

# EIR

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Soviets making ready for U.S. 'sneak attack'  
U.S. unemployment: approaching double digits  
U.S. losing \$600 billion on the Mideast market

**Trilaterals in London:  
pushing the world to the brink**



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## From the Editor-in-Chief

In the last week of March, the Trilateral Commission met in London and this week our Special Report takes a close-up look at what was discussed there and the events which have followed from the meeting. The documents of the meeting—speeches and agenda items—reveal only the surface aspects of the meeting. The Trilaterals concerned themselves mainly with containing the emergent power of continental Europe, of France and West Germany, and forcing the “allies” back into line with current Carter administration and Thatcher government policy. For the Third World (or “North-South relations” as it is called in such gentlemanly meetings), a regime of “hot spots” are planned combined with the revamping of the dictatorial authority of the IMF under the guise of the recently reformulated Brandt Commission program. All in all, it was a push to “the brink” of chaos for the crisis-managers; the results came all too soon in Iran and the Middle East.

Our report's preparation has been directed by Contributing Editor Christopher R. White, who introduces the subject and summarizes the key strategic points of the Trilateral meeting's plans. We then take a look at the “hot spots”—with Mideast Editor Robert Dreyfuss on that hottest of spots; Africa Editor Doug DeGroot on Chad and related situations; a look at the emerging U.S. confrontation with Cuba; and finally, Latin American Editor Dennis Small's examination of how the Brandt Commission program is undergoing its first implementation in Jamaica's battle with the IMF. We have of course included the relevant documents from the meeting.

We note for our readers an excellent feature this issue on the collapse of the U.S. construction industry's overseas operations—the \$600 billion market in the Middle East and elsewhere that the U.S. is losing out on, and why.



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## Correction

In our agricultural survey in the March 31-April 7 *EIR*, the key to the graph, 'Deposit structure of agricultural banks in the Tenth Federal District' is incorrectly labelled. The dark shading represented six-month money market certificates of deposit and the lightly shaded area, time deposits over \$100,000 (reversed in the original publication). The fact that most bank deposits are in the short-term certificates category is a dramatic measure of their vulnerability to collapse in the face of Volcker's interest rates: they have many loans outstanding at lower rates, and must pass on the cost of higher rates to customers who may not be able to pay. Tentative reports indicate farm foreclosures have accordingly increased dramatically

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# Editorial

by Nora Hamerman

## Deregulation is economic warfare

Already reeling under Federal Reserve Board chairman Paul Volcker's credit crunch, the American economy is about to be hit with the next phase of economic warfare: Trucking, rail, shipping, telecommunications and other vital industries are slated to be deregulated within the next six months, stripped of the government regulations which have generally promoted industries since the Depression.

Far from stimulating "healthy competition" as its advocates maintain, deregulation will lead to the elimination of all but a few giants in the transportation and telecommunications fields, and unprecedented *regulation* of the economy under them.

The Motor Carrier Reform Act of 1980, a sweeping piece of legislation which overrides 45 years of regulation in the trucking industry, is now expected to pass Congress in mid-April. Touted as "anti-inflationary" by its advocates from liberal Sen. Kennedy to the conservative Friedman crowd, the actual impact will be price wars; lethal cutbacks on maintenance and capital investments by carriers; the abandonment of unprofitable routes, leaving thousands of small towns in complete isolation; deterioration of pay scales and work conditions; and a dramatic increase in the accident rate. The consequences and costs were detailed in a 1979 *EIR* Special Report, where deregulation was shown to be a "disaster worse than Vietnam."

Moreover, under a ruling the Interstate Commerce Commission is expected to adopt this spring, return on equity in the industry will be limited to 12 or 14 percent. In the present tight-money environment one-fourth to one-half of the nation's carriers could be put out of business, since they are forced to borrow money at an average current rate of 35 percent, more than double the rate they will be permitted to make on equity investment!

In addition to trucking, the Senate has just

passed a bill ending a century of regulation of the railroads and on May 1, a House bill deregulating the shipping industry comes up for vote.

The issues in this deregulation fever go to the very heart of the historical battle between the American System of economics practiced by Washington, Franklin and Hamilton, and the various followers of Adam Smith, who used the slogan of "free trade" to carry out economic warfare against infant American industries in the 19th century.

American industry was built under the aegis of Alexander Hamilton's 1791 "Report on Manufactures." Hamilton defined mankind's power to extend human sway over nature through technology and manufacture as the central conception of political economy and insisted that government must help to create the conditions for such industrial growth. Despite a concerted assault under presidents Jefferson, Madison, and Monroe, elements of the Hamiltonian approach persisted until Jacksonian economics brought the U.S. government fully under the British System.

Andrew Jackson terminated the federal government financing and regulation of "internal improvements" in the country's infrastructure. As a result of Jackson's version of "dereg" numerous farmers were bankrupted; the U.S. rail system grew chaotically and offered a field day for speculators. Many areas did not get transportation service.

Only under Lincoln were national rail corporations actually established by Congress. Later, in 1887, under pressure from a Lincoln-allied Supreme Court, Congress created the Interstate Commerce Commission.

The resulting national transport network capable of supporting a rapidly growing industrial economy is what the "deregulators" of today want to turn back the clock and destroy.

## U.S. unemployment: it's approaching double digits

by Lydia Schulman

Everyone has been talking about double digit inflation. But double digit unemployment? Surely Surely things won't get that bad during this recession, say the Carter administration's economic wizards.

The fact is that by any sensible measure of the unemployment rate, we are already pushing the double digit level. The Department of Labor, which recently reported 6.2 percent unemployment in March, has been seriously understating the nation's real unemployment rate by dropping at least one million "discouraged workers"—those who have stopped actively looking for work for the time being—from what the DOL defines as the "labor force," together with a number of other statistical ruses. Moreover, unemployment in the nation's key industrial sectors is already in excess of 10 percent, as a result of Fed Chairman Volcker's tight credit policies.

As of the 63,000 new "temporary" layoffs announced by the Big Three auto-makers on April 4, approximately 225,000 U.S. autoworkers were on temporary or indefinite furlough. This figure represents more than 20 percent of the 1.1 million workers employed in auto, truck, trailer-truck, and parts producing plants, and is higher than the number of workers furloughed during the 1974-75 recession. Upwards of 15 percent of the nation's 4 million-plus construction workforce is out of work; more than ten percent of the steel and rubber workforces have been idled as a result of permanent plant closings and firings; and a growing percentage of the nation's state and municipal employees.

In Michigan, an industrial state that is a prime victim

of the Volcker credit crunch, official unemployment is running at a 11.3 percent rate, or double the national average. One family out of ten is presently on welfare. Eighty percent of all new federal benefits in the government's Aid to Families with Dependent Children (AFDC) program last year was claimed by Michigan. These startling figures point up the most troubling dimension of the nation's burgeoning unemployment crisis: the fact that highly skilled labor power is being lost, possibly permanently.

The unemployment crisis is only beginning, however. At this moment, banks across the country, small and large, are retrenching fast on loans to consumers and businesses rather than pay the new penalties imposed by the Federal Reserve. One banker at a small upstate New York bank commented in a recent interview that every bank in his area was not only intensively screening all new consumer loan applicants, but calling in loans to avoid paying the new 15 percent reserve requirements on consumer consumer credit extended above a March 14 base level. This sort of retrenchment means widespread layoffs in the retail and wholesale trade and other service sectors, categories of employment that have been holding up the national average.

### The impact of the liquidity crisis

Even more forboding is the evidence that some of our major industries, such as paper, auto, steel, and rubber, are faced with looming liquidity crises. Many economists have now realized that corporate liquidity has deteriorated suddenly and is in worse shape than in 1974, on the



eve of the worst recession since the Great Depression. The attentively-watched "quick ratio"—cash and liquid assets to short-term obligations—in the steel industry was 19 percent at the end of last year, compared with 44 percent at the end of 1974; in paper products industry the quick ratio has declined from 37 percent to 29 percent; in auto, from 17 percent to 15 percent; and in rubber from 17 percent to 11 percent. Any further deterioration in the markets of these industries will force them into a further retrenchment merely to keep their heads above water—such as the Ford Motor Company recently initiated.

Following right on the heels of Volcker's moves to restrict credit availability, a series of bills deregulating the nation's transportation and telecommunications industries will deliver the next blow to the nation's seriously weakened economy. The Motor Carrier Reform Act of 1980, which overrides 45 years of stability and safety-ensuring regulation of the trucking industry in one fell swoop, is now expected to be passed by Congress when it convenes in mid-April.

The devastating impact of trucking deregulation on not just the trucking industry but on the whole U.S. economy was the subject of a special report issued by the *Executive Ingelligence Review* last fall, "Trucking Deregulation, A Disaster Worse than Vietnam." Touted as "anti-inflationary" by its advocates—who span the political spectrum from the "ultra-liberal" senator from Massachusetts to "conservative" Milton Friedman and his cronies at the American Enterprise Institute—the real impact of trucking deregulation will be: ferocious price war among the carriers; lethal cutbacks in maintenance and capital spending; the abandoning of all but the most profitable routes, leaving thousands of rural communities out of touch with the rest of the nation's economy; a deterioration of pay scales and working conditions; and a soaring accident rate.

Ironically, another effect of trucking dereg will be the skyrocketing of transport costs, as productivity plummets and many of the "competitors" drop out of the market through bankruptcy. The *EIR* special report on trucking dereg estimated that some 500,000 Teamster jobs are at stake if trucking dereg legislation goes through.

### **The effect: more unemployment**

Bills deregulating rail and shipping and a landmark decision April 7 by the Federal Communication Commission deregulating the telecommunications industry could pave the way for a similar pattern of events in those industries.

Such developments—unfolding now or about to—are barely registered in the government's official unemployment tally.

The DOL reported that 6.4 million workers were unemployed in March out of a work force of 97.7 million: an unemployment rate of 6.2 percent. The DOL tally, however, understates the number of unemployed workers by several million, conservatively speaking. One of the biggest hoaxes in the government's unemployment rate is that it masks the considerable rise in the category of "discouraged" workers, those people who have given up actively looking for work and who have consequently been dropped out of the "labor force."

As the Volcker crunch intensified last fall, the number of workers too discouraged to look for work rose from .75 million in the fourth quarter of the year to 1 million in the first quarter of the current year. These discouraged workers really represent an additional million unemployed. Similarly, the DOL reported that 16.2 million individuals had part-time jobs in March, 3.1 million of whom were working part-time "for economic reasons." It is likely that at least several million of those part-time employees would really like to have better-paying, full-time employment (with benefits, paid holidays, and so forth) but could not find such jobs. Those workers represent another several million hidden unemployed..

Such as they are, the government unemployment statistics began to register a significant development in the nation's employment situation in March. The number of employees on nonagricultural payrolls fell by 140,000 over the month, with construction and other blue collar industries accounting for the entirety of the decline. Until recently, increases in employment in the service sector of the economy had offset stagnation or decline in the blue collar payrolls. In March, employment in the service sector remained unchanged at 64.1 million.

The biggest over-the-month drop in March was in the construction industry, where employment dropped by 135,000. This was the second consecutive monthly drop, bringing the total loss of construction jobs over February and March to 200,000.

This development was hardly a surprise in view of the condition of residential construction, which is down more than 35 percent from last year's levels. But commercial and industrial construction are also now being hit by the tight money conditions and obstructive government regulation.

Public Service of New Hampshire reported in late March that continuing financial troubles were forcing it to begin laying off half of the 4,700 workers who are building the Seabrook nuclear facility. Public Service president William Tallman blamed high interest rates and "the unsettled state of the capital markets" as the chief factors in the utility's decision to reduce Seabrook's workforce. By effecting the layoffs, the utility can avoid borrowing the \$77 million it needs for construction this year.

## The Fed's dilemma

*Driving rates up will mean a blow-out in the U.S. corporate sector, but offsetting or easing those rates will mean a blow-out of the dollar.*

Interest rates on the Eurodollar market dropped an average of one-quarter percentage point on all maturities on April 9. The easing of rates in recent days has been the most dramatic at the short end of the market. Rates on one-month deposits, for example, fell to  $18\frac{5}{8}$  percent from an all time peak of  $20\frac{1}{2}$  percent on March 31.

Traders attributed this significant easing of rates to a combination of technical factors—principally the availability of cheaper sources of financing for banks in other markets—and the fact that investors are now betting that dollar interest rates have peaked.

On the second count, expectations are now rife that the U.S. economy is in the throes of a deep recession, and that demand for credit and interest rates will ease in response. Citicorp chairman Walter Wriston put out this line at a Houston press conference April 8. "My stomach tells me that if the prime rates are not at their top, they are so close as not to make any difference." This view—or new strain of stomach virus—quickly spread through the financial markets last week.

Much more interesting and suggestive are the so-called technical reasons for the easing of Eurodollar rates last week. The principal factor behind the sudden rise in short-term Eurodollar market rates at the end of March was a

scramble for funds by cash-short banks. Many banks were and are in the unlucky position of having to fund long-term fixed-rate loans with very dear money. Now it appears that the banks are seeking cheaper money in the federal funds market, the domestic interbank overnight market, where rates came down from  $19\frac{3}{8}$  percent on April 7, to  $17\frac{1}{2}$  percent on April 8, and even lower April 9, bank settlement date.

The Federal Reserve itself brought down the rates by buying government agency coupons (long-term bonds) and injecting reserves into the banking system, offsetting the marginal reserve requirements which went into effect in the April 9 reporting week.

These off-setting moves by the Fed point up the insoluble dilemma that the central bank faces: how does it carry out its credit austerity policies without triggering major bankruptcies throughout the U.S. economy. The alarming deterioration of U.S. corporate liquidity, in fact, made the front page of the *Wall Street Journal* on April 8.

At the same time, by allowing interest rates to ease as it has done, the Federal Reserve set the stage for last week's run against the dollar. Swinging back the other way, it is possible that concern about the plunge of the dollar—which lost nearly 4 percent of its value

against the West German mark between April 7 and 9—could prompt Fed Chairman Volcker to tighten credit domestically yet another notch in the weeks ahead.

In an interview last week Schroder Bank economist William Griggs commented that he believes the dollar is now headed to the 1.8090 level. Dr. Griggs believes that the Fed is not considering raising rates to firm the dollar. But international political considerations, namely the desire for a strong nation and dollar to anchor the disintegrating NATO alliance, have weighed heavily in the deliberations of Council on Foreign Relations member Volcker in the past.

The rapidly deteriorating condition of U.S. corporate liquidity will undoubtedly put more upward pressure on interest rates. Many economists have suddenly become concerned about a precipitous drop in the "quick ratio"—cash and liquid assets to short-term debt—in many sectors of the economy, which could force a multitude of corporations to rush to borrow money short term merely to meet their financial obligations.

The overall liquidity situation of U.S. non-financial corporations is now worse than in 1974 on the eve of the worst economic blow out since the 1930s. The corporate strategy industries like paper, steel and rubber have opted for—shutting down unprofitable capacity and shrinking their industrial operations—has not even succeeded in improving their balance sheets.

The growing worry is that any added bad shock to the illiquid sectors of the economy could lead to a wave of 1930s-style bankruptcies.

## Mr. Hunt was pushed

*In the sudden fall of the silver market that trapped the brothers Hunt, the beneficiaries of their misfortune were very well positioned to have rigged the whole affair.*

In last week's column, we suggested that Bunker Hunt did not merely stumble upon some bad luck in the silver market; he was pushed. Further evidence of this surfaced last week when Charles Stahl, the publisher of *Green's Commodity Market Comments*, pointed out that some major metals trading firms, who happen to be influential members of the board of the New York Commodity Exchange (COMEX) and Chicago Board of Trade, had been selling short the silver market.

In January, when Hunt's efforts to corner silver supplies were making financial press headlines, the two exchanges voted severe restrictions on silver trading. These measures, along with the Federal Reserve's jacking up of short-term interest rates in February and March, punctured the silver bubble and sent prices plunging from a peak of over \$50 an ounce in January to a mere \$10.80 on March 28, the day that the Hunt brothers' misfortunes rocked Wall Street.

According to Stahl, the same people who made the decision to pull the plug on the silver runup also profited handsomely by shorting silver. For example, Engelhard Minerals Vice President Raymond Nessim is vice-chairman of the COMEX. Engelhard had signed a contract with Bunker Hunt last fall in which Hunt agreed to purchase 19 million ounces of silver from Engelhard in March at \$35 an ounce. When the silver market collapsed, Engelhard had the Hunts

over a barrel and, as of March 31, Bunker stood to lose \$400 million on the deal. Engelhard "accepted" a chunk of the Hunts' Canadian oil and gas properties to close the gap as well as 8.5 million ounces of physical silver.

Engelhard Minerals, the thirteenth largest U.S. corporation in annual revenues, is closely intertwined with the British financial elite. Members of Engelhard's board include Felix Rohatyn of Lazard Freres and Gavin Relly of the South Africa-based Anglo-American Corporation.

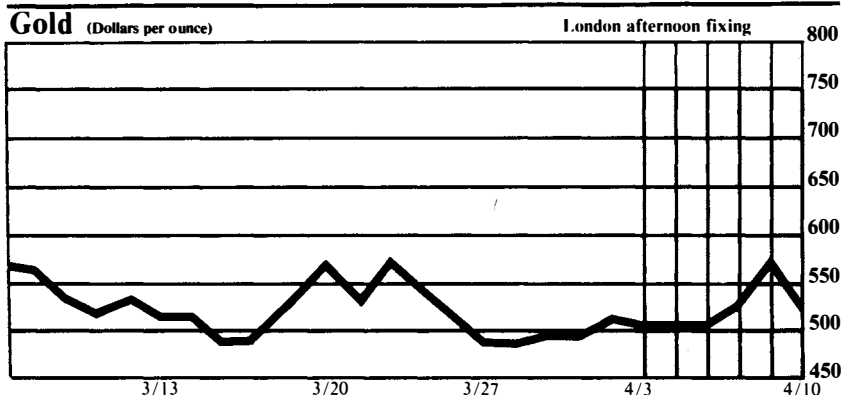
Other COMEX board members who had extensive short positions include J. Aron and Mocatta Metals. Mocatta Metals is affiliated to London's Mocatta & Goldsmid, which has acted as the Bank of England's official silver broker since 1696.

According to Stahl, Engelhard and Mocatta also had access to an important piece of financial intelligence which was probably unavailable to the Hunts: namely,

that the Mexican central bank had a secret agreement with the Peruvian central bank to buy up Peru's silver supplies in the event the price should slip below \$12. Thus, when Engelhard closed the deal with the Hunts last week, netting them 8.5 million ounces of silver (on top of the 19 million they had originally bought for sale to the Hunts), they had every reason to believe that silver prices were on the rebound.

Gold and silver prices in fact shot up on April 8 and 9. Especially significant was the \$50 jump in the gold price which occurred in the 48 hours immediately following Carter's announcement of additional sanctions against Iran. Gold is the traditional refuge of wealthy Arabs when threatened by war or political chaos, as well as Western Europe's chosen vehicle for reorganizing the world monetary system on a more stable basis.

The British are also betting on gold. Richard Hambros, of the British investment bank of that name, told a journalist: "Interest rates have had their desired effect...but they won't bail out the dollar—there's too much unrest in the world. I would go for gold. Gold, I wouldn't be surprised, will go shooting up again soon."



## The dollar's new decline

*The U.S. currency began a downswing, despite a 10 percent interest rate differential in its favor. The "risk factor" is now the most important.*

In the week to April 10, the American dollar lost roughly six percent of its market value against the West German mark, the Japanese yen, and other major currencies (except for sterling, which only rose 2.5 percent against the dollar). This development was largely foreseen and predicted in this column during the past four weeks. There are, however, certain special features to the dollar's fall which require more careful analysis.

Foremost of these is the failure of what the Europeans call interest rate warfare. Contrary to most predictions in British and American media, West Germany's Central Bank Council failed to raise interest rates at its April 10 session. The fact that the dollar fell sharply despite a continued interest rate differential of 10 percent between short-term Eurodollars and Eurodeutschemarks is impressive. As indicated in last week's commentary, risk now is more important than the interest rate factor.

Nor is this an issue of exchange risk; at a 10 percent spread, a speculator selling deutschemarks to hold dollars would make a profit even if the dollar fell to DM 1.75.

The other well-circulated explanation for the dollar drop is that a "peak" of American interest rates is now expected. In fact, despite the April 9 statement to this effect by Citibank Chairman Walter Wriston, no such expectation is generally held in Western Europe.

Economic contraction produces both increases and decreases in "demand" for credit, i.e., the willingness of the Fed and the commercial banks to supply it. In this case the dropoff of Federal tax revenues plus the additional funding requirements of unemployment insurance and similar items on the account of the Federal government alone will strongly counterbalance the drops in mortgage and other credit already underway. If the Fed and the banks shut the private sector off in a major way, the resulting chain reaction of bankruptcies will make the conventional discussion of an interest rate peak irrelevant.

Should Europe unload its dollar holdings over the next weeks that action could well push the American financial situation over the edge. The next week will be critical. If Europe chooses not to bail out the dollar, at its own expense, this time around, the implication is that the split between Washington and the European capitals is nearing finality.

The Iran crisis as such is not a sufficient explanation for the dollar's troubles, either; a shutdown of Iranian oil supplies would hurt Europe and Japan more than America, and damage their currencies.

Today's announcement by the European foreign ministers refusing to take part in the sanctions President Carter plans against Iran

is as good a surface indication as any of what is in the works. Europe has not chosen to take the bait that Washington set out: a round of interest rate warfare leading to what Federal Reserve officials call an "in-phase" European recession matching the American recession. The Europeans, instead, are counting on 1) trade and financial contracts with the Arab world and 2) a major export drive to keep their economies moving through 1980, no matter what happens to the United States. That implies that Europe will not devote its financial resources to investments in short-term American paper.

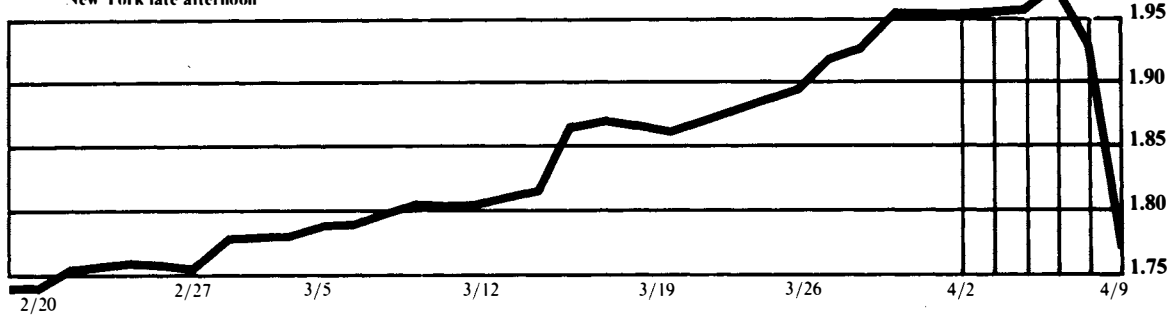
This doubly complicates Federal Reserve policy. A sharp outflow of foreign holdings in Treasury or private market obligations will add to the liquidity squeeze on the American markets. At the same time, European fears for the safety of American markets, and the widespread evaluation that a chain-reaction financial panic is near, will tend to accelerate the dollar's problems.

If Western Europe chooses to re monetize gold and replace the dollar component of its reserves with gold-backed national currencies or European Currency Units, a procedure that is technically trivial under the European Monetary System, the United States will enter a depression alone. Europe would, of course, be affected. But the side effect of a declining American market for European goods would be a greater incentive to press ahead with expanded trade relationships with the Soviet sector and the developing sector.

Unless there is a substantial cutoff of oil supplies to Europe, the dollar has a long way to fall.

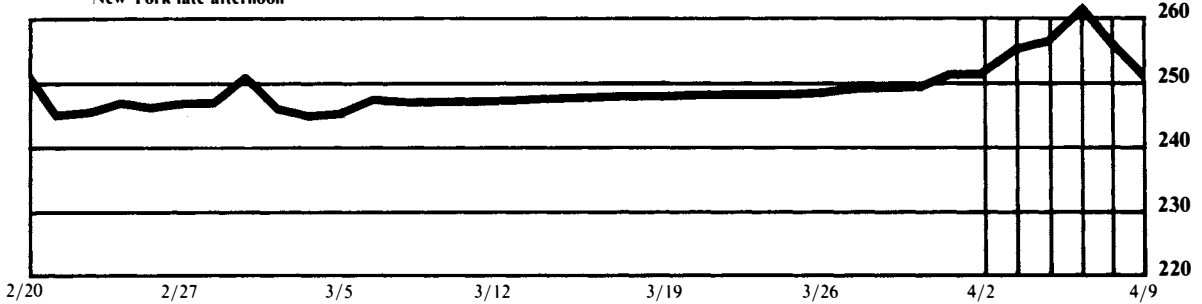
### The dollar in deutschmarks

New York late afternoon



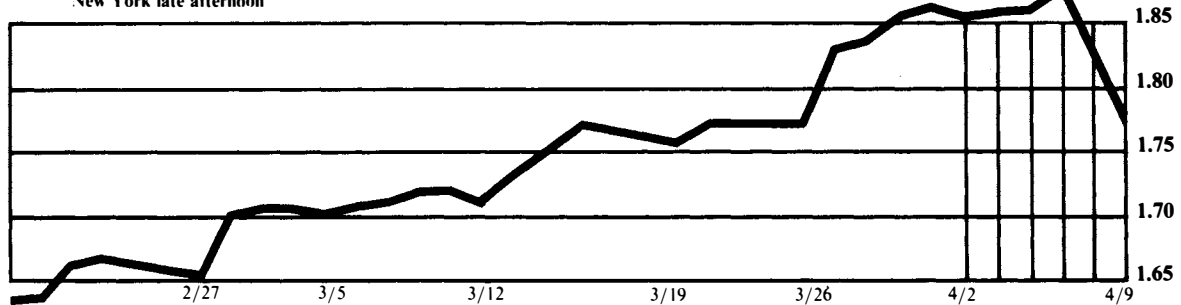
### The dollar in yen

New York late afternoon



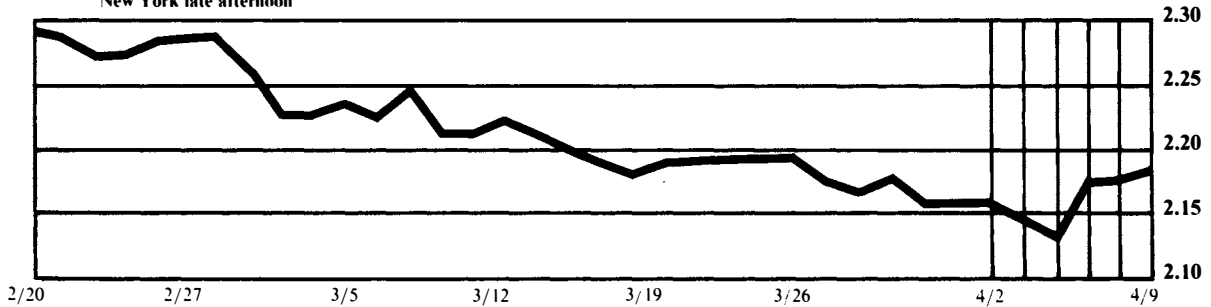
### The dollar in Swiss francs

New York late afternoon



### The British pound in dollars

New York late afternoon





## Carter planning dairy deregulation?

*The lure of dairy price deregulation is a taxpayers' savings of \$250 million, but, at the cost of driving producers out of business.*

**T**he Carter administration is expected to decide within the next week or two whether or not its Agriculture Department will accept a petition to hold hearings on a proposal to deregulate the price of reconstituted milk. The petition and proposal to "adjust" the 40 year old federal milk marketing system is being pushed by the so-called Community Nutrition Institute (CNI), an arm of the Consumer Federation of America.

