish Times* wrote, "what is frightening the rest of the EEC is not that Mrs. Thatcher is threatening to take Britain out of the community, but rather that she is threatening to stay in and perhaps cause havoc in the process."

In the weeks leading into the summit, Thatcher had threatened to "paralyze" the EC if Britain's demands for special budgetary treatment were not met. The actual motivation of this belligerence is Britain's on-going effort to halt the progress of the European Monetary System (EMS), and the Franco-German axis upon which it is primarily based. Britain is the only EC member that has not joined the new monetary system.

French President Valery Giscard d'Estaing and West German Chancellor Helmut Schmidt, far from being incapacitated by Britain's "Iron Lady," will now simply proceed without her. "We are already at the rupture point," said Giscard after the summit's final session.

The final communiqué of the Dublin meeting affirmed that the EMS would "go ahead as planned" and that the European Monetary Fund should be set up as scheduled in March, 1981. Also over British opposition, the communiqué stressed the need for common energy policies.

Solution of the budgetary and related issues was deferred to the next summit, scheduled for February. But

warned Giscard, there will be no February summit "if the conditions for a useful discussion are not met."

The British are now casting about for "contingency plans" to salvage their sorry position, while Schmidt and Giscard will use the intervening time to hammer out proposals for a sweeping reform of the world monetary system, which Britain has strenuously opposed. Giscard declared in a Nov. 27 television interview that in the spring he will announce major new proposals for the functioning of the EMS oriented toward the North-South dialogue and Third World development.

### Thatcher Caught Off-Guard

The Dublin summit was carefully stage-managed by Schmidt and Giscard to catch Thatcher off-guard. She had intended to seize the initiative, speaking first with all guns blazing, but instead Schmidt went to the podium. Stepping out of the humble "defeated nation" role normally assigned to West Germany in European gatherings since World War II, Schmidt castigated Britain for jacking up the prices of its North Sea oil and refusing to cooperate with the rest of Europe in energy issues. The rest of the EC can hardly negotiate with the Arab oil producers to moderate their prices while Britain's prices soar, Schmidt said.

Giscard then rose to second Schmidt's remarks, adding that Britain does far too little of its trade with the other EC countries anyway (due to old ties with the Commonwealth nations).

British Foreign Secretary Lord Carrington then



broke all protocol for what are understood to be confidential summit meetings, and left the session even before Thatcher spoke. He summoned a press conference to inform the world of the threats the British prime minister was about to deliver.

Although Thatcher demanded radical action to redress the "inequitable" balance in Britain's contribution to the EC budget, all eight countries aside from Britain expressed the opinion that Thatcher's requests were "excessive." Even Denmark, which is normally Britain's staunchest ally, joined in the chorus of condemnation.

Schmidt declared in a television interview following the summit that Britain had made a number of demands which "we have not accepted." The issue, he said, of whether England will even remain in the EC is not a question of whether the other member countries desire it, but simply that Britain is "moving away on her own."

A survey of press since the summit shows that continental Europe is thoroughly fed up with Thatcher now. "My Prime Minister has never seen anyone like Mrs. Thatcher," said one continental diplomat quoted by the London *Sunday Times* Dec. 2. "She does not know how to negotiate, but merely keeps repeating the same speech and the same demands no matter what the response."

The West German daily *Die Welt* Dec. 1 quoted an observer at the meeting comparing Thatcher to the legendary "Erlkönig" (elf-king) who threatens children to follow him or die. "But the child (the EC) will hardly die from terror of Mrs. Thatcher," the observer said.

In France, the press has stressed that Thatcher overplayed her hand and will now suffer the consequences.

"The Continent is isolated," quipped the daily *Quotidien de Paris*. The head of the French National Farmers Federation, François Guillaume, declared that Britain's departure from the EC "will simplify things.... We would not cry at the departure of a partner who is trying to block the development of the community."

Britain has been frustrated on two counts. Not only did Thatcher fail to win a reduction of Britain's allegedly "inequitable" budget contribution, but more significantly, the British failed to provoke a split in the Franco-German axis. It had been hoped and expected in London that Schmidt would act as a "broker" for British demands. But this, clearly, was not what Schmidt had in mind.

The British press has been hinting for some time that a "troika" or "triumvirate" of Schmidt, Giscard, and Thatcher would be the ideal team to lead Europe into the 1980s. The Dublin summit has ended that option.

In a television interview Nov. 27, Giscard indicated where the European Monetary System will go next. "We have succeeded in limiting the disorder in Europe through the EMS. But we have to get back to the world problem. We cannot have at the same time an industrialized monetary system and disorganized relations between the industrialized countries and others."

French newspapers have now begun the debate about what sort of monetary proposals Giscard has in mind, and especially about the potential for the EMS to become an international, gold-based credit facility, replacing the International Monetary Fund. *Les Echos* Financial Editor Donati, for example, wrote Nov. 29 that Giscard wants to reinstate gold as a reserve unit, despite Federal Reserve Chairman Paul Volcker's opposition, and enforce fixed parities which will stabilize the dollar once and for all.

"To put it succinctly," says Donati, what Giscard is thinking about comes down to "enlarging the mechanisms of the European Monetary System to include all the countries that are members of the IMF." Would the United States agree? asks Donati. "As Banque de France Director de al Geniere says, 'go ask Mr. Volcker'."

### Debate in Britain

Response in Britain has ranged from ferocious attacks on what the *Sunday Times* Dec. 2 called "the gang of eight" to anxiety that Thatcher has gone too far. The *Times* reported with indignation that Schmidt fell asleep during Thatcher's lengthy tirade at Dublin. A British popular daily called *News of the World* denounced "the arrogant French President Giscard d'Estaing and the high-and-mighty Chancellor Helmut Schmidt," calling on Britain to "be proud of its prime minister."

The left wing of the opposition Labour Party, led by

Anthony Wedgewood Benn and "shadow cabinet" foreign secretary Peter Shore, is beginning to campaign to "get Britain out" of the EC. From the Tory Party side, James Scott-Hopkins, the head of the Conservative delegation to the European Parliament in Strasbourg, is trying to persuade the European Parliament to reject the entire EC budget in revenge for Thatcher's Dublin debacle.

### A more subtle approach

But some leading politicians in Britain are worried. Former Prime Minister James Callaghan declared in a speech on Saturday: "I think that you really cannot talk to the President of France or Chancellor Schmidt as though they are mentally deficient. They have a mental age rather greater than seven, you know ... I think the case will have to be better prepared and in a different way."

The London *Financial Times* Dec. 3, in an editorial entitled "The Mistakes of Dublin," stressed that it is high time Thatcher changed her tactics, since Britain should be interested in remaining in the EC. The *Daily Telegraph* reported that the Government will now adopt a more subtle approach, and will conduct a series of bilateral meetings with EC member countries to try to win over some support.

