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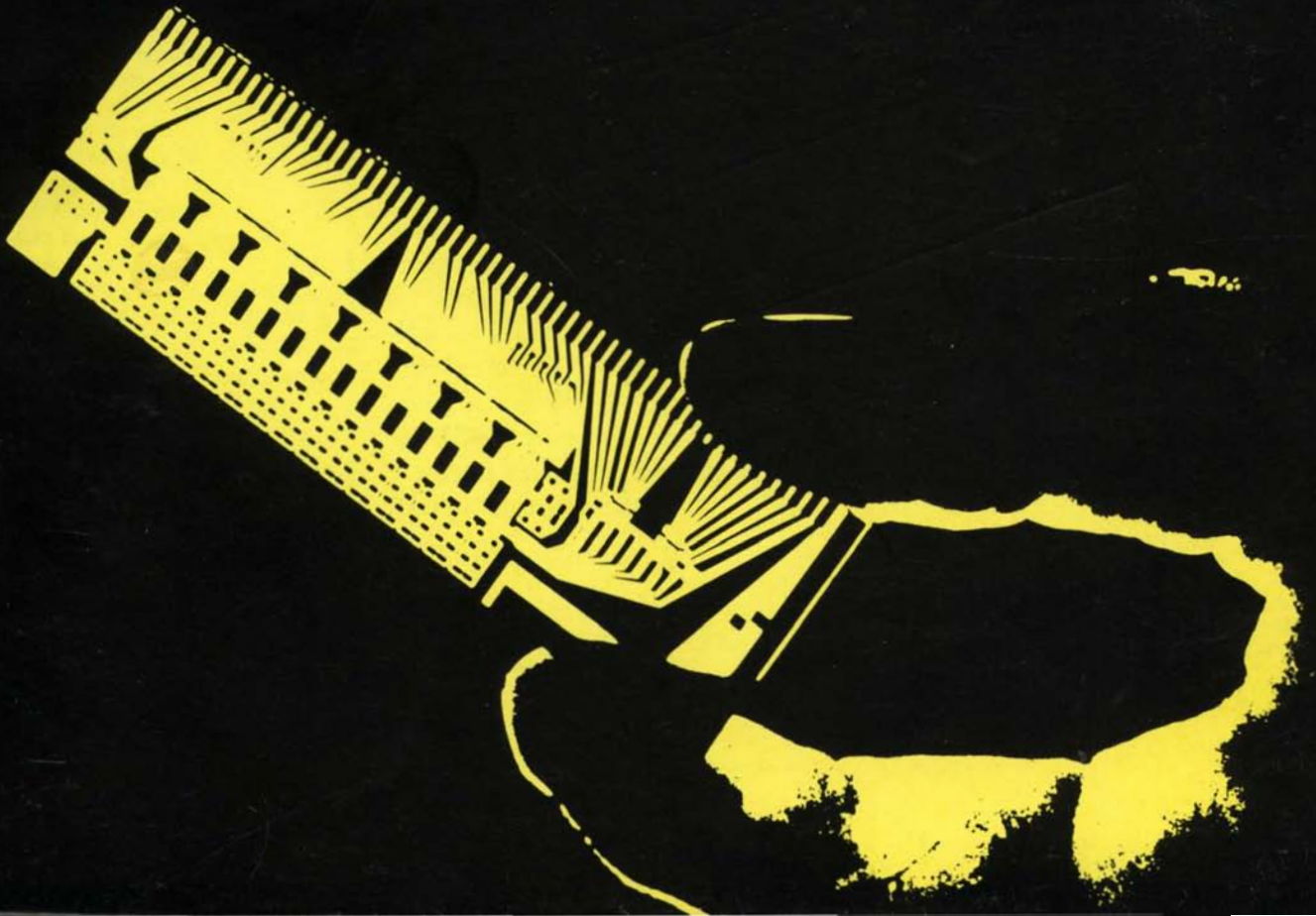
Executive Intelligence Review

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LaRouche on Peking's Kissinger card
Franco-German entente: dealing from strength
Power brokers issue Kennedy minority report

**U.S. reindustrialization and
the high-technology debate**



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EIR

From the Editor

“**R**eindustrialization” is now the most-uttered buzzword among business, economic planning and political circles. Since the reality of the “education gap” between the United States and the Soviet Union has become a well-publicized scandal, and the Europeans have acted to build trade and development ties with the Soviet scientific superpower, new refutations of the “post-industrial society” and other zero-growth theories which have taken over the nation in the past decade have been rushed into print.

EIR has been exposing the fraud of Malthusian theories since our first issue came off the press. We have proved that the so-called resources crisis is artificial, the result of the suppression of scientific and technological advances.

This week’s Special Report, “U.S. reindustrialization: the high-technology debate,” describes the outset of the new planning—from Congressional bills to studies in technological innovation—to put America back in the running. We study the areas in which the United States can and can’t compete with Western European and Japanese high technology, and show how our LaRouche-Riemann econometric model pinpoints with essential precision the kinds of investment and tax policies which can make America a winner again.

Contributing editor Lyndon LaRouche exposes the way the United States never recovered its potential in an article which ridicules the “quick fix” proposal for rearmament put forward in the Republican Party draft platform.

The survey was written by Economics Editor David Goldman, Richard Freeman, Dr. Steven Bardwell of the Fusion Energy Foundation, and Vin Berg.



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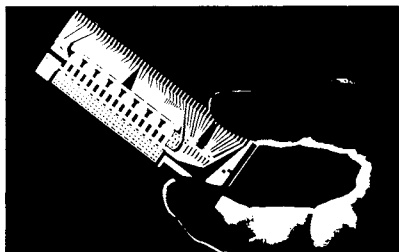
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Special Report



Microcircuitry developed for NASA, one of the many advances that came from the space program. Photo: National Aeronautics and Space Administration.

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How to salvage U.S. industrial and military capabilities has rightly become the number-one topic of debate among American policymaking circles. Our high-technology giants are not geared toward industrial applications for new potential markets.

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Jimmy Carter's tête-à-tête with Hua in Tokyo this past week led many policymakers to wonder just who's being used for what. 'Dark horse' Presidential candidate Lyndon LaRouche blasts the new "SEATO alliance" with China as its leader instead of its target.

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A 'gang of four' of policy advisors got control of the platform committee. Reagan supporters should look very carefully and soberly at the results. Included: excerpts from the foreign policy plank.

Business Briefs

European Community

France's new overture to Tokyo

Franco-Japanese partnership in industrial technology may be in the offing. In late June, French Industry Ministry Director-General Jean-Pierre Souviron proposed to Japan that the two countries cooperate in the fields of industrial robotics, electronics (including computers), energy efficiency and development, aircraft, and seabottom resources. M. Souviron also proposed joint consortia for export of industrial plants to third countries. This is the first such proposal from any member country of the European Community (EC).

The French overture coincides with new protectionist cries against Japan from EC External Affairs Commissioner Wilhelm Haverkamp on autos and exports in general. Japan's trade ministry specifically welcomed the French move as an alternative to protectionism. *EIR* archives indicate that whenever some Japanese economic partnership with France or Germany has loomed, the EC Commission, on which British influence remains strong, has attacked Japan for exporting too much to Europe.

Commodities

Soviets and Argentina sign long-term grain pact

Seven years ago the Nixon administration put Brazil on the map as a major soybean producer and exporter when it embargoed U.S. soybean shipments to Japan. Last week it was made official: the Carter administration has done the same favor for Argentina.

On July 10, a Soviet delegation led by Commerce Minister V. Gordier sat down with their Argentine counterparts led by Agriculture Secretary Jorge Zorreguieta and National Grain Board President David Lacroze to wrap up an

agreement under which Argentina will provide the Soviet Union with up to 23 million tons of corn, sorghum and soybeans over the next five years.

Argentina was the only major grain exporter which refused from the outset to go along with the Carter administration's punish-the-Russians grain embargo tactic that slammed the door on a 25 million ton market for U.S. food and feed grains. During the first five months of 1980 Argentina sent 62 percent of its grain and oilseed exports to the Soviet Union—at premium prices, up 30 percent from trend levels. Two years ago total Argentine grain exports to all destinations was 14.8 million tons; sales to the Soviets alone this year may reach 10 million tons or more.

Industrial strategy

MITI renews Japanese challenge

Fears that Japan will further outpace the United States in high-technology fields by the mid- to late-1980s have helped spur Congressional legislation to boost American R&D, according to Capitol Hill sources. Meanwhile, the Japanese Ministry of International Trade and Industry (MITI) has proposed the equivalent of a 10-year plan in its new report, titled "Long-Term Vision for the 1980s." The policy statement proposes to make R&D the top priority for this decade, with a budget appropriation doubling current R&D expenditures to 3 percent of GNP.

The areas MITI targets for development would revolutionize industrial techniques while superseding the energy problem. They include nuclear fission and fusion power; super-efficient gas turbines; industrial robots; computer-assisted design and production for industry; numerically controlled machine tool upgrading; and food production employing advanced research on genetics and photosynthesis.

MITI's perspective is that the energy crunch will limit average annual eco-

nomical growth to 3 percent in the 1980s, though Japan will enjoy a 5 percent average growth, they project. After 1990, new techniques will provide relatively cheap and abundant energy. Japan's economic success will then hinge on whether it has developed its capabilities in high-technology fields during the 1980s, MITI emphasizes.

U.S. economy

Industrial production plummets again in June

U.S. industrial output fell 2.4 percent in June, following drops in output of 2.4 percent in May and 2.2 percent in April. At 141.2, the Federal Reserve Board's industrial production index, which measures the output of the nation's factories, utilities and mines, was down 7.5 percent since June of 1979, with most of the drop occurring since January 1980.