This is the latest development in the "dereg" craze that has seized "liberals" and "conservatives" alike. The campaign against the dairy industry, like the trucking, rail and banking deregulation, is being pushed as an "anti-inflation" measure. Consumerists and other advocates insist the measure will help poor people fight milk price inflation and save taxpayers \$250 million.

Spokesmen for the dairy industry, contacted by this writer, point out that the move would not only open the door for a complete disruption of the federal milk marketing system around which the dairy industry has been efficiently organized, but it would actually act to precisely the opposite effect of that claimed by its proponents. By introducing chaotic price competition, the measure would drive producers out of business, ultimately reducing milk supplies and pushing the price up.

Besides predictable support in the White House Office of Con-

sumer Affairs—and Secretary Bob Bergland's Naderite plant in the Agriculture Department, Carol Foreman—the plan is being pushed by the Justice Department and by Alfred Kahn's Council on Wage and Price Stability. The Justice Department undoubtedly views the proposal as a tool in its own vendetta against farm cooperatives, among which the dairy coops are some of the most prominent.

Alfred Kahn is among the bigger guns behind the move. He reportedly already sent a letter to Agriculture Secretary Bergland explaining that elimination of the regulations that "artificially raise" the price of reconstituted milk has his personal recommendation, and "urged" Bergland to "expedite" its implementation.

Under the existing regulations that make up the federal milk order system, milk processors are told how and at what minimum price they can purchase farmers' milk. The price structure varies from area to area, depending on the cost of producing fluid milk, with the Midwest dairyland as the base scale. The price structure is also linked to a system of government guaranteed price supports. Under this system, powdered milk which sells at retail for about 2/3 the price of fluid milk, is priced at the same rate as fresh whole milk to processors who buy it to produce so-called reconstituted milk.

Consumerists argue that "de-

regulating" the price of powder for reconstituted milk would make its price competitive with fresh whole milk and force down nationwide average fresh milk prices between 5 and 13 cents a gallon. They also claim that the proposal would save taxpayers \$250 million a year because the government might not have to buy as much surplus milk powder and other dairy products to support prices. But in an economic environment characterized by an 18 percent inflation rate and a 20 percent prime interest rate, the "consumer savings" involved is hardly compelling.

But what the measure would do is open the door to price wars that could rip apart the industry. A University of Minnesota study shows that the effect would be to lower dairy producer income, on average, by \$2,000 per farm—in certain areas, like the Northeast, and depending on farm size, losses per farm would be double that or more. Many producers, would simply sell out.

The dairy industry has by and large correctly gauged the nature of the CNI operation. An early February release by New York State Grange charged that the real objective of the CNI was to destroy all federal milk orders.

The measure's proponents not coincidentally also oppose milk price supports which guarantee producers 80 percent of parity through twice-yearly adjustments in support rates. The April 1 support price increase of 71 cents per hundredweight has come under attack as "inflationary." But even with the price support, according to knowledgeable sources in Wisconsin, producers are still selling milk at \$5-7 below cost.

# Trade Review

## NEW DEALS

Cost	Principals	Project/Nature of Deal	Financing	Comment
over 1 bn.	Saudi Arabia from Netherlands/U.K.	Royal Dutch Shell and Petromin will build a joint-venture 250,000 barrel-a-day refinery at Jubail. Shell will receive a contract for 100,000 barrels a day of crude oil.		
up to 1 bn.	Netherlands from U.S.	Netherlands is seeking another 111 F-16 fighters in addition to the 102 already on order. General Dynamics is the main contractor.		In negotiation
380 mn.	New Zealand/U.S.	A plant to produce about 450,000 gallons of methanol a day from natural gas feedstock will be built in New Zealand.	Mobil Oil will take a 25 percent interest	New Zealand government announcement
325 mn.	Jordan from U.S.	Alia will buy one Boeing 747-200 and five Lockheed L-1011-500 aircraft	\$276 mn. through Eximbank credits at 8½ percent	
282 mn.	Singapore from W. Europe	Singapore Airlines will buy six wide-bodied jets from Airbus Industrie	\$240 mn. from a consortium of French, German, and U.K. banks	
78 mn.	Brazil from U.S.	Trans-Brazil Airlines will buy three Boeing 757 jetliners		Financing and approval from Brazilian government yet to be finalized
40 mn.	Saudi Arabia from Japan	Hitachi Shipbuilding and Engineering will build a large floating barge-type plant for desalinating sea water for the Royal Commission of Saudi Arabia		Order received
16 mn.	West Germany from Japan	Sony will supply videotape recording equipment to the West German armed forces.		
N/A	West Germany/Hungary	Siemens and the Hungarian government will set up a joint venture plant to produce basic electronic components. The plant, located in Szombathely, will be 51 percent Hungarian-owned.		
N/A	Algeria/East Germany	East Germany will build a cement plant at Batna and both countries will build a rod rolling mill in Moulay Slissen and a steel and iron foundry in Ain Smara.		Long term economic cooperation agreement signed.
N/A	Iraq from Portugal	Portugal's Direccao Gera de Energia (DGE) will supply Iraq processed uranium ore ("yellow cake"). Iraq is Portugal's major oil supplier, supplying 40 percent of total needs.		Reports confirmed by DGE

# Business Briefs

## *International Credit*

### **FEMA takeover behind new Iran measures**

Treasury officials acknowledged this week that the measures Jimmy Carter announced against Iran April 7 constitute major new powers granted to the Federal Emergency Management Agency—in fact, “phase 3” of that agency’s takeover of the U.S. government. FEMA, a “crisis management” agency critics accuse of creating the crises it “manages,” was created one day before the Three Mile Island nuclear “accident” which it “managed” (phase 1), and handled the freezing of Iranian assets held in U.S. financial institutions last November, which shook the dollar and world financial markets to their foundation (phase 2).

Carter ordered a special State-Treasury-Department of Justice task force to present a rush administration bill, “The Iran Claims Act of 1980,” to Congress authorizing the Foreign Claims Settlement Commission of the DOJ to actually disburse Iranian dollar assets to “all American claimants,” thus transforming November’s dollar-asset freeze into outright expropriation.

The special interagency task force formed by Carter is composed of the same offices at State, Treasury and DOJ who make up the FEMA task force.

The responsible Treasury officials said the actions “are preparatory to going to war ... an act of economic warfare.” “This sets a precedent for all defaulting Third World countries,” added a foreign claims official. “We froze the Nazi and Japanese assets during World War II, and we froze East Germany’s assets. We even froze Red Chinese assets. But we never actually took title to them for disbursement to claimants. In each case we have negotiated a claim with the country.”

The Treasury officials said the “precedent” involved will be used to extend seizing of funds to any country which defaults. Among such countries under discussion are Brazil, whose debt is top-

pling under the weight of refinancing \$40 billion per year at 25 percent interest rates, and Saudi Arabia, which would only default presumably in the course of military destabilizations in the Persian Gulf. In these cases, “The President can declare an emergency and block and seize the funds,” the official said.

## **Banking**

### **FDIC to propose interstate banking**

In preparation for a potential wave of new bank bankruptcies, the directors of the Federal Deposit Insurance Company (FDIC) have been locked in intensive discussion this week on ways to merge failing banks and reorganize the U.S. banking system. The FDIC is the insurer for the deposits of most of the nation’s banks, and also has certain regulatory authority over part of the banking system.

The latest move by the FDIC has been to propose to Congress that it approve the authority to allow interstate bank acquisitions in the event of bank failures. This would allow Citibank of New York, for example to acquire a bank in any of the other 49 states, if that bank was thrown into bankruptcy. With the Volcker high interest regime, several bank failures are predicted. While the FDIC strenuously denies it, the permission for banks to make interstate acquisitions would necessarily imply interstate banking. Interstate banking which is now prohibited by law would allow large banks to gobble up smaller banks in a general banking shake-out, regardless of state boundaries and would especially favor New York money center banks which have large asset bases.

The FDIC also has under consideration, according to an FDIC spokesman, plans to allow commercial banks to merge with savings institutions which is also currently prohibited by law. The FDIC is now working out its proposals with the Federal Reserve Board, the

Comptroller of the Currency’s Office and the office of Rep. Henry Reuss (D-Wis.) the chairman of the House Banking Committee. These FDIC proposals are shaped to cohere with the “Depository Institution Deregulatory Act,” which was recently signed into law, and is intended to establish the U.S. banking system along the British model where 10 superbanks run the entire economy.

## **Shipping**

### **Tanker market in slump**

Shipowners have begun selling their very large crude oil carriers (known as VLCC’s) for scrap because of a sharp decline in rates for the big tankers, the New York Post reported on April 10. World demand for oil products is down because of skyhigh prices and the emerging U.S. recession. Moreover, since 1973, there has been a trend toward using smaller vessels to carry crude oil. Shipowners have been squeezed by rising maintenance costs and the high expense of overhauling their laid-up ships, many of which are considered obsolete by current government safety and fuel efficiency standards. Arthur MacKenzie, director of the Tanker Advisory Center, reports that some of the ships that are being scrapped are only 10 years old. The tanker industry’s latest slump could be bad news for the major New York and London banks which are still carrying “bad” loans to the tanker industry on their books left over from the 1974-75 recession.

## **Labor**

### **Is a steel strike in the works?**

Observers are speculating on whether the current round of talks between the steel industry and leaders of the United Steelworkers of America, which wind up April 13 will see a drastic change in the

# Briefly

Experimental Negotiating Agreement which governs the current round of contract negotiations. The agreement, made in 1977, for this year's talks, prevents a nationwide steel strike in exchange for a contract that promises a 3 percent annual wage and benefit increase and a cost-of-living allowance to cover inflation. Steel industry executives have been claiming the agreement is too expensive, attempting to bargain with labor for a more austere contract, raising the spectre of a possible strike.

## Conferences

### EIR releases Riemannian model results at Washington seminar

*EIR* Contributing Editor Uwe Parpart and Economics Editor David Goldman released the most recent indictment of Carter administration energy policies at a Washington, D.C. seminar April 8 cosponsored by *EIR* and the Fusion Energy Foundation. Summarizing the results of the Riemannian computer econometric analysis of "energy conservation," Parpart told the 50 businessmen and trade organization representatives attending, "The worst cause of inflation is not energy prices, but Carter's energy conservation. You absolutely cannot pursue the policies that Carter and Volcker have pursued without incurring a major economic disaster."

Parpart demonstrated that the major cause of structural inflation was the expansion of the debt mass at higher interest rates, against a declining mass of tangible output. The Riemannian model revises the data base for national income to distinguish between productive and unproductive spending. The model's current results, adjusting production figures to take into account overhead costs, show that the economy's net free energy has fallen below zero—in other words, overhead costs are cannibalizing necessary capital and labor inputs.

Economics Editor Goldman reviewed the model's demonstration that the economy was too weak to sustain a significant expansion of military spending, and presented a set of quantitative measures demonstrating that energy conservation and other forms of increased overhead have wrecked the economy. "This has pushed the United States into the worst political crisis in its history," Goldman concluded.

*EIR* will co-host a second Washington seminar to present econometric projections for the development of India on April 22.

## Agriculture

### 20 percent of America's farmers will be forced out of business

American Agriculture Movement (AAM) officials told *EIR* this week that the information coming through their Washington office indicates that as many as 20 percent of American farm producers will be forced out of business this year. Although grain, and especially corn producers are the hardest hit right now, the shakeout is proceeding across the boards.

Today, according to these same sources, there are 229,000 FmHA loans—over 19 percent of total loans outstanding—that are delinquent. The relief advertised in the eleventh-hour passage of the measure extending FmHA emergency economic loan funds by \$2 billion (to last through FY 1981!) is largely ephemeral—more than half of that amount has been committed long since.

The Volcker credit squeeze was the final blow. Producers battling soaring production costs and stagnant and falling farm prices today cannot get the necessary credit to put a new crop into the ground. AAM spokesmen report that the farm producer with \$600,000 in net assets who cannot get a penny to put in a spring crop is the norm these days.

● **RONALD REAGAN** will surprise observers who expect free-market economics if the Californian is elected, some well-informed Washington thinktankers believe. Instead of the tax-cut economics of Rep. Jack Kemp, now reportedly playing a "marginal" role in the policy deliberations, Reagan will adopt a "statist" approach to putting heavy industry in shape for a defense buildup—similar to proposals by Rep. Henry Reuss, these observers say.

● **TOP BANKING** officials see a "domino-style" crash of financial markets as inevitable. One of Citibank's directors said: "There are a thousand things out there like the silver crash waiting to pop up, and no way to avoid a panic. That will produce a shock effect on the population, and finally we will get some policy through." Citibank's undercapitalization of \$3 billion against risk assets of \$100 billion was a major item of discussion at last month's Trilateral Commission meeting.

● **OIL CONSULTANT** Walter Levy will tell a Bilderberg group meeting this month that the industrial countries must issue bonds indexed to an international consumer price index in order to get hold of the petrodollars and convince the Arabs to keep pumping oil in return for dollars.

● **SENATOR LLOYD BENTSEN**, chairman of the Joint Economic Committee of Congress, is upset over the JEC's inclusion of a proposed "Energy Productivity Index" in its Feb. 28 Annual Report. *EIR* last week raked the JEC over the coals for mistaking economic distortions due to cutbacks in energy use for a positive development. "That came out of the Kennedy subcommittee," an aide says. "Those guys want to have kids putting up solar panels on ghetto housing. Nothing in this economy will work without nuclear energy."

## *Trilaterals in London:* **Pushing the world to the brink**

by Christopher White, Contributing Editor

From March 23 to 25, David Rockefeller's Trilateral Commission was in session in London. In our last issue we reported that the decision had been made at and around that conference to push the United States and the world economy into the depths of a new depression. Now, thanks to the global network of correspondents who have monitored the activities of the Trilateral Commission members and their associates, as well as what those individuals have set into motion, we are able to provide an updated report on what David Rockefeller's Commissioners are planning to do. The report is based on an analysis of certain of the reports presented at that gathering and subsequently obtained by this magazine, combined with a careful cross-gridding of developments in selected areas of the world, such as Africa, the Caribbean and the Middle East along with the evolution of press coverage of those areas.

First, a word of warning. We focus on the Trilateral Commission here not as a super-conspiracy in and of itself, but as a mediation of the process by which policy decisions are made and implemented by the London-centered financial oligarchy and its Jesuit allies. While Rockefeller's Trilateral Commission was meeting in the Institute of Directors in London's Pall Mall within a stone's throw of Buckingham Palace, Robert O. Anderson's Aspen Institute was meeting in West Berlin to discuss plans for the Middle East and Africa in particular; the Second International gathered in Santo Domingo in the Caribbean; and participants in the Anglo-German annual Konigswinter conference gathered together in Cambridge, England. Later in the month of April, the oligarchy's core Bilderberg conference members will gather in the German city of Aachen. Last year's Bilderberg Conference held in Austria took the central decision to move ahead with the Ayatollah Khomeini's Muslim Brotherhood cult as the cutting edge of their new dark age policy internationally. Then as now the Aspen Institute and Trilateral Commission were integral parts of the mediation of that policymaking process.





*The Trilateral Commission's Kiichi Miyazawa talks with EIR correspondent Peter Ennis at the United Nations in 1975.*

Photo: NSIPS

It is also not irrelevant that as the Trilateral Commission met in London to be regaled by the speeches of leading British luminaries such as former Prime Minister Edward Heath of the Brandt Commission, former Prime Minister James Callaghan and Commonwealth Secretary Shridath Ramphal, also of the Brandt Commission; to meet with Prime Minister Margaret Thatcher and Foreign Secretary Lord Carrington; and to be received by Prince Philip, Thatcher's radical monetarist faction within Britain's ruling circles consolidated its victory over domestic opposition, by settling that nation's long strike in the steel industry, on the basis of terms dictated at the start of the strike by Thatcher ally Industry Minister Keith Joseph.

The succession of international conferences, combined with the attention given by the British themselves to the Trilateral Commissioners in the midst of their own factional settlement, mark a turning point and a consolidation of a policy line internationally.

The policy decisions can be enumerated summarily.

(1) As identified in David Rockefeller's postcommission press conference (reported on wire services, but not in the major press), the decision was made to plunge the United States into a depression collapse.

(2) The decision was made to plunge ahead with the Brandt Commission's recommended reorganization of North-South relations.

(3) The decision was made to redouble efforts to secure military support from Japan, Western Europe

and selected Third World nations, including China, for efforts supposedly in defense of "threatened" raw material supplies in the Third World.

### **War-footing against the EMS**

In essence, the decisions can be reduced to a commitment to reorganize the entirety of the world economy still under the controlling influence of the London-centered oligarchy on a war-footing against the European Monetary System of French President Giscard d'Estaing and West German Chancellor Helmut Schmidt, and against the extension of that new monetary system into the Third World.

If these measures are analyzed from the standpoint of their global consequences, the Trilateral Commission and its British backers and prompters have opted for a short, quick march into hell. They have proposed that the rest of the human race join them in that venture.

The European Monetary System was established by Giscard and Schmidt two years ago, to provide an alternative to the collapsing dollar-based international monetary system and economy—a collapse which was then being engineered by Trilateral Commission flunkies such as former Secretary of the Treasury Michael Blumenthal within the Carter administration. Now the Trilateral Commission proposes that since those policies have not worked, and since the crisis has gotten worse, the obvious thing to do is to intensify the policies that have already collapsed.

## Self-delusions and lies

In speeches such as that of former Japanese Foreign Minister Kiichi Miyazawa, the Commissioners recommend that their control over the collapsing world economy be maintained by the militarization of those sections of the world economy that can be brought under their control by upgrading political and economic relations from the standpoint of what Mr. Miyazawa sees as military and security requirements. Ramphal recommends that selected Third World countries, primarily large oil producers, be brought into such arrangements using the Brandt Commission program.

Immediately, the recommendations will mean genocide for large sections of the world's population and greatly enhance the danger of an early outbreak of thermonuclear war. To crush the European Monetary System, the British backers of the Commission propose a world financial reorganization shake out of the banking system to destroy sources of credit independent of London control, a grab for the Third World oil on which the European and Japanese economies depend, and the destruction of Third World nations not oil producers.

It is notable in that regard that such decisions were adopted in the face of massive self-delusion and lies. In no document was the existence of the European Monetary System noted. Though the Middle East crisis and the Soviet invasion of Afghanistan were ritual sources of complaint in every presentation to motivate the joint

militarization of the economies of the West, identified as having the "allies bear their share of the burden of responsibility," nowhere is it noted that the so-called allies know full well that the Trilateral Commission through its representation in the current U.S. government was more than prominent among those forces which have brought about the present crisis in the Near East and Southwest Asia in the first place.

This quality of self-delusion is compounded by the hysterical insistence of spokesmen like Christoph Bertram, the director of the International Institute of Strategic Studies, and Robert Ellsworth, the former ambassador to NATO, that the world situation can be inflamed by the maintenance and spread of regional hot-spots without crossing the threshold into general thermonuclear war. Thus the lunatics have abandoned the constraints that were previously holding them back from unleashing full blown international crises in the Caribbean, the Near East and South West Asia all of which have been heated up to the approaches to the threshold of superpower confrontation since the reported conferences.

The lies and the self-delusions signal that those sections of the oligarchy have lost touch with the reality of what is going on in the world, and are committed to a policy course of insanity no matter what the consequences of that course. The backers of the Trilateral Commission are opening the doors to hell.

## 'There must be fascism'

*The following statement, made during an interview this week, comes from a former U.S. intelligence official with wide experience in Anglo-American policy-making, who attended the recent meeting of the Trilateral Commission.*

I was in London for a couple of weeks. I was there for the Trilateral Commission meeting. In fact, though I didn't attend most of the meetings, I stayed in the same hotel where the conference was held. And I talked with David Rockefeller and George Ball.

The big question they faced was, how can you get the American people behind a strategy for salvaging American influence in the world and projecting American power? People are not behind anything anymore;

they just ask in a goddamn self-centered way, why does *my* son have to go there and fight?

I think the prevailing mood at the Trilateral meeting was defeatism. It was survivalism. How can we continue to live in a world that we don't control any more? How can we survive?

I don't want Nazism. But it's going to get very bad. Some of us, some of us with money, we've been talking—about getting out of the country. I'm thinking of going down to the Cayman Islands and just watch everything fall apart here. The country is going to go to hell. Nobody can do a damn thing. The Trilat discussed that, but the problem is that no candidate running for president can do anything—not Carter, not Reagan, not this LaRouche.

And the country will not stand for a strong hand. If a big depression hits, and it will, it's going to be worse than the 1930's. And there will be riots and demonstrations, this time organized by professionals. Then, maybe we'll have a demand for law-and-order, for a tough leader. It will be fascism.

# I. The Trilateraloids speak

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MIYAZAWA

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## *'Sacrifice the interest of your nation-states'*

*The following are excerpts from the speech of Kiichi Miyazawa, delivered before the Trilateral Commission's March 23 London Plenary Meeting. Miyazawa is a former Japanese foreign minister, now a member of the Diet, Japan's parliament.*

This alliance-relationship is presently undergoing a testing period, calling for the mobilization of the wisdom, imagination and skill of the leaders of the industrialized democracies if the alliance is going to maintain its cohesion and vitality. There is obviously no need for me to recount the events and trends of the history of the past three decades during which we have witnessed enormous structural changes of the international community in the political, military and economic fields. We are all aware of the fact that as a result of these changes, we no longer live in a world in which America occupied the dominant position and exercised her leadership in a way befitting her position on such global issues as the security of the free world and the reconstruction and development of the international economy. Gone is the time when America carried almost singlehandedly the burden of responsibility as the leader of the free world because she alone had the power and influence commensurate with such responsibility. Today, with the global diffusion of power, America has lost her once dominant position, though, in relative terms, she is still by far the greatest power among the industrialized democracies and the stronger of the two superpowers. Thus, we are now confronted with a twofold question:

- Have we adjusted our mutual concepts of the alliance relationship to the reality of the new power structure of the world? And

- What are the requirements to make this relationship truly responsive to the needs of the times?

When the alliance relationship between America and her partners was overwhelmingly one-sided, it was America that defined the interests of the alliance and the policies to be pursued. In short, what was good for America was also good for the alliance as a whole. And America's partners concurred in this proposition....

Since then, the power structure of the world has undergone a profound change. The Soviet Union has established herself as one of the two superpowers after two decades of persistent efforts to build up an enormous military might, and there is yet no sign of the Soviet efforts slackening in the near future. Moreover, recent events culminating in the Afghan crisis have demonstrated in no uncertain terms that the Soviet Union continues to pursue an aggressive policy to use her military power, directly if necessary, to expand the area of political influence whenever opportunities present themselves. In the sphere of international economy, the power relations between America and the rest of the world have also changed in a significant way. Among the industrialized democracies, the relative positions of Western Europe and Japan have considerably risen. And the dramatic development in the 1970s, which no one can overlook today, is of course the geometric increase in the power of the OPEC countries.

Chancellor Schmidt of West Germany, during his recent visit to Washington, is reported to have said that it is in America "that there is the greatest reservoir of talent, energy and untapped resources, and this remains the main hope." I believe that all of us here share this recognition with Chancellor Schmidt. Yet, faced with the new power structure of the world, it has become somewhat fashionable these days to talk about "the decline of America." This, it seems to me, is inherently dangerous despite its ostensible innocence of objectivity, for this kind of argument tends to lead us astray by diverting our attention from the real issue. Does "the decline of America" mean that the main hope of the free world, as described by Chancellor Schmidt, is being betrayed? Is

the diffused power structure which we witness today something essentially undesirable? Do we want to see America regain the dominant role she used to play, assuming that is possible? If we look back in perspective at the history of nation states, we will find that there is nothing unusual about our particular state being unable to monopolize the dominating position. Nor is there anything basically undesirable about a diffused structure of power relations among states. The crucial issue is not the power structure as such but whether states can cooperate among themselves to share the responsibility for maintaining a stable political order and for undertaking sound management of the world economy in the absence of a single dominant power. And this is the central question on which the attention of the industrialized democracies must be focused today.

America in the 1970s began to assume a more modest role in global political and economic issues, compared with the role she played in the preceding decades, in order to adapt herself to the new circumstances brought about by the structural change in international power relations. In doing so, it was only natural for America to ask her alliance partners of Western Europe and Japan to take up that part of responsibility which she now felt neither able nor appropriate to shoulder. As America's role diminished, a corresponding increase in the responsibility of the allies became imperative if a drastic change in the existing international order detrimental to our interest was to be avoided. For the allies, however, this was an entirely new kind of challenge which was by no means easy to cope with. I am not so presumptuous as to think that I could speak with any confidence about the European reaction to this challenge. Insofar as the Japanese were concerned, however, they were far from being ready to assume her share of global responsibility. . . . The Japanese have only recently become aware of the fact that a major economic power cannot shun a certain degree of political responsibility. We witness now in Japan a steady growth of public opinion in support of self-defense efforts and our security ties with America. And yet no national consensus exists on the need for a steady and substantial improvement in the nation's defense capabilities. There is still little public awareness that Japan should participate in the concerted efforts of America and her alliance partners to maintain a global military balance in order to defend our basic values.

It takes two to form an alliance. Without mutual commitments to the common objective based on a fair mutual sharing of the common responsibility, no alliance can be effective. The vital importance of this recognition cannot be overemphasized in today's world with its new power structure, for the danger of the alliance relationship among the industrialized democracies in the coming decade is what may be termed as an "imbalance between power and responsibility." If Europe and Japan are

unwilling to share the global responsibility with America in a way commensurate with their respective powers because their conceptual understanding of their own roles remains local or, at best, regional, the alliance will not be able to serve its . . . objective . . . . In this regard, let me briefly quote a distinguished former British diplomat who recently wrote:

... the most disturbing aspect of European attitudes toward the relationship with America was the degree to which American involvement in Europe is taken for granted. . . . There is little appreciation that in the long run the political roots of America's commitment have to be nurtured by a comparable European commitment to collective security, open economic exchange, a cooperative monetary system and some degree of broad understanding of and support for America's global responsibilities.

I can only say that no advice could be more relevant than this observation to current Japan-U.S. relations...the danger of an "imbalance between power and responsibility" may be regarded as real not only across the Pacific but across the Atlantic as well.

The industrialized democracies have accumulated considerable experience over the past two decades in sharing the common responsibility for dealing with the global economic issues of trade, finance, development and energy, though the present state of the world economy acutely reminds us of the need for further efforts in terms of conceptual adjustments, stronger commitments and better coordination. In the political and security fields, however, Europe and Japan have had little experience in undertaking a joint enterprise with America on an issue of global nature until when the armed Soviet intervention in Afghanistan took place. In spite of the fact that the crisis has occurred in a region far away from both Europe and Japan, its geopolitical implications are such that a concerted response of the entire free world is called for. Thus, the Afghanistan problem has turned out to be the first global issue on which the effectiveness of the alliance relationship among the industrialized democracies in the politico-security field is being tested...

Whether or not we succeed in this untried and yet crucial undertaking—that is to say, to initiate concerted efforts to establish an effective political deterrence against a further Soviet expansion into the region where all of us have vital stakes for obvious reasons—will depend, in my view, on four factors.