## The shell game on North Sea oil

Over recent months, continental European nations have sought to pressure Great Britain into sharing its oil wealth with other members of the European Community. The government of Margaret Thatcher, however, has made clear by its actions that it never intends for such arrangements to occur.

Early last month London suddenly announced its first production cut-back in Brent Field, the largest oil field in the North Sea. According to the *Financial Times* Dec. 1, North Sea output from September to October of this year declined from 1.67 million barrels per day to 1.61.

The decision to reduce North Sea output is part of a "price-hawk" policy London has pursued. Throughout 1979, London has insured that its partners in the European Community would get not one drop of North Sea crude, by keeping supplies reasonably tight and selling only to a select group of multinational companies.

Not only British oil. The British government has

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## Britain on the outs

**Guardian, Dec. 3:** Having put a pistol to someone's head, threatened to shoot, changed one's mind, and then lifted the gun a second time—is it easier or harder to pull the trigger?

That is the question which Mrs. Thatcher must be mulling over in London this week, after her confrontation with other EEC leaders in Dublin.

She had made the Dublin summit as firm and unyielding a deadline for an acceptable solution to Britain's budget complaints as words would ensure. That deadline gave way in Dublin to another in

two or three months' time in Brussels...

Mrs. Thatcher knows that a great deal of her domestic, to say nothing of her international prestige, depends upon the high risk strategy of getting results. At the moment, the risks are more evident than the prospect of results.

**Financial Times, Dec. 3:** In Dublin, Mrs. Thatcher's fundamental mistake was to underestimate the genuine political difficulties her demands created for the other political leaders, and most particularly for the two most important, Presi-

dent Giscard d'Estaing and Chancellor Helmut Schmidt... Like many British politicians before her, she also underestimated French attachment to what President Giscard d'Estaing describes as the principles and logic of the Community...

Mrs. Thatcher still has her ultimate weapon—the threat to disrupt the workings of the Community... But Mrs. Thatcher is quite rightly not contemplating withdrawal. As a member, Britain should be interested in a successful Community, not one in a crisis... It is high time (Mrs. Thatcher) changed her tactics.

**London Times, Dec. 3:** What is frightening the rest of the EEC, as the Irish Times nicely put it on the morning after the Dublin summit, is not that Mrs. Thatcher is threat-

consistently acted to provoke the oil-producing nations of OPEC to enact price increases on contracted oil, making all supplies more unreliable and costly for Europe. Moreover, the British companies, BP and Royal Dutch Shell, along with other multinationals in the North Sea, have been repeatedly singled out as the gamemasters of the speculative price spiral on the controversial Rotterdam spot market, where noncontracted, across-the-counter oil transactions are made.

### The advanced sales scandal

Beginning in early October, the British National Oil Company which has sizeable interests in North Sea oil, announced that it would make forward sales of North Sea crude for delivery in early 1980. BNOC revealed that the price for these forward sales was considerably over the ceiling of \$23.50 per barrel set by OPEC in June of this year. That move caused a competitive, worldwide bidding-up of oil prices which affected both OPEC and non-OPEC crude. It culminated when the North African OPEC producers, Libya, Algeria, and Nigeria, raised their price to between \$26 and \$27 per barrel, shattering the OPEC ceiling and insuring a dramatic price hike by the cartel at its mid-December meeting.

In all cases the advanced sales of North Sea oil have

gone to multinational companies, notably Royal Dutch Shell and British Petroleum. The continental state-owned oil companies have gotten no share. Over the course of the year, many of these European state-owned concerns, forced to compete with the multinationals on the rigged spot market, have suffered financially.

### Continental criticism of London

Late last month, West German government officials condemned London for using its oil to drive up prices. Then, after the BNOC announcement of higher prices for forward sales, former Bundesbank director Karl Klausen, the French daily *Les Echos*, and the highly respected West German trade journal *Handelsblatt* all voiced anger at the clear British policy.

But recent news from London indicates that the message from the continent has not been heard. The Nov. 25 *Journal of Commerce* quoted Edinburgh stockbroker Wook MacKenzie saying that the North Sea price could go as high as \$32 to \$35 per barrel by January 1980, if OPEC enacts a 10 percent average price hike next month. That's the way the British play the game: lead OPEC in prices, force an OPEC price hike, then use the OPEC price hike as a pretext for a new British price hike, and the spiral goes on.

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ening to take Britain out of the Community, but rather that she is threatening to stay in and perhaps cause havoc in the process.

The only thing that averted—some would say merely postponed—disaster in Dublin was last-minute acceptance of a suggestion by Italy and the Benelux countries for bringing forward the next summit from March to February to try to solve the intractable budget dispute.

The sponsors of this idea hope that progress can be made in the meantime in reconciling Britain's demands for budget relief with what the rest of the EEC is prepared to offer. The Prime Minister said afterwards that she could not turn down this proposal from "genuine friends" (one wonders where this leaves British relations with France and Germany).

It was with great reluctance that President Giscard d'Estaing of France entertained the idea of a special February summit. He said that he was finally persuaded by a promise from Mrs Thatcher that she would come to such a meeting "in a spirit of compromise". He also said that he would have to see progress first in the EEC disputes over fish, energy and lamb...

Mrs Thatcher may have the support of Britons for her tough stand in Dublin, but President Giscard d'Estaing equally enjoys that of most Frenchmen for resisting demands they consider unreasonable and contrary to the spirit upon which the European Community was built.

Britain's demands, if conceded, would more certainly destroy the EEC than would Mrs Thatcher's threat to be obstructive if she does.

not win her case, the French believe.

**Le Matin, Dec. 1:** [Thatcher's attitude] goes beyond a mere conflict of interests... It tends to show that the British never regarded the construction of Europe either as a response to the challenge posed by the great world conflicts of the present age, or as a solution to international economic issues.

**Ouest France, Dec. 1:** When France played the part of the *enfant terrible*, one knew that in the end she would return to the fold. Today, when the British bang on the table one wonders whether they really belong to the European family, so foreign is their line of argument to the traditional mode of thought of the Community.

# The Muslim Brotherhood plot against Saudi Arabia

by Robert Dreyfuss

Saudia Arabia—and its production of one-third of the world's oil imports—is now the target of the “Islamic Revolution.” Among the forces being used to destabilize the Saudi royal family are the Iranian government of Ayatollah Khomeini, its radical sympathizers in the Arab world, and the controlling British specialists who have spent their lifetimes getting to know every nook and cranny of the Arabian peninsula.

The beneficiaries of the projected disruption of OPEC's most stable government are the City of London banks and the multinational oil companies they control.