The June drop was particularly significant because it indicated a shift of the recession's descent into capital goods, having already leveled the consumer sector. The output of consumer goods decreased 0.9 percent in June, compared with 2.1 percent in May.

By contrast, the drop in the production of business equipment by 2.3 percent in June was more than double the 1.1 percent decline in May. Because most companies are cutting back shipments faster than they are cutting back production, there are still growing inventories in the business equipment sector. As a result, many industries have a soaring inventory-to-sales ratio, and the uncertainty of where and how far the recession will go is leading firms to cut shipment orders back further. This has led to predictions that new capital formation will be slashed heavily. The Cambridge, Mass.-based Data Resources Inc. is predicting a 2.3 percent decline in inflation-adjusted capital spending this year and a 7.7 drop in 1981.

In addition, many economists predict that while inflation may average only 8

Briefly

percent on an annualized basis, over the next three months it will shoot up again, and average 11 percent for this year and between 9 and 10 percent in 1981. Unemployment is predicted to move as high as 9 percent by the fall of this year. If Washington imposes an austerity policy on top of such an economic trend line, the situation will be far worse.

Drug business

Wall Street Journal pushes Dope Inc.

In a transparent effort to legitimize the legalization of marijuana and other dangerous drugs, the *Wall Street Journal* has initiated a series on the marijuana trade. The first article in the series, appearing on July 16, consisted of "human interest" profiles of the lives of small-time marijuana dealers, characterized by the *Journal* as clever businessmen who reap huge profits but are forced to accept "a life of fear."

These maudlin personal histories are interspersed with commentary emphasizing the tremendous number of persons now involved in the drug business either as pushers or clients, presented in such a way as to convince the reader of the "inevitability" of legalization: "Laurence McKinney, a Cambridge, Mass., business consultant who began researching the marijuana distribution system 15 years ago when he was a student at the Harvard Business School, believes that at any one time there may be as many as a million people involved in some form of marijuana transaction. . . . The market for marijuana has undergone a radical transformation and enlargement in the last two decades. . . . Now, pot has lost its connotation of long hair and Ivy League activism and has been increasingly accepted by young office and blue-collar workers. . . . 'This broadening of the social base of users has undoubtedly been an important element in the move to decriminalize possession and use of marijuana,' comments the privately fi-

nanced Drug Abuse Council, which in a report this year predicts that if America's youth and young adults maintain the attitudes they now have, 'we can expect to find an increasing acceptance of marijuana in the years ahead'."

Real estate

Chicago bankers float new swindle

"It is a mistake to assume the owner-operator system of agriculture is beneficial to the nation," said William Cotter, former vice president of Chicago's Northern Trust Company and co-creator of the newly-formed American Agriculture Investment Management Co., Inc. According to the National Farmers Organization newspaper, the *NFO Reporter*, Cotter's investment company intends to persuade the major pension funds to invest in prime farmlands. Many observers doubt that the plan will succeed.

Unlike the Chicago-born Ag-Land Trust scheme, launched by Continental Illinois National Bank and Merrill Lynch brokerage firm in 1977 and shot down the same year by Congressional scrutiny and farm sector outrage, the new company will not buy farmland outright, but will arrange sales to the pension funds and then manage the farmlands through a national management network. The farms themselves would be manned by tenants, a term which William Cotter told the *NFO Reporter* he "dislikes."

Mr. Cotter insists that he is doing farm producers a favor. His plan, he argues, would free them of their capital problems, since they would no longer need to own their own farms. At the same time, "the grass looks pretty green to the outside investor," Mr. Cotter explained to the National Farmers Union's *Washington Newsletter*, "when farmland values are escalating by 15 percent a year and the \$600 billion in pension funds around the nation are drawing returns of only 3 to 4 percent a year." Anyone for roulette?

● **MIDLAND BANK'S** Lord Armstrong died last week while attending a meeting of the Ditchley Foundation. In an apparently unrelated development, Lady Spencer-Churchill, stepmother of MP Sir Winston Churchill, was found dead July 16 of a massive heroin overdose. Lady Churchill, a leading member of Britain's Euthanasia Society, was suffering from cancer.

● **BRITISH CORPORATE** takeovers in the U.S. are avoiding high-technology companies, say executives at Thomas Tilling, one of the most aggressive acquirers. The current American economic environment makes high-technology ventures "too speculative," potential purchasers feel.

● **"POLITICIANS CAN'T** say so, but it's good that the economy will remain depressed for a long time," declares one of the most powerful Senators on economic policy committees, "It's the only way to wring inflation out of the economy."

● **IF THE EPA SUCCEEDS** in applying anti-pollution rules, a shutdown of up to 30 percent of U.S. printed circuitry producers over the next several years is likely, according to a Commerce Department official.

● **FORD-TOYOTA** cooperation discussions have broken down. Contrary to U.S. press accounts, which claimed Toyota was merely making a proposal for appearances' sake to counter protectionist threats, Tokyo sources say Toyota was interested in a long-term partnership to develop a "world car" and challenge GM.

● **THE NATIONAL** Farmers Union has renewed its call for an end to the embargo on grain sales to the Soviet Union, in light of the recent decision to allow U.S. trading companies to sell the U.S.S.R. foreign-produced grain.

Inspecting the IMF's new 'human face'

by Alice Roth

Despite a recent stream of rhetoric about a shift in IMF/World Bank policy toward "more flexible conditions" and "a new emphasis on enhancing economic growth," the International Monetary Fund and World Bank have not retreated one iota from their earlier policy of discouraging capital-intensive industrial growth in the developing sector.

The above assessment is based on a series of wide-ranging interviews with top officials, including an advisor to the U.S. Treasury as well as sources close to the IMF Executive Board. Although a significant retooling of IMF/World Bank lending policy is indeed taking place, the changes are largely cosmetic, designed to make the two institutions more palatable to developing-sector governments as well as to Western European industrialized nations anxious to broaden export markets for their capital goods.

According to *EIR's* sources, the following policy shifts are receiving top consideration at IMF and World Bank headquarters:

1) The IMF may borrow directly from OPEC nations and some advanced-sector governments by issuing its own notes, the first time that the institution has ever raised funds in this fashion.

2) The IMF will greatly step up its lending to the so-called LDCs (less-developed countries) for balance-of-payments purposes, drawing on the \$10 billion Witteveen facility. The average size of the loans will be larger than in the past, since the normal quotas do not apply under the Witteveen Facility, and they will be much longer-term. When the Witteveen Facility is depleted (according to one source, this could occur as early as the end of

1980) its funds will be replaced through OPEC financing. The World Bank will, meanwhile, supplement the IMF's efforts by extending more "general purpose" loans; that is, balance of payments financing rather than the project lending to which the World Bank is normally restricted.

3) The practice of attaching conditions to IMF and World Bank lending will not be abandoned, but a "new type of conditionality" will become the norm based on a need for "long-term structural changes" rather than mere "short-term demand restraint." The new conditions may include an "energy criterion," stipulating that the borrowing country either develop its domestic energy resources or practice more conservation. The Fund will also demand the elimination of trade deficits through "import substitution" and "export promotion," with a heavy emphasis on export of raw materials and primary products.

Turkish model

In a recent speech in Geneva, IMF managing director Jacques de LaRosière stated that in the future IMF "adjustment policies" would be designed "with a view to enhancing the supply side of our members' economies and their long-term potential for growth." The obvious question, however, is *what kind* of growth is the IMF promoting?

According to a source in the office of IMF Executive Director Jacques de Grott, a Belgian, "Turkey is a good example of how the new policy will work." In late June, the IMF approved a \$1.6 billion standby credit for Turkey, the largest credit ever granted by the IMF. But Turkey is paying a high price for this new influx of

funds; the country is being forced to reorganize its entire economy around exports of agricultural products, such as cotton, while stripping down its manufacturing industry.

Under the terms of the loan agreement, Turkey is slashing subsidies for "inefficient" public sector industries, representing 50 percent of the country's current national output. In addition, the Turks must cut public spending, lift ceilings on interest rates, impose limits on foreign borrowing, and devalue the Turkish lira by another 22 percent. The IMF has also insisted that Turkey curtail its trade with the Comecon bloc by doing away with incentives to Turkish businessmen to facilitate that trade.

Moreover, one of the IMF's less publicized conditions is designed to give a major boost to Turkey's flourishing "underground economy," based on illegal narcotics and arms trafficking. Black marketeers who thrive on these types of activities will now be permitted to deposit the profits legally into Turkish banks without being questioned.

Europe's fatal compromise

In short, the IMF's "new" policy is a fraud, designed to appease Western European government, banking, and industrial leaders who are desperately concerned about the possibility of a Third World debt collapse and its destabilizing effects on international credit markets and world trade. At the June 22 Venice summit, West German Chancellor Helmut Schmidt took the United States and Britain to task for failing to address the question of how the petrodollar surplus is to be recycled. Both West German and French officials have studied plans to channel the petrodollars through the European Monetary Fund, and use the funds to promote high-technology industrial projects in the Third World rather than the pick-and-shovel agricultural programs favored by the IMF and World Bank.

More recently, however, the leading West German banks have consoled themselves with the belief that they can work within the context of a "reformed IMF." According to one report, the German banks' strategy for the coming decade calls for stepped-up capital-goods exports to the so-called "newly industrialized countries," such as Korea, which already have developed a certain amount of industrial infrastructure. The Germans are leaving it up to the IMF to take care of the financial requirements of the more backward countries, the vast majority of Third World nations.