First is what I have just talked about—namely, the willingness of Western Europe and Japan to perceive the global implications of the Afghanistan issue and to assume accordingly the respective shares of the common global responsibility with America. The European and Japanese responses to the challenge so far have been on the whole encouraging in this respect but not without

some disturbing notes, which probably signify that further conceptual adjustments are required among us.

This leads me in turn to the second factor on which the success of our joint undertaking hinges—that is conscious efforts by the European partners and Japan to redefine what they consider to be their own national interests. Every country, large or small, has its own interests to promote or defend for good and justifiable reasons. And yet, it is also true that there are occasions on which national interests defined solely from the limited viewpoints of the individual countries militate against cooperative action. If the alliance relationship of the industrialized democracies is to be meaningful in relation to global issues, we must surely be ready to redefine our respective national interests in terms of our global responsibility not so much as to have one identical interest, which is beyond the realm of the possible, but as to have mutually compatible interests, under which we can submerge differences of secondary importance for the sake of our common objectives. This, I realize, is by no means easy since it calls for a great deal of skilled political leadership to create domestic support for making immediate and tangible sacrifices in exchange for longer-term gains which are often not apparent. Nevertheless, it must be done if we all agree that we should act together...

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## BERTRAM

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### *'Can the U.S. project its power globally?'*

*The following are excerpts from the speech of Christoph Bertram to the Trilateral Commission in London. Bertram is the head of Great Britain's International Institute for Strategic Studies (IISS), a leading agency of the British intelligence services.*

(1) There is no such thing as a global security balance. What we do have is a network of East-West military competitions which are closely intertwined: in the nuclear-strategic field ... in Europe ... in East Asia, and in potential crises points in the Third World.

(2) In the nuclear strategic field, a rough balance of forces in the sense of providing adequate deterrence against major nuclear and conventional attack in vital areas exists....

(3) ... It may well be that in a more distant future the trend toward the vulnerability of all strategic delivery

systems will undermine the periphery of deterrence as we have known it, namely the credibility of extending America's nuclear "guarantee" to allies. But this point has not yet been reached, and there is time to adjust to such change if it were to materialize.

(4) As long as deterrence remains effective, the deficiencies of Western conventional and theatre-nuclear forces can partly be offset. But the strains are already visible: in Europe in the vulnerability of theatre nuclear forces to pre-emptive strikes which has made NATO's modernization decision of last December necessary; in Europe also the manpower and equipment problems of some allied forces, including those of the United States; in the Far East the growing imbalance caused by the increasing Soviet naval investment around Japan. These deficiencies could become even more marked if Third World contingencies require the United States to deploy forces earmarked for Europe or Japan elsewhere.

(5) There is not, and cannot be, a military balance in the sense of mutually offsetting forces in Third World conflict areas. Even if the United States were able—and this remains the most critical element in her long-term interventionary capabilities—to recruit and maintain the personnel needed in order to project military power credibly into the Gulf or South Asia, she could not balance Soviet geographic and infrastructural advantages there, just as the Soviet Union cannot offset the military advantages of the United States in Central America and the Caribbean. Rather than seeking isolated balances of military force or a general stance of military containment of Soviet power wherever it could be used, the deployment of outside military force in distant regions should be defined by the specific task it has to perform.

(6) This task is much more difficult than public discussion sometimes suggests. ... Anyone who has analyzed the problems involved by the attempt to assure the production of oil through military force against a hostile population will, at best, see some value in the threat of occupying oil fields in the Gulf, but very little in the implementation. The effectiveness of outside military force in Third World crises remains highly circumscribed.

(7) This does not mean that it is without effects. These can be to deter a defined, clear-cut military aggression against an ally such as Saudi Arabia; to reassure, through visible security commitments to the leadership of countries in the region; to demonstrate a vital interest to the Soviet Union; to protect personal and physical national assets in case of upheaval and turbulence.

In each case, however, commitments will only be credible if there are the means and the will to back them



up. One means, that of military bases, will be increasingly difficult to obtain. The costs of projecting effective power abroad will thus be higher than it has been in the past. ...

Given the geostrategic disadvantages of the West, as compared to the Soviet Union, in the Gulf and in South Asia, as well as the potential brittleness of many regimes in the area, commitments, to be credible, cannot be open-ended, and there will be a risk that the demonstration of military force, if not clearly defined in its purpose, can instead, in the event, amount to a demonstration of military impotence.

(8) ... Military developments can only partially indicate the direction of major trends in international security. ... What are these trends?

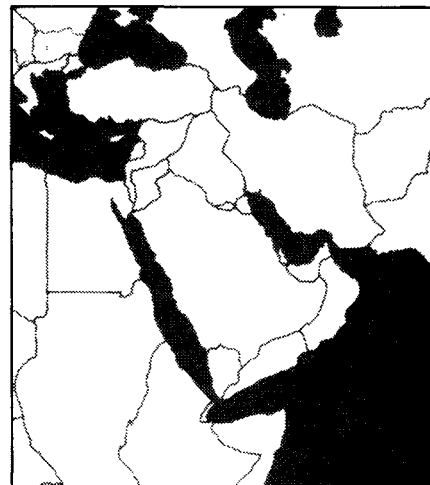
(a) The frequency of conflicts in the Third World is likely to increase, for reasons other than East-West antagonisms; but to what extent will East-West security considerations overshadow these conflicts, and East-West competition be sharpened by them?

(b) The Soviet Union is faced, in the 1980s, with a series of adverse trends: a weak economic base, increased U.S. strategic power, China's development, potential turbulence at its periphery, both in Eastern Europe and along its borders with the Third World. Will she react to this by searching to improve the dividends for her of East-West cooperation, in the economic, technological and arms control fields? Or will she respond by a "fortress Russia" strategy, implying greater rigidity at home and in the socialist camp, a further increase in the emphasis on military power to shore up her expansive notion of national security, an exploitation of Third World crises to damage the Western interests and of gaps in Western cohesion by seeking to separate America from her allies through pressure and promises?

(c) The United States seem to have found a new consensus for their international role in the 1980s, emphasizing military effort, assertiveness and nationalism, even if it means of usable military power—i.e., conventional forces—will take time to bring up to the state required by this new mood. But how durable is this consensus? How will it affect relations with the Soviet Union and with America's allies?

(d) America's allies—in Europe and in the Far East—still seem to be ill-prepared for the change that America's new stance implies for the respective alliances. Will Western European governments and Japan respond by taking a more active role—politically and, perhaps, militarily—in shoring up the alliance, or will they instead pursue, in their turn, more nationalistic policies too?

## II. The chosen



### MIDDLE EAST

## *Igniting Iran to blackmail Europe*

by Robert Dreyfuss

The April 7 announcement that the United States will launch economic and political sanctions against Iran, although those sanctions will have virtually no effect in Iran itself, is meant to serve as a critical test of whether or not Western Europe and Japan will abandon their independent policy initiatives and agree to return to the Anglo-American NATO umbrella. Should the Europeans and Japanese, who have already indicated repeatedly that they think the Carter Administration is "incalculable" and unreliable as a partner, refuse to join the American-sponsored confrontation with Iran, Washington has indicated that it is fully prepared to launch unilateral military action in the Persian Gulf that would cut off the supply of oil to European and Japanese industry.

In other words, the Carter administration is engaged in the crudest sort of blackmail in regard to its nominal allies.

To understand the dimensions of the present crisis, it

# regional 'hot spots'

is first necessary to state that both the Israeli government of Prime Minister Menachem Begin and the dictatorship of Ayatollah Khomeini in Iran are acting as puppet states of the Anglo-American elite. Immediately, following the London strategy session of the Trilateral Commission, the sanctions crisis in Iran and a terrorist raid into northern Israel touched off a general crisis in the Middle East, forcing the armed forces of Israel, Syria, Jordan, Iraq, and Iran onto full-alert status.

## Blunt threats from Washington

Given the explosive and delicate nature of the situation in the area, the statements from the Carter administration and the U.S. Congress could hardly have been more provocative.

At a background briefing, NSC Director Zbigniew Brzezinski warned April 7 that a European refusal to act might lead to U.S. military action. Said Brzezinski, "We hope that they understand that it is indeed in their own interest to work with us to resolve the situation now, rather than forcing the U.S. to take unilateral action that would cause additional risk."

Senator John Glenn, using language that is usually reserved for private meetings and not for public discussion, announced on April 8 that Western Europe must "go along with sanctions on Iran" or else they "will lose their oil supplies." The situation in Iran, he said, "could lead to World War III." Equally violent was the opinion expressed by Senator Howard Baker and Senator Joseph Biden during a visit to the U.S. naval flotilla stationed off the coast of Iran in the Arabian Sea. Diplomacy is useless in the Iran crisis they declared, and demanded that the U.S. bomb Iran's oil refineries and electrical power installations and launch an invasion of Kharg Island, the terminal for all of Iran's oil exports.

Tom Wicker, in the April 8 *New York Times*, included among his suggestions to Carter the following:

"One such action should be a concert of pressures on—not mere requests to—allyed nations to break relations with Iran and impose equally severe embargoes. Such pressures would be more than justified by Western European and Japanese dependence on Iranian oil, the

flow of which could be irremediably interrupted if the United States ultimately had to resort to force against Iran."

President Carter himself, speaking in a press conference to announce the measures, hinted at military action by noting, without details, that "other measures may become necessary." The next day, each American ally received diplomatic notes politely requesting them to go along with the anti-Iran sanctions policy.

The problem, of course, is that Iranian officials have made it clear that any nation joining the sanctions against Iran will instantly be shut off from Iranian oil. Oil Minister Moinfar specifically warned Europe not to join the U.S. embargo in an official statement April 8. For Japan, heavily dependent on Iran to the tune of 500,000 barrels of oil per day, or for Western Europe, an embargo against Iran would be suicidal. Even more, it is generally recognized that such a policy would simply push the Iranian government into the hands of the Soviet Union.

## Occupy Kharg Island?

Contingency plans leaked by the U.S. administration reveal that the Carter cabinet is considering a quick action to seize control of Kharg Island, which would put Washington in the position of being able to dictate who gets Iranian oil.

But, upon closer examination, the Kharg Island strategy and similar military options appear foolish and even cataclysmic in their immediate implications. Nevertheless, the Europeans are extremely unlikely to abandon their commitment to the global development strategy embodied in the European Monetary System because of Carter's oil blackmail; the unpredictable—and even insane—character of the Carter administration might induce that administration to start military action there anyway.

Of course, such action would guarantee the involvement of the Soviet Union in Iran, either by invitation or unilaterally. As the *Washington Post* noted with trepidation April 8, there is no indication that Moscow is willing to abide by the scenarios spawned at U.S. thinktanks

concerning a U.S.-Soviet "partition" of Iran and so forth. More likely, the U.S.S.R. would simply repeat its blitzkrieg method as it did in Afghanistan, possibly in conjunction with neighboring Iraq.

Needless to say, a U.S. military intervention would also guarantee the immediate execution of the 53 U.S. hostages.

Furthermore, Iran has said that, in case of U.S. military action, it would "set the Gulf aflame." Ayatollah Khamane'i, a leading member of the Revolutionary Council, declared that Iran would support terrorist action by Shiite fanatics throughout the Gulf, as well as in Iran's own oil fields, to explode the entire region and shut down two-thirds of the world's oil supply. PLO Chairman Yasser Arafat, on April 6, also stated his organization's intention to blow up Arab oil wells if the U.S. should intervene in the Gulf.

Amid such totally unpredictable and potentially disastrous results, the fact that Washington would even consider launching an adventure in the Gulf underscores the lunacy of the administration.

### **The role of Iraq**

Beginning last week, the Baghdad government escalated its year-long campaign against Khomeini and his mullahs by issuing an ultimatum to the Iranians to withdraw from three Persian Gulf Arab islands occupied by Iran in 1971. In a letter to United Nations Secretary General Kurt Waldheim, the Iraqis declared that what they called the "racist lunatic" Khomeini was using the islands as bases of subversion and spying against Arab Gulf countries. According to some analysts, Iraq may launch an invasion of Iran's islands as the prelude to a much wider war between the two countries.

The Iraqi armed forces, equipped with the most sophisticated Soviet weaponry, is capable of overwhelming Iran's disintegrated army.

According to Iranian sources opposed to Khomeini, Iraq has lent its support to Iranian exile military forces who seek to topple the Iranian regime, and Baghdad is sponsoring anti-Khomeini movements in Kurdistan and Khuzestan inside Iran. Such support began in 1979 after it became clear that the new Iranian regime was intent on using Muslim fundamentalism to topple the Iraqi government and spread the Islamic Revolution.

Recently, Iran has been involved in a series of assassination attempts inside Iraq against leading Iraqi officials, and the crisis began heading for direct war. Both armed forces were put on alert last week and there were unconfirmed reports of border clashes and aerial battles.

According to informed sources, Iraq has stationed a large part of its armed forces just across the border from Iran's oil-rich province of Khuzestan, and its army is

capable of occupying that province—inhabited by Arab-speaking people—in as little as 48 hours. The policy of Iraq would be to make sure that the Iranian oil fields are preserved intact and that the flow of oil to Europe continue with as little interruption as possible.

### **The Israel angle**

On the same day that the Carter administration announced its sanctions against Iran, five Palestinian terrorists invaded an Israeli military kibbutz and, following a brief shoot-out with the armed forces, died, leaving two Israelis dead. The incident, which was blamed on Iraq and its faction of the Palestinian movement, was probably carried out by Israeli intelligence, which often creates terrorist incidents in order to deploy its military in some desired direction.

In this case, the raid on Israel caused an instant alert throughout Lebanon, Syria, Jordan, and the Palestinian camps, and heavy Israeli retaliation into Lebanon and possibly Syria was expected. Such action, of course, forces Iraq to look over its shoulder at the possibility of an explosion in its western front, and thus serves as a diversion from preparations for possible war with Iran.

For this obvious reason, it was considered highly unlikely that Iraq would have launched the attack on Israel just as the showdown with Iran was developing.

The incident reflects another instance of the tactical cooperation that has marked Iranian-Israeli deployments since the coming to power of the Khomeini regime. Israeli intelligence controls extensive elements of the Palestinian extremist movement, and the Muslim Brotherhood terrorists now controlling Iran and heavily involved in destabilizing Iraq and Syria. Israeli intelligence purposely wrecked the chances of Carter and President Bani-Sadr of Iran clinching a deal over the release of the hostages. Now, Israel is intent on serving as the spearhead of a general regional confrontation with the U.S.S.R. in the Middle East.

Iran will be the focal point of that, along with Syria—should the internal crisis facing President Hafez Assad get out of hand there.

The Israelis have now, following the London Trilateral meeting, won the blessing of the Anglo-American oligarchy for their policy in the area, although perhaps not for the settlements policy, and—together with Egypt—the Camp David axis will serve as the vehicle for creating a nascent NATO-style political-military bloc in the area. That, combined with the militarization of the region, the creation of U.S. bases in Egypt, Israel, and other states in the Indian Ocean, and the establishment of the U.S. "rapid deployment force," is the emerging geometry that Carter intends to drag the Europeans into supporting.

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## AFRICA

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# *France faces a Jesuit tool named Qaddafi*

by Douglas DeGroot

Tensions in the "hotspots" throughout northern Africa have heated up at the very time required to sabotage French President Giscard d'Estaing's "trialogue" plan of having Europe link up with the Arab oil producers to develop Africa. Those African countries either closely allied to France, or strongly supportive of Giscard's desire to develop the continent have been destabilized.

These destabilizations have been brokered into the region through Col. Muammar Qaddafi, leader of the oil-rich desert country of Libya, and a man with more than desultory connections to an intelligence service called "Societas Jesu."

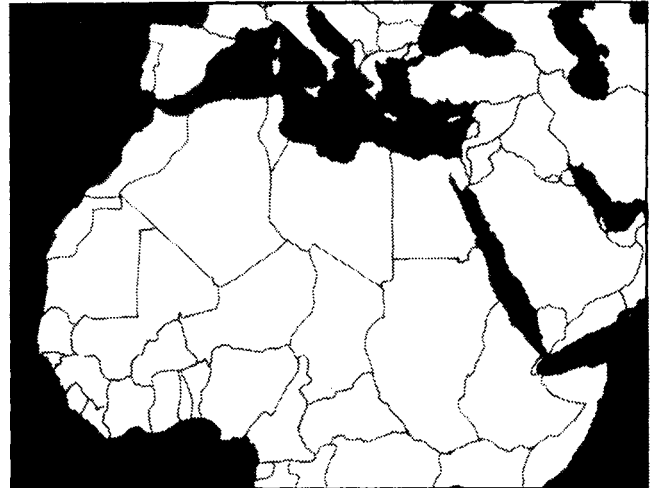
In February Qaddafi announced publicly that he was declaring "war on France in Africa." At the time that Giscard's trip to the Mideast was announced, a trip in which he enlisted the backing of Saudi Arabia and four other Mideast countries for his EMS-related triologue strategy, Qaddafi said he would bomb Giscard's plane if he went on his trip. These statements plus the sacking of the French embassy in Libya demonstrate that Qaddafi has been programmed to destroy French policy in Africa.

Sources in the French Foreign Ministry assert that "Quaddafi is an Anglo-American agent." This is true, as far as it goes.

### **The destruction of Chad**

Since late March, just prior to the first of a series of international meetings organized by the French focussing on the development of Africa, Qaddafi has concentrated his attention on the destruction of Chad. A French colony until 1960, Chad is strategically located in north-central Africa, and reportedly has sizeable uranium deposits.

Since last year Qaddafi has been actively organizing what he calls a "pan-Saharan army" among the nomadic desert tribes in the countries bordering the Sahara. Were this force, composed primarily of mercenaries, according



to African diplomats, to come out on top in the communal warfare now raging in Chad, Qaddafi would be able to deploy the desert army against all the countries bordering the Sahara, from Ethiopia in the east to Mauritania in the west. Many countries closely allied with the French economically, Mali, Niger, Senegal, and the Central African Republic, would be threatened, as well as Algeria and Tunisia. Many of these countries have already experienced other Qaddafi operations first hand.

The French-supported effort to put together a stable coalition government in Chad made up of the 11 armed factions vying for power there began to unravel March 14 when two of the major factions clashed in Ndjamen, the capital city. Since then, repeated ceasefire attempts have collapsed.

On March 21 a prolonged period of fighting involving mortar fire, heavy exchanges of artillery, machine guns and small arms broke out. Over 1,000 people were killed in two weeks, and an estimated 100,000 refugees fled into the neighboring country of Cameroon.

Large parts of Ndjamen, which was once a town of 190,000, have been destroyed and are now deserted. Foreign diplomats who have been evacuated from the destroyed city, describe it as "like Beirut."

A fragile ceasefire finally held, at least temporarily, but nothing has been resolved. One of the major factions (headed by the president) announced that the only way the warfare could be resolved was by the complete elimination of the other major faction (headed by the Defense Minister).

### **Qaddafi's Jesuit "assets"**

Since independence 20 years ago Chad has not been able to achieve any long-term stability due to the continual fighting between the various clans and factions. Most of the country, which is two and a half times bigger than France with a population of less than 5 million, is rock

and desert sparsely populated by nomads. The non-nomadic population in the southern part of the country has been subjected to intense Jesuit missionary activity, with more Jesuits there than any other African country after the 1960 independence era. That fact is significant for Qaddafi's demonstrated influence in the would-be nation. Since coming to power in 1969, Libya's Colonel has consistently served as an agent of Anglo-Jesuit influence in Africa and the Arab world. Although he is often characterized as a madman by the media, in fact, according to European sources, the circles around Qaddafi are drawn largely from the French "existentialist left" and the Italian and Maltese aristocracy. Their intelligence service is the Jesuit Order, which is, in turn, Qaddafi's principal asset. These medieval forces have run Libya for centuries.

In particular, Qaddafi owes allegiance to such persons as France's Roger Garaudy, one of his advisors, a Jesuit-run radical who is the presidential candidate of the ecologist party in France.

In the Arab world, Qaddafi is associated primarily with the radical secret society, the Muslim Brotherhood, which British intelligence created in Egypt in 1929, and which currently runs Iran's Ayatollah Khomeini.

Since Qaddafi came to power in neighboring Libya, he has been supporting various of Chad's armed groups in opposition to whatever central government was attempting to consolidate its position. Last year a new provisional government was formed based on an alliance of the 11 armed factions. Some of these factions broke with Qaddafi to form the new government, and Qaddafi immediately shifted his support to other groups, including one which had previously been closely allied with the French and had been an integral part of the central government. This latter group joined up with Qaddafi because it feared it would lose influence in the new alignment of force. Libya is presently aiding any faction preoccupied with maximizing their influence in proposed governments, which means any faction temporarily "in opposition."

### **Qaddafi elsewhere**

After Qaddafi's disastrous interventions into Uganda and the Central African Republic last year, resistance to his adventurous destabilization policies surfaced in Libya itself. Qaddafi quickly resolved this in his favor by executing 17 Libyan army officers. Since then he has instigated trouble against French policy throughout northern Africa.

- Tunisia: The violent disturbances in Gafsa earlier this year, that had the announced intention of toppling the government, were run from Libya. Information given by prisoners, documents seized, the fact that the terrorists came into Tunisia from Libya via the Algerian desert,

and that they came in Libyan trucks, clearly places the responsibility. The Tunisian government is waging a concerted campaign against the Muslim Brotherhood networks of which Qaddafi is part.

- Algeria: Unrest in the community of the Berber minority has flared up in protest of what they call the repression of their culture by the Arab majority. Late last year Algerian authorities intercepted trucks supplying arms and ammunition to Berbers from Libya.

- Western Sahara: Efforts by Morocco and Algeria to agree on the independence of the former Spanish Sahara late last year failed when Libya moved in, began arming the Polisario liberation group, and recruited nomads from Mali and Niger to join the fray. The subsequent Polisario offensive sabotaged the delicate negotiations.

- Mauritania, Mali and Niger are also threatened by Qaddafi's pan-Saharan nomadic mercenary army. Mali last year denounced Libya for backing a so-called liberation front among its Northern nomadic population.

### **French strategy**

The latest and most violent flareup of the communal warfare in Chad in late March preceded the first of a series of French-organized meetings concentrating on the question of economic development of Africa. The French-African Foreign Minister's Conference which opened April 3 in Paris was addressed by Foreign Minister Jean Francois Poncet who urged the stabilization of Chad so that France and its African allies could begin to deal with the real problems facing Africa, the energy crisis and the worldwide depression.

This conference was preparatory to the upcoming French-African heads of state conference scheduled for May 8 and 9 in Nice. Once including only former French colonies, Giscard has expanded the summit to include former Belgian, British and Portuguese colonies as well. At this French-African heads of state conference next month Giscard will officially propose a date for a heads of state conference to include African, Arab and European leaders, possibly in 1981, to implement his three-way development strategy for the Third World, called the dialogue.

On the same day that Francois Poncet opened the Foreign Minister's conference in Paris, French Economics Minister René Monory was meeting with African Finance Ministers in Libreville, Gabon.

Giscard's former right-hand man, Rene Journiac, was intimately involved in organizing Africa for the dialogue policy. Last December, just before he died in a plane crash in northern Cameroon, described in some French press accounts as an assassination, Journiac said that if anything happened to him, the man to investigate was Muammar Qaddafi.

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## CARIBBEAN

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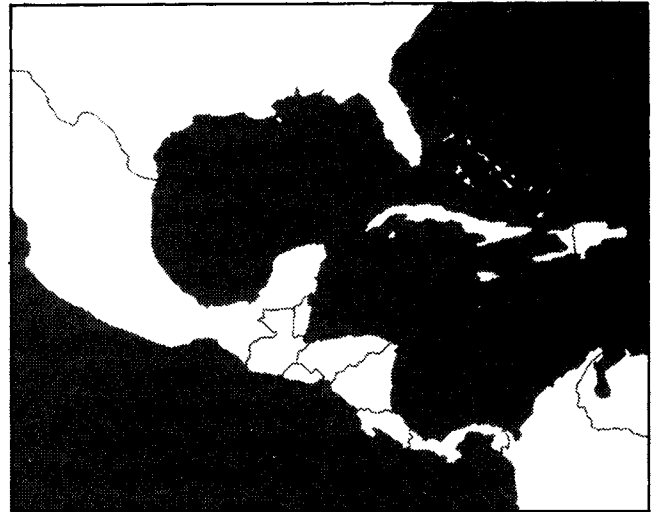
# 'Hard ball' with Cuba a dangerous sport

by Gretchen Small

Informed analysis of the report that thousands of "dissident" Cubans have stormed the Peruvian Embassy in Havana, and now wait inside that compound to immigrate to any country that will receive them, leads to the sober conclusion that Carter administration policy toward the Caribbean has dramatically lowered the threshold for Soviet launching of general thermonuclear war against the United States over the past few weeks. And yet, the Trilateral Commission administration in Washington has received report of the Peruvian Embassy affair with gleeful self-congratulations. Anti-Castro leaders in Miami immediately hopped aboard planes for Washington, where policymakers inside and outside the White House are already busily planning the next step in operations against the government of Cuba.

There can be no question that the mass "occupation" of the embassy by Cubans wishing to leave the island—Castro has announced they *may* leave—is a product of U.S.-directed operations against the Castro government which have mounted steadily since Zbigniew Brzezinski's short-lived effort to create a crisis around the presence of "Soviet troops" on the island. Cuba has been the immediate target of the more general destabilization of the Central American-Caribbean region conducted by Carter administration strategists. The White House, as well as policymakers of common origin in the Reagan Camp, have revived "gunboat diplomacy" toward Cuba, which Carter began to implement right after Brzezinski's "Soviet troops" affair by ordering Caribbean naval maneuvers featuring some within sight of Cuba's shoreline.

This touches upon the reasons for Secretary of State Cyrus Vance's accusations that Cuba is fomenting "insurrectionary movements" in Central America in hopes of gaining control of Mexican oil resources—denounced as absurd by the Mexicans themselves. More such special military maneuvers by U.S. forces in the Caribbean have been announced for this month, with expanded opera-



tions involving OAS Latin American forces to follow.

The Cubans have publicized evidence of U.S. "biological warfare" against Cuban export crops, and stepped-up CIA-type "covert operations" in Cuba over recent months.

Finally, the dramatic "dissidents" convergence on the Peruvian embassy, resembling China's "boat people" operation against the Republic of Vietnam, is enough to convince the Cubans to put their military on full alert in anticipation of U.S. military action. It simultaneously convinces the Soviet Union that general thermonuclear war could be provoked by the incalculable crowd in Washington at any time, if not elsewhere, then in the Caribbean.

The Soviet nuclear umbrella extends over Cuba, Moscow has made emphatically clear, and no U.S. effort to make the Cubans "pay" for Soviet deployments in Afghanistan will be tolerated.

### Playing "hard ball"

It is such strategic realities that are glibly ignored by those in and around Washington who now boast of playing "hard ball" with Cuba—a most dangerous sport. Involved is a plan to topple the Castro government, by renewing a naval blockade, or even carrying out "Dominican-style" invasion with regular Marine units, as some have actually proposed, led by the Patrick Moynihan-"Scoop" Jackson group in the Democratic Party.

Earlier this year, Cuban President Castro warned the United States, in particular, that any country involved in urging Cuban nationals to flee the country should be prepared to accept them, a response to stepped-up anti-government activities by Anglo-American intelligence networks on the island. Staying in Cuba is a "voluntary" proposition, Castro said.