The British goal—in the short term—is to effect a fundamental shift in Saudi policy in which the Saudis end their support for low, stable oil prices and move away from the U.S. dollar toward a “basket of currencies” such as the International Monetary Fund's Special Drawing Rights. The collapse of Saudi Arabia would bring about a devastating oil crisis in which the skyrocketing price and shortage would lead to the imposition of a worldwide energy regime under the auspices of the International Energy Agency, which is seeking authority for allocation of all oil exports and energy consumption.

The secret behind the destabilization of Saudi Arabia—like that behind Ayatollah Khomeini's Iranian revolution—is that London is making use of several long-standing, overlapping networks. They include the fundamentalist Muslim Brotherhood, on the one hand, and on the other, the radical-leftist network associated with George Habash's Popular Front for the Liberation of Palestine (PFLP).

These two networks converge around Iran's new Foreign Minister, Sadeq Ghotbzadeh.

Ghotbzadeh—like his two predecessors in the post of foreign minister, Abolhassan Bani-Sadr and Ibrahim Yazdi—is part of the Jesuit-trained intelligence clique that has surrounded Khomeini since the Ayatollah arrived in Paris in 1978. Yazdi, Bani-Sadr, and Ghotbzadeh are each the product of a British intelligence special training program under Dr. Ali Shariati in Paris, London, and Washington. During his early career, Ghotbzadeh spent many years in Syria and Lebanon, where reportedly he was close to the PFLP terrorists and the extremist faction of the Syrian leadership around former President Salah Jadid.

Now, as Khomeini's foreign minister, Ghotbzadeh is in a position to coordinate a tribal uprising in Saudi Arabia.

## Inside Saudi Arabia

Inside Saudi Arabia a growing threat is posed by a coalition of dissident tribal forces opposed to the dominant Saudi family. The attack on the Mecca mosque drew upon, in particular, three basic tribal groups, the Oteibas, the Kahtanis, and the Harbs, along with the Idrissis of southwest Arabia. Within the Saudi power elite, the tribesmen are represented generally by the British-trained and equipped National Guard, which itself is tribally based and commanded by Prince Abdullah. Abdullah is reported to be the leading sponsor of the Muslim Brotherhood in Saudi Arabia.



For the past week, the Saudi press has continually denounced the Muslim Brotherhood as responsible for the attack on Mecca. In one case, the chief editor of the daily *Ukaz* requested that the Saudi government look into the alleged connections between the Mecca affair and the massacre of 60 Syrian cadets by the Muslim Brotherhood in Aleppo, Syria, in August 1979. The striking fact that the Saudis are blaming the Brotherhood has not yet reached the American press at all.

These tribes in eastern Saudi Arabia are remnants of the force assembled by T.E. "Lawrence of Arabia" and the British army during World War I, and they are the old opponents of King Ibn Saud and the Saudi clan that eventually established hegemony over the entire Arabian peninsula. To this precise extent, they are controlled by London through the Muslim Brotherhood command. It is not known to what extent they might present a challenge to the regime; certainly, *Le Monde* of Nov. 30 is exaggerating when it reports a "grande marche" being planned in Riyadh, the Saudi capital, from Mecca. But, should they win support from the National Guard, a serious Saudi political crisis could emerge.

According to Washington sources, the revolt in Mecca was coordinated through the tribes of the western peninsula by left-leaning Arab nationalists including the Arab Nationalist Movement and the PFLP, both founded years ago at the American University in Beirut by Dr. George Habash. Reportedly, Habash, the PFLP, and the Nationalist Movement conducted support operations—including gun-running—for the Saudi rebels through the Yemens, especially the People's Democratic Republic of Yemen (formerly Aden), where the Nationalist Movement is especially strong.

In Beirut on Nov. 30, an organization surfaced that called itself the Union of the People of the Arabian Peninsula, headed by Nasser al-Saeed, whom *Le Monde* described as a "veteran leftist of Saudi Arabia" who is currently living in Kuwait. At a Beirut press conference, he claimed that UPAP represents the Oteiba and Kahtani tribes, and he declared that the object of his movement is to topple the Saudi royal family. "We are not Saudis," he said. "We are people of the Arabian peninsula." He went on to proclaim a challenge to the Saudi family that could have been uttered 60 years before by one of Lawrence's old Hashemite agents!

According to European sources, the Mecca affair was supposed to be linked to the outbreak of rebellions in several other provinces, especially including the eastern region where the oil fields lie—and where the small but volatile Saudi Shi'ite population resides. On Dec. 3, there were unconfirmed reports of demonstrations and riots in areas near major Aramco oil installations, but they were not seen by any independent observers. Nevertheless, the

## The scandal behind the scandal

A 4000-word front-page article in the Nov. 30 *Washington Post* kicked off the scandal that may eventually topple the royal family of Saudi Arabia.

The *Washington Post*—which represents the interests of the pro-Zionist Lazard Freres family of Andre Meyer and publisher Katherine Meyer Graham of the *Post*—has a clear interest in destabilizing Saudi Arabia. Not a naive newspaper, the *Post* knows full well the implications of publishing a report on a scandal that involves the business dealings of one of the leading figures in the Saudi family, Prince Muhammad, the son of Crown Prince Fahd. Especially in the supercharged atmosphere generated by the Muslim Brotherhood destabilization in Saudi Arabia, any hint of illegal or even unethical dealings of a Saudi prince with a Western firm, especially one of the Aramco partners, would have devastating consequences inside Saudi Arabia.

According to the *Post*, the Mobil Oil Corp.—a shareholder in the world's largest oil company, Aramco, which is owned 60 percent by the Saudi government—and its president, William P. Tavouleras, were involved in a scandal in which Peter Tavouleras, the son of the Mobil president, was established as the head of a London-based shipping firm in order to circumvent some minor Saudi regulations. The company—established in 1973 "in anticipation ... of (Saudi) flag preference regulations"—was set up with Mobil capital in the name of the son of Tavouleras, and the *Post* is charging "nepotism."

But far more important than the minor matter of whether Tavouleras senior and junior did or did not engage in unethical business practices is the alleged involvement of Prince Muhammad and the Alireza family interests in the Mobil subsidiary. That company, Samarco, was established as a partnership firm, and according to the *Post* "one of the partners, the son of Prince Fahd, heir to the Saudi throne, apparently had a special arrangement."

On the same day that the *Washington Post* story came out, a Saudi expert at the University of Texas at Austin predicted that the Saudi royal family would soon be shaken by "corruption scandals."

next day the Saudi Cabinet held an emergency meeting to discuss the security situation.

Within days, two other organizations surfaced, in Beirut and Cairo, each also claiming to support the revolt in Mecca, the first called the World Leadership of the Muslim Brotherhood and the second the Islamic Revolutionary Movement of the Arabian Peninsula. Both groups professed support for the Ayatollah Khomeini and the "Iranian revolution."

### The Ghotbzadeh connection

Because of Foreign Minister Ghotbzadeh's well-known alliance with the PFLP, the events in Saudi Arabia seem to bear out earlier threats from Iran to topple the Arab "monarchs." But a series of leaks from Anglo-American intelligence sources last week reveals the actual strategy behind the Ghotbzadeh connection.