Although this "two-tier" policy is certainly an improvement over that of the leading New York commercial banks, it suffers from a devastating flaw: Those countries which receive the "Turkey treatment" will become political cauldrons and ultimately triggerpoints for East-West confrontations the world may not survive.

De Larosière on lending strategy

In a recent speech before a United Nations-sponsored conference in Geneva, IMF managing director Jacques de Larosière said the following:

In this complex situation, the Fund stands ready to assume an increasing role in recycling and to make flexible and sensible use of its resources for that purpose. The recent meeting of the Interim Committee confirmed the line of action which I proposed in this area: The Fund will be able to lend in larger amounts than in the past, when appropriate under special circumstances, and to go beyond previously established ceilings in relation to quotas. Where problems of a structural nature require it, adjustment programs will be able to extend over longer periods than have been typical in the past . . . with a view to enhancing the supply side of our members' economies and their long-term potential for growth. . . .

Given the availability of funds under the Supplementary Financing Facility [Witteveen Facility—ed.] and the expected increase in resources under the Seventh General Review of Quotas, the Fund is at present in a relatively liquid position, well situated to meet substantial new demands. Moreover, the Interim Committee has endorsed my proposal to initiate discussions with potential lenders regarding the terms and conditions under which the Fund might borrow to increase its resources, if and when a need to do so arises. In short, I believe that resources will prove to be available for the Fund to play a much larger direct role in the recycling process.

Of course, we do expect that countries to which the Fund lends in relatively large amounts or for unusually long periods will be prepared to meet certain conditions. This is essential both for preservation of the Fund's revolving resources and for promotion of optimal adjustment. Sound adjustment means, above all, implementation of fiscal and monetary policies designed to avoid overconsumption in relation to available resources and to prevent waste or mismanagement of those resources. In this connection, there is one simple truth which must be recognized: When demand is stimulated by measures which are rapidly dissipated in higher prices, this stimulus is fruitless, or counterproductive, from the standpoint of development and growth, and the standpoint of inflation and balance of payments stability. . . .

Mrs. Thatcher's depression

British banking interests are rushing into international holdings, in the belief that Thatcher, Britain may indeed "go down."

The British government's Minimum Lending Rate may have been brought down 1 point last week, but this cosmetic move will have no positive effect on the British economy. Across the board, Mrs. Thatcher's Britain is reporting record depression statistics.

The collapse of domestic corporate loan demand under these conditions has left large British merchant banks aflush with cash. A mere 15 days after a temporary ban on foreign takeovers in the U.S. expired, London's Midland Bank announced that it was purchasing the San Francisco-based Crocker National Corp. for \$820 million. The same day, Midland also announced it was purchasing the 60 percent share in Germany's Trinkhaus und Burkhart held by Citibank for \$80 million.

What London is learning is that Mrs. Thatcher's economic design, which can be described as "austerity plus microchips," just doesn't work.

To a large extent, her efforts to "reindustrialize" Britain on the high-technology end, while squeezing basic industry, derives from her administration's close adherence to Milton Friedman, Ronald Reagan advisor, and as the *Sunday Times* put it this week, her "guru."

Recently, a major joint venture project to produce microchip technologies was abandoned by its two participants, Fairchild Instruments and Britain's General Electric Corporation. While collaboration of

these two firms was first hailed as exemplary of a British move into world electronics, the reason given for finally dumping the arrangement was that they would never be competitive on the world market.

The last time Britain poured funds in a concentrated way into basic industry was in the ten-year period following World War II when Scotland was built up as a Western defense industry zone. Now, the collapse of these basic industries floods the press on a daily basis, alongside accounts of an rise in infant mortality.

On July 15, the London Central Statistical Office reported that manufacturing output in May was below the worst levels of the 1974-75 energy crisis. Last week, it was revealed that unemployment is at its highest since the war. Also hitting a record, for the first six months of 1980, 1,500 firms entered into compulsory liquidation. And starting April 1, surviving manufacturing firms began to record order declines of up to 25 percent.

Calls are mounting for a halt to Thatcher's policies—those of Industry Minister Keith Joseph. Cambridge economist Win Godley stated recently that if Joseph continues, "Britain will look like a town after an earthquake." The weekend *Guardian* has just suggested that Britain call itself an "OIC"—"Once Industrialized Country." The *London Times* demanded Keynesian rescue operations to put Britain "back to work."

At the same time, every British financial clique is hedging its bets that Britain may indeed "go down." The bank-takeover moves in the U.S., as well as the formation of combined fuel-raw materials conglomerates are examples of their hedging operations.

Just as important for British banking is the current shakeup in Hong Kong. In late May, British financial circuits began buzzing about a major power play between two directors of the Hongkong and Shanghai Bank: David Newbigging and Sir Yue-kong Pao.

Newbigging had attempted, while Pao was in Paris, to consolidate a keystone real estate firm, Kowloon and Wharf, into one of his subsidiary operations, the century-old opium-trading firm Jardine Matheson. Pao rushed back to Hong Kong, borrowed a pile of cash from Hongkong and Shanghai Bank, and purchased a chunk of "Wharf's" shares from hungry shareholders at HK\$105 apiece (they were being quoted on the stock exchange for HK\$76).

Pao's move is considered part of a pattern by aggressive Chinese expatriate families to build their Hong Kong holdings in preparation for unprecedented collaboration on financial ventures with China. What is coming into being in Asia is a juridically cemented "Common Market" encompassing Hong Kong and the surrounding Chinese province of Quandong.

While press gossip sheets portray British firms as taking a beating in these Asian operations, there is little doubt that the British opium interests in Asia are closest to Mrs. Thatcher, and least concerned about Britain's basic industry shutdown.

Dresdner's role in the shakeout

One of the market's biggest bulls decided to take some profits. It's a favorable interlude for small investors to buy.

In one of its sharpest setbacks in recent months, the world gold price tumbled by nearly \$60 an ounce within a three-day period last week. Analysts offered many explanations for the metal's decline, including the negative effect of Treasury Secretary Miller's interview with Reuters on July 11, in which he stated that the Treasury might at some time resume its gold sales.

A much more interesting—and, in my view, more plausible—hypothesis about the gold market shakeout has been advanced by James Sinclair, a partner in the New York-based metals trading firm Sinclair and Co.

Sinclair believes that Dresdner Bank, led the selling.

According to Sinclair, Dresdner Bank realized that the gold market was likely to weaken in the coming period because of the onset of the Moslem holy month of Ramadan, when many Arab buyers are out of the market. Dresdner's strategists therefore decided to take their profits, while positioning themselves to buy more gold "cheap" once the price was knocked down.

Significantly, Sinclair reports that Dresdner also led a wave of selling at the start of the Ramadan holiday one year ago. Then, in late July, the bank caught everyone by surprise by plunging back into the market, pushing the price past \$300 for the first time in history.

The West German bank's aggressive bidding at the August IMF auction then sparked off the spec-

tacular run that culminated in an \$875 gold price in January 1980.

The Sinclair hypothesis makes sense in light of the fact that Dresdner Bank's largest customers are conservative Arab investors—including quasi-official agencies who hope for a formal restoration of gold's monetary role.

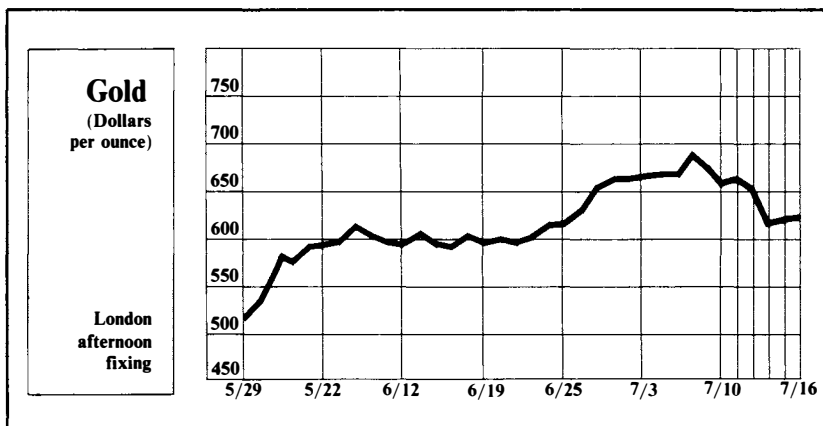
Barring that, they have decided to accumulate gold—not for trading purposes but as a long-term investment—as a form of insurance against the further deterioration of the U.S. dollar.

Such investors are unlikely to be deterred by Miller's threats to resume Treasury auctions—indeed, they would be overjoyed at the opportunity to obtain more gold without unduly disturbing the market. Nor are they likely to be impressed by the Fed's recent backtracking, when it is clear that the Fed has failed to reduce the underlying rate of U.S. inflation.

In short, Dresdner's customers are likely to come back into the market within a few weeks. This could be a perfect time for the small investor to buy some gold, assuming he or she is patient enough to ride out the current vicissitudes of the market.

Meanwhile, the July 7 *Financial Times* contains an interesting footnote concerning the growing clout of the big West German banks in the international gold market. According to the *Times*, German banks have been able to purchase increasingly large amounts of gold directly from the South African central bank, which in the early 1970s conducted business almost exclusively with Swiss banks.

The German banks "enjoy strong financial links with Pretoria" because they are willing to put in higher bids for the gold, thereby accepting a narrower spread. It is estimated that only about 60 percent of South Africa's sales now go to the Swiss, with 20 percent going to British dealers, and another 20 percent split between West Germans (primarily Deutsche and Dresdner Banks) and a few American dealers.