For months, both the Peruvian and Venezuelan governments had protected groups of Cubans who had

driven cars, trucks and finally last week a city bus through Embassy gates in big publicity stunts of "seeking asylum." When a Cuban soldier was killed in last week's bus incident, the Cuban government announced that it would no longer offer protection to any embassy which did not wish it, and would consequently lift all police protection around the Peruvian Embassy, and grant exit passes to all those wishing to leave the country through that Embassy.

The tolerant attitude of the Peruvians and Venezuelans to these incidents had "stimulated the use of force, terrorism and violation of diplomatic territory" the Cubans charged in a communiqué issued yesterday in the government daily, *Granma*. The "hero" treatment given to the common criminals who forced their way into the embassies was like "raising Al Capone to the level of Boliver, Juarez or Marti," the statement curtly noted, and had created an environment in which "gangster elements" involved in anti-government organizing had even concocted plans to kidnap the Spanish Ambassador to Cuba, and to invade and occupy the U.S. Interest Section Office in Havana. Given the "grave international crisis" the world is passing through at this moment, *Granma* stated, the Cuban government could not allow the continued development of such actions on its own territory.

The Peruvian government, like the U.S., not interested in accepting the thousands of people now sitting in their Embassy, has called on agencies of the United Nations and the Red Cross, to aid them in relocating the refugees. Peru, which has indicated it is considering a break in relations with Cuba, has called for a meeting of the Andean Pact countries later this week to discuss what action to take.

The attitudes of the Peruvian and Venezuelan governments towards Cuba "coincide suspiciously with the intensification of hostility and threats of aggression by the United States," an official statement in *Granma* charged last week. Cuba has suffered "blockade, seizure of its sugar markets and other criminal actions against itself" for nearly twenty years, involving almost every Latin American country, with the "sole and honorable exception of Mexico," the communiqué stated; "Cuba feels no fear in facing that again"; it will not tolerate the "violation of our laws and our sovereignty" being instigated by those governments.

Clearly, if it comes to a new "Bay of Pigs"—or even the Marines themselves—Cuba means to fight. The tenor of the government's statements reflect no mood to compromise on even the smallest of the matters the U.S. government as presently constituted might consider a "victory." Cuba's population would defend her. Unlike most Latin American nations, Cuba is no one's puppet,

but self-conceived as a sovereign nation-state, and Castro is not the kind of leader to be easily subject to pressure.

### **Biological warfare?**

Every indication exists that included among the weapons for "intensification of hostilities" against the island is biological warfare in a deliberate effort to worsen Cuba's present economic crisis. Suspicious diseases have hit the country's two main agricultural crops, sugar and tobacco, badly damaging the country's vitally needed export earnings. A blue mold on the tobacco plants destroyed 90 percent of the plants this year, forcing the country to import tobacco to maintain a minimum of internal consumption. Most telling is the sudden resurgence of "swine flu," which has forced the country to slaughter significant portions of the pig stock. The Cuban government had charged previously that a similar epidemic in 1971 was the result of biological warfare by the Central Intelligence Agency. The second outbreak on the island began suspiciously close to the U.S. military base at Guantanamo.

Kissinger-connected policymakers in both the Democratic and Republican Parties have been virtually tripping over each other in their efforts to sound the most committed to "serious" anti-Cuban operations. Reagan advisor Roger Fontaine, working out of the Jesuit-run Georgetown Center for Strategic Studies, told an interviewer recently that the U.S. should cut off all contacts with the Cuban government, tear up the fishing agreement, and shut off their tourist dollar flows. The U.S. should "put them on notice that they either break with the Soviet Union, or pay the price," including a blockade.

A document issued by the "Coalition for a Democratic Majority," the Jackson-Moynihan group within the Democratic Party, is even more provocative. Written by the Chairman of the Center for Policy Studies in London, Hugh Thomas, the CDM bases its plans on the assessment that "open operations" like the U.S. Marines landing in the Dominican Republic in 1965 are, in the long run, more successful than "covert operations" like the Bay of Pigs!

Preparing for war on all fronts, the Cuban government has put its troops on full alert, and ordered increased exercises of the reserve units. While the Castro government is widely acknowledged to be able to muster a massive in-depth resistance capability from Cuba's intensely nationalist population, Cuba's main defense lies in the clear, repeatedly-stated, nuclear umbrella extended over it by the Soviet Union.

If they are still capable of strategic thinking, policymakers in Washington would be well-advised to remember that umbrella.



# III. Brandt's subcommission

## Behind Jamaica's 'break' with the IMF

by Dennis Small

On March 27, Jamaica's Prime Minister Michael Manley announced that his country was permanently breaking off negotiations with the International Monetary Fund, after three years of battling against that institution's attempts to strangle the island's economy with Friedmanite austerity measures.

When Peru dared to ponder such a break in 1976, then-Secretary of State Henry Kissinger organized a cold coup d'etat and brought the country quickly back in line. When Guyana's Foreign Minister Fred Wills in 1975 called for replacing the IMF with an international development bank, he was canned within months. And when Pakistani Prime Minister Bhutto refused to sacrifice his nation's nuclear energy plans to meet IMF strictures, he was overthrown and murdered for his insolence.

But when Michael Manley two weeks ago announced his "break" with the premier Anglo-American monetarist institution, bankers in London and New York yawned. Political insiders contacted by *EIR* were equally blasé, and explained why: the moving force behind Jamaica's "break" is the notorious Brandt Commission, and Manley's announcement is actually part of an operation coordinated with the Trilateral Commission to reorganize the world monetary system along the guidelines laid out in the recently released Brandt Commission report.

### A rose by any other name...

The Brandt Commission was set up on the suggestion of Robert McNamara, president of the World Bank—which is the sister institution of the IMF! Its policies are a thinly-disguised version of the identical no-growth policies promoted by the IMF, but which have been

packaged in a form designed to sucker in credulous Third World governments. The Brandt report includes a sharp "critique" of the IMF and its "conditionality" policies. It also argues the necessity of "developing" the Third World—with low-energy, "appropriate technologies," and by replacing sovereign nation-states with a One World government. In other words, precisely the Trilateral Commission plan. It is not accidental that Brandt Commission luminary Shridath Ramphal delivered one of the major papers at the recent Trilateral Commission meeting in London (see below).

The specific thinking behind the Brandt-linked organizing effort is that, as the world economic crisis deepens under the weight of U.S. Federal Reserve chief Volcker's depressionary austerity policies, developing sector nations must be stopped at all costs from actually breaking with IMF policies in favor of a development alliance with the European Monetary System. As it is, even under the current enormous pressure of the London-Washington axis, virtually every major Third World nation—no matter what its political ideology—is refusing to abandon its commitment to develop. Saudi Arabia has a mammoth, 10-year, \$250 billion industrial plan; Mexico intends to use its oil wealth to grow by 8 percent over the next decade; anti-communist Argentina won't join the American grain boycott of the Soviet Union, and is instead concluding sizeable deals with Communist nations involving nuclear and hydroelectric energy; and India is dramatically enlarging and broadening economic accords with the Soviet Union and Western Europe.

Given all this, the Trilateral conspirators are asking themselves, what will these nations do now that the orders are coming down that half to two-thirds of their populations are "useless eaters" and must be sacrificed? Military power must be used to contain them—as proposed in the Trilateral plan to extend NATO throughout the Third World—but a net must simultaneously be cast to ensure that all "breakaways" are channeled in the direction now being jointly charted by Jamaica and the Brandt Commission. Manley, it is intended, is only the first fish in the Brandt Commission net.

## Targetting the Non-Aligned

While the Trilateral Commission was gathered in London, the Socialist International was gathered for a top-level meeting in the Dominican Republic. Presiding over the gathering was Herr Willy Brandt, who called for world support for beleaguered Jamaica and criticized the IMF for trying to impose excessively harsh "conditionalities." Manley, in turn, was open about his cooperation with the Brandt crowd, telling the Jamaican press: "We think it is very important to try to galvanize international response to the Brandt Commission report, which runs along the lines we have been carrying for a long time... We have been very active in trying to get international action to follow up on the recommendations in that report which have a lot to do with the IMF and conditionality."

The next day, Manley flew to Havana, Cuba where he met with President Fidel Castro to try to get him—as

head of the nonaligned movement—to "bring Jamaica's plight to the attention of the Nonaligned" and "mobilize support for the recommendations of the Brandt Commission on international development issues."

Manley also told the Jamaican press that he had been in touch with Brandt since the early 1980 publication of the report, and had held strategy sessions with such leading international supporters of the Brandt Commission's efforts as Canadian Prime Minister Trudeau, Tanzanian President Julius Nyerere, and Prime Minister Malcolm Frazier of Australia.

Although there is no indication that the Nonaligned as a whole will follow in Jamaica's suicidal path, the operation so far must be rated as the first successful project of the Brandt Commission since its report was issued in early 1980. The question now remains whether the Trilateral-Brandt policies can be imposed throughout the developing sector.

## The Brandt Commission's 'problem' countries

Sometimes phrased differently, the "economic development" policy of the Brandt Commission is identical in all respects to the genocide policy of the IMF and World Bank. The Brandt Commission report is merely an effort to impose the IMF-World Bank policy on Third World nations who will not accept it under its original name. Typical of those nations, who have committed themselves to industrialization, are the following, defined as "problem" countries by the Brandt Commission:

**Mexico:** Massive oil reserves are being exploited to finance brute-force modernization of the economy. President Lopez Portillo's National Industrial Development Plan channels oil revenues into capital goods production and development of industrial port complexes for a projected 8 percent annual growth rate.

**South Korea:** An effort to sustain 10 percent annual growth rates of the last 15 years is focused on expansion of steel, shipbuilding and advanced electronics industries. By the year 2000, 42 nuclear plants are to be built, covering 60 percent of projected energy needs.

**India:** Already the world's ninth largest industrial power, India under Indira Gandhi is committed to

renewing the emphasis on industrial development and a nuclear energy base briefly interrupted by the World Bank's rule under the Janata coalition. Under Mrs. Gandhi's first government, India was a leader of the Nonaligned movement's fight for a new world economic order based on technology transfer to the developing nations. Under her present government, whose first act of diplomacy was to receive French President Giscard d'Estaing on a late January state visit that resulted in a dozen trade and development agreements, India is positioning itself to lead the Third World into collaboration with the development program goals of the European Monetary System.

**Saudi Arabia:** Current plans call for \$250 billion over 5 years to create an industrial base broader than oil production alone. Investment is geared to high-technology agricultural methods like hydroponics, and mineral development as well oil processing installations.

**Iraq:** Development planning, with a heavy focus on popular education, aims at highly mechanized agriculture, and an oil refining and petrochemicals industry, fueled by a substantial nuclear energy capacity.

**Argentina:** Resisting all U.S. pressures to halt its plans for nuclear development, the military junta has determined that "ideology is bad for business" and is seeking Soviet aid and Soviet trade to maintain its energy sector.

## 'Work with Brandt for a global village'

The nations of the world must surrender their sovereignty to a self-appointed elite operating through the United Nations bureaucracy, which will properly restrict "economic development" to the proliferation of "appropriate technologies" like sticks and cowdung in the Third World, and a radical reduction in consumption levels in the advanced industrial sectors.

This vision of *One World* of "appropriate technologies" is the theme of the February report of the Independent Commission on International Development Issues, or the "Brandt Commission" as it is known. The commissioners responsible are a group of bankers like Lehman Bros.-Kuhn Loeb's Peter Peterson, politicians like Sweden's Olof Palme and Chile's Eduardo Frei, economists from British Commonwealth countries, publishers like Katherine Meyer Graham of the *Washington Post*, and others selected by World Bank President Robert McNamara on the strength of their agreement that national sovereignty must be subordinated to supranational institutions, because only that can prevent economic progress.

Accordingly, the commission's proposals, intended for a Third World audience, are sometimes differently phrased, but identical to the genocide policy of the World Bank and International Monetary Fund—which unofficially sponsored the commission. To employ the phrase of commission member Shridath Ramphal, Secretary General of the British Commonwealth whose speech to the Trilateral Commission in London we excerpt below, the world economy is to be reduced to the level of a "global village," and be cured of its "sovereignty syndrome"—i.e., the nation-state.

Exemplary of Brandt Commission recommendations for which Ramphal spoke are the following:

"The rich of the world could help to increase food supplies if they used less fertilizer for non-food purposes, and also if they ate less meat: to produce one unit of meat protein uses up eight units of vegetable protein, which could be consumed directly." (p. 101)

"Nuclear energy is problematic and cannot be expected to make more than a partial contribution to overall energy use in this century." (p. 167)

"We should create jobs through low-cost labour-intensive industry and create the necessary social and economic infrastructure." (p. 241)

"We believe that certain elements of what might be

called international government are already called for... By the end of this century the world will probably not be able to function without some form of international taxation and a decision-making process which goes a good deal beyond existing procedures." (p. 22)

"The focus has to be not on machines or institutions but on people... (not) highly sophisticated technology which threatens to ignore human values and which people may not be able to handle adequately." (p. 19)

*Shridath Ramphal, British Commonwealth Secretary General, is the former Minister of Foreign Affairs and Justice of Guyana (1972-75). Ramphal was key to the formation of the commodity buffer stocks policy through his role in the Commonwealth. He is known to be very close to British ruling circles and to Henry Kissinger. In addressing the Trilateral Commission, he spoke for the Brandt Commission.*

It probably will not surprise you that for many in the South the image of the Trilateral Commission is that of a self-ordained Trinity committed to ordering human affairs in furtherance of triadic primacy. I am sure that image is a distortion of your highest purposes; but it is one that persists. It needs to be dispelled if your purposes are to be fulfilled....

Limits to crude power are ... appearing in economic relations. Mutual dependence arising, for example, from the need for unimpeded expansion of world trade, from the prospect of mineral shortages and, more specifically, of oil depletion, are now imposing compulsions for global consensus on new arrangements that assume the proportions of a programme for survival. And the imperative of global agreement in areas of the environment like the future of the forests and the life sustaining qualities of the seas and the atmosphere defy all notions of 'going it alone'—or even as a threesome!

My point is to register hope that the Trilateral Commission proceeds on the assumption that we have indeed entered the era that Alistair Buchan foresaw as the "era of negotiations"—an era in which the old premises of power will no longer suffice as the touchstone of human destiny; indeed, I would add in which the old premises of sovereignty will no longer be adequate to the tasks of human organization....

We cannot go on in this way giving lip service to interdependence but believing that it requires obligations only of others. It derives from mutual needs and imposes mutual obligations. At its heart is sharing of power and responsibilities, and the question for us all in the 80s is really not 'whether' but 'how' that sharing is to take place. Co-management of the world economy is surely the concomitant of interdependence. Irrespective of

preferences for economic theories is a palpable need for shared management of the world economy; excessive dependence on uncoordinated national choices will only make the global crisis worse. If dominance is out and co-management is declined, the alternative can only be conflict, disorder and chaos....

The way forward must be, therefore, a way that goes beyond strict trilateralism. Despite continuing, indeed constantly enlarging, world poverty, important centres of political and economic power are developing in the South: OPEC, ASEAN, the 'newly industrialized countries' of the Group of '77 and the special examples of India, Nigeria, Brazil, Korea, Mexico. They cannot either be ignored or suffered until they can be overborne....

The answer surely is not to make ad hoc adjustments to accommodate the few who "graduate," and to do so grudgingly and with resentment; but to develop a new internationalism which sees positive and mutual value in accelerating the development of the South in general and which therefore prepares and provides for the countries of the South a place in the world economy away from its periphery. Trilateralism must not be the enemy of internationalism; it should be its enlightened friend, itself changing with that enlightenment....

Western responses to Soviet intervention in Afghanistan are, of course, understandable and, if they do not miscarry, could be important to the peace of the world and the preservation of the independence of smaller countries. But they have little to do with a moral stand on the side of the people of the mountain passes. It is to do with the balance of power in the world. But how much more might not have been accomplished, even in that cause, had Afghanistan ... been helped in straightforward ways to stand on its feet economically, to grow as a nation with economic, social and political institutions stabilized against the erosion of poverty and so against pressures from without.

Threats to detente do not, of course, derive only from conditions within Third World countries; but ... widening disparities in wealth and poverty between nations bear on the peace of the world, just as such disparities within nations have shaken societies to their foundations.

The trouble is that we find it difficult—even the most enlightened of us—to sustain consciousness of the world as an inter-locked community. As Barbara Ward reminds us: "The vision of 'earth rise' seen by human beings standing on the moon had its impact. Planet earth is a small place." For the most part, however, we are like village yokels preoccupied with our neighbourhood concerns and banishing thoughts of problems beyond our own. Yet the world has, indeed, become a global village and those problems are all village problems now.

How do we escape the old image of a world of separate, scattered, unlike communities whose fortunes

can be disengaged and whose misfortunes need not impair the prosperity or tranquility of the most favoured? Perceptions of one world and an inseparable humanity do not easily dissolve the image of several separate worlds that centuries of the sovereignty syndrome have imprinted on our consciousness.

But I wonder if another approach may make it easier to overcome the malfunctioning of our political vision and see the tragedy that confronts our global village. Imagine, if you will, our world's total area scaled down to the rough dimensions of Western Europe. In broad dimensional terms and without attempting to replicate locational patterns, all of the United States will be Britain, and the whole of Western Europe, including the EEC, will be Portugal. Japan will be Northern Ireland and Canada, Germany. Africa will be all of France, the Benelux countries, Denmark and Switzerland. Latin America will be Spain. The USSR, both Sweden and Finland; while China and Australia will cover Norway and Iceland. India will be Ireland; the rest of Asia, Italy; and Eastern Europe, Austria....

The population of the whole of our shrunken world

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## EXCLUSIVE INTERVIEW

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### Trilateraloids seek new 'world development fund'

A "new international institution"—the World Development Fund proposed by the so-called Brandt Commission—is required to manage "the financial crisis of developing nation's debt," in the view of the Trilateral Commission's economic thinkers. This crisis, which could "wipe out" major U.S. banks, was a subject of "great concern" at the commission's recent London sessions, according to Hendrik S. Houthakker, the Henry Lee Professor of Economics at Harvard University, a Trilateral Commission member.

One of the papers presented as a conference document, reports Houthakker, explicitly endorsed the Brandt sub-commission's recommendation: "centralize all Third World trade and finance in a new international institution such as the Brandt Commission's World Development Fund, to see to it that they can pay their debt service."

The Trilateral Commission's concern immediately found reflection in the halls of Congress and the U.S. news media. Several representatives on Capitol Hill called for reform of the IMF and World Bank, to

will increase by over 50 percent by the end of the century. But while in Portugal and Britain population increases will be 10 percent and 18 percent respectively, in Ireland the increase will be 60 percent and in France 100 percent—explosions of poverty as well as of population.

More than half of all the oil-based energy produced will be consumed by people living in Britain, Portugal and Germany. These three countries alone will have about 60 percent of the income and 64 percent of the industrial production of the world. The average person in Britain will consume 11,500 units of energy each year (measured in kilograms of coal) and in Portugal 4,200 units; but in France the average dweller will consume 397 units of energy, and in Ireland merely 218....

And these are only a few of the disparities in the human condition that will exist just across national borders. Some \$20 billion will be spent each year in the name of development and in the hope of narrowing them, but with little effect. Meanwhile, some \$450 billion annually will be devoted to military expenditure with nuclear weapons constantly aimed from Britain and Portugal over the heads of rich and poor alike towards

Scandinavia and from Sweden and Finland in reverse....

It is not, of course, a picture of a trilateral world. But that the Commission should be grappling with issues like North-South trade—and I hope North-South problems more generally—is a glow of hope on the dark horizon. Solutions to the world's problems will only emerge out of political vision; and vision needs perception and practicality melded by talents such as yours. ... In North-South issues ... it is time the North... committed its political leadership to the search for solutions....

It is to this end that the Brandt Commission makes its plea for a resort to summitry as an essential part of its 'programme for survival'. It is because we saw human survival as being at stake that we did not shrink from the difficulties implicit in the proposal. Can the Trilateral Commission close the book on trilateralism—or perhaps begin a new one—by proclaiming the message of this morning's paper: that we must share on better terms, for all its people and nations have a mutual interest in urgent change to that end; and that it is political action alone that can ensure or, by its withholding, jeopardize human survival.

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enlarge and ultimately merge them into a single *super* supranational agency to control LDC finance.

But professor Houthakker's group in the commission is thinking along slightly different lines. "Nonsense. Why merge the IMF and World Bank? We need an altogether new institution," he said.

*The following interview with Hendrik S. Houthakker, Henry Lee Professor of Economics at Harvard University who was in attendance at the London meeting of the Trilateral Commission was conducted by EIR on April 10.*

**Q:** Kiiche Miyazawa spoke at the recent commission meeting of the need for the trilateral nations to cooperate in their Third World policy. How was this reflected in discussion of the Third World debt problem?

**A:** This is very serious. There was a great deal of concern and discussion about the international financial crisis. The banks are overlent in relation to their capital. Citibank for example has an "own capital" right now of \$3 billion and claims on them of over \$100 billion, and it is by no means inconceivable that their capital could be wiped out by some crisis. The banks are so far overlent, everyone was very worried.

**Q:** How should this be dealt with? By the IMF?

**A:** No, the Brandt Commission has proposed a new

international institution and this was described by Sir Shridath Ramphal Commonwealth Secretary General, in his speech. Also the next Trilateral Commission Task Force Report is on North-South trade. The American rapporteur, Professor Albert Fishlow of Yale, writes that the debt servicing problems of the Third World are so serious that they must be dealt with through a top-down restructuring of world trade, with preference for the Third World.

**Q:** You mean to revamp GATT?

**A:** No. Forget GATT. We need to centralize all Third World trade and finance in a new international institution such as the World Development Fund to see to it that the debt service can be paid. Trade and trade-borrowing, and all international finance, are directly related.

I am also more broadly concerned about the need to sharply define the *lenders of last resort* in the world financial community. Unless this is done, peoples' insecurities themselves will feed panic. First I would propose that the General Agreement to Borrow be extended to include a claim on all the resources of OPEC.

**Q:** But OPEC has balked at this for years.

**A:** True, they still balk. But we must insist....

## Soviets make ready for U.S. 'sneak attack'

by Rachel Douglas



High-level Soviet officials who spoke at the end of March in Moscow with a leading West German political analyst startled him with their grim assessment of the prospects for preserving world peace. One Soviet spokesman after another angrily denounced the Carter administration's vacillating and dangerous policy, and demanded Western European action to reverse the plunge toward war before it is too late.

In Moscow, wrote Theo Sommer, editor of the weekly *Die Zeit*, "it looks in the present situation as though Soviet-American relations are irreparably damaged as long as Jimmy Carter resides in the White House. The Soviet assessment of the man from Georgia is quite similar to that of Carter's Western European critics: they see him as dilettantish, unstable, uncalculable. To be sure, where the West Europeans see in the President merely wide-eyed naiveté, the Soviets suspect a Machiavellian malice. And whereas NATO partners react with amused dismay, the Soviets fly into icy iron indignation."

"If we fail—Western Europe and the socialist countries—to stop Carter, the world will find itself in a dangerous situation," a high Soviet official told Sommer. "We have many common interests, although we belong to different alliances—particularly a common interest in peace. We invite you to ally with us. If America is now using all its might to destroy the conditions of peaceful coexistence, real solidarity consists in stopping the United States from doing so."

Theo Sommer is a leading West German representative of the Anglophile "realist" faction which fears that Carter's shenanigans will get Europe as well as the United States blown up. A member of the Trilateral Commission and the International Institute of Strategic Studies and a frequent contributor to the publications of the New York Council on Foreign Relations, Sommer served as an adviser to West German Chancellor Helmut Schmidt when Schmidt was Defense Minister (1969-72). Other members of the international Anglophile elite such as George Ball and George Kennan in the United States have recently betrayed an exasperation with Carter's policies similar to what Sommer's article reflects.

### A U.S. 'surprise attack'

Since Theo Sommer's report appeared, the Soviet leaders have stated more explicitly through the official press what Moscow means by the Carter administration's incalculability and "fraud," as Foreign Minister Gromyko put it during the month of March.

A series of articles is comparing the Carter administration, the Thatcher government of Great Britain, and Teng Xiao Ping's China with Nazi Germany. Like the Nazis, wrote Major-General Matsulenko on April 3, the U.S. is attempting to conceal the "economic reasons"—weakness—behind their war policy.

The United States is preparing a "surprise attack under false pretenses," the general continued.

The U.S.S.R. has adapted a military and diplomatic



*Soviet ICBMs on display in Red Square. Were such missiles to reign down on Peking, Brezhnev told a visiting representative of France early this year, NATO would have "a very short time" to decide between peace and total war in defense of her Chinese allies. He more recently declared that in the face of Washington's "incalculability," the Soviet Union "must keep our powder dry."*

profile that matches the seriousness of this warning. Practically all diplomatic contacts between Washington and Moscow are frozen. The Soviet ambassador in Washington, Anatolii Dobrynin, has returned to Moscow on sick leave and has no scheduled date of return.

In this report, we will present translated excerpts from significant articles in the Soviet press that belie the illusions still prevalent in Washington about how the Soviet Union, allegedly "bogged down" in Afghanistan, would sit tight and do nothing while American marines are landed in the Persian Gulf. This material documents the Soviet assessment of the international situation: internal economic collapse is driving the U.S., under a leadership which is nothing short of crazy, to start World War III.

A "surprise attack," defined by *Red Star's* General Matsulenko as a nuclear strike against the U.S.S.R. or its allies, or a major deployment into the existing hot-spots, would not surprise Moscow at all. But Moscow's response will evidently surprise every member of the Carter administration.

Putting Moscow's cold war posture vis-à-vis Washington together with a Politburo-authorized ultimatum to China and a visibly growing concern in Soviet ruling circles that the governments of continental Europe cannot uphold detente on their own, we can conclude that the U.S.S.R. has shifted onto a war footing. Their mobilization is not for step-wise expanded regional clashes, but for full-scale thermonuclear war, whether instigated

by China or the United States-NATO combination directly.

### **Understanding the Soviet press**

The speech by Soviet leader Leonid Brezhnev that we quote speaks for itself, and communicates the view of Moscow that the international crisis is *increasingly* dangerous.

In our other excerpts, the reader will be struck by the language directed against "imperialism." Like an *Izvestia* article two weeks ago which pictured the roof of the American embassy in Moscow bristling with antennae from monitoring equipment, these terms belong to the lexicon of the Cold War.

By "imperialism," the Soviet press does not denote every power in the West. Moscow identifies an international war party led by Washington, London and Peking, and has banked on the governments of Western Europe to countervail and form the kernel of an alliance for peace and economic cooperation.

### **The question of Europe**

Even the slightest sign of capitulation to the policies of Washington, Peking, and London on the part of continental Western Europe is read in Moscow as a grave deterioration of the international situation. A pattern of sharply escalating Soviet attacks on Helmut Schmidt's government in West Germany indicates that Moscow sees the crucial buffer against war that Europe has in the



past provided in danger of being eroded thanks to the unprecedented Anglo-American pressure on the West German chancellor.

Following the warm reception extended to West German opposition leader Franz Josef Strauss in Washington, the Soviet press toughened its analysis. While at first saying that Schmidt was leaning toward endorsing the Carter administration sanctions "punishing" the Soviets for Afghanistan, more recent coverage is noting a "shift" in Bonn. *Izvestia's* Matveev wrote April 1 that Schmidt was going to "sacrifice the gains of Ostpolitik (detente) for the sake of Atlantic solidarity."