At the same time that Ghotbzadeh was named foreign minister of Iran, ABC-TV reported—quoting "American intelligence sources"—that the takeover of the U.S.

embassy in Teheran was organized by paramilitary cadre recruited and trained by the PFLP.

The next day, a leading double-agent named Mikhail Golienewski said that he possessed information "proving" that Ayatollah Khomeini was "one of the top five KGB agents in Iran during the 1950s." Golienewski, who defected to the West in the early 1960s, was in fact the very man whose information at that time was used to "prove" that Kim Philby was a KGB spy in the British intelligence system!

In Washington, Georgetown University Professor Thomas Ricks declared to a reporter that the real organizers of the anti-Saudi movement were the PFLP-linked Arab Nationalist Movement and its backers in the PDRY.

The effect of these leads is to paint the Iranian revolution as the outcome of a Soviet-sponsored conspiracy—a claim that can be used to justify an imminent U.S. military intervention into the Persian Gulf.

Second, the British and their American collaborators are trying to draw the Soviet Union and its apparatus into supporting the plan to disrupt the Persian Gulf. If the U.S.S.R. can be drawn into a wild scheme for making trouble in the Gulf, the British calculate, then it will risk destroying the until-now most basic attitude of Soviet foreign policy: detente, and especially the Soviet relationship with Western Europe. London is offering Moscow an opportunity to join in precipitating the destabilization of Saudi Arabia.

To accomplish this task, the British are well-positioned because of one advantage, namely the role of Kim Philby. Philby, a top-flight British spy, is also a well-known Arabist and Middle East specialist with close ties to radical Arab nationalism and to the Muslim Brotherhood. Presently, Philby is in the Soviet Union, reportedly in a position of some influence over Soviet Middle East policy. He is the son of Great Britain's leading expert on Saudi Arabia, Harry St. John Bridges Philby, who maintained close ties to the same tribal networks that are now rebelling in Saudi Arabia.

So far, the Soviet Union has not seen fit to denounce Ayatollah Khomeini. Although the U.S.S.R. and its diplomats have condemned the seizure of American hostages, they have not attacked Khomeini or the Muslim Brotherhood by name. When Ambassador Mohammed Mokri of Iran said in Moscow last week that Iran has the "support and synpathy" of the U.S.S.R., the Soviets did not disavow the claim. Even worse, when Soviet spokesman Zagladin told a *Le Monde* interviewer that in Iran, Islam "is of a progressive character," it appeared as if at least a powerful faction of the Soviet Union had decided to play along with the British-Khomeini game.

### "I foresee scandals..."

*Robert Fernea, an anthropologist at the University of Texas at Austin—an institution known for its involvement in Mideast tribal and sectarian activities—had this to say about the crisis inside Saudi Arabia in an interview Nov. 29:*

"The reports of tribal unrest in Saudi Arabia are important, because they have to be evidence of unrest *within* the ruling family, since the family has maintained itself in power precisely by cleverly intermarrying with most of the other tribes in Saudi Arabia.

"What you are probably now seeing in that country is a resurgence of the old Brotherhood-Ikhwan networks of years ago, coming out of the Hijaz region in western Saudi Arabia. These people will bring to the fore the issue of militant puritanical reformism, and if they gain any strength, they will focus their attention very directly on the practices and habits of the royal family. Here there is a real vulnerability: I can foresee corruption scandals and scandals about the lifestyles of the rulers of Saudi Arabia, and this can become serious in the not-too-distant future."

## Fruits of Iran— Gulf militarization

During the weekend of Dec. 1-2, the paper of the ruling Iraqi Baath Party, *Ath-Thawra*, charged that Iran's Khomeini regime is acting according to "a plan to provide justification for American military intervention" in the Gulf. Many more articles appeared in the Iraqi press spreading the same theme.

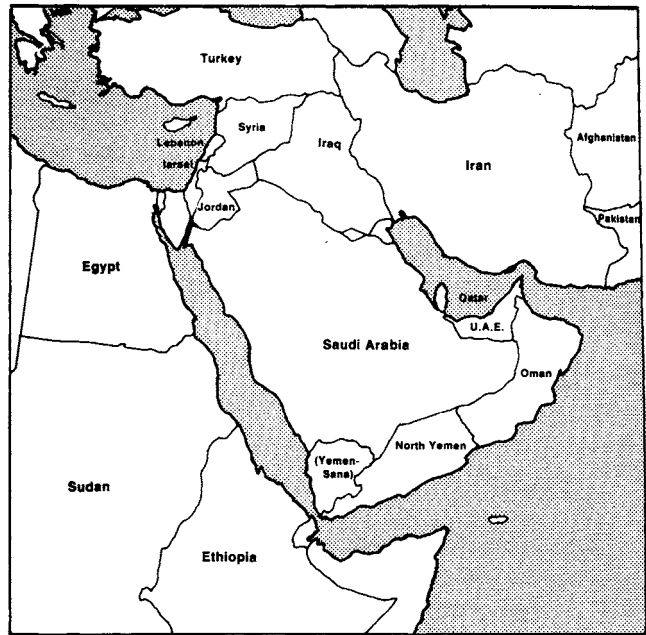
An Iraqi Minister of State, Borhan el-Din Abdul-Rahman, arrived in Mexico Nov. 30 and charged that the United States and Iran were conspiring in the current Gulf scenario. According to an account in the Dec. 1 Mexican journal *Heraldo*, Rahman made the following argument:

The extradition of the former Reza Shah Pahlavi is only a pretext used by some elements of the government of Ayatollah Khomeini, who, in combination with U.S. officials, intend to take control of the territory and energy potential of Iran, said Rahman.

(Rahman) explained that, with the taking of the U.S. embassy in Teheran, the "traitorous officials of the current regime in Iran seek to aggravate the conflict between their country and the U.S. in order to bring about the invasion of Iranian territory by U.S. troops."

He indicated that, as a minister of state of Iraq, he is convinced that Iranian groups have allied with the U.S. in order to encourage the conflict and ensure that the conflict reaches a critical point which "forces" the U.S. government to invade Iranian territory.

While some might deride the Iraqi charges as "overly conspiratorial," it is interesting to note how closely



Rahman and *Ath-Thawra's* charges correspond to the elation felt in certain Anglo-American circles over the "opportunities" presented by the Iran crisis.

Expressing this theme was New York Times columnist William Safire in a Nov. 26 commentary entitled "A Time for Daring."

The United States, Safire insisted, could "seize this opportunity to become a welcome military presence at the world's energy jugular... We could thoughtfully respond in a way that projects our forces into the area on a long-term basis. We could recoup the losses of a decade and re-establish our strategic pre-eminence."