Carter's budget albatross

The Carter administration budget review has come out, and gives the GOP plenty of political ammunition—why was it released now?

On July 13, someone in the Carter administration leaked to both the *New York Times* and the *Wall Street Journal* an advance copy of Carter's midyear federal budget review. The budget review which had been embargoed until July 20 to prevent it from appearing at the moment that the Republican Party gaveled open its national convention, has given the Republicans the ammunition they needed. One Congressional source stated July 14, "the appearance of Carter's budget review a week early is shocking. Someone in his administration must want to get Carter."

The Carter midyear budget review also is shocking. As this publication stated nine months ago, the fiscal year 1980 federal budget deficit was nowhere near the \$23 billion the Carter administration projected, nor the \$30 billion the U.S. financial community predicted. In fact, the Carter budget review document places the fiscal 1980 budget deficit at \$60 billion, more than twice the earlier predictions.

The Carter administration is paying the price for the credit crunch that Federal Reserve Board chairman Paul Volcker initiated last Columbus Day weekend. At the time, and until this day, the Carter administration fully supported that crunch policy. The Volcker policy, launched allegedly to "halt inflation" and support balancing the budget, deepened the

economic collapse. As a result massive unemployment has ensued and the government is paying \$3.5 billion more than it had originally projected for unemployment insurance alone. As yet, there are no firm administration calculations on the billions of dollars of tax revenues lost to the federal government as a result of the business downturn.

The Carter midyear review also projects a 9 percent unemployment rate by the winter, a 12 percent consumer price inflation rate over this year, and a 9 to 10 percent inflation rate in 1981.

There are indications that whoever leaked the Carter administration midyear review, or persuaded Carter to leak it, may well have had a higher purpose. The Carter midyear review seems to be part of a larger austerity package that is intended to stop any attempts to stimulate the U.S. economy. Its ultimate aim is to shape a U.S. economic reorganization that will preserve and buildup its high technology sectors, but sacrifice its housing, consumer sector and several of its basic industries.

Consider the way that the budget is put together. Not only did Carter run up a \$60 billion budget deficit, but within three months of the end of the 1980 fiscal year (on September 30, 1980), a total of \$60 billion of new taxes will go into effect, including \$20 billion from increased Social Security taxes and

windfall profits taxes, and individuals moving into higher tax brackets due to inflation. The net annual cost of the recession to the federal government is in the range of \$120 billion, the figure that the *EIR* predicted nine months ago.

The tightness of the tax bite inherent in the budget—even though the budget is largely in deficit—constitutes a large fiscal drag on the economy. The drag could be seen if the economy were at full employment, because then tax collection would jump way up. Commenting on this aspect of the budget, Data Resources, Inc. wrote "the drain in purchasing power is roughly the same as that created by OPEC 11—the \$18 per barrel jump in the price of imported oil over the last year. This sort of tightening... would subject the economy to downside risks unparalleled since the 1930s."

Why should an administration release such devastating information about its own failures? Whether Carter saw the final draft of the review, or was deceived into believing that releasing the worst possible figures was "being honest," is unknown. But their release gives out the argument that Carter will not tolerate anything stimulative for fear of making the deficit larger, including a tax cut. George Schultze, Carter's chairman of the Council of Economic Advisers, two weeks ago ruled out a tax cut until next year. Volcker in the last few weeks has entered the federal funds market to push up the rate when it threatens to fall below 9 percent. Thus he is not looking for an immediate drop in interest rates.

Carter is going for austerity and his budget review provides the rationale. It is enough to guarantee that Carter is not reelected.

Farm meet resolves for open convention

Today, amidst the debris of the old "farm lobby," a new breed of political organizer armed with American System economics is determined to keep American agriculture in business.

On July 12-13 at the annual leadership convention of the American Agriculture Movement, plans were discussed and steps taken that could have a major impact on this year's Presidential election. The 120 AAM delegates from every farming state of the country resolved to open the Democratic convention in August—"to allow the convention delegates to choose a candidate capable of leading our nation and worthy of our support."

AAM President Marvin Meek announced at the convention that with labor support he would convene a press conference in Washington, D.C. prior to the convention to publicize the organization's demand for an open convention, dumping Carter, and implementation of 90 percent of parity immediately. Meek said that he would proceed from Washington by tractor to Madison Square Garden in New York City to lead a demonstration at the Democratic Convention on August 10 at 4 p.m.

The AAM delegates gathered in St. Louis against the backdrop of the most serious crisis in the farm sector since the 1920s and 1930s—a financial squeeze exacerbated by the heat wave and drought now threatening the heart of the grain belt. From its first year in office, the Carter administration and the Bergland Agriculture Department have run afoul of farm producers. In 1977 Secretary Bergland toured

the country publicly blaming the serious cash-flow crisis in the farm sector on producers themselves. Producers have "overextended themselves," he said in speech after speech, in making capital investments in land and equipment to expand and modernize their operations. The AAM was founded at that time, determined to restore economic sanity to farm policy and the nation.

A high point of the convention proceedings was a slide show of the movement's history and development. The farm producer, like any other business, AAM insists, must have 100 percent of parity—that is, cost of production plus a rate of net profit adequate to make the necessary capital investments in expansion and modernization.

Parity, AAM spokesmen emphasize, is an institution for America, not just for farmers. On Sunday, in a featured presentation to the gathering, economic consultant Robert Lewis pointed to the basis for the parity concept in the American System economics of our Founding Fathers. Lewis attacked "free trade" and "free market" economics, and stated that America was founded "on a parity system"—only at the time they called it "protection." It is the federal government's responsibility to enforce orderly marketing of farm commodities at parity prices. Under existing law, President Carter has the

authority to enforce 90 percent of parity, and to do so immediately.

The importance of bringing labor on board in the fight for parity was a key point of discussion. Since it was passed overwhelmingly at the Texas state Democratic convention in late June, an emergency mandate to President Carter to use his constitutional power now, before the elections, has gained the endorsement of hundreds of key trade union leaders, clergymen and others. AAM leaders, together with LaRouche campaign organizers, had set the initiative in motion in mid-June.

AAM leaders pointed to the fact that the AAM had received hundreds of telegrams for their convention, pledging support for the 90 percent parity push, and that more from across the country were arriving every hour. The convention delegates passed a resolution thanking the signatories, and President Meek announced that the AAM would send personal invitations to each of the individuals to come to the August 10 demonstration in New York.

The organizing process—how you get people to move in their own interest on a national political level—was a formal and informal topic of continuous discussion. One veteran AAM organizer provided critical insight into the source of strength and dynamism that has earned this young force the respect of farm producers across the country and in every other farm organization. "The AAM is not a grass-roots organization," he told the convention. "We're more like the people who fought the American Revolution—the minority who knew how to do what they had to accomplish."

The French record of export success

Georgetown's useful assessment is both too optimistic and too pessimistic about France's prospects.

In the most informative of a series of papers on international trade prepared this year by Georgetown University's Center for Strategic and International Studies (CSIS), economist Lawrence Franko details French export success in developing-country markets. Franko's paper, entitled, "French Export Behavior in Third World Markets," shows that the European Monetary System policy of expanded trade with the developing sector is backed up by technical and trading expertise of a winning quality.

Franko's conclusion states: "It is clear that France has been successful in selling to Third World markets over the period 1973 to 1978, often displacing U.S. suppliers. France has been able in the space of six years to reorient much of its export sales from traditional EEC markets to developing-country purchasers. France has outstripped the United States in rates of growth of export sales of several Third World countries in Latin America, Africa and Asia. Increased sales in these markets have gone a long way toward offsetting France's large bill for oil imports; the French trade balance even showed a temporary surplus in 1975 due to increased exports of manufactured products, mainly to developing countries."

"Most of France's success Franko attributes to "an impressive range of French governmental policy tools for export promotion. The

use of financial incentives—both tax and non-tax measures—has been backed by an active political campaign tying French military and technical assistance as well as aid disbursements and support for foreign policy positions to the purchase of French exports. The importance of these non-monetary factors cannot be stressed too strongly, and it suggests that excessive concentration by U.S. analysts on price competitiveness and the availability of other official facilities misses the main point . . . the mere matching of export credits and insurance guarantees by the United States is a feeble and inadequate response to an aggressive worldwide drive for export markets."

Prof. Franko, the Director of Research at the Centre d'Etudes Industrielles (CEI) in Geneva, Switzerland, presents an impressive explanation for the 171 percent rise in French exports to developing countries since 1973. In addition to assembling a large amount of useful detail, Franko is willing to throw cold water on American illusions by highlighting France's performance in such high technology fields as nuclear plant and aerospace exports, which the United States dominated until very recent.

In some ways, however, the CSIS paper is simultaneously too optimistic and too pessimistic about French prospects. However successful French strategy in pay-

ing for oil through increased exports was in the 1973-1978 period, it has been clear to the French leadership for some time that exporting a greater share of their existing range of industrial products in return for more and more costly oil represented a dead end. Indeed, under the Barre plan, French industrial growth has not been adequate to continue the 1973-1978 pattern indefinitely.

The solution France is seeking lies in an ambitious project in close cooperation with West Germany, to expand knowledge-intensive industries and nuclear power production at home, and to create major new markets for European projects through the industrialization of developing countries. This is a step beyond selling more Mirage aircraft. Where Franko is too pessimistic is in excluding from analysis the technology orientation of the French government in energy production, electronics, aerospace, and other fields.