The question of how far Schmidt has gone into the U.S. camp is still being debated in Moscow, but the Soviets believe without a doubt that the Paris-Bonn alliance (on which their remaining hopes of preserving peace are based) is in jeopardy.

The Soviets view war in terms of total war. Were Franco-German resistance to NATO war-preparations to collapse in fact, the Soviet command would assume the inevitability of a NATO decision for war, and at that point, take the decision themselves. The Kremlin might order last-ditch war-avoidance actions, Afghanistan-style *warnings*, but after Afghanistan, the only options remaining must incur the immediate risk of world war as Afghanistan did not. Such action must therefore constitute an immediate pre-war deployment. As Brezhnev told France's Chaban Delmas earlier this year, once Soviet missiles hail down on Peking, NATO will have "a very short time" to decide between peace and total war.

### **The China danger**

While considering the leadership of China dangerous in its own right, the Soviets hold that the threat of a Peking-triggered war outbreak becomes much more immediate with increased military backing of Peking by the U.S. and Britain.

The April 7 *Pravda* article signed I. Aleksandrov, from which we excerpt warnings that China will "pay the price" of "allying with imperialism," concludes with an offer of peace talks with Peking. It has the nature of an ultimatum.

If China does not stop now, the Soviets conclude that newly contracted American and British arms deliveries to China will give Peking the means to carry out "new threats to Vietnam, instigation of Thailand into conflict with Cambodia, provocations on the Laotian border," in the words of *Izvestia* analyst V. Matveev April 1.

Other Soviet commentaries identify tight collaboration of these same powers in southern Asia. These range from a March 28 *New Times* exposé of U.S. and Chinese backing for "Islamic fundamentalism" to attacking the activation of the "Brahmaputra Plan" to split the state of Assam out of northeast India.

## Documentation

# Harsh warnings from Moscow

### **Soviets anticipate 'sneak attack'**

*Major-general V. Matsulenko wrote an article in Krasnaya Zvezda (Red Star) April 3 under the headline "Lessons Which Should Not Be Forgotten." The occasion was the approaching 35th anniversary of V-E day.*

The first, most important lesson of the Second World War and the Great Patriotic War is that the victory of the Soviet Union over fascist Germany and militarist Japan was lawful....

The second, no less important, lesson of the war is that it showed that the real culprit was international imperialism....

The third lesson shows the necessity of highest vigilance with regard to the aggressive plans and intrigues of imperialism.

In launching war, the imperialists carefully mask its political essence and the underlying economic reality. They try to conceal their true reasons and goals, by resorting to all sorts of political tricks and defrauding their own people as well as world public opinion.

German fascism, for example, justified its aggressive plans for gaining world rule on the grounds that they supposedly had insufficient "living space" for Germany and masked them with talk of "the communist threat." The Hitlerites justified their surprise attack on the U.S.S.R. as a necessary preventive strike....

These perfidious devices have been used by the imperialists in the postwar period. In particular, there was the intervention against Egypt in 1956 by England, France and Israel, supposedly to defend the "freedom" of ship movement in the Suez Canal, which in reality was being threatened by nobody. ... These states used the factor of surprise—they began combat actions without declaration of war, in order to seize the initiative and attain decisive results.

It is the same today. The imperialists of the United States under cover of an invented myth of the "Soviet military threat," are winding up a military machine, in order to alter the correlation of forces in their favor and gain military superiority over the Soviet Union....

The aggressive, reactionary policy of the U.S. impe-

rialists...shows that they have not made the necessary conclusions from the lessons of the Second World War. They are intensively carrying out military preparations, forming and strengthening aggressive blocs, setting up new military bases around the Soviet Union, developing and updating plans to attack the U.S.S.R. and other socialist countries with nuclear missiles, and launching local wars.

### **'Keep your powder dry'**

*We excerpt the front page editorial that appeared under the headline "Keep your powder dry" in Krasnaya Zvezda on April 5. The quotation from Brezhnev was drawn from his March 31 speech accepting the Lenin Prize for literature.*

Brezhnev has stressed, 'The entirety of accumulated experience, the international situation which has taken shape, and especially the events of the most recent period, oblige us to keep our powder dry, to be stalwart and consistent in upholding the cause of peace, and to bear in mind our historical responsibility for the fate of all humanity.'...

Despite the fact that imperialism has been dealt serious defeats, its nature, as before, remains aggressive. The more that imperialism's ability to rule other countries and peoples shrinks, the more wildly the aggressive and short-sighted imperialists react to this.

The war-mongering circles of the United States forced upon their NATO allies a multiyear program of intense arms build-up, and then the decision to station new medium-range nuclear missiles in several Western European countries... The U.S. has deployed major naval forces to the shores of Iran and is creating a so-called "rapid response corps." Overseas politicians and strategists try to pass off these dangerous actions as 'a response' to the events in Iran and Afghanistan. But this is just a pretext. The build-up of military might and forces for armed interference began before these events. The Chinese leadership is acting as the direct accomplice of imperialism...

### **There is no Vance-Brzezinski split**

*The Tass dispatch on Secretary of State Cyrus Vance's testimony to the Senate Foreign Relations Committee at the end of March was brief, but it laid to rest the myth of a dividing line between Vance and National Security Adviser Zbigniew Brzezinski which Moscow had retailed for several years.*

In some circles in the American capital, there is a story rampant that there exists some sort of "difference" between the "sober" line of the State Department and

the policy of presidential adviser on national security Z. Brzezinski, known for his pathological anti-Soviet inclinations. But the statement of Secretary of State C. Vance clearly showed that he and his agency unflinchingly implement the "hard" line of Carter and Brzezinski. ...Vance's statement was more like those of Pentagon generals than of the leader of a foreign policy institution.

### **The hawks in three capitals**

*A senior foreign affairs analyst of the government daily Izvestia, V. Matveev, reviewed the international situation from the standpoint of "The Hawks' Ambitions." He placed the "hawks" in Washington, London and Peking.*

[Soon after U.S. Defense Secretary Harold Brown's trip to Peking], British Foreign Secretary F. Pym, during his trip to China, declared Britain's intention to supply China with not only "defensive, but offensive arms." The Tories, having learned nothing from history, are following in the footsteps of Chamberlain in their tricky anti-Soviet game. Military transport planes, specially equipped helicopters, Harrier destroyer-bombers, early warning systems—this is far from the complete assortment of technology being sent to China, whose leaders are constantly issuing new threats against Vietnam, inciting Thailand to clash with Cambodia, carrying out provocations on the Laotian border, and repeating Mao's dictum that a destructive world conflict would be "acceptable" for China....

There is an invisible, but clear line between peoples and peace-oriented governments on the one hand, and the handful of those who for the sake of their egotistical, raving plans are ready to put humanity on the brink of catastrophe....

Vice President W. Mondale...virtually came out as a spokesman not only for cold war but for hot war.

### **Politburo warns China**

*The authoritative signature "I. Aleksandrov" appeared under a major article on China in Pravda April 7. It warned Peking:*

The anti-Soviet policy of Peking has an instigating, provocative nature. It is no secret for anybody that the frank intention to let the Soviet Union and U.S. confront each other in the abyss of thermonuclear war is part of Peking's strategic plans...The U.S. ... is trying to involve Peking in its military adventures which can only bring new harm and suffering to the Chinese people.

The role of accomplice and junior partner of imperialism is the price Peking must pay for the policy of allying with imperialism in its policy of aggression and war...

# Italy: Aldo Moro's enemies take over the government

by Muriel Mirak, Milan Bureau Chief



*EIR Milan Bureau Chief, Muriel Mirak, has written the following report one week after "the most disgraceful government coalition of the post-war period" assumed power in Italy.*

*The government formed April 2 under Francesco Cossiga, whose Christian Democratic faction invited the Italian Socialist Party to staff one-third of all cabinet positions, makes Italy a virtual client-state of the British and American governments. It has no policies independent of those dictated to it by the Thatcher and Carter administrations.*

*Massive, direct intervention into Italian affairs was required to put Cossiga, whose first government collapsed, back in power. This included personal action by both President Carter and Britain's foreign minister, Lord Carington. The Anglo-American takeover that made possible Cossiga's success in forming a coalition with the Socialists not only leaves Italy's future sovereignty as a nation in doubt, but poses a direct threat to world peace. Combined indications from London, Washington and Rome already establish that Italy, a traditional "bridge" between Europe and much of the Third World, will now be employed as a battering ram against the European Monetary System nations and those Arab governments so recently allied to Europe in the cause of world peace.*

*How the Italians could have allowed themselves to be reduced to this status is the subject of Muriel Mirak's report.*

At this time two years ago, Aldo Moro, the former premier who was among Italy's most respected statesmen, was a captive of the Red Brigades terrorists who were to brutally assassinate him only weeks later. The purpose of that crime was to force the "national unity" government of Italy to its knees. The government of Christian Democrat Giulio Andreotti, struggling to represent Italy's nationalist, development-oriented forces

with the support of the Italian Communist Party in parliament, was to be forced to recognize the "armed party" of terrorists, by negotiating for Moro's life. By thus demoralizing the "national unity" forces, and causing their alliance to disintegrate, it was the purpose of Henry Kissinger and other Anglo-American figures behind the terrorist deployment to punish the Italians for daring to place national self-interest above obedience to those British-centered interests who have aborted Italian development for centuries.

The Italian "banana republic," struggling to become a nation, was to be crushed, and as a result, the emerging European Monetary System was to be crippled.

Acting in close coordination with the terrorist kidnapping of Moro were the representatives of the so-called "negotiation party" (Partito delle Trattative) in parliament. This was the wing of the Christian Democracy under Amintore Fanfani, and the Italian Socialist Party, whose sympathies for terrorism have never been a secret. Both elements in the "negotiation party" are controlled by the Hapsburg-centered "black nobility," their Mont Pelerin Society, and the Jesuits. As Socialist leaders Bettino Craxi, Giacomo Mancini, Signorile and others conducted high-level consultations with the "Autonomists"—the "above-ground" element of the Red Brigades networks—and with the Red Brigades terrorists themselves to monitor their moods and plans, the would-be strong-man Fanfani prepared his own ascent to power, calculated to take effect as soon as the Andreotti-PCI government forces capitulated to the Red Brigades demands.

But two years ago, it did not work according to plan. Contrary to Anglo-American predictions and profiles, then prime minister Andreotti, with unconditional backing from the Communist Party leadership under Enrico Berlinguer, stood intransigent. Pope Paul VI threw the



*June 1977: The murdered Aldo Moro (right), principal architect of the "national unity" policy of collaborative policy making with the Communist Party pursued by Andreotti's government, greets Communist Secretary General Enrico Berlinguer.*

entire moral and political weight of the Vatican into the balance on Andreotti and Berlinguer's side. The Pope even personally intervened with Christian Democratic leader Flaminio Piccoli to guarantee that his followers would not preach capitulation to terrorist demands or advise negotiation.

The resistance was strengthened by New Solidarity International Press Service (NSIPS), which uncovered and published the facts of Kissinger-circle involvement, the complicity of U.S. Ambassador Gardner, and of direct involvement by U.S., British, and Israeli intelligence agencies in the Moro affair. These published exposés were widely distributed in Italy by the European Labor Party.

The months-long tug-of-war ended in Moro's brutal murder, but the sovereignty of the Italian nation was safeguarded. Italy was torn, traumatized and exhausted, but not destroyed.

### **How Cossiga 'won'**

The weakness of this national-unity government of 1978-79 lay principally in the fact that, although it had defeated the political forces behind the Red Brigades and the Socialist Party temporarily, the Andreotti Christian Democrats and his allies in the Communist Party leadership did not address the task of cleaning out the enemy within the ranks of their own parties.

At the end of 1978, it was a British-aligned faction within the Communist Party that compelled the party's leaders to withdraw support for the European Monetary System, therefore precipitating a government crisis. In the turbulent electoral campaign that followed in spring 1979, the real issues of the EMS and East-West détente were obscured, in favor of petty Communist vs. Christian Democrat, "left" vs. "right" posturing. Both the Christian Democrats and the Italian Communists suffered

serious political losses. No real clarification of the issues inside either party occurred.

The only real sign of fight in the Christian Democrat-Communist Party forces was to be seen in the massive offensive initiated in early 1979 against the terrorist networks. On April 7, 1979, arrests of Tony Negri and his entire circle of Red Brigades controllers sounded a serious danger signal to the Italian Socialist Party leadership which had harbored and financed many of Negri's front-enterprises. Each such high-level arrest led to the unearthing of yet more compromising evidence of Socialist complicity with terrorists. It was principally such incriminating evidence, turned up in the spring and summer of 1979, and published by *EIR* in both regular-weekly and pamphlet form, that prevented Socialist secretary-general Bettino Craxi from succeeding in his attempt to form a government in the summer of 1979.

But as the advent of the first Cossiga government indicated, an anti-terrorist offensive in itself was not sufficient. No serious thrashing out of fundamental policy differences *within* both the Communist and Christian Democratic parties was undertaken, so that a principled, programmatically defined new coalition could be formed without the internal weaknesses that had undermined the earlier effort.

A kind of internal reorganization confirming secretary-general Berlinguer's hold on the party apparatus did occur inside the Communist Party. At the same time, Andreotti prepared for a political showdown at the February congress of the Christian Democracy. Months of careful organizing preceded the conference, and all informed analysts were predicting an overwhelming victory for the Andreotti-Zaccagnini faction with promised support from the faction led by Flaminio Piccoli—together, a strong majority in the party. In that eventuality, Italy could look forward to a new Christian Democratic-

Communist coalition government that would join the Franco-German peace offensive against the Anglo-American "arc of crisis" policy centered around Iran and Afghanistan.

It was in the pre-conference period that the Anglo-American elite began to intervene in Italy on a major scale. Blatant interference, conducted personally by U.S. officials, "bought" Flaminio Piccoli and rigged the Christian Democratic congress in favor of the anti-Communist alliance around Fanfani and the treacherous Piccoli. Secretary of State Cyrus Vance and U.S. Ambassador Richard Gardner acted in person in Italy to ensure that Andreotti would be defeated. That crucial interference, accompanied by a spate of "Watergate"-style scandals and a new terrorist outbreak of unprecedented intensity, shifted the balance against Andreotti and his Communist allies.

The Christian Democratic congress closed with 42 percent of the party aligned with Andreotti in favor of a national-unity coalition to include the Communists, and a European economic development policy aligned with Schmidt and Giscard. The remainder of the party, the majority thanks to turncoat Piccoli (who was paid-off with the powerful post of party secretary-general), emerged committed to tying Italy hand-and-foot to Mr. Carter's insanely "incalculable" foreign policy.

Since the congress, hell has broken loose throughout Italy. Terrorism has claimed one victim per day from among Christian Democratic ranks—judges, theoreticians and leading politicians. Carter bought Piccoli, and then unleashed the wolves. And at that very point, at the end of March, the President of the United States personally telephoned Prime Minister designate Cossiga—hampered in his ability to form a government by Andreotti's refusal to compromise—and according to press reports, Carter told him to form a new government with the Socialists immediately, so that Italy would be ready to play the role the U.S. had designed for Italy in a planned new Middle East crisis.

Cossiga obeyed, and the most disgraceful government coalition of the post-war period came into being.

### **The government itself**

It is useful to recall that Cossiga, the man now heading the Italian government, was Interior Minister during the Moro kidnapping. At that time, Cossiga invited British and Israeli secret services to "collaborate" in the antiterrorist operations, even though these services were being widely identified as complicit in the Red Brigades terrorism. Cossiga was in fact forced to resign after Moro's dead body was found for his failure to effectively pursue the terrorists holding his party's president captive.

Cossiga's new foreign minister, Emilio Colombo, belongs to the European aristocratic circles around the

Princess Pallavicini's family and the Hapsburgs, who control the Fanfani wing of the Christian Democracy. Colombo can be counted on to follow every foreign policy directive issued to him from the Carter and Thatcher cabinets; he has already promptly lent support to the discredited "Camp David" Middle East agreement.

Cossiga's new defense secretary, Lelio Lagorio of the Socialist Party, is a creature of American circles in Florence. He is best known for his support for the policy of stationing Pershing missiles on European soil.

Beniamino Andreatta, special minister without portfolio, is "the Henry Reuss of Italy," who can be counted on to implement a harshly anti-European Monetary System policy and domestic deindustrialization and deflation. Andreatta was among the founders of Trento University, from whose Sociology Department, the first Red Brigades terrorists came.

At the Agriculture Ministry is another minister firmly opposed to the EMS, Giovanni Marcora, whose principal function is to sever economic and political ties between Italy and France. All of the ministries controlling the economy are securely in the grip of anti-EMS spokesmen. Republican Party leader Giorgio LaMalfa, son of Ugo LaMalfa, the "theoretician" of Italian austerity, is the budget minister. Franco Reviglio, an independent from the Socialist Party, is finance minister. Christian Democrat Filippo Pandolfi is the treasury minister, Socialist Enrico Manca is the minister for foreign trade. The minister of industry remains Antonio Saglia of Piccoli's faction, and the powerful state industries ministry passes into the hands of Socialist Gianni de Michelis, the man from Padua University who was instrumental in promoting the career of jailed terrorist Tony Negri. De Michelis comes from the aristocratic Venetian circles that provided Negri with his wife Meo.

The powerful porkbarrel called the Cassa per Il Mezzogiorno (development of southern Italy) has been assigned to Nicola Capta, an ally of terrorist-connected Socialist Giacomo Mancini. Scientific research has been given to another Mancini ally, Vincenzo Balzamo, whose party attacks science. Transportation is in the hands of Salvatore Formica of the Socialist Party, and the health ministry has gone to former mayor of Milan Aldo Anasi of the Mancini faction. He is rumored to have been elected to parliament with the support of the notorious Calabrian mafia. While Milan's mayor, Anasi backed legalization of hard drugs; he currently supports a Socialist bill for drug legalization (including controlled distribution of heroin through Italy's hospitals under the health ministry).

Communications belongs to Fanfani colleague Lelio Darida, who now controls national television and radio. Another Fanfanian, Bernardo d'Arezzo, is minister for tourism and entertainment. D'Arezzo recently chaired a

conference on prostitution in Florence, and supported the reopening of closed brothels and the legalization of prostitution.

The few ministries still manned by Christian Democrats sympathetic to Andreotti, the Merchant Marine under Signorello, European Economic Community relations under Scotti and Interior Minister Rognoni, with the exception of the latter, are insignificant in foreign and domestic policymaking. All the key ministries are in the hands of the enemies of Aldo Moro, men who labored during his kidnapping to bring down the Italian republic.

### Where are the Communists?

There can be no doubt that the new Italian government has been shaped as a battering ram against Europe, against the Giscard-Schmidt design for a Euro-Arab dialogue, against the European Monetary System, against international détente. It is a government whose principal spokesmen are all on record against the national interests of the Italian nation-state. They are on record against the elementary norms of morality, against human dignity.

The Socialist Party which occupies one third of all cabinet posts, is publicly identified with the terrorist networks that are shooting down leading citizens daily. In its policy-commitments over recent years, the Socialist Party has consistently defended every evil afflicting Italian society, from drugs to terrorism to pornography. It has demanded deindustrialization and de-schooling. It is such a party that controls a large part of the government's foreign and domestic policymaking.

Where are the Communists, one must ask? What will the second largest party in the nation do to change the situation? How will this most powerfully organized formation in the country intervene to rebuild a programmatic alliance with Andreotti, those forces in the Christian Democracy that demonstrated their willingness to sacrifice short-term political gains for the sake of a principled alliance with the Communists. Surely the Communists are now orienting toward those principled forces.

Tragically, the answer is no. The Communists are acting out their weaknesses almost as if reading a script. Despite the party's enormous membership of 1.7 million, its powerful parliamentary representation and extensive organizational structure, in the current crisis, it is behaving like a dumb giant. Party secretary general Berlinguer is reacting to the Andreotti faction's defeat by trying to appease the enemy, terrified by the implications of a classical Christian Democratic "right turn" engineered by the Fanfani-Piccoli faction. Aghast at the Socialists' readiness to ally with Fanfani's faction, the Communists are not waging a principled battle but are trying to ingratiate themselves with the enemy. Berlinguer is touring Europe in search of every British-allied leader of the

Second International to "prove" to them and to the nasty Americans and their representatives that the Communist Party is "democratic" enough to be given a piece of the government.

Berlinguer is even willing to go to China. He has announced that his party will not participate in the European Communist Party conference on disarmament.

Predictably and lawfully, such unprincipled and opportunistic behavior is provoking the ire not only of the Soviet leadership, which is concerned about the strategic implications of the internal Italian developments, but also of the party's rank and file. The more Berlinguer pursues his appeasement policy toward the Socialists and their friends internationally, the weaker his own position will become within the party.

If Berlinguer loses his hold over the party apparatus, the way will be clear for a worse-than-Piccoli-style takeover of the Communist Party, which would then be prepared to walk into a government coalition of the type Henry Kissinger experimented with in Chile.

Ironically, it is Piccoli himself, the turncoat of the Christian Democracy, who has been advising Berlinguer on what course of action he should pursue. In an interview carried in the daily *Repubblica*, Piccoli applauds Berlinguer's appeasement—but it is not yet enough! The Communists must act as did Luther, Piccoli said, and provoke total schism with the Soviet Union, declaring that the socialist system as such was responsible for Hungary, Czechoslovakia, and Afghanistan. He must engineer an Italian *Bad Godesberg* and renege the very principles that makes the Communist Party a communist party. It must even become a bastion against détente.

This is what Henry Kissinger, Jimmy Carter, and Ambassador Richard Gardner have apparently communicated to Piccoli. That is the option being posed to the Communists, in exchange for a brief, and suicidal term in office as part of a Chile-style coalition.

Yet, the Communists, were they following another policy, have the international connections, including relations with Giscard and Schmidt whose policies they recently endorsed, with forces in the developing nations, and of course, the Comecon nations, to exert powerful influence in Italy on behalf of détente and a development policy. Were its commitment clear, it could easily mobilize the weight of the labor movement, and win vast support from industrial and agricultural sectors, to force a change in domestic and foreign policy. Were it to behave as it did during the period of the Moro kidnapping—with the result that the nation was saved—Andreotti's defeat could prove only temporary.

Otherwise, it is difficult to see how Andreotti, from a minority position, targeted by scandal-mongers and terrorists, can effect an internal shift. The nation is perhaps doomed, and possibly, along with Italy, so is Europe.

# Why the Carter administration is so 'incalculable'

by Criton Zoakos, Contributing Editor

Shortly before Jimmy Carter's State of the Union Message last January, the Soviet government started charging publicly and warning every government throughout the world privately, that the United States government has become unreliable, an "unpredictable ally" and an "incalculable factor" in international affairs. Shortly thereafter, most daily and weekly publications throughout Western Europe, especially those with an established, longstanding pro-American record, started making charges that the Carter administration is incalculable. At a later point Chancellor Helmut Schmidt of the Federal Republic of Germany, meeting with American officials inside the White House, charged to their face that the United States government is "incalculable."

Still later, former undersecretary of state George Ball, upon his return from a political consultation journey abroad, published an article in which he charged that virtually every allied official he met with in Europe and the Middle East informed him with monotonous uniformity that their government considers the Carter administration "incalculable." The British cabinet itself, a paragon of discretion, felt obliged to leak to the press that it has been "horrified" with the Carter administration's public performance since the proclamation of the now notorious "Carter Doctrine."

In short, there exists no government of any type on the face of the earth at this time which has not publicly expressed a genuine feeling of bewilderment at the behavior of the Carter government. Every time any foreign government or foreign intelligence service has attempted to apply ordinary criteria of rational policy making, of rational self interest, of rational, accepted rules of statecraft in their effort to fathom the principles which inform the various actions of the Carter administration, they have thrown up their arms in exasperation and yelled "Damn, it doesn't make sense. These lunatics out there



*Your children? More likely your Congressmen.*

don't know what the hell they are doing."

After repeated such frustrating attempts, intelligence chiefs and foreign ministers informed their chiefs of state that for reasons of national interest, it was now necessary to put out the word publicly that the "Carter administration is incalculable."

Hence the universal public outcry on the subject.

## What goes on in high places

We now suggest that these foreign governments apply a set of criteria other than rationality, in order to analyze the behavior of the Carter administration: the controllers of the Carter administration are a bunch of occult freaks, of the same type as the "Order of the Golden Dawn" which imposed Adolf Hitler on Germany in 1933.

Imagine the Joint Chiefs of Staff holding seances, sensitivity sessions and consciousness raising happenings in order to get in touch with "cosmic energies" and "cosmic consciousness." Imagine them receiving every morning intelligence briefings on the biorhythm and horoscope status of every Soviet politburo member.

Imagine the Office of Technology Assessment and the Pentagon allocating hundreds of millions of dollars for psychic research, extrasensory perception, and UFOs. Imagine the President of the United States reporting that he has in fact sighted UFOs while out fishing. You are not imagining things. These matters are part of the daily routine in Washington.

Imagine the Pentagon issuing a Field Manual to all combat unit commanders down to platoon level giving instructions on how to hold sensitivity training sessions and seances with the troops. Imagine poor raw recruits being driven to hard drugs because they are unable to withstand the homosexual ego stripping sessions. Imag-



ine congressmen gathering by the hundreds at Earlehouse for weeklong retreats and emerging to report with radiant, faraway grins that they have been “transformed into new beings,” “have seen the future,” have experienced the “cosmic presence.” You are not imagining things. These matters are parts of the daily routine in Washington.

### **The Aquarian conspiracy**

They are part of the Aquarian Conspiracy, the most recent occult fad that has gripped the higher echelons of the country’s financial, political and military elite. This is a mass brainwashing operation which has been in preparation for over ten years and was based on work done at the National Training Laboratories, the Stanford Research Institute, Aspen Institute, Tavistock, the Naval Intelligence facilities at San Diego, Columbia University, the Center for the Study of Democratic Institutions, the Center for Advanced Study in Behavioral Sciences, the National Institute of Mental Health, the National Opinion Research Corporation, the Yankelovich polling organization, Gallup polls and others.

Following are the main parameters of the project:

**Objective:** To cause a massive shift in the locus of sense of identity in large masses of the population by exploiting the increasing incidence of psychotic experiences during this period.

This is called “transformation” and once it has captured enough of the population it is supposed to lead to the formation of “global soul” heralded by Teilhard de Chardin.

**Method:** Since most people place a premium on logic and empirical surface reality, the purpose of the Aquarian Conspiracy is to create “entry points” from which these ordinary folk can peer into the domain of the transcendental. The domain of “ultimate reality” where cosmic energies, the power of the mind included, shape the ultimate destinies of the universe, which, after all, is but a hologram.

**Procedure:** There are four stages to “transformation”: first is the entry point, which is the most critical.

*Entry point* is the very first empirical evidence of the transcendental cosmic energy, the first psychotic episode. This can be willfully attained by the following available means or psychotechnics:

- (1) sensory deprivation; (2) sensory overload; (3) biofeedback; (4) autogenic training; (5) music, chanting; (6) psychodrama; (7) consciousness raising; (8) self-help, mutual-help, i.e. Alcoholics Anonymous; (9) hypnosis and self-hypnosis; (10) all types of meditation, Zen, Tibetan, Chaotic, Transcendental, Chris-

tian, Kabbalist, Raja Yoga, Tantric Yoga; (11) Sufism, dervish dances, Shamanic and magical techniques; (12) est, Silva mind control, self actualization; (13) dream interpretation; (14) Arica, theosophy, Gurdjiffian systems; (15) primal therapy and cognates; (16) faith healing; (17) courses in miracles (Roman Catholic practice); (18) body exercises—yoga, karate, jogging, etc.; (19) encounter groups; (20) sports, wilderness retreats, mountain climbing and such contacts with nature as promote self-discovery and sense of timelessness.