Safire recommended that the United States "should lease the two airfields being returned to the Egyptians by the Israelis in the Sinai." This would "position us legally as firmly as at Guantanamo," he said, especially if the base could be protected by a "permanent U.S. ground force."

Further, the United States "should be taking up the quiet offers made to us to sign leases at Bahrain and islands near Oman, stationing permanent naval forces there."

In conclusion, Safire proclaimed: "The Ayatollah's provocation is heaven-sent. The President's job is ... to use this incident with audacity to assert American power in the Mideast and to reverse the strategic decline over which he has presided."

Since the taking of American hostages in Teheran a month ago, militarization of the Persian Gulf region has proceeded:

- **A U.S. naval buildup.** A U.S. Indian Ocean task force headed by the Carrier *Midway* has been joined by the

*Kitty Hawk* carrier. According to the Dec. 3 *Daily Telegraph of London*, the *Kitty Hawk* is docking off the base at Diego Garcia in the Indian Ocean to pick up heavy-duty helicopters useful in mine-sweeping operations, after which it will steam toward the Arabian Sea nearer Iran. Last week, the *U.S.S. Forrestal* was dispatched from the Atlantic to the eastern Mediterranean to join the Sixth Fleet there, in what the *Washington Post* mooted was aimed at reinforcing intervention capabilities into Iran.

- **U.S. 82nd Airborne Division moves toward Iran.** Sources in Washington report that elite units, including "political division" units, from the crack 82nd have arrived in West Germany and possibly Turkey for action in the Gulf.

- **Israel offers to militarily aid the U.S.** Since Nov. 5, the Israeli press has asserted that the Iran crisis proves that Israel is the bulwark of U.S. and NATO strategy vis-à-vis the Middle East. Defense Minister Ezer Weizman made a public offer in mid-November to provide the United States with advice on military action to "save" the hostages, and met with U.S. consular and military officials. In a Nov. 21 speech, Vice-President Walter Mondale returned the compliment, calling Israel a "strategic asset" in a speech before the American Jewish Congress. This terminology had never before been used by American officials in referring to Israel.

- **Egyptian military maneuvers.** Rumors have circulated from the Mideast that Egypt's Navy has been engaged in special exercises since the Iran crisis broke.

- **Pressure on Gulf States to join U.S.-led military pact.** As the Iran crisis has worsened, pressure has been placed on the Arab Gulf oil-producers to work with the United States in an "anti-Khomeini front." The head of the Mideast Subcommittee of the Senate Foreign Relations Committee, Sen. Stone of Florida, has been circulating a memorandum calling for U.S. overtures to *all* the Arab oil-producers.

Oman has led in forming a pact. On Nov. 18, Oman's ruler, Sultan Qabus, called on Arab Gulf countries to "coordinate their activities in the field of security and politics to ensure order and security in the oil-rich Gulf region," according to Kuwait News Agency reports. Qabus criticized Iraqi opposition as "political immaturity." He then attacked the Soviet Union for its "expansionist" policy and raised the spectre of regional subversion from South Yemen.

Ever since the Saudi unrest began, the Anglo-American press has been drumming up a scare about the Soviets in the area to build support for Qabus's scheme. In one possible sign that this is gaining ground, Bahrain

was reported by the *Baltimore Sun* last week to have granted space at its airfield for U.S. jets readied for military action in the region.

The *New York Times* reported Nov. 28 "intense consultations among the royal families" in the Gulf over the regional situation, and reports have come from the Gulf of a security conference of Gulf states being held from which Iraq was absent.

A similar line emerged from the Georgetown Center for Strategic and International Studies, where terrorism expert Robert Kilmarx said in a Nov. 15 interview, "The Khomeini thing is one of the best things that ever happened to Jimmy Carter. His National Security Adviser, Brzezinski, has sold him on the idea that by using this situation to reassert U.S. world power, he reasserts himself."

As a result of Khomeini's actions, NATO is a "lot stronger than before," Kilmarx said.

## Middle East Treaty Organization

The taking of hostages in Iran has indeed handed the Carter administration the opportunity to carry out one of its long-term strategic objectives: extension of NATO to the Mideast.

Soon after Carter assumed the presidency, Brzezinski's National Security Council telexed a memorandum called "PRM-10," authored by Harvard University professor Samuel Huntington. PRM-10 urged the formation of "quick strike force units" in the oilfields of the Persian-Arabian Gulf. When released, the memo spread alarm throughout the Arab world.

The Carter administration's abandonment of its October 1, 1977 joint U.S.-Soviet statement policy for the Mideast, and its 1978 move toward Camp David, signaled the commitment to the PRM-10 policy. Behind Camp David was a proposal issued by Zionist liquor magnate Edgar Bronfman, in the July 3, 1978 *New York Times*, for an anti-Soviet Arab-Israeli regional treaty organization, a "vehicle like NATO ... against external threats and with the U.S. as full participant."

The Camp David Treaty was the strategic core of this METO conception. As outlined frequently by U.S. Senator Henry Jackson, Egypt and Israel are meant to serve as "proxies" for "intervention in the oil fields" as the oil-producing regions descend into chaos.

The METO plan is now operational as Georgetown strategist Edward Luttwak, now a "special adviser" on the military-related aspects of the Iran crisis, explained Nov. 30: "The key now in the situation is the Egypt-Israel treaty partners. If the U.S. treats them as the core of a new NATO, as equally important to the 'China card,' then a new strategic design could emerge out of the current crisis in Iran."

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# International Intelligence

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## EUROPE

### *Europe denounces 'Anglo-Dutch oil conspiracy'*

The governments of France and West Germany have begun officially attacking what French television characterized Dec. 4 as "an Anglo-Dutch oil conspiracy." The European anger follows reports that the Iranian government has asked British Petroleum and Royal Dutch Shell to negotiate their oil supply for next year, to take advantage of the extra 800,000 barrels a day made available by the stopping of oil exports to the United States.

At the Dec. 4 Brussels meeting of European energy ministers, French minister André Giraud demanded that Britain either increase North Sea oil production, or at least pledge to make oil preferentially available to other EC members in an emergency. Britain, backed by the Dutch delegate, refused, and went so far as to attempt to prevent the French and West Germans from writing the exchange into the official minutes.

At the same time, Chancellor Helmut Schmidt, speaking to his Social Democratic Party conference in West Berlin, denounced the "unjustified oil price increase policy of the multinationals" as an "impertinent provocation." He said, "I would rather have tighter controls over their pricing policy."

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### *Warsaw Pact Ministers meet*

The foreign ministers of the Warsaw Pact have issued a communique stating that a NATO decision to "modernize," producing new weapons and "their actual deployment, would destroy the basis for future negotiations." Defense Ministers and the Foreign Ministers of

the Warsaw Pact countries are meeting in East Berlin, on the eve of NATO's Dec. 12 decision on new medium-range missiles in Western Europe.