In an important way, his analysis ends where it should begin—with the 1978 formation of the European Monetary System and the agreement to create a European Monetary Fund. Under this policy, vast new export markets would be created for the industrialized nations, by extending cheap credits to Third World nations for capital-intensive, energy-intensive, high-technology development of agriculture and industry, focused on specified development projects. Success of this project—brought forward by President Giscard's five-day trip to West Germany this week—will determine whether France will be able to make the required leap into a new generation of export capability and success.

Trade Review

NEW DEALS				
Cost	Principals	Project/Nature of Deal	Financing	Comment
3 bn.	Saudi Arabia/Netherlands-U.K.-U.S.	Royal Dutch Shell's U.S. subsidiary, Shell Oil Co. (Houston), will build a Shell-Saudi equally-owned petrochemical complex in Jubail. In turn, Shell's \$400 mn. investment will make it eligible for about 200,000 barrels a day of Saudi crude. This will give Shell its first long-term Saudi crude supplies.	Shell will provide \$400 mn.; balance will be provided by the Public Investment Fund of the Saudi government and commercial banks.	
648 mn.	Soviet Union from Finland	Finland's Waertsilae Oy will build 6 special arctic-going ships (\$324 mn.) and Finland's Valmet Oy will build three further ships (\$162 mn).		Four agreements signed
203 mn.	Algeria from West Germany and Brazil	A West German consortium and Braspetro of Brazil will explore 13,800 square kilometers of Algeria for oil and gas.		Accord signed with Sonatrach
115 mn.	Nigeria from West Germany/Switzerland	Brown Boveri's West German subsidiary will build a gas turbine-based power station in Port Harcourt.		
100 mn.	Switzerland from U.S.	Swissair has ordered two McDonnell Douglas series DC-10-30 extended range jets with spare parts (improved DC 10s) and four Boeing 747-257 b jumbos.		
50 mn.	Oman from U.S.	Military aid for next year as part of U.S. buildup in Persian Gulf.		State Dept. announcement
35 mn. for fiscal year	Thailand from U.S.	U.S. is rushing to Thailand thirty-five M-48A5 tanks, ammunition, 1,000 M-16 rifles, thirty-eight 106mm recoilless rifles, and eighteen 105mm howitzers.	Military aid package	U.S. support to Thailand for supporting Pol Pot troops
25 mn.	Kenya from U.S.	Military arms for next year.		State Dept. announcement
23 mn.	Egypt from France	Renault will supply Egypt with 200 buses and coaches.		
N. av.	Nicaragua from Mexico	Pemex will sell Nicaragua 7,500 barrels of oil a day—half that country's needs.		

America: hot-money zone?

Money-center banks are using foreign takeovers as an argument for their own grabs—which would drain funds from industrial credit.

Last week's bid by the Midland Bank of London to take over 51 percent of Crocker National Bank of California stock for \$820 million has begun to stir a real debate in top banking circles in this country.

Of course, there has been opposition to such cheap takeovers from a segment of the banking community. And most knowledgeable bankers know that the pseudo-debate about foreign banking takeovers is merely being used by the money center bank-controlled regulatory agencies to press for an end to the McFadden Act, which prohibits interstate banking takeovers by domestic banking corporations.

But there is now much more to the debate. Assume that U.S. banking were turned into a British-styled hot-money banking system, one run by British banks and their top U.S. allies—the Crocker-Midland move is a Citibank operation. What happens to the forces in U.S. banking and industry who want to “reindustrialize” America?

The dilemma is acute. In order to deflect the European industrial boom fed by petrodollars newly invested in European, especially West German industrial shares, a hot-money zone in the U.S. is being promoted. And that, by its very nature, would suck productive investment capital out of the United States as well, undercutting attempted capital formation.

Moreover, such a hot-money zone would drain the U.S. economy

without necessarily augmenting the flow of petrodollars to Anglo-American banks, since the current OPEC investment in continental European industrial shares is politically negotiated. “Reindustrialization” would be sabotaged without accomplishing the perverse goal of defeating Europe's buildup.

Meanwhile, a front-ranking economic forecasting institute in Cambridge, Massachusetts, points out that the Carter administration's extraordinary tax policy will drain \$60 billion in taxes (Social Security, windfall profits, and “rising income” brackets) plus another \$60 billion in Treasury bills to cover the deficit. They claim that this much austerity will produce a depression worse than 1932.

Yet the hot-money operation rolls on in a major press campaign and a series of propaganda reports from federal regulatory agencies. On Saturday, July 5, in supposedly the least-read business pages of the year, the *New York Times* claimed that the New York City Free Banking Zone, the brainchild of Citibank, is gaining popularity. Checks with other top New York commercial banks found this hot-money operation still on the shelf, as the banks who had commented to the Fed on the idea over a year ago had demanded.

On July 14, both the *Times* and the *Wall Street Journal* ran prominent reports that the White House is preparing a report—a year over-

due—that will ask Congress to consider eliminating the McFadden Act and allow unbridled interstate bank takeovers.

Elimination of the McFadden Act, passed in 1927 to protect regional banks and their productive investment against the raids of London-directed money-center banks, is a prerequisite for creating a nationwide hot-money operation.

The British banks that take over American banks—foreign bank takeovers are 90 percent British on an asset basis—are in fact transferring hot-money Eurodollar operations to New York and San Francisco because they are being squeezed out of Europe. Once in the U.S., they and their allies want sharks' rights to the rest of American banks. The illogical argument that McFadden should be dumped because it allows foreign banks to be exempt from it is only tolerated by American banks because of the pressure against them. It is well known that Fed and Examination Council “bank examiners” exerted unpleasant pressures on recalcitrant banks to accept Henry Reuss's Omnibus Banking Bill, passed March 31, 1980, and to keep quiet about McFadden.

Yet for all the stories in the press, and despite all the regulatory agency “reports,” the proposal to eliminate 99 percent of the nation's banks and establish a hot-money operation under three dozen money-center banks, does not appear to have a bright future. Five thousand savings and loans are suing to protect the American housing market, and thousands of small commercial banks and their customers are willing to fight to protect their local productive activity. They could win.

Energy-dense processing

by Marsha Freeman

Last week, EIR, presented in this column an overview of how commercially developed thermonuclear fusion power will transform and vastly expand the globe's accessible base of so-called "raw materials." Here our Science and Technology editor outlines the way that energy-dense levels of chemical processing can make synthetic fuels and other specific energy potentials—now slated to drain funding, capital goods, and energy efficiency for lack of an adequate primary energy process—into an economic proposition.

Important developments are already underway in the use of the electromagnetic and particle energy from current energy-consuming plasmas and future energy-producing plasmas. While it is doubtful that large-scale materials reduction employing fusion plasma can proceed before fusion reactors are deployed on a broad commercial scale, here is a field in which rapid R&D progress can be made now.

Ultraviolet (UV) radiation is now used commercially for sterilization and photolysis. By injecting trace amounts of impurities, potentially aluminum, into selected materials, the radiation field of the fusion plasma in a torch could be tuned to produce high levels of UV radiation. The UV can be transmitted from the plasma through a window and absorbed by the working fluid.

UV radiation is used commercially at the present time for sterilization of high-cost foodstuffs like milk. If produced more cheaply through fusion, it could be applied to desalination of water, processing of urban sewage, conversion to electricity through fuel cells, and for many kinds of plasma chemistry.

UV photons could be used for photodissociation of water into hydrogen and oxygen. It has been estimated that hydrogen production through the use of a water vapor cell utilizing UV radiation could be produced at comparable prices with proposed nuclear-based process-

es, and at less than current costs of electrolysis. This process would mirror the continual UV dissociation of water that takes place in the upper atmosphere through rays of sunlight.

As the mid-1970s made the energy crisis the major focus of concern to policymakers, fusion scientists focused their attention on the production of synthetic fuels from fusion energy. A series of reports and a workshop sponsored by the Electric Power Research Institute (EPRI) beginning in 1976 brought together the teams of scientists and engineers in the fusion and related fields to evaluate future research paths for non-electric uses of fusion power.

Fusion transforms fuel potential

Many concepts, nearly all of which should be investigated experimentally, have come to the fore to produce conventional, carbon-based liquid and gaseous fuels using fusion power, as well as the fuel of the future—hydrogen. The irony is evident: a commitment to the most efficient overall energy mode transforms not only the resource question but the economics of producing specific fuels.

Nearly every excitive radiation produced in fusion can be used for the production of synthetic fuels. These include microwaves for plasma chemistry to mix carbon dioxide and hydrogen to produce methane; the use of UV and soft x-rays for photochemistry to dissociate water to produce hydrogen; the use of the 14MeV neutrons for radiolysis, similar to x-ray processes; and the use of the charged particles in a torch to dissociate water or recombine carbon fuels.

The private KMS Fusion company has proposed using laser fusion systems for the production of hydrogen through radiolysis. A team of researchers at Brookhaven National Laboratories has designed an entire synfuel production flow train using water, coal and carbon dioxide as the raw materials. Fusion, rather than burning vast amounts of coal, could provide up to 40 percent of the energy required for gasification or liquefaction techniques. And as coal became more expensive, or was not available in certain areas, it could be substituted for by extracting carbon dioxide from the air or the oceans.

A combination of the heat and electricity produced from fusion has been suggested in high-temperature electrolysis designs as a way to produce hydrogen from water. So have thermochemical cycles.

In their concluding statement in their 1969 report to the Atomic Energy Commission on fusion applications, Bernard C. Gough and Bernard J. Eastlund remark that "the vision is there, its attainment does not appear to be blocked by nature. Its achievement will depend on the will and the desire of men to see it brought about."