*Phase two after entry point:* exploration.

*Phase Three:* integration.

*Phase Four:* Joining the Aquarian Conspiracy.

**Institutions:** The Aquarian Conspiracy claims that its objectives and methods were shaped during the 20th century by the following individuals: William James, Jan Christian Smuts, Pierre Teilhard de Chardin, Aldous Huxley, H.G. Wells, Arnold Toynbee, Carl Jung, Erich Fromm, Alfred North Whitehead, Ilya Prigogine, Nikos Kazantzakis, Eugen Wigner, Linus Pauling, Jonas Salk, Kurt Lewin, Marshall McLuhan, Rene Dubos, and others.

Many members of the present cabinet were tracked and culled into this project including the President, the Secretary of State, and the National Security Advisor, among others. Over 150 congressmen have already been brainwashed by this project and they have even established an official congressional committee to maintain the project, called Congressional Clearinghouse on the Future.

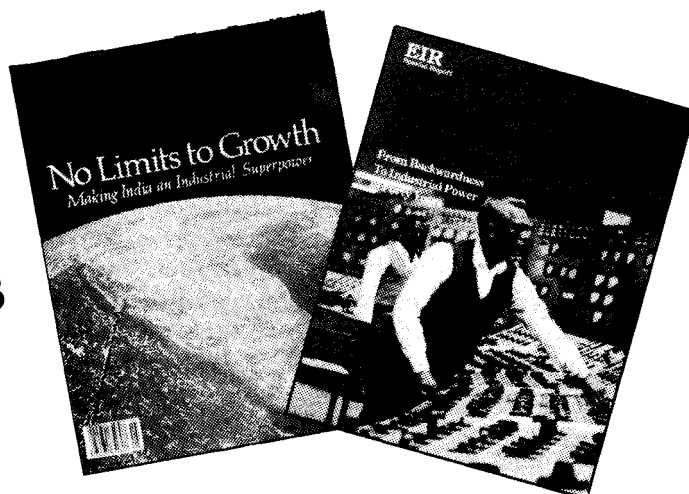
There is the example of the two congressional gentlemen, Senator Proxmire and Representative Reuss, who have done most damage to the U.S. economy from their chairs at the head of the Senate and House of Representatives’ respective banking committees. It is reliably reported that Mr. Reuss regularly practices meditation; and that Mr. Proxmire, before vain resort to more conventional devices, attempted to grow his hair back through mental power.

This is the reason why the American government is seen as “incalculable” by every other government. Day to day policy making in Washington is based, just as in Hitler’s Germany, on horoscope consultations and biorhythm readings rather than any other more traditional instruments of policy making. Certain of these characters even believe that this magazine and its political associates are in fact strange personages who originally visited the planet earth from Sirius and launched a secret society in Lemuria.

If the reader does not know where Lemuria is, he should telephone Hamilton Jordan at the White House. He is a frequent visitor to that place.

# EIR-FEF India conference draws world attention

by Daniel Sneider



*EIR* and the Fusion Energy Foundation have finalized preparations for an international conference on "The Industrial Development of India—Its Potential, Its Necessity," in Frankfurt, West Germany May 5-6.

The conference program featuring speakers from top political, scientific, and industrial layers in both India and Western Europe, is focused around a new 40-year development program for India, the combined effort of economic experts, scientists, engineers and political analysts from the *EIR*, FEF, and India itself. The FEF-*EIR* team developed the Indian program utilizing the computerized Riemannian Model, a breakthrough in economic science. The model was designed by the noted economist Mr. Lyndon LaRouche who also supervised its computer application. That application will also be a major topic of discussion at the conference.

The significance attached to the conference in India and Europe is indicated by the fact that the mayor of Frankfurt will hold a special reception for conference participants. The conference's opening session, "The Significance of the Industrialization of India in the Framework of a Global Development Policy," will begin with a welcoming address by the Embassy of India and the reading of a message of greeting from India's Prime Minister, Mrs. Indira Gandhi.

In addition to the two-day meeting in Germany, seminars on the India program will be held in Milan, Italy at the site of the major industrial fair being held there, on April 23; in Washington D.C., on April 23; and in Paris, France on April 29. The Frankfurt conference is expected to provoke broad-ranging discussion on an international scale of the core issues of development policy and technology transfer, not only for India but for the entire developing sector.

The same *EIR*-FEF team is currently working on a development program for Mexico, applying the Rie-

mannian model in collaboration with the Mexican Association for Fusion Energy.

## The impact of the program in India

The India program has already had significant impact on India itself where it has been presented by the Committee for Democratic Action, a nonpartisan association of Indian political and scientific leaders, including Ganesh Shukla of the weekly newspaper *New Wave*, and Mr. K.R. Ganesh, former minister of state for finance and for petroleum and chemicals in the previous Gandhi government.

The attention being given to the ideas and proposals of the program, which argues strongly for a technology intensive high-growth policy for India, is reflected in a significant article in the widely circulated, respected Asian economic weekly, *Far Eastern Economic Review*. In its March 28 issue the *Review* covers the program and the influence of its ideas in an article entitled "Land of Plenty in 2020?" by correspondent Ho Kwon Ping.

Mr. Ho reports in detail the major features of the program and cites sources in India on the impact the program may have on the current economic policies of the Gandhi government and the new Five-Year Plan. Says Ho: "Though its projections are long term, its basic thrust may well be included in the new plan as sources say the new Planning Commission may include Committee for Democratic Action members or supporters."

The *Review* article also notes the political thrust of the program, its opposition to the deindustrialization policies of the World Bank and International Monetary Fund, and its call for economic alliance with West Europe, the Arabs, and the Soviet Union. Ho comments: "To finance the ambitious industrial program, India

# The Industrial Development of India — Its Potential, Its Necessity

May 5-6, 1980

Frankfurt am Main

Haus Palmengarten, Palmengartenstraße

## MAY 5

*Morning Reception at the invitation of the Mayor of Frankfurt*

### Session I

#### *Indian Industrialization & Global Development*

**Speakers:** *The Embassy of India, Bonn; Hans Bandmann, European Director, FEF; Michael Liebig, European Research Director, EIR; Ganesh Shukla, Publisher, New Wave, New Delhi.*

### Session II

#### *A Blueprint for the Industrialization of India*

**Speakers:** *Chairman, Mark Tritsch, EIR; Uwe Parpart, Director of Research, FEF (New York); Daniel Sneider, Editor-in-Chief, EIR; K. Raghunath Reddy, Member of Parliament, former Indian Union Minister for Labor, specialist, Indian Corporate Affairs, former Minister of State for Industrial Development; K.D. Malaviya, former Indian Union Minister for Petroleum and Chemicals, founder, Indian Oil and Natural Gas Commission, Editor, Future India; Dr. Ranadev Banerji, Economist, GATT, Geneva.*

## MAY 6

### Session III

#### *The future of Indian-European cooperation: large scale industrial projects*

**Speakers:** *Chairman, Laurent Murawiec, EIR; Vinod K. Khanna, Resident Director, Indian Investment Centre, Düsseldorf; Tata Industries, executive board member; Dr. Thomas Geer, Chief Economist, Fried. Krupp GmbH; Federation of Indian Chambers of Commerce and Industry, a representative; Dr. Schmolzer or a representative, Voest Alpine AG, Austria.*

### Session IV

#### *Nuplexes: Seed-crystals for India's industrialization*

**Speakers:** *Chairman, Ralf Schauerhammer, FEF; Prof. Dr. Gottfried Kneuper, Generalbevollmächtigter, Saarberg-Interplan; Dipl.-Ing. Hubert Shafer, Department Chief, Mining Consulting, Saarberg-Interplan, Saarbrücken; Prof. Dr. W. Seifritz, Eidgenössisches Institut für Reaktorforschung, Würenlingen, Switzerland; Dr. R. Chawla, Eidgenössisches Institut für Reaktorforschung, Würenlingen, Switzerland; Prof. Dr. S. Biswas, University of Calcutta.*

### Panel

#### *Development based on technology-transfer in the 1980s*

**Panelists:** *Chairman, Anno Hellenbroich, EIR; Dr. Bernd J. Stecher, Institut für Weltwirtschaft; R.K. Mishra, Editor-in-Chief, The Patriot; Dr. Robert Zinser, Director, BASF Ludwigshafen; Ganesh Shukla; Uwe Parpart.*

**Conference fee:** DM 400

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would depend on external capital—but not from the World Bank, IMF or from the U.N., which is seen to be controlled by the 'London-Washington-Peking axis'."

Among those scheduled to participate in the conference, are Dr. Uwe Parpart, director of the FEF in the United States; Mr. Daniel Sneider, editor in chief of the *EIR*; K. Raghunath Reddy, a member of the Indian parliament, former minister of labor, and former minister of state for industrial development and company law affairs; Freddy Metha, a member of the Executive Board, Tata Industries and former president of the Indo-Ger-

man Chamber of Commerce; Dr. Thomas Geer, chief economist, Krupp GmbH; Prof. Dr. Gottfried Kneuper and Dipl.-Ing. Hubert Schafer, experts on coal mining and related technology for one of Germany's largest coal producers, Saarberg-Interplan; and Prof. Dr. W. Seifritz, a leading physicist from the Eidgenössisches Institut für Reaktor-forschung in Switzerland and an expert on the development of the high temperature gas-cooled reactor.

Among the countries represented at the conference will be the United States, West Germany, India, Switzerland, Austria, and Mexico.

# Pentagon claims development of 'miracle weapon'

by Susan Welsh

The Pentagon's director of research, William J. Perry, has announced that the United States is developing a new antitank weapon which will he boasts, "change the face of battle" by the beginning of the next decade.

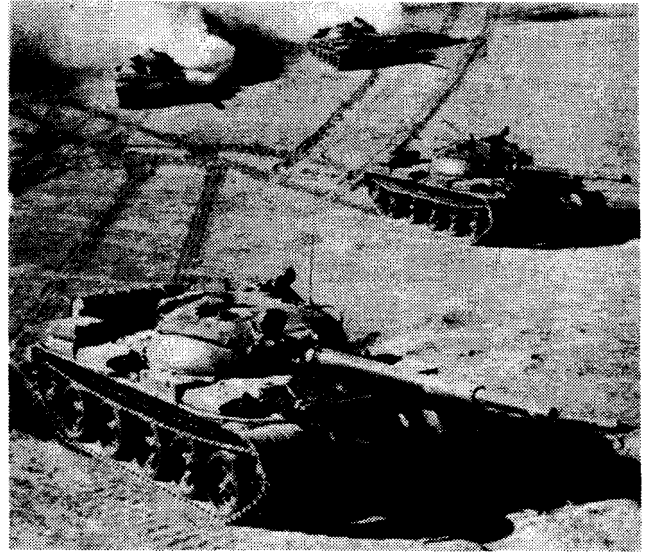
The new weapon will neutralize the Soviet Union's overwhelming superiority in armor along the NATO front, Perry said in an interview to *The Washington Post* March 22. "They take the tank off its pedestal. They probably won't be the queen of the battlefield; just one more weapon." Perry then predicted that the impact of the new weapons would be as great as that of the airplane and radar during World War II.

Termed the millimeter wave detection system, the new weapons are expected to be deployed by the late 1980s. They will use a tiny antenna in the nose of a missile, bomb or shell to detect the metal of a nearby tank by means of radio waves. The antenna is linked to a small computer the size of a cigarette pack, which guides the projectile toward the metal target.

Perry claimed that with the new system, an infantryman can stand a mile from the tank and not worry about his aim. "He just has to aim it in the direction of the tank or cloud of smoke surrounding it." Currently deployed antitank weapons operate at such short distances that extraordinary bravery on the part of the infantryman is required, in addition to conditions of visibility which the battlefield often does not provide. Other "smart" weapons like heat-seekers and laser beams are ineffective in the rain, at night, and other adverse conditions.

## A real bargain

The most telling claim the Defense Department is making for these new weapons, however, is in the realm of "cost-effectiveness." The total cost of a tank in NATO



*Soviet tanks in the Central European theater.*

countries is nearly \$1 million, all things considered, whereas a hand-held or jeep-mounted guided missile is much cheaper. Perry reported that the Pentagon may ultimately decide to buy fewer of the new heavy XM-1 main battle tanks just put into production, shifting its tank procurement allocations toward lighter, cheaper, and more maneuverable tanks that are easier to transport by air to far-flung corners of the world.

Therein lies the secret behind the Pentagon's latest "miracle weapon" announcement. The Carter administration has committed itself politically to a "rapid deployment" strike-force policy for the "projection of U.S. power" globally: in the Mideast, Africa, Southeast Asia, Latin America. Under the policy of economic collapse the administration has willfully adopted via Federal Reserve Chairman Paul Volcker's starvation of credit to industry, the United States *cannot afford* to build a rapid deployment force and at the same time restore a war-fighting capability in depth vis-à-vis the Warsaw Pact.

Consequently, a public-relations campaign has been launched to persuade the American public that in-depth war-fighting capability is not necessary.

## Why it won't work

The millimeter wave detection system will not work under the only conditions that count: full-scale thermonuclear war with the Warsaw Pact. Soviet military publications state frankly that the best way of dealing with the enemy's antitank weapons is full nuclear bombardment of enemy territory, paving the way for a *subsequent* tank assault. For example *Strategic Review* magazine published in its winter 1980 issue selections from a 1978 Soviet pamphlet dealing with this question. In one article, "Overcoming Anti-Tank Defense," Col. A.V. Ton-

kikh writes: "The mass use on the battlefield of antitank combat naturally also requires their mass destruction. Nuclear weapons most fully meet this requirement. They possess the greatest force of physical and moral-psychological impact and thus exert a decisive influence on the offensive. The use of nuclear weapons almost instantaneously inflicts great losses on the opponent's personnel and equipment, causes the destruction, paralysis and putting out of action of entire subunits, units and even formations, the destruction of buildings and other targets and points of resistance. Thanks to them, troops can conduct an offensive with great speed and achieve assigned goals in a short time.

"The most important characteristic of nuclear weapons, which exerts a decisive influence on the offensive, is that they are able to destroy the opponent over a large area....

"As a result of the skillful use of nuclear weapons in combination with other means of destruction, the attacking side gains in a short time the potential to change sharply the correlation of forces in its favor, to impose its will upon the defending troops, and to complete successfully their destruction by swift strikes by tank and motorized rifle units and formations. Thus, in overcoming the opponent's antitank defense, nuclear weapons will prove of decisive significance...."

Under these conditions, Perry's infantryman in his jeep or out of it would be fried to a crisp.

The nuclear bombardment sets up a plasma environment which "blacks out" the electromagnetic waves upon which these "smart weapons" rely. Furthermore, the Soviets have developed a 100 gigahertz gyrotron, a jamming device that generates electromagnetic waves capable of overpowering U.S. detection systems, according to Charles Stevens, fusion research director of the Fusion Energy Foundation.

General John Singlaub believes that the new detection system might "cut down on the threat from tanks in relatively small numbers." They would be useless against a massed tank attack, however—the only scenario Soviet military planners consider for a war in Europe.

In testimony to Congress last year, Perry himself admitted that existing U.S. TOW antitank missiles are incapable of penetrating Soviet T-64 and T-72 tanks. The Soviet tanks are equipped with a new form of armor which is highly resistant to antitank weapons, and the U.S.S.R.'s new tank in production, the T-80, is expected to have even better armor. Defense analysts expect that even improved versions of the TOW and Dragon antitank systems will be incapable of stopping the T-80, reported Drew Middleton in *The New York Times*, March 16. Given this rapid rate of Soviet technological advance, there is no reason to think that Soviet military planners are losing any sleep over Perry's latest forecasts.

## Patton against the 'anti-tank conspiracy'

Since Congress outlawed the nation's infant Tank Corps in 1920, and total budget appropriations for tanks were reduced to \$500, this nation has witnessed a fierce battle between the defenders and opponents of the tank.

On the eve of America's entry into World War II, this battle was still raging. General George S. Patton, Jr. led the fight against a powerful group in the War Department which insisted that the tank would become obsolete as soon as adequate counterweapons could be devised.

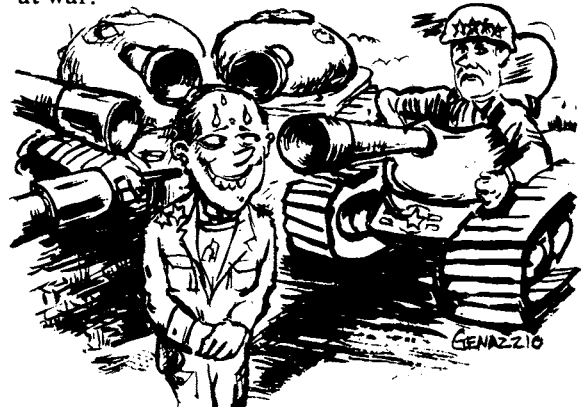
Patton's biographer describes how the crisis came to a head during army maneuvers in the summer and fall of 1941, while victorious German tank armies were barreling across Europe and the Soviet Union.

"A conspiracy was developing in the War Department to take the wind out of the sails of the 'armor boys' and once and for all discredit the tank as a panacea. It was no longer a secret in the inner circles of the Army that the big maneuvers ... were being deliberately rigged against armor.

"This was the cue for Patton! As soon as he learned of the conspiracy through the grapevine, he took his division through special exercises in a remote part of the Fort Benning reservation to prepare it secretly for a 'mission,' on the success of which, he ardently believed, depended the survival of armor in the Army." (Ladislas Farago, *Patton: Ordeal and Triumph*, New York, 1963.)

In the exercise, Patton's 2nd Armored Division encircled the "enemy" forces, breaking through the antitank defenses, and on Nov. 16, 1941, captured Lt. Gen. H. A. Drum, one of the leaders of the antitank conspiracy.

Less than a month later, the United States was at war.



## **'A most inopportune visit'**

*His predecessor at the Department of Energy was never allowed to set foot in Mexico. After Mr. Duncan's visit, he, too, may be asked to stay away from now on...*

**T**he visit of U.S. Energy Secretary Duncan here early last this week was of interest in more ways than one. It came just two weeks after President Lopez Portillo announced a 10 percent increase in oil production. It is also a time when the U.S. is more and more writing off the Mideast—and eyeing the oil on its southern border.

Finally, it is the first time a U.S. Energy Secretary has been able to set foot on Mexican soil.

The first head of the department, James Schlesinger, was such a hated figure in Mexico for his sabotage of gas sales that he never dared appear in person, and his name was quietly dropped from the list of officials accompanying Carter in his visit here a year ago.

How much difference did the change in faces make?

Not much, according to knowledgeable circles. One Mexican official informed us that Duncan departed from Mexico "in a rage" because he left empty-handed, and made a fool of himself at a final press conference. He had nothing to say about his visit except a statement prepared in Washington ahead of time.

The official concluded, "It was a most inopportune visit."

The warning signals were up starting with a special DOE news release March 28, four days before the Secretary's arrival. The release accepted Mexico's new gas price of \$4.47 per metric cubic foot equal

to Canada's current price. But then the release stressed a series of key-and-code phrases which conjured up the worst of the Schlesinger days: the new price increase was only "temporary," pending "establishment of a more permanent pricing relationship" and "new discussions...to ensure a stable and equitable natural gas trade."

What this meant to the Mexicans was that faces had changed, but policy had not; the pressure remained to force Mexico back from its pricing policy. That policy turns on contracts which allow frequent revisions to keep prices equal or higher than prevailing world prices, short duration of contracts, and little lead-time notification before termination.

A "permanent pricing relationship" was not among the phrases Duncan used to describe what had been agreed to, as he emerged from his half hour meeting with the President. Just how clearly drawn the Mexican approach is on this and related issues came directly from the Mexican President as he wound up a tour of Baja California over the weekend. Lopez Portillo declared that "Mexico is no one's looting ground," but "rather a supplier which sells on the basis of its own development interests." He stressed that the primary focus of his talk with Duncan was the Mexican U.N. world energy proposal, which calls for cooperative approaches to solving

energy scarcity and condemns efforts toward "partial solutions" which favor only those nations with the force to make their own policies prevail.

The implicit slap at the U.S., with its elaborate build-up of special mobile forces more easily deployed to Mexico than anywhere else, was not lost on Duncan. The topic came up when he faced the Mexican press.

Although Duncan returned energy-less to Washington, he nonetheless fulfilled at least one of his objectives: to send a barely-veiled message to Europe and to Japan that the Carter government considers Mexico and its oil "in a special relationship with the United States." Duncan's deployment served as a warning to these other governments that they will only be permitted to negotiate with Mexico within the limits imposed by Washington. By obstinately demanding long-term price and contract conditions, knowing Mexico would say no, Duncan was telling France, West Germany and Japan: "pay no attention to Mexico's squawks. We view it as our preserve."

While taking Duncan's visit itself in stride, Mexican officials were looking over their shoulders at the deterioration of the Middle East. They know that further blow-up there will bring U.S. pressure down on them even more strongly than now. No nice phrases in Duncan's carefully-prepared press statements about "total support for Mexico's policy of self-determination" in oil policy can hide this fact. As a local columnist stressed this week, the U.S. arms spending pickup "brings us bad omens."

## **The Soviets' ambitious nuclear program**

*A recent speech by Soviet Academician Velikhov described the Soviets' aggressive nuclear research and the proposal to make fusion development an international effort.*

**F**usion is in a very special and suitable position for international cooperation. The technology of magnetic confinement fusion has no military applications, and as yet no commercial connections, thus providing an opportunity for international cooperation. In 10 to 15 years that possibility will be lost. Once we reach the stage of commercial demonstration, we will have a situation much less suitable for international cooperation. I think that with INTOR there is a great possibility to have a very important experience of international cooperation."

This is how Soviet Academician E.P. Velikhov, the leader of the U.S.S.R.'s nuclear energy development program, described to a meeting of the Swedish Academy of Engineering Sciences his proposal for broadened international cooperation in magnetic confinement fusion power research. That proposal, put forward by Velikhov in 1978, has been partly realized in the creation of the INTOR project in which the Soviet Union, the United States, Japan and the European Community nations have been participating for the past year under the auspices of the International Atomic Energy Agency.

Velikhov reported on INTOR's progress: Several hundred fusion scientists from all over the world have been at work for the past year outlining the nature of the technological problems to be overcome

on the road of achieving a demonstration commercial reactor by the mid-1990s. That accomplished, the INTOR team will now undertake discussion on the conceptual design of a tokamak device to be constructed.

"I think it represents a very great leap, not only for fusion but for international science generally," said Velikhov.

The Soviet academician was the featured speaker at the March 10 meeting of engineers in Stockholm. His audience, of mainly Swedish nuclear researchers and scientists was highly impressed by the depth and scope of the Soviet research effort Velikhov described.

"We estimate that after the INTOR project achieves the technological demonstration of fusion-power, we will take the next step in the form of (fission-fusion) hybrid systems, which produce not only heat and electricity, but also fissionable material.

"This is guided by our policy in the U.S.S.R. that nuclear power must be developed by all the means available, and not only for the production of electricity, but also for the production of heat. Small nuclear reactors will produce heat for (the Soviet Union's) outlying regions, and standard breeder reactors are inadequate to supply them with fuel. We therefore need an additional source of fissionable material, and hybrid systems provide a very good source."

Velikhov then went on to outline the Soviet Union's program for achieving the commercial introduction of revolutionizing fusion technologies before the year 2000—a program which is a far cry from the Carter administration's counterproductive classification and cost-effectiveness policies. The second generation of fusion reactors fueled by the reaction of two molecules of the hydrogen isotope deuterium will make "energy available in unlimited amounts for all nations." The introduction of fusion technologies on a wide scale will transform international relations, Velikhov hinted, noting that "with fusion, we will not have the problems faced today with oil."

The Soviet program is pursuing several lines of approach in both magnetic confinement tokamak, mirror and stellerator machine and laser, electron and other particle beam devices (inertial). But the U.S.S.R. is particularly determined to "go all the way" to a demonstration commercial tokamak fusion reactor by the mid-1990s. The Soviet Union is following two lines of development for the tokamak program, Velikhov elaborated. It is scaling up its machines in order to approach conditions in commercial reactors. It is also building smaller machines with relatively strong magnetic fields.

The Soviets are developing two methods for auxiliary heating for the fusion plasma to ignition temperatures of over 50 million degrees Kelvin: neutral particle beam technology that has been in existence for several years, and the new microwave generator that is just going into application in the U.S.S.R. program.



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# International Intelligence

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## EUROPE

### *Allies reject Carter's Iran boycott*

The Carter administration's call for a trade embargo of Iran and the recall of the allies' ambassadors has brought a muted response and in some cases, outright rejection from the countries the U.S. is counting on: its European allies and Japan. The Foreign Ministers of the nine European Economic Community countries met in Lisbon April 10, and announced that they will not support economic or other sanctions, but will simply "request the Iranian government to release the hostages."

Bonn government spokesman Armin Grünwald stressed April 9 that a recall of the West German ambassador from Teheran "is not under discussion at present." A spokesman from the West German Defense Ministry added that there are still 155 Iranian military trainees in Bonn, and that "no decision has been taken" to repeat the U.S. action in expelling them.

French government officials told the *Christian Science Monitor* that France will "tread cautiously" before committing itself to anything. France maintains close ties with the Iranian government and regards itself as a likely mediator to help solve the crisis.

Even Great Britain is reluctant to support the Carter administration's extreme moves, for fear of jeopardizing the City of London's role as an international financial center, where Iranian petrodollars and those of other oil-producing countries have been invested.

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### *New Italian government toes Carter line*

The Italian firm Olivetti is presently preparing a report on "how Italy will perform in case of an oil blockade,"

according to two reliable sources. Italy is gearing up for an explosion of the Middle East. Despite State Department denials, one Italian paper reported last week that Jimmy Carter had telephoned then-acting Prime Minister Cossiga, urging him to put together an Italian government as rapidly as possible in order to back up the U.S. in the event of a blowup in the Middle East.

An April 4 article in *Corriere della Sera* by Luigi Barzani, who was educated in England and worked for the *London Times*, warns that Western Europe must make a major effort to rearm militarily, to become self-reliant against "Soviet aggression." "There is no time to lose," he urged. "Only a serious rearmament effort, which unfortunately will mean a fall in living standards, can prevent Europe from being reduced to the status of Ancient Greece under the Romans.-a-a..."

The *London Financial Times* of April 8 further notes the shift that has taken place in Italy with the new government, noting that although Cossiga may not last long, it is just what is needed to support Britain's claims against France inside the European Economic Community. "Italy could prove a useful ally for Britain in the future," it notes with satisfaction.

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## U.S.S.R.

### *Soviet fast-breeder reactor goes on line*

The Soviet press agency TASS on April 8 announced that the world's biggest nuclear breeder reactor has already gone into operation at the Beloyarsky power station in the Ural mountains.

The new reactor, with an electrical capacity of 600 megawatts, produces more nuclear fuel than it consumes. This, together with two, conventional boiling-water reactors, raises the installed capacity of the Beloyarsky station to 900 MW.

The new breeder unit is the second commercial reactor of this type to go into operation in the Soviet Union. The first, the 350-megawatt breeder at Shevchenko on the northeast shore of the Caspian Sea, is a dual purpose reactor, used both for electricity generation and desalinization of water.