The European press reports widespread speculation that the Warsaw Pact may announce a new initiative to prevent the NATO decision at the last minute. One possibility frequently mentioned is that the Soviet Union would stop producing its medium-range SS-20 missiles, or withdraw some from the western regions of the U.S.S.R.

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### *Lynch forced to resign*

Irish Prime Minister Jack Lynch, in a surprising and unexpected announcement, told a news conference that he intends to resign his post as soon as a successor can be chosen. The leading contender to succeed Lynch as head of the party Fianna Fail, and hence as prime minister, is his long-time rival Charles Haughey, the present Minister of Health.

Haughey was dismissed from the Lynch Cabinet in 1970 over accusations that he was involved in a plot to smuggle arms for the IRA. He was acquitted of the charges and was reinstated.

Lynch has been under intense personal and political pressure since the August assassination by IRA terrorists of Earl Mountbatten of Burma. Political opponents have accused him of "watering down" the aspirations of his party for the unification of Ireland.

Lynch is identified with Ireland's economic boom over the past decade and particularly with the decision to bring Ireland into the European Monetary Fund, breaking the link with the British pound sterling. He has always favored a gradual approach to reunification of Northern Ireland with the Republic, based on industrial and economic cooperation. "Hawks" in the party such as Haughey want to force through a different political program. As one Belfast editor put it: "Charlie Haughey in power could only make things in Ulster more tense than ever."

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### *Portuguese election solves no problems*

A coalition of three parties which would have been soundly defeated, had they run separately, instead appears assured of a narrow victory in the Portuguese Parliamentary elections held Dec. 3. The exact figures will not be available until next week, when all the postal ballots are counted; but as of Dec. 6, the "Democratic Alliance" has won 44.6 percent of the popular vote.

The Alliance's biggest left opposition is the Socialist Party, whose vote fell to 27.4 percent as compared to the 1976 total of 34.8 percent—reflecting a loss of popularity by Socialist leader Mario Soares, the prime minister for two years. Some socialist defectors appear to have voted for the Communist Party, whose total went to 19 percent from its 1976 total of 14.3 percent.

With Portugal's left and right approximately evenly squared off, the country appears headed for a paralyzing and potentially disastrous battle during the next ten months, at which time new parliamentary elections occur as mandated in the national constitution. Francisco Sa Carneiro, the self-styled Social Democrat who will probably become the new prime minister, has announced that his government will make a priority of expunging the Portuguese constitution of its "socialist jargon" and its protection of state-sector industries.

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## ASIA

### *Ohira in Peking— new arms build-up?*

Japanese Prime Minister Masayoshi Ohira began a much-publicized visit to Peking Dec. 5 which has raised many eyebrows. The talks with Chinese leaders may portend a revival of Japan's military role in Asia.

Publicly, Ohira has done much to

## International Intelligence

emphasize the "peaceful" nature of his visit. The Japanese government has announced it plans to provide China with the first ever "soft" government loans, and Japanese newspapers report Ohira plans to "discourage" Chinese leaders from invading Vietnam again.

However, despite these disclaimers, many are not convinced. The Japanese daily *Yomiuri* reported this week that Ohira's package for economic cooperation with China has "aroused reaction" among members of the prime minister's own ruling Liberal Democratic Party, who are worried it will provoke an "unfavorable reaction" from the Soviet Union. The Soviets have said as much, reporting through the news agency Tass that the economic package was designed to "strengthen" Chinese military capabilities.

One tip-off lies in Ohira's announcement that the Korean peninsula will be a major topic of discussion on the tour. Many prophets of the "China Card" believe that with President Park of South Korea removed from the political scene, a major "obstacle" to the full fruition of military and political cooperation between Washington, Tokyo, and Peking has been removed.

## MIDDLE EAST

### *OPEC near split over oil prices*

Ahmed Zaki Yamani, Oil Minister of Saudi Arabia, reportedly walked out of a meeting of the Organization of Arab Petroleum Exporting Countries held Dec. 4 in Kuwait to prepare for the OPEC meeting later this month in Caracas, Venezuela.

Yamani's walkout—although denied by official conference sources—was reportedly provoked by demands from Libya and Syria that OPEC lend its support to Ayatollah Khomeini and

launch a boycott of the United States.

But the real issue, according to European sources, is that Yamani and Saudi Arabia are firmly opposed to a new increase in the price of oil. With the exception of Iraq, however, Saudi Arabia is isolated in OPEC, and the kingdom is coming under great pressure from other OPEC countries to go along with a price increase. Pressure for an increase is led by Iran and Libya.

Yesterday, an Iraqi official announced that Iraq is opposed to another sharp oil price increase "that would damage the world economy." The statement gained wide support from the semi-official Saudi press. Should Saudi Arabia relent on the price issue, it is expected that the price of oil will jump from its present \$18 to \$23.50 level to well over \$30 per barrel.

## AFRICA

### *Front accepts British ceasefire*

The nationalist Patriotic Front of Zimbabwe-Rhodesia agreed to the broad outlines of British Foreign Secretary Lord Carrington's ceasefire proposals in London Dec. 5. Lord Carrington opened the conference Sept. 11 to negotiate replacing the illegal government of European settlers with a black government. Now Carrington has obtained the Front's agreement to his proposals for a new constitution and transitional arrangements leading to independence.

The transitional arrangements call for the appointment of a British governor to run Rhodesia while a new government is formed. The Front has been conducting guerrilla warfare against the present government for seven years.

The agreement came one and a half days after Carrington delivered an ultimatum to the Front. Carrington threatened to implement those aspects of the settlement already agreed to without the Front's participation.

## Briefly

● **HAFIZOLLAH AMIN**, Afghanistan's President, is rumored by West Germany's *Frankfurter Allgemeine Zeitung* to have concluded a truce agreement with Ayatollah Khomeini. Iran and Afghanistan have been open enemies, since Iran is being used as a base for "Islamic" rebels against the Kabul government. The rumor is called by leading Afghan official sources "a complete lie."

● **INDIRA GANDHI**, a political "untouchable" in India last year, is acknowledged by almost all observers to be heading for victory in Indian national elections Jan. 3-6. The scent of victory has sent numerous of her opponents in the split Congress party back into her camp. Included are two ministers in Prime Minister Charan Singh's government, H.N. Bahunguna and Brahmananda Reddy. Finance Minister Bahuguna is now General Secretary of Mrs. Gandhi's Congress.

● **EZER WEIZMAN**, Israeli Defense Minister, was in London for three days during the week of Dec. 3, an event that has gone generally unnoticed. Weizman is being touted by Israeli and European newspapers as a successor to Prime Minister Begin, and the Dec. 5 decision by Israel's Supreme Court not to deport West Bank Arab Mayor Bassam Shaka'a may be the act that will propel Weizman into power. Weizman is seeking an active "new role" for Israel and has offered Israeli advice for American military action in Iran.