High-technology debate:

United States reindustrialization

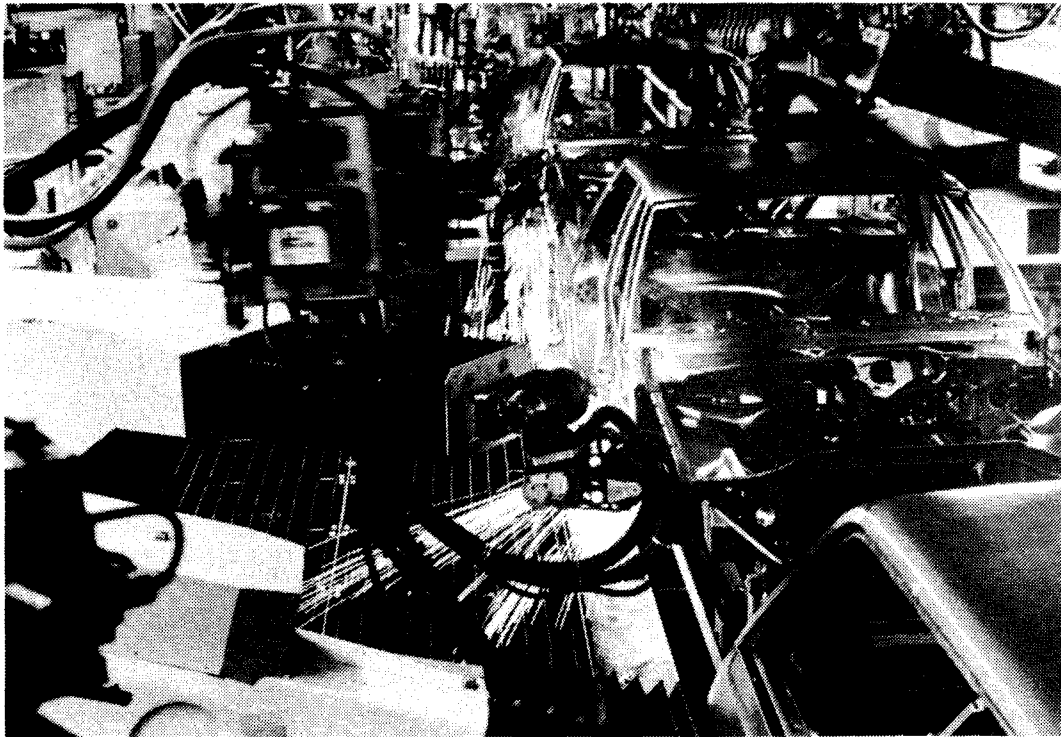
Rebuilding America's industrial core has, since May, become the subject of the most-uttered buzzword of economic policy in both political parties and the financial press. Whether "reindustrialization," as proclaimed in the bold colors of a June *Business Week* cover story, is a fad that will be put to rest once the campaign grinds on is a reasonable question. The answer is that the national imperative for industrial reconstruction is an entirely real one, understood to be a matter of greatest urgency among America's policy leaders. However, the quality of those leaders is so poor at both the public- and private-sector level that the debate often seems less than serious.

What has been accomplished, in a spectacularly short period of time, is the refutation of the "post-industrial society" and "information economy" varieties of zero-growth ideology which virtually took the country over in the past decade. Since its inception, *EIR* has insisted that the so-called resources crisis is artificial, the result of the suppression of scientific and technological advances, and that without a return to the policy of fostering such advances the United States is doomed as an industrial nation. In a series of economic surveys in April, May, and June, *EIR* employed the LaRouche-Riemann econometric model to debunk the myth of so-called "decoupling" of energy from economic growth, to evaluate how close America was to a "point of no return," and to compare America's economy to those of its competitors. Now the debate is proceeding on the terms we set, and may yet reach the needed conclusions.

Broadly, the motivations of the various kinds of "reindustrialists" are two:

- 1) America has lost its international market position in all but a handful of areas, as Georgetown University's Center for Strategic and International Studies documented in a series of papers this year, and faces competition for the first time in aerospace, electronics, nuclear energy, and other fields it used to dominate.

- 2) The Soviet Union has surpassed the United States not only in deploy-



Robots welding auto bodies at Chrysler's Newark, Delaware plant. Can the U.S. handle the coming industrial automation market?

Photo: Unimation, Inc.

able weaponry but also, in some key areas, in industrial mobilization capacity. Most worrying is the prospect of Soviet technological breakthroughs in particle-beam weapons and other potential war-winning weapons capabilities.

The political context is the decision of Western Europe and, in a different way, Japan, to pursue high-productivity investment programs premised on expanded North-South and East-West trade, through the vehicle of the European Monetary System.

Proposals in context

There has become available a bewildering array of proposals, including initiatives in Congress by Senators Adlai Stevenson and Lloyd Bentsen, reports by the White House staff and the Congressional Office of Technology Assessments, surveys published by *Business Week* and soon to be published by *Scientific American*, and reports from most of the leading thinktanks. Since there is no effective political process operating in Washington or in the Reagan campaign capable of handling such issues, the various proposals could easily be dismissed as a lot of noise.

In fact, the proposals are very real, in the context of international corporate warfare.

Since 1967, the leading American high-technology corporations, including IBM, ATT, ITT, Xerox, TRW, Hewlett-Packard, and Texas Instruments have been committed to the devastatingly wrong program outlined in Zbigniew Brzezinski's book *The Technetronic Age*.

Brzezinski outlined the devolution of the American economy into a "post-industrial" mess with a high-technology "information economy" holdover. To the chagrin of these corporations, that is precisely what the United States got.

The American corporate sector, once resolved to deal with the collapse of America's industrial base, is in a paradoxical situation. What is involved is typified by Japan's Fujitsu Electronics' announcement last month of the development of a new computer chip made of gallium arsenide, specially structured to communicate electronic messages by a reported factor of 25 times faster than conventional silicon chips. The announcement sent a shockwave through the American computer industry, not because the Japanese have superior technology. IBM alone spends \$1.5 billion annually on research, half of Fujitsu's gross sales. ATT's Bell Labs, still the best research institution in the world, has been at work on gallium arsenide chips for some time.

However, Fujitsu's technological advance can be combined with its dominant position in computer-controls for machine tools—65 percent of the Japanese market after a recent takeover of another Japanese firm. Machine-tool specialists at one of the nation's weapons laboratories believe that computer-controls can double to quadruple machining productivity within the next decade, and represent the key to any advances in industrial productivity. American firms, they believe, have all the technology the Japanese can command in this field, and more. But American machine builders

lack the confidence, the management commitment, the centralization and legal environment to put their technology to work.

U.S. outflanked

American foreign economic policy has been for a decade to discourage the Japanese from moving into high-technology areas such as computer electronics in which the U.S. had a dominant position. This is still official policy in Washington, according to ranking State Department sources. The Japanese have staked out their position nevertheless. Japanese electronics industry managers deride the idea that they will ever compete with IBM in its established markets, but point to the massive expansion of the market in the industrializing countries for computer-aided industrial production as their major target. IBM is badly equipped to compete with them.

Western Europe has also moved aggressively—if quietly—in the same high-technology area. German business and government officials say that the number-two priority, after energy, for Arab investment in European industry is in the computer-aided machining field. Europe's relatively fledgling computer capability has become more tightly managed. The June purchase by St. Gobain-Pont à Mousson of 20 percent of the Italian giant Olivetti is significant, because St. Gobain already controls the big French computer outfit Honeywell-Bull. France intends to spend \$6 billion to support electronics over the next decade, a mere four-year equivalent of IBM R&D spending, but a respectable sum nonetheless. Siemens, always a British rather than a West German company in outlook, is no longer dominant on the continent, particularly after Fujitsu earlier this month ended a joint marketing arrangement with them.

Britain's much vaunted "post-industrial" plans for silicon chip production—Sir Keith Joseph's proposed economic miracle—is apparently in shambles. The joint venture for chip production between Britain's GEC and Fairchild Camera, owned by the French Schlumberger firm, has been scrapped as uncompetitive.

The American high-technology giants lack the access to production-line facilities to rapidly implement industrial applications of microprocessors. They stand to lose the major net increase in international trade to Europe and Japan, as the European Monetary System countries finance and supply the biggest potential market expansion in world trading history.

Silicon Valley's switch

This is the background to the sudden shift away from "information economy" studies at the Boston-centered thinktanks and consulting firms which serve the big corporate market. Sen. Stevenson's "Technolog-

ical Innovation Act" was drafted out of the Massachusetts Institute for Technology, in cooperation with Arthur D. Little, the Boston Consulting Group, and others in the Cambridge nexus. The "Boston" element has also circulated a series of public offers to the Japanese to engage in joint ventures in areas formerly closed off to the Japanese, e.g., a 10-page advertisement in the latest *Business Week* and a report by the Boston Consulting Group featured in the July 14 *Wall Street Journal*. One thinktanker predicts that Ford Motors' in-negotiation plan for joint automobile production with one or more Japanese auto producers will be replicated in the electronics field. That could potentially represent a way out for the Americans. But there is no reason to believe that the Japanese have any interest in playing the game.

Another, somewhat deeper approach has come out of the Hoover Institution for the Study of War, Revolution, and Peace at Stanford University. Where the Cambridge proposals come from the technology-men of the Kennedy Administration, e.g., MIT President Jerome Wiesner, the Hoover plans come from the grand old man of Eisenhower-era nuclear technology, Dr. Edward Teller. Teller's proposals are formulated, for political reasons, in the context of energy security and military requirements. In going to the heart of the matter, including a plan to cut nuclear reactor construction time from 11 to five and a half years and to spend \$50 billion per annum on energy investments, the Hoover approach has greater competence.