The Soviet Union's aggressive nuclear program includes the "Atomash" project, which in the near future will mass-produce 1,000 MW nuclear units at Volgodonsk, on the Don River.

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### *Soviets say Carter is "brandishing a torch near a powder keg"*

The Soviet press responded harshly to President Carter's decision to break diplomatic relations with Iran and institute new economic sanctions.

The United States is "brandishing a torch near a powder keg," commented *Pravda* April 10, and is trying to force Western Europe and Japan to go along with its measures. *Radio Moscow* reported that a bill has been introduced in the Congress which would enable the U.S. President to punish countries which refuse to go along with U.S. foreign policy measures.

The Soviet news agency Tass declared that Washington is only seeking a pretext to heighten tension in the region, and "they must be ready to see this policy turn against themselves." Tass quoted Soviet President Leonid Brezhnev: the U.S.S.R. cannot tolerate a foreign military intervention in Iran, on its own borders.

Another Tass statement accused the United States of purposefully inviting the Shah of Iran to the U.S. in order to provoke actions that would aggravate U.S.-Iranian relations.

West German Radio April 10 quoted an Iraqi newspaper, also charging the United States with manipulating the Iran crisis to further the destabilization of the entire region.

## Briefly

### MIDDLE EAST

#### *Sadat offers U.S. facilities for attack on Persian Gulf*

Egypt's President Anwar Sadat yesterday offered the use of Egyptian facilities for the U.S. military in case the United States sought to send forces into Iran and the Persian Gulf. Sadat said that the Arab Gulf states "are shaking," and that they need reinforcement from a tougher United States.

On April 5, just before the Sadat visit to Washington, General Lew Allen, commander of the U.S. Air Force, concluded a four-day visit to Egypt where he toured Egyptian facilities before going on to Saudi Arabia. During his visit, Gen. Allen was hosted by his Egyptian counterpart, General M. S. Abdel Moneim. But on April 6, one day after Allen's departure, Gen. Moneim died "of a heart attack," according to Egyptian accounts.

Joseph Kraft, writing in the *Washington Post*, reported that the Egyptian air force recently attempted a coup d'etat that was "narrowly averted." The reported action followed a clash said to have taken place between Egyptian and Ethiopian jets over Sudan, in which Egypt was badly defeated.

### ASIA

#### *Diplomacy seeks Afghan-Pakistan talks*

The Indian capital of New Delhi was crowded with visitors recently, including the simultaneous presence of Cuban Foreign Minister Malmierca, Vietnamese Prime Minister Pham Van Dong,

and Soviet Deputy Foreign Minister Firyubin. On the agenda of all three was Afghanistan and Cuban-led efforts to set up talks between Afghanistan and Pakistan to seek a solution to the present crisis. Malmierca was on his second trip to the region in the past two weeks. The first round took him to Moscow, Kabul, and Islamabad. The second to Kabul and New Delhi, where he met for an hour with Mrs. Gandhi and delivered a letter from Castro to the Indian prime minister.

Right after his departure, Indian special envoy Swaran Singh took off for Islamabad, arriving there April 10. Firyubin's stop was unscheduled, coming at the end of a long swing by the Soviets' top Asian trouble shooter, through Southeast Asia, including the Philippines, Thailand, Malaysia and Burma.

Clearly, the Soviet Union is seeking some forum to put Pakistan on the spot and force the Zia regime into negotiations. The pressure on Zia is intense, coming from inside as well as outside the country, with the Soviets hinting that trouble could come to the border with Afghanistan if aid to Afghan rebels is not halted soon.

#### *Zia regime releases Mrs. Bhutto*

Begum Bhutto, the wife of the late, murdered Pakistani premier, Zulfikar Ali Bhutto, was ordered released from "house arrest" by the government of General Ziaul Haq, who overthrew her husband in a military coup two years ago, and subsequently had him hanged despite broad international protests.

Pakistani sources say the lifting of the detention of Mrs. Bhutto was done not out of kindness, but came the night before a Sind court was due to order her release on an appeal she had filed with her daughter, Benezir, also under arrest.

Pakistani officials reportedly feared mass demonstrations at the courthouse where the two Bhuttos were to appear to hear the judgment.

● **CHANCELLOR SCHMIDT** of West Germany said in an interview with the newspaper *Muencher Merkur* April 5 that the western alliance must find a way to guarantee that Afghanistan will not be used as a launching point for attacks against the Soviet Union. Only this would make a Soviet troop withdrawal possible, he said. The interview was reported by *Radio Moscow*.

● **SYRIAN AND ISRAELI** jets clashed over the territory of southern Lebanon April 10 after an Israeli invasion of parts of Lebanon's south. The new fighting began after a Palestinian terrorist raid, which according to French sources may have been launched by the Israeli intelligence service as a pretext for action. The Israeli military have also stepped up troop deployments into the so-called bufer zone area just across the Lebanese border with Israel. As well, Israeli fighters bombed the southern Lebanese town of Tyre in retaliation for the terrorist raid.

New fighting was also reported in the northern Syrian towns of Aleppo and Hama where the Muslim Brotherhood secret society has been active in terrorist attacks on Syrian officials. Syria has accused Israel and the CIA of sponsoring the attacks.

● **PRANAB MUKERJEE**, India's Commerce Minister, visited Paris this past week. The visit is a followup to the visit of French President Giscard d'Estaing to India this past January. On the agenda are a wide spectrum of economic deals which were left to be worked out by such follow-up consultations.

## U.S. losing \$600 billion on the Middle East market

by Judith Wyer

Since 1973, the American construction industry has been systematically legislated out of its number one position in worldwide construction contracts by the U.S. government. The rate of decline over the last five years in foreign construction, notably the thriving Middle East markets, has been staggering.

Like every other industrial sector in the United States, construction operating both at home and abroad has been tied into a straightjacket of government regulations, credit restrictions, taxes and environmental constraints, the result of years of cumulative government disincentives.

By mid-1979, according to the U.S. Army Corps of Engineers, the United States had slipped to 12th place in the race to win new construction contracts with the Middle East over the 13 month period up to the summer of 1979. Over the last three years, the U.S. construction industry dropped from first to fifth behind Japan, Korea, West Germany and Italy in terms of new construction contracts awarded abroad. In 1975, the U.S. commanded 10 percent of the Saudi Arabian construction market; today, the U.S. percentage is 3 percent. In 1960, the American share of total world trade was 20 percent, today it is only 13 percent. According to construction industry sources, since the 1950s, U.S. exports of manufactured goods have dropped by almost 30 percent. *Engineering News Record*, reports that the top 400 construction companies, registered \$4 billion in business in the Middle East for 1978, 61 percent less than 1977. The

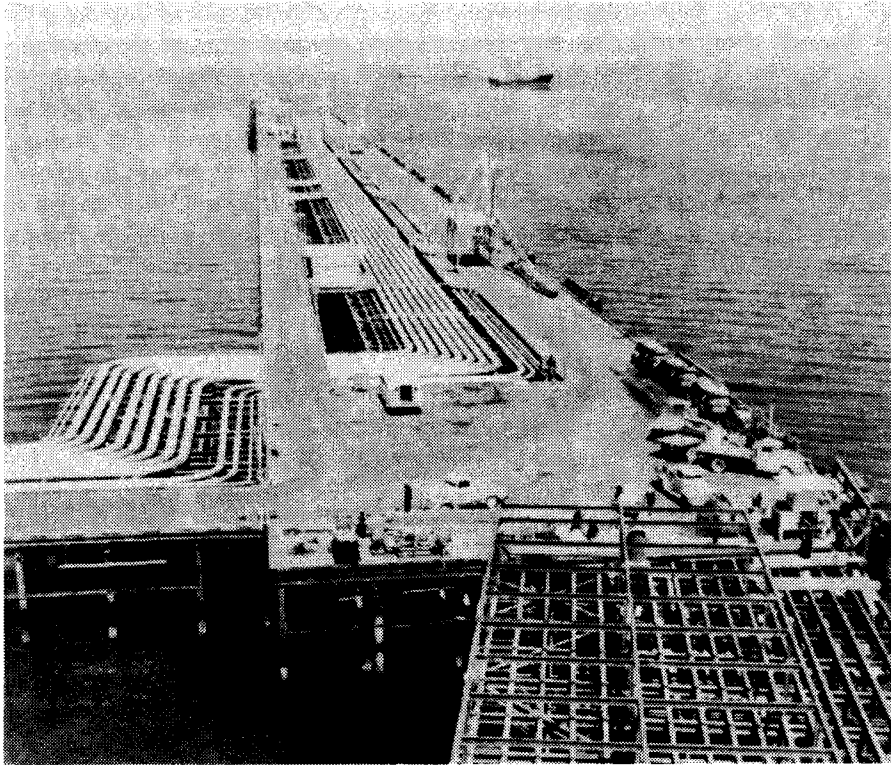
same source reports that 25 U.S. construction firms reported new business in the Middle East last year, while in 1977, 70 companies reported new contracts. Even the Saudi-controlled Arabian-American Oil Company is currently buying most of its construction equipment from Japan.

On top of the ever-increasing government constraints which are hamstringing foreign-oriented American business, is the foreign policy of the Carter administration, which most construction executives will admit in confidence is further complicating the United States market position abroad. Nowhere is this more evident than in the Middle East. It is not coincidental that the fall off of business between the surplus Arab oil-producing nations of the Persian Gulf and the United States occurred at the same time as the bilateral Egypt-Israel Camp David peace agreement, an agreement which was summarily condemned by the Arab Gulf states.

### Antitrade policy

While any construction company executive can spend hours detailing the damage done to his business as a result of policies from Washington, what that angry executive cannot explain is why the American government has embarked on such a course.

Since at least as early as 1973, a close-knit financial oligarchy centered in the City of London and lower Manhattan have been operating on a strategic policy elaborated by the New York Council of Foreign Rela-



**Construction contracts  
awarded by Saudi Arabia,  
January-March 1980**  
(in millions of dollars)

Country	Value of contract
Korea .....	\$33.1
Korea .....	17.7
Korea .....	9.0
Taiwan .....	12.6
United Kingdom/ Saudi Arabia.....	33.2
Saudi Arabia*.....	3.1
Saudi Arabia.....	7.4
United States.....	6.7
<b>TOTAL .....</b>	<b>112.8</b>

\* Contracts awarded to Saudi Arabian domestic firms.  
Source: The Army Corps of Engineers.

*The oil-loading and cargo-unloading pier at Mena Al-Ahmadi in Kuwait during its construction (1949).*

tions in a series of studies entitled *Project 1980s*. That policy calls for the “controlled disintegration” of the world economy over the course of this decade. Under conditions of contrived and sustained depression, the Anglo-American elites associated with the CFR aim to consolidate top-down control over the U.S. economy.

This consolidation will have a two-fold impact. First, it will usher in a major restructuring of the U.S. government and economy giving the Federal Reserve control over U.S. banking and credit availability—the degree of such government control has not been seen since the days of Hitler’s Finance Minister Hjalmar Schacht during the Great Depression of the 1930s. Second, there will be a corporate consolidation in which numerous business interests will be bankrupted and then integrated into corporate structures of Anglo-American controlled multinational corporations.

The recent legislation by Wisconsin congressmen Reuss and Proxmire dubbed the Omnibus Banking Act would give the Federal Reserve such unprecedented powers over national banking. It is no coincidence that Reuss along with Senators John Heinz (R-Pa.) and Birch Bayh (D-Ind.) together with Georgetown University’s Center for Strategic and International Studies are preparing a legislative effort to impose many of the same restrictions now hampering U.S. export-oriented business on the nation’s most aggressive competitors in Third World development markets, notably the nations of continental Europe, Japan, and South Korea.

Reuss, Proxmire and their cohorts in the Congress are acting as the delivery boys for the Council on Foreign Relations and its post-1973 offshot the Trilateral Commission whose plan is to create over the course of the next decade a single governing body for the world for which the multinational companies will be the economic arbiters. In order for such a scheme to work, the Anglo-American oligarchy behind it is committed to breaking the strong progrowth dirigist governments of our major allies, just as the progrowth interests in the United States have been contained.

**A \$600 billion trade war**

Central to the effort to undercut the position of America’s competitors in gaining contracts in the developing sector is the fight over what interests will control the approximate \$600 billion worth of development projects in the Arab nations of the Persian Gulf over the next 5 years. Saudi Arabia alone is expected to spend over \$300 billion for development. Unlike the period following the four-fold increase in oil prices by the OPEC oil cartel, during the 1980 to 1985 period the surplus oil producing nations of the Gulf will put most of their growing petrodollar resources directly into project development and less into bank deposits in the West.

As every business and government leader in the industrial West knows, whoever gains access to the hefty development contracts will enjoy the benefits of receiving recycled petrodollars. The continental Europeans,

## Who received Middle East construction contracts

(Contract awards in \$ millions and number of contracts)

	June 1975- April 1978	May 1978- June 1979	Total June 1975- June 1979	Percent of total
<b>West</b>	14,960	3,327	18,287	16.9%
<b>Germany</b>	(62)	(18)	(80)	
<b>Japan</b>	14,577 (94)	2,662 (33)	17,219 (127)	15.9
<b>Italy</b>	6,708 (39)	3,529 (20)	10,237 (59)	9.5
<b>U.S.A.</b>	8,946 (53)	346	9,292 (60)	8.6
<b>South Korea</b>	4,585 (51)	346 (7)	9,525 (85)	8.6
<b>France</b>	6,573 (32)	1,324 (6)	7,897 (38)	7.3

Source: *International Construction Week Newsletter*, Corps of Engineers and U.S. Agency for International Development.

Note: Table includes only the top six competitors for Middle East contracts.

## What it means at home

The economic data below was generated from the Department of Commerce and the construction industry on the benefits of foreign projects.

- Commerce estimates that for every 1 billion in U.S. exports 40,000 jobs are created at home.
- Between 40 to 60 percent of the total value of U.S. construction contracts abroad is the value of U.S. exports in construction-related equipment. Between 1975 and 1978, the U.S. generated about \$70 billion in foreign construction contracts; the value of construction related net exports was between \$28 and \$42 billion.
- Using Commerce's formula, the construction industry, between 1975 and 1978, provided approximately 1.1 to 1.7 million jobs at home.
- American construction abroad contributes to the marketing of the U.S. technology overseas. In 1978, Caterpillar estimates that it did business with 13,000 U.S. suppliers of which 9,500 were small businesses; 50,000 supplier employees backed up Caterpillar's production sold overseas during 1978.

Source: *Proceedings of Fifth Conference of International Engineering and Construction Industries Council*, Sept. 1979.

notably West Germany and France, are in a strong position to land hundreds of billions in contracts over the next five years. This increased transfer of technology relationship between Europe and the Arab world will serve as the basis for expanding the European Monetary System a the basis for a new international monetary system. Both the Carter administration and its ally government of Margaret Thatcher's in Great Britain are committed to destroying such a potentiality on the part of the EMS.

At the present time, the City of London and lower Manhattan interests are in a weak position with respect to the Persian Gulf Arab nations, following a trip made to the region by French president Giscard d'Estaing. Far reaching economic and political agreements were reached between the Arab world and the nations of the EMS.

## Straitjacket on business

As reported in *Business Week* last week, the United States will for the first time find itself unable to capture a dominant share of the massive development market which the Gulf nations will open up over the next five years. U.S. firms will be prevented from gaining new contracts primarily because of the roadblocks put in place by Washington. These very constraints are, as one West Coast construction company executive put it, "halting productive investment and feeding the inflationary spiral at home."

Here is a summary of some of these constraints:

**Credit.** Senator Heinz's bill, the Competitive Export Financing Act of 1980 which attacks Europe and Japan for subsidizing credits for exports, is strikingly coherent with the current assault on U.S. exports. The lack of availability of cheap credits for U.S. firms has contributed to the decline of U.S. construction abroad.

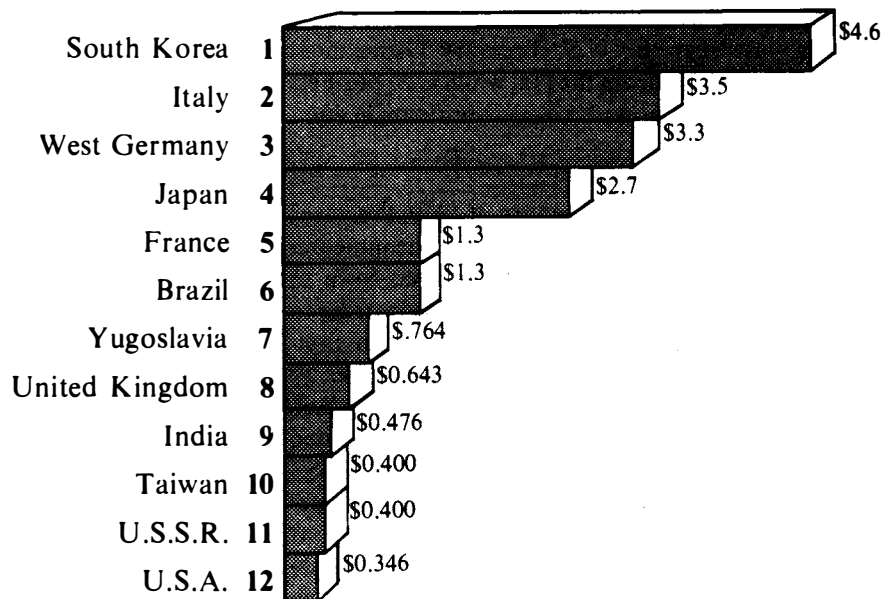
Over the last decade, the rates of demand to actual credit availability by the U.S. government backed Export-Import Bank has been rapidly rising. The government simply is not allocating sufficient capital to the bank to meet demand. Since its founding in 1945, the bank had been one of the best generators of revenue for government coffers, but now the bank is rapidly running out of funds due to what Washington sources say is a bureaucratic haggle between the House, the Senate and the White House over how much to increase the current lending ceiling of \$3.75 billion which is allocated through the budget.

The demise of the Eximbank which has accompanied a round of well publicized scandals involving Exim President John Moore, is a feature of the plan to give the Federal Reserve dictatorial powers over U.S. banking. The plan is to transform the Eximbank into an arm of a U.S. trade war machine against Europe, Japan and

## U.S. drops to 12th place in Middle East contracts race

(13 months ending June 1979 in \$ billions)

Source: *International Construction Week*, U.S. Army Corps of Engineers, U.S. Agency for International Development.



Korea. This was confirmed by a spokesman from Proxmire's Senate Banking Committee: "The U.S. must get tough and put an end to credit subsidies. We need to enforce an international agreement from our major allies on this issue. If we have to we should get tough and hit them over the head, but it must be done. The Eximbank can serve as an example for our allies. The bank must stop lending at lower interest rates. We should simply insure long-term credits at a fixed rate of interest which should be agreed to internationally."

Another Washington source stated that Senator Proxmire is one of the leading proponents of "dismantling" the Eximbank."

The decline of the Eximbank's ability to meet demand parallels the skyrocketing interest rates in the private banking sector. According to a source at the Associated General Contractors organization, the current credit squeeze has seriously impacted the U.S. construction industry's ability to bid for projects in Saudi Arabia. According to the source, once the Saudis award a contract they immediately pay the contractor for the total amount of the project. In return, Saudi Arabia requires that the firm post a bond for the amount of the contract. "But in the U.S., when a company asks for a bond, it is considered to be a loan, which of course is not easy to secure especially considering interest rates. Our competitors in Korea, Italy, and France have much more government backing than we do and this gives them a margin U.S. companies just don't have any longer," said the source.

**Taxes.** The package of the 1976 Tax Reform Act, a bill in the works since 1973, marked a turning point in the

United States' market position abroad. One of the key features of the bill was to impose income tax on U.S. workers abroad. "The imposition of that tax," said a source from Morrison Knudson, "seriously undercut U.S. construction's competitiveness abroad...because the worker's income was halved as a result of the tax, we had to raise the salaries just to make working abroad more attractive. But that meant that we could no longer underbid our foreign competitors. Unlike a few years ago, the Saudis just aren't interested in paying a U.S. company a premium, because in their eyes U.S. technology and expertise no longer exceeds that of, say, Japan or West Germany. So we are losing our markets," the source declared.

Senator Proxmire has been a major block in efforts to amend the foreign taxation legislation. It was Proxmire who played a leading role in transforming efforts to amend that law in 1978 into a complex legislative procedure which resulted in the Foreign Earned Income Act of 1978.

According to an article by the executive vice president of J.A. Jones Construction Company, Johnie H. Jones, in the *May International Construction Newsletter*, the Foreign Earned Income Act of 1978, "which has been touted as the tax relief for Americans working abroad, is in fact, the most complicated set of filing procedures ever enacted into law...the act creates substantial administrative costs for the companies employing American labor, due to the fact that day-to-day cost of living expenses must be documented for withholding purposes."

The irrationality of the tax on foreign worker income is nowhere made more clear than in the comparison of government income from the tax to the estimated lost

business due to the tax. According to construction industry sources, last year the U.S. Treasury Department brought in \$380 million from the tax, while U.S. business lost an estimated \$7 billion of overseas business in competitive bidding.

**Environmental restrictions.** In January of 1979, President Carter approved the Executive Order on Environmental Effects Abroad. The result of this action has been to further increase the costs of U.S. construction in order to make projects comply with the stricter American environmental standards. While the order only applies to projects in such areas as the seas and the Antarctic, which involve federal support, there are also more limited environmental restrictions on a vast array of other foreign projects. Washington construction industry sources note that this law has soured many foreign governments to the United States since it is viewed abroad as Washington imposing an extraterritoriality to its own environmental laws which is seen as an intrusion on national sovereignty.

**Boycott restrictions.** Since the enactment of the antiboycott provision so the Export Administration Act of 1977, U.S. exporting companies, notably construction, have been caught in a juridical dispute between the Department of Justice, Treasury, and Commerce on the interpretation of boycott regulations. For example, last year the Treasury Department issued guidelines prohibiting U.S. exporters compliance with the Saudi and Kuwaiti shipping and insurance certification requirements. Prior to the announced prohibition by Treasury, the Commerce Department had authorized compliance.

**Bribery.** The Foreign Corrupt Practices Act is yet another constraint being placed on U.S. businesses operating abroad. This legislation is unique only to the U.S. As any businessman who has operated in the Middle East can testify, what is considered to be bribery in the West is considered to be a commission in the Middle East. The Foreign Corrupt Practices Act is perhaps one of the most aggravating of government restrictions on U.S. firms operating abroad, since the interpretations of the provisions of the legislation are so vague. The businessman, therefore, will simply refrain from certain kinds of business transactions.

**Human Rights.** A number of U.S. construction deals have either been stalled or in some cases cancelled through government intervention in applying the White House Human Rights policy. This has occurred in countries such as Argentina. Invariably such a policy has thrown these contracts into the hands of foreign competitors.

## The contracts and their petrodollar link

Between 1980-85, the oil producing nations of the Persian Gulf expect to engage in one of the most intensive development efforts in history—an effort conservatively estimated at a value of \$600 billion.

Over half of the new development opportunities will come from Saudi Arabia. Iraq, the United Arab Emirates, Qatar and Kuwait will provide the remaining contracts. Last month, Saudi Arabia announced that its new five-year plan will be double in value that of the 1975-1980 plan. Riyadh chose to announce the plan during French President Giscard d'Estaing's historic tour of the Persian Gulf region. As *Business Week* pointed out last week, the United States will get few of the new Saudi contracts. France, West Germany, South Korea and Japan will take the lion's share.

Linked to the Saudis' brute force development drive, is their policy that its massive wealth of petrodollars will no longer be recycled through western banks in direct deposits, but recycled back to the west through development project contracts.

Saudi Arabia's recent monetary agreements with Japan and West Germany are exemplary. Last month, Saudi Arabia announced that it would directly lend West Germany 5 billion deutschmarks in return for Bonn government promissory notes. The agreement was reached simultaneously with a new Saudi-West German state-to-state agreement for oil shipments. Over the last 18 months, West Germany has been picking up an increasing number of large Saudi construction projects.

Shortly after the Saudi-West German loan agreement, Japan won approval from the Saudi royal family to accept yen-denominated bonds using the Bank of Japan as the agent. According to the *Financial Times* of London April 5, the purchases have been going on for some months. The Japanese are hopeful that other OPEC surplus countries will follow Saudi Arabia's lead and that this will help to strengthen the flagging yen.

Timed with the public revelations about the yen bond purchases, Saudi Arabia and Japan signed their largest-ever construction deal for a \$2 billion joint petrochemical project in the Jubail industrial city which is now under construction. Part of the deal, which has been under negotiation for 10 years, includes the Saudi offer of direct oil sales of 200,000 barrels a day of crude to Japan.

## Oil for development

These new agreements between Saudi Arabia and Japan and Germany follow demands put forward in Davos, Switzerland by Saudi Oil Minister Zaki Yamani at an international trade conference earlier this year. Yamani stated that his country was looking for paper investments in the industrialized nations which would yield a better return. He demanded a greater investment from the advanced nations in Saudi development as another precondition for future guaranteed oil supplies.

The Saudis are now awarding direct oil sales agreements, bypassing the multinational oil companies of the Arabian American Oil Company (Aramco), based on a formula that for every million dollars of investment in Saudi development a 1,000 barrels a day of oil will be sold directly to the investor nation.

Included in the Saudi development projection for the next five years is a heavy emphasis on the construction of downstream crude oil processing capacity. Royal Dutch Shell and Mobil have both won sizable contracts for such projects and have in return received oil contracts through the Saudi state-owned oil company Petromin. Saudi Arabia's neighbors, Iraq and Kuwait, are also placing an emphasis on building crude oil processing installations.

The invariant in many of the new development contracts being signed by the Gulf surplus countries is technology for oil. In both categories the U.S. is losing out. The *Wall Street Journal* on April 8 reports that the four U.S. partners of Aramco (Socal, Texaco, Exxon and Mobil) are concerned that the volume of oil they move on world oil markets will further shrink. These companies see the Saudi plan to use the oil incentive to get foreign participation in joint venture development projects as threatening their own supplies. Saudi oil is particularly valued given its lower than other OPEC producer prices.

## America's competitors in the Gulf market

Behind the aggressive moves by Europe, Japan and South Korea to gain a greater share of the contracts in the developing sector is their commitment to a transfer of technology as the means to expand the world economy and reverse the current economic crisis.

And unlike in the United States where the government has become the greatest impediment to increasing the nation's market share in foreign construction, America's competitors enjoy an alliance between the public and the private sectors. In a statement published in the *International Construction Newsletter* in December 1979, Congressman Guy Vander Jagt (R-Mich.) warned that "the U.S. role in the world economy is very weak at this point and the future prospects are quite grim unless our government makes a drastic change in the attitude toward trade... We need to develop a partnership between private export industries and the government to expand export—along the lines of what is being done in Japan."

This "partnership" outlook led to the creation of the U.S. Export-Import Bank in 1945. Japan's economic miracle has been based on such a policy, and has made Japan one of the leading market forces abroad, notably in the Middle East. Trade statistics for 1979 indicate Japan nearly overtook the U.S. in total exports to Saudi Arabia.