● **THE SOVIET UNION** on Dec. 6 began a ceremonious withdrawal of the first of 1,000 tanks and 20,000 troops from the German Democratic Republic. The unilateral withdrawal was announced by Soviet President Leonid Brezhnev in East Berlin Oct. 6 and is intended as a gesture toward further troop-reduction negotiations with NATO.

## 1979 world oil production at record high

*Production is high, but refinery figures are at an all-time low.*

**T**otal worldwide crude oil production for the first 9 months of 1979, the latest period for which accurate figures are available, set an all time historic high.

The same week this significant fact was made public in the authoritative *Oil and Gas Journal*, Deputy U.S. Energy Secretary John Sawhill announced that within two months his department will make "rationing allocations of crude oil to U.S. refineries" and is considering "government takeover of certain crude stocks," restrictions on air travel, and a series of other draconian measures.

First, the facts. Worldwide crude oil production averaged more than 63.3 million barrels per day for the nine month period ending September of this year. All indications are that this record level will hold until the end of the year. By comparison, in 1978, when there was no shutoff of Iranian oil production, the world produced an average of 59.7 million barrels daily.

This means that the world is swimming in oil. With 6 percent more crude production, demand for petroleum products such as gasoline and home heating oil is down by a substantial 4.2 percent from the previous time last year. This is primarily due to forced conservation via an almost 100 percent rise in the pump price of motor gasoline and other refined products.

Despite these record supplies of

crude, there has been a relative downturn over the same period last year in U.S. refining of crude, meaning a process of worldwide inventory stockpiling on an enormous scale. If Mobil, Shell, BP and the other multinationals holding the bulk of world crude can hold this until after a substantial price rise is affected at the mid-December OPEC ministers meeting, the value of their inventories on paper will increase enormously. This will mean another major ratchet in world inflation.

**A** closer look at production levels in different areas of the world in this "year of the great oil shortage" is also highly significant. The 9-month reduction by half of Iranian production, from 5.6 million barrels per day (bpd) to just over 2.9 bpd, has been more than offset by increases in OPEC production, especially Saudi Arabia, OPEC's largest producer. The Saudis—despite intense speculative pressures from the London-New York run "spot market" in Rotterdam—have increased their output by 22 percent over 1978 to an average of almost 9.2 million bpd. A number of trading sources have reported to this journal on the nature of the intense speculative pressures the Saudis have been under to raise their benchmark price from its present \$18.00 per barrel price to the ceiling OPEC level of \$23.50.

The pressure stems from the

fact that the primary beneficiaries of Saudi Arabia's holding to the lowest end of OPEC price schedules is the consortium of four oil majors, constituting the Arabian-American Oil Company.

For example, Mobil has been widely charged with taking advantage of its favored position with the Saudis to buy its crude at \$18.00 and reselling it covertly on the now substantial Rotterdam market for as much as \$40.

Aside from OPEC increases noted, some interesting facts emerge from a study of the worldwide figures released Nov. 26 by the *Oil and Gas Journal*. Output from the British North Sea fields of such majors as BP and Shell rose a whopping 54 percent. U.S. domestic production, by contrast, declined by more than 1 percent to 8.6 million bpd, due to environmental restraints on further Alaskan flows and deemphasis by the majors on domestic production. Ironically, the so-called Windfall Profits Tax-decontrol package about to clear the Senate will not touch such companies as Mobil, who will benefit from decontrol. Rather, it will diminish domestic independent producers through a tax of 60 percent on all categories of domestic oil at the wellhead. As one producer quipped "The federal government will reap the biggest windfall of all from oil decontrol."

Meanwhile, Mexico reached almost 1.5 million bpd in September for an increase of 21.5 percent, an amount equal to Alaskan output. The Soviet Union, the world's largest producer (which has recently confirmed discovery of new "super" fields in the Varegan area) averaged almost 12 million bpd in August, up 2.1 percent.

**H**ouse rejects nuclear moratorium. The House of Representatives has repudiated efforts to halt nuclear energy development by rejecting an amendment to impose a six-month moratorium on nuclear plant licensing by the unexpectedly large margin of 135 to 254. The vote came Nov. 29 on an amendment proposed by Congressman Edward Markey, a close associate of Ted Kennedy, to the Nuclear Regulatory Commission authorization bill. Capitol Hill observers noted that the unexpected margin was in part a product of concern over international energy supplies in the wake of the Iran crisis. Staunch nuclear advocates lost no time in making that point clear.

Rep. John Wydler (R-NY), ranking Republican in the House Science and Technology Committee, remarked that if people want to support the Ayatollah they should vote for this amendment. Rep. Mike McCormack (D-Wash) added "And this attempt comes in the face of the political instability in the Middle East that threatens our supply of oil. I can scarcely believe my ears." McCormack added, the hysteria in the country and the Congress over the lack of nuclear safety was not a product of what happened at Three Mile Island but a product of "the harmful exaggeration and sensationalism ... by certain elements of the press and the media."

Despite the defection of some formally pro-nuclear conservatives such as Mickey Edwards (R-Okla), the amendment was defeated by a coalition of traditionally pro-nuclear conservatives and urban Democrats such as Frank Annunzio (D-

Ill), Robert Giamo (D-RI), Joseph Gaydoes (D-Pa) and Joe Fisher (D-Va). The Senate defeated a similar amendment by Senator Kennedy.

**S**enate agrees to process windfall profits tax. The Senate agreed Dec. 4 on procedures for reviewing amendments to the controversial windfall profits tax that will finally allow the Senate to move on the bill. The bill had been held up on the floor while Senators debated what amendments would be reviewed, how they could be altered, and in what order they would be taken up. With an order of the amendments now established, the Senate will begin reviewing them, voting them either up or down. Senators favoring a lower tax on the oil industry, in return for agreeing to procedures for amending the bill, received assurances that their amendments, including a multibillion dollar income tax cut, would be discussed.

Shortly after the Senate began amendment consideration, the Senate voted 58 to 35 to approve an amendment that would increase from 60 to 75 percent the tax rate on oil from wells discovered from 1973 through 1978. Later the Senate approved, by a vote of 68 to 26, an amendment sponsored by Sen. Moynihan (D-NY) that would delay an automatic phase-out of the tax over several years, and thus dramatically increase the money taken from the oil industry. Moynihan estimated that his amendment would increase revenues collected from \$145 to \$214 billion by postponing the termination of the tax by 6 years. Proponents of a high tax

are now estimating that they have enough Senate support to have a final bill that increases total revenues from the tax to \$185 million, more than the original Senate version but less than the \$276 billion in the House bill.