The leadership question

Nonetheless, what we have seen from these institutions so far would fail, even if it became public policy, for two reasons.

The less significant reason is a question of economic method. As Dr. Steven Bardwell notes in this special report, the task of reindustrialization is to find the means of increasing productivity to the extent that the economy's overhead expenses (military, educational) are affordable. Since rebuilding the country's scientific capabilities and national security depends on such an increase in overhead, the solution to this question is indispensable. Judging from such documents as Sperry-Rand's survey of 100-odd American companies on priorities for future technologies, our corporate managers have trouble distinguishing between home computer units for personal banking and electronic games, and computer-controls for machine tools. Investment policy must negotiate an avenue past the danger of a general economic breakdown by centering on those technologies which will give the maximum productivity thrust to the economy as a whole. The LaRouche-Riemann model provides a means for making this evaluation; nothing we have seen from MIT or Hoover

provides a rigorous method at all.

And, fundamentally, the proposals at hand fail entirely to address the problem of skilled labor, the biggest problem of all. For 15 years American universities have shifted away from training the scientists and engineers needed for reindustrialization, and the skilled labor pool among industrial operatives has shrunk. Industrial engineers are not available in the right quantity and often of the right quality. What we have gotten instead is a generation eaten up by "Aquarian" hedonism, and in increasing numbers unfit for the workplace.

America requires more than a policy maneuver. The economic crisis is such that any maneuver by itself must fail. The state of the population shows us that economics is at bottom a moral science, the science of enhancing the capabilities of populations to assimilate and employ scientific knowledge. Anyone who believes that a President of the quality of Carter or Reagan, once persuaded by the "right advisors," could bring off such a recovery is blind to the most important policy issue at work: the precondition of moral leadership for this country.

Legislation

Industrial policy comes to the U.S. Congress

Pieces of legislation directed in some form toward the advancement of U.S. industrial research and development and basic capital formation are now progressing toward final votes in Congress.

These bills, typified by Senator Lloyd Bentsen's (D-Texas) "Capital Cost Recovery Act" and Senator Adlai Stevenson's (D-Illinois) "Technological Innovation Act" are basic, though limited, steps toward putting together some of the needed industrial and scientific infrastructure in this country.

The legislation combined should add about \$3.5 billion to the U.S. economy in added capital formation and increased research and development in fiscal year 1981, and rise to about a contribution of \$35 to \$50 billion by fiscal year 1985, according to the sponsors of the bills. Plus, there will be several intangible benefits—new technologies—which could end up increasing U.S. productivity in a way that could be worth \$100 billion to \$150

billion in additional corporate revenues.

These bills have been advanced by policymakers linked to industry and labor who have become increasingly alarmed as the technological base of the U.S. continues to erode. Productivity, measured in Department of Labor terms at less than 1 percent per year, is insufficient to prevent the U.S. from losing its competitive edge in world markets or from collapsing as an economy.

Thus, since 1977-78, when the disastrous course of America's Malthusian policies became apparent, a thrust was initiated to steer the U.S. back toward a broad-based use and development of new technologies, and to increase capital formation for that purpose.

The Presidential review

Responding to the demands in March, 1978 that the U.S. industry not be allowed to collapse into a junk heap, the Carter administration set up a Domestic Policy Review on Technological Innovation. In preparation for the review, industry, science and foundation groups prepared study papers for the White House.

The study was centered under Carter's White House science advisor, Frank Press, and Assistant Secretary of Commerce Jordan Baruch. Among the sorts of recommendations offered were those of the New York-based Committee for Economic Development (CED), a businessmen's group. The CED recommended three basic changes:

- (1) permit a more rapid capital recovery allowance to stimulate investment in new plant and equipment;
- (2) allow R&D assets to be fully depreciated in the first year, or at the discretion of the firm;
- (3) reduce capital gains taxes to encourage inventive activity by small firms, traditionally the source of much innovation.

The CED also called for reducing or eliminating several government regulations and a change in patent laws. The CED approach was representative of most industry suggestions. The MIT Center for Policy Alternatives, centered in Cambridge, Massachusetts, also did a final study review for the President's panel, recommending ways to increase technological innovation. The MIT Center is under the direction of Herbert Holloman, a former head of General Electric's R&D department.

The reams of paper submitted to the Carter Review task force were ignored. The Commerce Department's Jordan Baruch did not adopt anything that might radically change the 15 pre-existing and mostly minor White House programs that allegedly foster technological innovations, mostly for small businesses. One industry source described Baruch as a "snake-oil salesman."

By the time the recommendations of the Commerce Department got through the President's Domestic

Council, which is under the direction of Stuart Eizenstat, they were thoroughly emasculated. One of Eizenstat's assistants, Al Stern, acknowledged that any proposals for tax changes to accelerate capital formation would represent new tax initiatives outside the scope of the report.

Rep. Charles Vanik (D-Ohio), who introduced a bill into the House to increase R&D expenditure tax write-offs, summed up the thinking of many when he pronounced, "The administration plan gives no incentives that are going to work." An official high up in the Congressional bureaucracy added, "The Carter proposals offer even less than what was proposed by the Ford, Nixon, Johnson or Kennedy administrations."

It was in late 1979, at the point the Carter White House review turned out to be a manifest disaster, that the proliferation of national bills and magazine articles touting "reindustrialization" and "technological innovation" became conspicuous.

Of the two pieces of legislation on these subjects that are most advanced in the legislative process, the "Capital Cost Recovery Act," sponsored by Senator Bentsen and Representative James R. Jones (D-Oklahoma) has 306 sponsors in the House and 60 in the Senate. It is certain to pass if it is brought to the floor in the current session of Congress, a move the bill's sponsors are confidently pushing for. The other advanced piece of legislation, the "Technological Innovation Act" sponsored by Senator Stevenson passed the House Science Technology Committee July 3 and will go to the full House soon, where it has favorable prospects. It passed the full Senate by voice vote on May 28.

Washington's major bills

Research and Development Act

S.2906.

Sponsored by Sen. Jack Danforth

According to the executive summary of the Act written by the sponsor, "The proposal provides a credit equal to 25 percent of the increase in research and development expenditures during the current year over the average of the preceding years. Therefore, in order to get any credit, a taxpayer must increase his spending for R&D over the average of the three preceding taxable years.

Technological Innovation Act

S.1250.

sponsored by Sen. Adlai Stevenson

Sec. 2. Findings

Congress finds and declares that:

(1) Technology and industrial innovation are central to the economic, environmental, and social well-being of citizens of the United States;

(2) Technology and industrial innovation offer an improved standard of living, increased public and private sector productivity, creation of new industries, and employment opportunities, improved public services and enhanced competitiveness of United States products in world markets;

(3) Many new discoveries and advances in science occur in universities and Government laboratories, while the application of this new knowledge to commercial and useful public purposes depends largely upon actions by business and labor;

(8) No national policy exists to enhance technological innovation for commercial and public purposes;

Sec. 5. Commerce and Technological Innovation

(a) The Secretary shall establish and maintain an Office of Industrial Technology in accordance with the provisions, findings and purposes of this Act.

(b) The President shall appoint, by and with the advice of the Senate, a Director of the Office.

Sec. 6. Centers for Industrial Technology

(a) Establishment—the director shall provide assistance for the establishment of Centers for Industrial Technology. Such centers shall be affiliated with any university, or other nonprofit institutions or group thereof that applies for or is awarded a grant. . . .

(1) [The centers shall have] the participation of individuals from industry and universities in cooperative and innovation activities.

Sec. 7. Activities

(1) Research supportive of technological and industrial innovation including cooperative industry-university basic and applied research.

Sec. 10. Authorization of Funds

(a) There is authorized to be appropriated to the Secretary [of Commerce] for purposes of carrying out

Section 6 not to exceed \$19 million for fiscal year ending September 30, 1981, \$40 million for the fiscal year ending September 30, 1982, \$50 million for the fiscal year ending September 30, 1983, and \$60 million for each of the fiscal years ending September 30, 1984 and 1985.

Capital Cost Recovery Act

S.1425, H.R.4646.

Sponsored by Sen. Lloyd Bentsen and Rep. James H. Jones

The purpose of the Act in its summary is "A bill to amend the Internal Revenue Code of 1954 to provide a system of capital recovery for investment in plant and equipment, and to encourage economic growth and modernization through increased capital investment and expanded employment opportunities."

Sec. 168. Capital Cost Recovery Deduction

(a) Allowance of deduction—In the case of recovery property, there shall be allowed the recovery provided by this section.

(b) Amount of deduction

(1) In general—the recovery deduction for the taxable year shall be the aggregate amount determined by applying to the capital cost of recovery property the applicable percentage determined in accordance with the following table:

Capital Cost Recovery Table

If the recovery year is:	The applicable percentage for the class of property is:		
	Class 1	Class 2	Class 3
1	10	20	33
2	18	32	45
3	16	24	22
4	14	16	
5	12	8	
6	10		
7	8		
8	6		
9	4		
10	2		

(a) Classification table—the classification of recovery property shall be determined in accordance with the following table:

Classification of Recovery Property

Class 1	Class 2	Class 3
Buildings, and structural components of buildings	Recovery property not taken into account under Class 1 or Class 3 (i.e., machinery equipment)	Automobiles, taxis, and light-duty trucks

The purpose of the Act, according to its executive summary, is "achieved by replacing the current complex array of depreciation lifetime schedules with a standardized set of depreciation lifetimes for most capital assets."