Before the Iranian revolution last year, Germany and

### A sample of West Germany's Middle East projects, 1979

The company	The country	The project
Co. Holzmann.....	Saudi Arabia.....	Tabruk town development
Co. Holzmann.....	Saudi Arabia.....	Damman harbor
Co. Holzmann.....	Algeria.....	Arzew lubricant refinery
Co. Holzmann.....	Libya.....	Abu Kammash chemical plant
Hochtief.....	Saudi Arabia.....	Jeddah airport
Hochtief.....	Saudi Arabia.....	Jubail harbor
Dywidag.....	Saudi Arabia.....	Riyadh television center
Dywidag.....	Algeria.....	Al Itissam dam
Kraftwerke Union.....	Saudi Arabia.....	Desalinization plant in Al Khobar

### West German construction projects in major Middle East markets

(in millions of dollars)

	1977	1978
U.A.E. ....	50.5	421.9
Saudi Arabia.....	501.8	900.9
Iran.....	520.0	4,082.1*
Algeria.....	292.7	57.8
Libya.....	1,237.8	365.2

\* The 1978 figure for West German construction in Iran includes the value of two nuclear plants. These contracts were scrapped following the Islamic revolution in Iran.



Japan had overtaken the U.S. in total trade, a large percentage of which was in construction. According to the *Engineering News Record* of Nov. 29, 1979, the U.S. exports market share in Japan, Italy, the Netherlands, and several Latin American countries, has dropped since 1977.

Another edge which Japan, South Korea and West Germany hold over the United States is their ability to offer their services in turnkey projects, supplying the steel, cement and other materials. A Wisconsin-based construction executive recently bemoaned the fact that even U.S. domestic construction uses more and more Japanese cement and steel. According to Kaiser Engineers of Oakland, California, 64 percent of the cement plants under construction *domestically* now use Japanese technology!

Crucial to the success of the European and the Asian competitors of the United States in the Mideast are the generous financing programs. A South Korean commercial attaché noted his country's policy of government support for private sector banking loans for export. "My government is very export oriented. Our export-import bank is deeply involved in backing the supply of raw materials for our overseas projects such as steel and cement, as well as shipping. This cheapens our costs and enables us to underbid other competitors."

The rapid increase of German construction in Saudi Arabia over the last 18 months is a reflection of the Franco-German alliance to integrate oil producers holding surplus petrodollars into the EMS through expanded transfer of technology agreements. Since Germany began its strong export policy in the late 19th century, it has relied on a firm alliance between Germany's commercial banks and exporting firms. The banks, which include the Dresdner Bank, the Deutsche Bank, and the Commerzbank, are committed to providing credits to Germany's exporters either directly or through the AKA Ausfuhrkredit Gesellschaft (mbH) (which is two-thirds owned by the Deutsche Bank, Dresdner and Commerzbank).

In the mid-1970s, the Dresdner Bank was responsible for setting up an elaborate triangular trade arrangement between West Germany, the U.S.S.R. and Iran involving the export of Iranian natural gas. This was worked out by then Finance Minister Hans Friederichs in cooperation with the late Dresdner Bank President Jürgen Ponto. Not long after the deal was finalized, Ponto was assassinated by West German terrorists. A year later the Shah of Iran fell.

Today in Saudi Arabia a similar pattern of new trade relations is developing with West Germany and Japan that had developed with Iran. In this connection it is not coincidental that the Soviet press recently pointed to the United States as being involved in destabilization operations against the ruling Saudi regime.

## The Eximbank: just a 'candy store'?

The Export-Import Bank is expected to deplete its government appropriated funds by June of this year. If the White House and Congress do not resolve differences over how much funds to appropriate for fiscal year 1981, the bank for the first time in its history, will close its doors.

A Senate Banking Committee source thinks the likelihood of a resolution before the June date is remote. Because of an "indifferent attitude primarily from the White House, the bank will soon be turned into a candy store." Already the bank has begun cutting back on loans, most seriously affecting U.S. aircraft corporations, "Our foreign competitors," Senate sources observed, "are doing very well thanks to the decline of Exim lending."

Through the Foreign Assistance Act of 1980, the bank has a lending ceiling of \$3.75 billion. Last year, the White House assured the bank that it would push to increase its ceiling to about \$5.8 billion. So the bank began to escalate its rate of lending. Then along came Federal Reserve Chairman Volcker's tight credit policy in October 1979. Senator Muskie of the Budget Committee soon announced that there would be no increase in the ceiling. But by that time the bank had more rapidly depleted its funds than it would have had the White House pledge not been made. Today, the bank has about \$600 million remaining in revenues for lending.

Even before the crunch, the Eximbank was becoming overextended for lack of funds to meet growing demand. Fiscal year 1980-81 demand for Exim credit exceeds available lending capacity by about \$7 to \$8 billion. The bank has adopted a policy of smaller loans at higher interest rates.

At present, the bank has extended more preliminary commitments to exporters for credit over the next 24 months than ever before. Exim sources say that the bank has pledged credits to exporters worth over \$18 billion over this period. A preliminary commitment does not mean that the exporter will necessarily collect the loan. The commitment is used by companies to bid for foreign projects. However, assuming that the government resolves its differences over the lending ceiling for the bank before June, sources say it is probable that the bank *will not* receive an increase in its ceiling given the balanced budget mood in Washington. Exporters with preliminary commitments will be left emptyhanded.



## Anderson and Brown: The candidates of Aquarius

In an editorial April 9, the *Washington Post* labelled John B. Anderson "The Jerry Brown of 1980." In so doing, the *Post* admitted this year's presidential campaign has been used largely to push the policies described in the recently released book, "The Aquarian Conspiracy"—the creation of a "new age" in which scientific progress is replaced by mystical kookery.

Brown's recently deceased presidential bid is now to be re-directed into efforts to "turn California into something of a laboratory for his futurist ideas with an eye to seeking the Presidency again four years hence," the *New York Times* reported Apr. 6.

In his presidential bid, Brown has noted, he has been "building a very strong foundation" for "quietly taking those ideas that when I started were on the margin of public consciousness and moving them to the center of public attention." Among these are solar energy, small hydroelectric instal-

lations, and "better labor-management cooperation in the interest of productivity."

"All of these things are ideas that I have preached and now I have come home to practice them in California," Brown announced.

According to the *Times*, Brown will "continue to be helped by some members of a group ... called Novus," which is an abbreviated name for the Latin translation of "new order of the ages." Novus works with the New York-based Institute for a New Age, a command-center for the "Aquarian Conspiracy" networks.

The *Times'* Tom Wicker on Apr. 6, freely speculated on the interrelation of John Anderson to this kookery. In a piece called "Looking Into the Future," Wicker praised Anderson, calling upon him to defer in his third-party considerations to the Citizens Party. Wicker praised the Citizens Party as a "serious, well-organized effort dedicated to the sort of progressive 'new politics' Mr. Anderson himself espouses. ... The environmentalist scientist Mr. Commoner (the Citizens Party candidate for President—ed.) has shown himself in numerous forums to be an articulate advocate of some innovative approaches to...energy, the economy, and declining productivity."

## Reagan: out of the closet behind Henry Reuss?

According to a top economic policy adviser to Ronald Reagan, "we will defer an economic policy speech for some time. Why bother to rush it?" The adviser justified this on the basis of Reagan having the election "sewn up" because of Jimmy Carter's bungling. But *EIR* learned from a Washington insider this week another explanation: Reagan is a strong backer of the

corporatist (i.e., fascist) economic restructuring proposals of Wisconsin Congressman Henry Reuss and does not want his conservative base to know this.

"Governor Reagan is secretly behind Reuss's document, 'Economic Restructuring for the 1980s,' which the Congressman advanced last month. But the Reagan campaign can't come out for that type of left-wing economics [sic] openly. We just couldn't afford it politically," said the aide. "Reuss says he wants to restructure the entire U.S. economy to increase industrial production."

In Reuss's restructuring policy, all the "unprofitable" industry—auto, steel, etc.—should scrap their productive assets except those selected defense production, for example. Those left, said a Reuss aide, should be, "restructured around labor-industry-government boards (i.e., "corporatism" as developed by Mussolini's dictatorship—ed.) which, through a new Department of Trade and Industry, would run the whole economy."

From the standpoint of top-level ideological controllers within the Reagan camp, the Reagan candidacy is intended to implement the Reuss plan through a "cult of America" which would come on the crest of a "sweep of fundamentalist religious fervor."

One such advisor waxed enthusiastic in an interview April 9 in which he echoed the recent London *Economist* cover story that "America is being swept by Fundamentalist revivals." "Reagan is the man who will sweep to power on the crest of religious fervor," he stated. "Who will be critical of politics and appeal to religious values. Only this can prepare the American population for the crises of the 1980s and for confronting the Soviet Union."

## **R**ecrim amendment introduced to criminal code reform

Under enormous pressure from constituency groups, Senator Charles Mathias (R-Md.) has introduced an amendment to S.1722, the Criminal Code Reform Act, which would strike out the controversial section of the bill which reduces the penalties for marijuana possession to the point of *de facto* decriminalization of the drug. Mathias, whose reelection in 1980 may depend in part on the quality of the fight he wages on this issue, introduced the amendment with eight other co-sponsors—Senators Cannon (D-Ne.), Dole (R-Ka.), Goldwater (R-Az.), Nunn (D-Ga.), Laxalt (D-Ne.), Schmitt (R-N.M.), Armstrong (R-Co.), Hafli Heflin (D-Al.) and Humphrey (R-N.H.).

The Criminal Code Reform Act, authored by Senator Edward Kennedy (D-Ma.) contains the controversial decriminalizing position by virtue of the fact that the conservative Republicans on the Judiciary Committee accepted the provision in exchange for tougher provisions relating to other matters. Mathias, who was bombarded by protests from powerful local anti-drug groups, then held hearings in January on the medical effects of marijuana use. After reviewing the hearings' results, Mathias has decided to make a floor fight over the issue. The Criminal Code Reform Act has been cleared for floor action for some time now and primarily awaits Senator Kennedy's ability to devote enough time outside of his presidential bid

to floor manage the bill. On the House side, the bill is still in committee.

In a related development, the Senate Rules Committee will hold a hearing April 23 on a resolution introduced by Senator Dennis DeConcini (D-Az.) on the creation of a select committee on narcotics. DeConcini, who was a prosecutor in Arizona before his election to the Senate, has very interesting credentials. He has not opposed marijuana decriminalization in the past and is not a co-sponsor of Mathias's amendment. Capitol Hill observers note that DeConcini could be trying to set up an institution by which to further "Abscam" or McClellan-type publicity-ridden hearings rather than a serious investigation into Dope, Inc. The observers added that DeConcini is not likely to get far with his resolution, since Senator Sam Nunn (D-Ga.) seems to have cornered the market on Abscam and Brilab investigations with his Permanent Subcommittee on Investigations and is prepared to oppose the resolution.

## **B**randt Commission policies pushed in Senate

With arguments that should sound a little like "give the patient a pound of arsenic to counteract the stomach ache that an ounce of arsenic gave him," two Senate committees are listening to proposals to increase the power and scope of the International Monetary Fund as a palliative for the economic disloca-

tions which IMF "conditionalities" have caused.

Rep. James Cavanaugh (D-Nb.) testified before the Senate Foreign Relations Committee March 17 on the issue of increasing the U.S. quota to the IMF, and echoed many of the proposals of the Brandt Commission. Cavanaugh called for a new facility to be established which would merge the development functions of the World Bank and the current accounts financing activities of the IMF. Cavanaugh said "These two functions now clearly must be pulled together within a single institution, adequately financed. I think that the new institution must establish a new quota system, a quota system that would maintain the IMF quota financing at a permanent basis of probably not less than 10 percent of the annual world imports."

Cavanaugh's rationale for wanting to augment the institution, which he charged with causing severe economic difficulties in nations which must submit to IMF austerity conditions in order to receive loans, was that "inadequate financing has meant that the IMF cannot go to deficit nations early enough, with adequate enough financing, to establish long-term restructuring programs because it does not have the resources. So, it comes in late with emergency and excessively austere conditionality which, rather than alleviating the problem, aggravate it..."

A source close to Cavanaugh admitted that he owed much in his way of thinking to the Brandt Commission and has arranged for

*Washington Post* editor Katherine Graham and financier Peter Peterson, both members of the Brandt Commission, to testify at hearings early this year on the IMF.

While not echoing Cavanaugh's call for restructuring of the IMF, Treasury Undersecretary C. Fred Bergsten used the same argument to justify increasing the U.S. quota to the IMF in testimony before the Senate Subcommittee of International Finance March 31.

## **S**enators demand lower interest rates

Under tremendous pressure from constituents who are feeling the impact of the Federal Reserve's policy of tight credit and high interest rates, two Senators have sponsored a resolution demanding that interest rates be immediately lowered. On March 26, senators Warren Magnusen (D-Wa.) and Jim Sasser (D-Te.) introduced Senate Resolution S.392, which calls on the Federal Reserve to "immediately take steps to reduce interest rates." The resolution was signed by ten other senators including: Levin (D-Mi.), Bayh (D-In.), Hart (D-Co.), Church (D-Id.), Heflin (D-Al.), Boren (D-Ok.), Ford (D-Ke.), Melchoir (D-Mt.) and Bumpers (D-Ar.).

In introducing the resolution Senator Magnusen warned that "The Federal Reserve's high interest rates are not reducing inflation. On the contrary, as interest rates have soared in recent weeks, so has inflation. At the same time it will bring on recession and higher un-

employment. Once that occurs we will be confronted severe federal budget deficits as revenues decline and spending increases for unemployment compensation, food stamps and so forth. Furthermore, consider the longer run effect of high interest rates on our energy and productivity problems...and how will business, particularly small business, be able to afford to borrow funds to invest in the new equipment, technology and research they will need if productivity is to be increased?"

The resolution itself calls for the lower interest rates because higher interest rates have "raised the consumer price index...increased inflation by increasing prices...and threaten to cause a substantial decline in housing construction...which will lead to severe unemployment." However the resolution also states that the Federal Reserve should use its selective credit controls to restrain credit if it thinks it necessary.

The resolution is expected to be acted on shortly after the Easter recess.

## **R**iegle introduces unemployment bill

Senator Donald Riegle (D-Mich.) on April 2 introduced legislation S. 2518 to extend the unemployment benefits an additional 13 weeks. Under current law unemployment insurance covers 26 weeks, which can be augmented by an additional 13 weeks of extra benefits. The funds are administered by the states and reimbursed by the

federal government, with rates of payment set by the states. In 1974 an emergency unemployment act was passed which extended unemployment benefits an additional 13 weeks in states where the number of unemployed exceeded 5 percent. The Carter administration allowed this act to lapse in 1978.

Riegle and the co-sponsor of the bill, Senator Levin (D-Mi.) are now proposing to add the additional 13 weeks once again, citing a growing "unemployment crisis." According to figures that Riegle released this week, at least ten states would be currently eligible for the extended supplemental benefits program, because of their high unemployment rates.

In Michigan 358,000 workers are now receiving unemployment insurance, and 15,000 are thrown off the unemployment rolls each month as their 39 weeks of unemployment insurance expire.

According to Congressional sources, the main opponent of the extension is Federal Reserve chairman Paul Volcker, who has indicated that he wants people to suffer "pain" in the fight against inflation. The White House has not yet commented on the Riegle proposal, but Congressional sources report that Carter refused a proposal that the administration actually sponsor a similar bill.

The legislation is expected to quickly get the backing of organized labor and minority groups. It is before the Senate Labor Committee, headed by New Jersey Democrat Harrison Williams and action will be taken on it following the Easter recess.

# National News

## Pennsylvania legislature passes anti-Volcker resolution

The Pennsylvania House of Representatives April 8 passed a special resolution 135-38, calling for "re-evaluation" of Federal Reserve high-interest rate policies. The action passed despite an intense opposition effort mounted by Republican Governor Dick Thornburgh—an austerity advocate—and certain collaborators in the Pennsylvania Democratic Party, including former Speaker of the House Leroy Irvis (D-Allegheny). The passing vote today was a repeat floor vote, after the House leadership declared an earlier ballot of 170-3 unreliable because the electronic tabulation machinery allegedly "malfunctioned."

The Bill—H.R. 154—was introduced on November 14, 1979 by Representative Joseph Zeller (D-Lehigh), who is a long-time member of the International Brotherhood of Electrical Workers. Zeller helped form a national blue-ribbon commission to investigate last year's Three Mile Island incident, and published definitive scientific data showing sabotage was committed to smear nuclear power.

The original version of the Zeller bill cited Paul Volcker by name, and questioned the sense of the high-interest Federal Reserve policies, introduced last October to deliberately promote national economic contraction. When assigned to the Federal-State Relations Committee, the bill was watered down, and Volcker's name removed by a faction of austerity advocates led by Committee Chairman Jeff Piccola (R-Dauphin). Piccola then maneuvered to try to bury the measure in his committee. In March, however, Zeller countermaneuvered to release the bill through use of a special "discharge" rule.

When the bill hit the House floor for a vote April 8, the fireworks were out in the open. After the bill first passed, and Thornburgh managed to have the vote

nullified through the "mechanical failure" of the tabulation, Thornburgh's cohort in the Democratic Party Leroy Irvis addressed the House calling for all Democrats to vote against the resolution and support Carter and his policies. Zeller then challenged Irvis, a black leader from Pittsburgh, and for years part of the state's black caucus, to respond to Paul Volcker's contention that Americans had to "lower their living standards." Zeller's resolution, though watered down, passed again.

## Is your Congressman being brainwashed?

For over three years, more than 150 Representatives and Senators have been quietly convinced to believe that the era of progress is over. Who's doing the convincing? Futurologist science fiction writers and anti-science academics brought together by the Congressional Clearinghouse for the Future. The Clearinghouse, set up with congressional funds almost 4 years ago, is run by the Club of Rome, the antiprogress organization which authored the Limits to Growth project. The director of the Clearinghouse, Ann Cheatham, is a member of the Club of Rome as are a number of the advisors to the Clearinghouse. The group sponsors meetings for Congressmen and publishes a number of newsletters on "the future."

This is the "science fiction wing of Congress," declared one of the congressional members of the Clearinghouse. Indeed, the Clearinghouse has sponsored dinners and seminars featuring the major science fiction writers such as Isaac Asimov and Ray Bradbury. Since January, the group has heard from Alvin Toffler, author of *Future Shock*, a stinging indictment of progress, and Barbara Tuchman, author of *Distant Mirror*, an account of the black plague and the dark ages that followed. On April 16, Citibank President Walter Wriston will detail for these congressmen the "Future of American Banking" in the current crisis.

At one of their more memorable meetings, the Congressmen were asked to "harpuscate with science fiction" by George Chatham, a space research policy specialist. The word "harpuscate" derives from the name for ancient Roman sages who predicted the future by looking at the entrails of sacrificial animals.

As to the effect such meetings are having on U.S. Congressmen, Representative Charles Rose, founder of the group, declared: "It is impossible to measure what has happened to the more than 125 members of the House and Senate who have attended these monthly dinners, but surely we are not the same as we were before we heard them."

## Entropy advocates conspire at Glassboro

On April 8, a conference was held at Glassboro State College in New Jersey to discuss "Entropy as the New Economic Paradigm." The conference, which was dominated by environmentalists from the Institute for Policy Studies front called the Peoples Business Commission (PBC), attempted to assert the physical law of "entropy," that all organized and concentrated forms of energy tend to disperse, as a proof that all resources are inevitably running out, and that we must therefore cut consumption and population, and deindustrialize and disperse human society.

According to one Peoples Business Commission source; "Entropy is the only way to go. A lot of people haven't gotten the word yet, but they soon will. Entropy will soon become the umbrella concept for the whole environmentalist movement. A lot of things will happen to bring this about. The Club of Rome is doing a lot of work on it. ... For example, from the entropy standpoint, New York City doesn't make any sense, it's too big. That's why the transit strike is so interesting. People see they can get along with less, that they can cope without transportation. The transit strike could be seen as the first step in the

process of realizing that New York no longer makes any sense."

Speakers at the Glassboro conference (which is the first in a national series organized by PBS) included well known economist Kenneth Boulding, Dr. Nicolas Georgescu-Roegen of the Club of Rome, and Jeremy Rifkin of IPS and PBS. In attendance were representatives of the management of Edison Electric, South Jersey Gas, N.J. State and County officials.

A number of the key conference participants were reached for comment. Ben Hitchner, conference organizer and Glassboro professor, said, "It has now been recognized that entropy is one of the two basic principles of economics, alongside that of scarcity. Factors of disorder must be incorporated into all economic decisions. ... Entropic factors must be priced into the market system; thus current users of coal should be made to pay for the negative impact of the greenhouse effect upon the atmosphere."

The Club of Rome's Georgescu-Roegen was even more explicit about the anti-rational cult-like nature of the entropists. Georgescu, who is a personal friend of Milton Friedman, said that what was needed was "a new religion. I have written two new Commandments to add to those of Moses. The first is to honor thy species as thyself. The second is to love thy future neighbor. ... I have also written a Fourth Law of Thermodynamics, soon to be published in *Physics Today*. It states that all matter tends to disintegrate and disperse, just as energy does."

He became nearly hysterical when asked if he thought it possible for man to create new energy sources. "The only way it is even permissible to think about that is in the way described by the great French Catholic priest and paleontologist Teilhard De Chardin. He understood that through the tangential energy of the spirit, the World Soul had no limit, but he certainly understood that the energy of the universe is finite. His *New Jerusalem* was no material one, but a spiritual one."

Georgescu—like Chardin's Jesuits—

advocates putting all the world's resources under UN control ("Worldization") to enforce zero growth.

## FEMA ran New York transit shutdown

"Emergency" crisis management and financing from the Federal Emergency Management Agency has been systematically deployed over the last year and a half to provide New York's Mayor Koch with the capability to close the nation's largest urban transportation system, shutdown by a transit workers' strike until April 12.

FEMA provided \$750,000 to fully staff and upgrade the city's Office of Civil Preparedness (OCP). Along with the Mayor's operations center, the OCP constitutes Koch's emergency coordinating council, which was bunkered under tight security conditions on the 14th floor of New York City's police headquarters. From this bunker Koch made Goebbels-like appeals to the population to remain cheerful in the face of the pain, suffering and cost of the strike, and occasionally made well-publicized forays over to the Brooklyn Bridge to be filmed chatting with what one police officer termed "the flakes" who came biking, jogging and roller-skating across into Manhattan's business district every day.

According to FEMA regional officials, Mayor Koch's OCP chief, Lt. Hogan, "has done an excellent job over there; it should be a model. He's gone way beyond what FEMA has provided for him." Lt. Hogan, whose salary is covered 50 percent by FEMA, was on the scene during the recent Chicago firefighters' strike, and prepared plans for dealing with fire, police and sanitation strikes there this summer.

A consultant to the National Funeral Directors Association has been hired to study means to acclimatize "survivors" to the casualties and mortalities that can be expected from future FEMA "emergencies."

## Briefly

● **MAJOR GENERAL** George Keegan, a top adviser on Middle East policy to Ronald Reagan, will keynote a fundraising dinner for the Tehiya (Hebrew for Renaissance) Party of Israeli nuclear-bomb architect Yuval Neeman. This event, scheduled for April 22 in New York, indicates momentum within the Reagan camp in the direction of the most unyielding and unstable elements within the Israeli military-intelligence establishment. Neeman, it should be noted, though called "the father of Israel's atomic bomb," is not a scientist, although he holds the relevant degrees. With the help of figures like Air Force intelligence's Keegan, Neeman was a leading figure in those Israel intelligence circles that smuggled the materials and the "secrets" required for atom bomb production to Israel. As a "scientist," in fact, Yuval Neeman's principal recent activity has been as a promoter of "psychic research" or "parapsychology" of the mystical anti-scientific "extrasensory perception" varieties in the United States and Europe.

● **JAMES CAVANAUGH** (D-Nb.) called for "the establishment of a new structure which could coordinate, first of all, current account and adjustment financing which the International Monetary Fund now has, with the developmental lending goals of the World Bank," during House Banking Committee hearings on a bill that would expand the U.S. quota of payments to the IMF. Cavanaugh's proposal reflects the thinking of the Trilateral Commission, which has proposed either a merger of the IMF and World Bank with enlarged capital, or an altogether new World Development Fund, as proposed by the so-called Brandt Commission, to take dictatorial control of Third World finances, and even those of the United States.

## Rebuilding the Black Liberation Army

*The prison system is becoming a hot recruiting ground for terrorist organizations like the Black Liberation Army of police murderers, now being rebuilt.*

**K**illing becomes the litmus test of sincerity...Because of these assumptions the lumpen proletariat and the maximum security prison come to be defined as basic new recruitment areas for socialist revolutionaries.

So wrote Alvin Goldner of the Institute for Policy Studies and the Transnational Institute in 1977. And that statement reveals what lies behind the recent pattern of prison breakouts and releases of former terrorists and police killers: there is a deliberate effort now ongoing to rebuild the terrorist Black Liberation Army.

The BLA was a group of so-called black revolutionaries who became notorious in the early 1970s for the systematic murder of police officers throughout the country. After the arrest of Joanne Chesimard (aka Assata Shakur), along with several other leading members of the BLA in 1974, it was believed that the BLA was destroyed. Now they are being re-born; the battle cry is the creation of a "new black nation."

The last known up front attempt to rebuild the BLA was in early April of 1978. At that time, New York City police officers were involved in a shootout with two persons suspected of committing a robbery—Eric Thompson and Mariano Gonzalez. Police discovered extensive dossiers on the BLA leadership in the trunk of Thompson's car and an arms cache in his apartment.

This effort began again with the Nov. 2, 1979 prison breakout of Joanne Chesimard known as the "soul of the BLA." Chesimard herself has stressed that all black people in jail were political prisoners and has called for their release. Beginning in January 1980:

\*Three leading members of the terrorist Republic of New Africa (RNA) which is leading the fight for a "new black nation," were freed from federal penitentiaries in the South. The three—former President of the RNA Imari Obadele, Addis Adabba, and Karim Njabafundi—were imprisoned in 1972 on charges ranging from possession of stolen weapons to assault, federal conspiracy, and murder.

\*A series of prison breakouts began, including at Rikers Island city prison in New York City, Lewisburg Federal Penitentiary in Pennsylvania and the aborted breakout at the Essex County Jail in Newark, N.J. on March 25.

The pattern of prison breaks follows the standard modus operandi of how such terrorist organizations are created, using hardcore criminals or fugitives indoctrinated in "liberation" ideologies while in prison "rehabilitation," or "cultural" programs.

In the most well-documented case, members of such terrorist organizations as the Symbionese Liberation Army (SLA) were re-

cruited from rehabilitation programs on the West Coast. At the time, those programs were run almost exclusively by members of the Revolutionary Union (now the Revolutionary Communist Party) a terrorist organization with a Maoist belief structure. It should be noted that H. Bruce Franklin, one of the founders of the RU, is now active in prison organizing and cultural studies at Rutgers University, just blocks away from the Essex County Prison.

The pattern of convict recruits also appears in the trial of James Johnson and Lloyd Jones for attempted murder of a New York City police officer. When the two were found guilty by Judge Roberts they started screaming, calling the judge a "capitalist hog" and Ku Klux Klan member. Johnson and Jones are being represented by Susan Tipograph, the lawyer for the Puerto Rican terrorist organization FALN.

Prison organizing is also being supported by the Prairie Fire Organizing Committee, the above-ground support apparatus for the Weather Underground. The winter 1980 issue of their magazine *Breakthrough* focuses on the necessity of freeing all black, Hispanic and Indian political prisoners. Members of the Weather Underground were involved in an attempted prison breakout of two cult terrorists from the Well Spring Communion.

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