Allocation of the funds from the windfall profit tax is uncertain at this time. On Monday the Senate voted down the recommendations of the Senate Finance Committee that the funds be used partially for a trust fund for low income families, partially for a trust fund for mass transit programs, and the rest to go into a general fund. As of now the money may be allocated for general revenues although debate on this will occur on the Senate floor.

A conference committee will have to reconcile the two bills. Opponents of a high tax, which will decimate the small independent oil producers in the U.S., have not agreed to terminate threats that they will filibuster the bill once it is in its final form, declare Senate aides. It is expected to be completed approximately the week of Dec. 10.

**C**alls for halt on foreign takeovers of U.S. banks. Rep. Benjamin Rosenthal (D-NY) introduced H.R. 59377, The Foreign Bank Takeovers Study Act, on Nov. 16. The legislation would mandate a federal government study of the possible consequences of foreign takeovers of U.S. banks, and would call a halt to foreign acquisitions of U.S. banks until one year after completion of the study.

In introducing the bill, Rosen-



thal cited the attempted takeover of New York State's Marine Midland Bank by the Hongkong and Shanghai Bank, which has been identified as having extensive ties to international narcotics traffic. Rosenthal, however, skirted that issue. Instead, he cites Hongkong-Shanghai conglomerate activities in a vast array of non-banking companies such as commodities trading and pharmaceuticals. U.S. banks are prohibited from engaging in such activities. Rosenthal primarily objects to this "unequal treatment" and to Arab bank takeovers of U.S. banks.

In remarks made on the House floor Nov. 27 Rosenthal said, "If Iran or Libya or some unscrupulous organized crime figure surreptitiously buys control of a foreign holding company that owns a major U.S. bank, the U.S. authorities have no way to find out ... and would be powerless to eliminate any ownership connection they found undesirable.

**S**enate Banking Committee stipulates wage freeze in Chrysler bailout. By a 10 to 4 vote, the Senate Banking Committee Nov. 29 approved a bill to aid the ailing Chrysler Corporation provided that the United Auto Workers Union accepts a three-year wage freeze. The Committee voted to reject the Carter administration's bill as a drafting vehicle and instead accepted a bill proposed by Senators Tsongas (D-Mass) and Lugar (R-Ind). The bill okays \$4 billion in specific commitments from unions, banks, Chrysler suppliers and dealers, and parties with a stake in the company. The

wage freeze for UAW workers is expected to be the union contribution, totalling \$1.32 billion.

UAW president Doug Fraser declared Dec. 4 that the union would not accept a wage freeze even if it meant that the company would go under, according to Capitol Hill sources. However, previously he had said he might reopen the talks on the union contract with Chrysler.

The company would further raise the \$2.75 billion from asset sales, according to Committee aides. This reorganization plan for the third largest auto company, which is aimed at decimating its high technology production assets, would be overseen by a three man panel according to the bill accepted by the Committee. The panelists would be the Treasury Secretary, the Federal Reserve Board Chairman and the Comptroller General. This in effect puts Chrysler in the hands of Treasury Secretary Miller and Federal Reserve Chairman Volcker.

A final provision of the Chrysler bill adopted by the Committee requires the company to distribute shares worth \$250 million, or approximately 40 percent of the company's stock, to employees.

The measure is expected to be on the Senate floor about December 12, pending the Senate's action on the windfall profits tax. Senator Riegle is expected to immediately offer an amendment to raise the federal loan guarantees to \$1.5 billion. Senator Weicker (R-Conn) sent a letter to the Senate minority leadership declaring his intention to "engage in extensive debate" on the bill. This threat of filibuster has

been discussed with a number of Senators and Weicker's aides says he has gotten a lot of support from them. Weicker is a strong opponent of any government loan guarantee programs for corporations. It is not clear though whether they have the votes to prevent closure.

The House has not sent their version of the Chrysler bill to the floor yet and according to Hill sources the House intends to pull their bill back and substitute the Senate bill. The Banking committee is expected to quickly review it. Staffers say that the original House version of the loan program did not have enough floor support to pass because it did not include a freeze on union wages.

**S**enate Armed Services Committee staffers critical of SALT. Minority staff members on the Senate Armed Services Committee have prepared a report they hope the committee will adopt as their policy on the SALT treaty. The report is highly critical of SALT, charging that it is unverifiable, unequal, and "not in the national security interest" of the U.S. The committee has not decided yet when they will debate the treaty.

The full Senate however is moving very slowly on SALT and White House Congressional liaison Frank Moore has reportedly said the Senate will not complete the treaty this year. Senate sources say that Senate Majority leader Robert Byrd may bring the treaty up on the Senate floor the last day or two of the current session to show that it will be brought up after Christmas.

# World Trade Review

**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

Cost	Principals	Project/Nature of Deal	Financing	Status
\$226 mn.	China from France and Belgium	Colzerill, Ateliers de Construction Electrique de Charleroi, Traction et Electricité and the French Alstom Atlantique to build two 300-MW coal-fired power stations in China.	NAv	II
\$170 mn.	Egypt from U.K., France and Germany	Egyptair to take up options on four more Airbus Industries A300-B airbuses.	\$115 mn. syndicated loan being finalized with underwriting of credit guarantee agencies of France, U.K. and W. Germany.	III
\$130 mn.	North Yemen from Italy	AMN, a subsidiary of the Italian state FIN Meccanica Engineering and Mechanical holding, will build a 150-MW thermoelectrical power station in North Yemen.	NAv	I
\$60 mn.	Morocco from France	The French company Fives Cail-Babcock awarded contract for building sugar mill.	NAv.	II
\$30 mn.	Saudi Arabia from Italy	Italimpianti, the engineering subsidiary of the Italian state steel Iri-Finsider group, to construct a desalination plant in Saudi Arabia.	NAv	II
\$25 mn.	Mexico from Japan	Toyo Menka Kaisha Ltd. and Toshiba Corporation were awarded contract for delivery of electric engine parts.	NAv	II
\$20.5 mn.	Pakistan from U.K.	Austin and Pickersgill company to supply three ship to Pakistan	NAv	III
\$19.7 mn.	Madagascar from U.K.	British Aerospace to supply three 748 airliners to Air Madagascar.	NAv	I
\$4 mn.	Colombia from Japan	Kawasaki Steel Corp. to deliver a line of continuous galvanizing equipment to Acerias de Colombia.	NAv	I
\$2.4 mn.	U.S.A. from Japan	Hitachi Shipbuilding received an order from Babcock & Wilcox for 10 boiler heat recycling systems. The heat exchangers are part of a water desalination plant under construction in Saudi Arabia.	NAv	I
NAv	Libya from Canada	Westinghouse-Canada will provide Libya with three 17.3-MW gas turbine generator power plants, transformers and electric switchgear.	NAv	I
\$1 mn.	Israel from U.S.A.	Decision Systems won a \$1 mn. 3-year contract for the supply of software capability and system design activities to an unspecified Israeli corporation.	NAv	II

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