Thus the basic thrust of the Act is to reduce the depreciation lifetimes of plant structures from 20 to 30 years down to 10 years; to reduce the depreciation lifetime schedule of equipment from 20 down to 10 years; and to reduce the depreciation lifetime schedule of light motor vehicles from 5 to 3 years.

According to a spokesman for Rep. Jones the bill will reduce corporate taxes by \$3 billion the first year, and by \$35 billion by the fifth year.

Research Revitalization Act

S.2353, H.R.6632.

Sponsored by Sen. Paul Tsongas and Rep. Charles Vanik

According to its sponsor, Mr. Vanik, "The Research Revitalization Act provides a nonrefundable credit to business for 25 percent of the amount contributed in cash to a research reserve. However, the maximum credit is limited to 5 percent of the taxpayer's business income. A deduction is allowed for payment to the reserve if it is used for basic or exploratory research by colleges and universities. A research reserve is a reserve amount which is exempt from income tax."

The Act, intended to foster basic R&D, gives a 25 percent tax write-off for basic R&D, performed at a college or university. Each corporation that wants to qualify for the Act will maintain a research fund (called a research reserve).

According to its sponsor, Rep. Vanik, "This program would provide a substitute for military adventures or the space program in providing powerful, energizing forces for the creation of new technology."

Institutional studies

Taking a stab at economic development

by Vin Berg

The quiet but growing debate over how to salvage U.S. industrial and military capability—at least adequately to meet growing Soviet power in both spheres—suddenly moved out of the closed-door meetings of elite Anglo-American circles and into public view at the end of June. *Business Week* magazine, published by the McGraw-Hill econometric services unit, devoted its entire June 30 edition to the issue, “Reindustrialization of America.”

Shortly thereafter, *Scientific American*, the world’s largest circulation science magazine, announced that it will turn over its entire September issue to the single topic: “Economic Development.”

Otherwise, these two leading indications that policy-makers are embroiled in debate do not have much in common.

According to the implications of the *Business Week*/McGraw-Hill offering, the U.S. economy’s road to reindustrialization is to be defined solely in terms of “competition for international markets.”

By contrast, *Scientific American*’s forthcoming feature will focus on international agreements required to develop the market represented by Third World need for American technology and that of other industrialized nations. The American economy will be touched upon from the standpoint of a U.N.-model “New International Economic Order,” the decided focus.

Both program outlines have peculiar twists. For instance, *Business Week* seems to strongly favor eliminating America’s traditional basic industries—auto, steel, etc.—from “reindustrialization.” By the same token, *Scientific American* defines one of the goals of its technology-transfer proposals to be eventual “zero population growth”—and even holds up Communist China’s program as a Third World model. Experts—and, for that matter, the Communist Chinese—view high-technology development and zero population growth as mutually exclusive programs.

***Business Week*: ‘competitiveness’**

Large parts of the U.S. economy are too inefficient to compete in world markets, the editors of *Business*

Week state at the outset. The cause of the problem is that leading categories of old, “traditional” basic industries are obsolete, and therefore non-competitive in world markets that feature the participation of the more modern and productive Japanese and West German vendors. This is largely the result of a failure in industrial innovation, and a related lag in R&D spending.

This, however, does not mean that America’s “antique lemons” like auto and steel should be put through a process of modernization and innovation, says *Business Week*. The criterion for reindustrializing should be which industries can be made competitive. Industries and product lines must be carefully selected for encouragement; others should be designated as incurably obsolete, and allowed to vanish.

A new “social contract” must be achieved, and take precedence over the aspirations of the poor, minorities, and environmentalists; it must be accompanied by government tax, budget, and credit policies tailored to encourage those competitive industries in which “information takes the place of goods,” such as “microelectronics.” Energy resources must be similarly tailored, emphasizing coal, solar, and other renewable forms.

***Scientific American*: ‘technology-transfer’**

The editors of *Scientific American* begin their argument by theorizing: The population explosion and poverty in the developing nations are not caused by fertility rates, but by the lack of “scientific industrial revolution.” By the same token, however, Malthusian desires for zero growth or at least stabilized population growth are feasible, and “scientific industrial revolution” is the means to achieve that goal.

To that end, “Group of 77” (nonaligned nations) demands for a “new international economic order” as defined in the United Nations Organization should be accepted. U.N. models of economic and population growth, according to *Scientific American*, show that high-technology Third World development could stabilize the population of the world at 8 to 12 billion by the year 2000; any such “predictable population” can enjoy the elimination of want through existing technology.

The industrialized nations should undertake the systematic transfer of scientific-industrial technology to the poor nations, focusing on the world’s 10 major underdeveloped river valleys, exemplified by the Indus, Ganges, and Brahmaputra. These must be brought under cultivation by 20th-century technologies.

“Despite controversy,” there is no substitute for nuclear energy in the Third World development programs, says *Scientific American*. It alone can provide the magnitude of energy needed by the poor nations “in the form of fertilizers, pesticides, and mechanization in agriculture, in mineral resources extraction, and in industry, transport, and communication.”

Energy policy

Buchsbaum report mandates fusion energy commitment

The Report of the Fusion Review Panel of the Department of Energy's Energy Research Advisory Board (ERAB), released June 24, evaluates the "impressive" progress of the U.S. magnetic confinement program and recommends that the DOE upgrade the program in order to ensure prototype fusion electric power plants by the year 2000.

The Fusion Review Panel is chaired by Dr. Solomon Buchsbaum, vice president of Bell Laboratories, who is also a member of ERAB, and the report is known by his name. Panel members include Dr. Robert Conn, professor, School of Engineering and Applied Science, University of California; Dr. James Fletcher, vice chairman of the Burroughs Corp. and former NASA head; Dr. John S. Foster, Jr., vice president for science & technology, TRW, Inc.; Dr. Eugene Fubini, head of E.G. Fubini Consultants, Ltd.; Dr. Marvin Goldberger, president of the California Institute of Technology; Dr. Roy Gould, chairman of the Division of Engineering and Applied Science, California Institute of Technology; and Dr. Wolfgang Panofsky, director of the Stanford Linear Accelerator Center. Excerpts follow.

Introduction

The DOE Magnetic Fusion Program is large: In fiscal year 1980 some \$355 million will be expended; in fiscal year 1981 nearly \$400 million is included in the president's budget. (There is, in addition, some private funding, but this is not more than a few percent of what the government spends.) The panel is pleased to record its view that the taxpayers are receiving their monies' worth. . . .

Executive summary

Recent progress in plasma confinement justifies confidence that demonstration of scientific feasibility of magnetic fusion, that is, energy breakeven, is near. . . .

However, the state of knowledge is not adequate to determine an optimal configuration of plasma and magnetic field for a working reactor. Nor can we be sure today that a safe, environmentally acceptable, economically attractive fusion reactor can be built and operated.

These conclusions lead the panel to the following recommendations:

(1) *The magnetic fusion program can, and should, embark on the next logical phase toward its goal of achieving economic feasibility of magnetic fusion. To this end a broad program of engineering experimentation and analysis should be undertaken under the aegis of a Center for Fusion Engineering (CFE).*

A key element of the program should be a device containing a burning plasma, and incorporating in its construction those technological features which can serve as a focus for the development of future reactor technology. Some of the objectives of the recently proposed Engineering Test Facility (ETF)—in particular, the level of neutron flux and duty cycle, as well as the role envisioned for the ETF on the road to commercialization of fusion—are inappropriate at this stage of fusion development. Rather, *the program we advocate should center around a more modest, tokamak-based Fusion Engineering Device (FED). . . .*

Today, the panel is optimistic that with progress comparable to that in the past decade, a power unit, not necessarily an economically competitive one, could be built at or shortly after the turn of the century. . . .

(2) *To ascertain the highest potential of magnetic fusion, a broad-based program in plasma confinement should be continued, based on the following new major elements:*

(a) *Following recent experimental results and favorable theoretical projections, the U.S. mirror program should proceed with the construction of the large tandem-mirror facility (MFTF-B) as a proof-of-principle experiment for open confinement systems. Its design should be sufficiently flexible to permit the incorporation of various projected configurations. . . .*

(b) *Assessment of the reactor potential of tokamaks requires deeper understanding of many issues of plasma physics and technology which were not of immediate urgency when the present generation of machines (TFTR included) was being designed and built. Therefore, in addition to the large engineering device discussed earlier, the DOE should implement a coherent, comprehensive advanced tokamak program. . . .*

(c) *Work on the Elmo Bumpy Torus (EBT)—a hybrid configuration which combines many of the attractive features of mirrors and tokamaks—should be strengthened. . . .*

(d) *Work on alternate concepts, that is, plasma and magnetic field configurations other than tokamaks, mirrors, and the EBT, should continue commensurate with new discoveries in physics. . . .*

(e) *The DOE should support a strong research program on fuel cycles . . . other than deuterium-tritium, since reactors based on such cycles would have major advantages. . . .*

A litmus test for industrial productivity

by Dr. Steven Bardwell

A look back at the two decades of economic history since 1960 shows one of the most dramatic changes in the structure of the world economy in the 400 years of modern capitalism: the U.S. economy, once the overwhelmingly dominant economy in the world, has become a second-tier industrial power. The West Germans have more exports, *in absolute amount*, than the United States; the West Germans produce *almost twice as many* machine tools as the United States; the West Germans and Japa-

nese lead U.S. industry in capital investment and level of implemented technology in almost every industry; the living standards of West German industrial workers in key industries like steel are *higher* than those of their U.S. counterparts.

Although this state of affairs is not irreversible, it is indicative of a fundamental sickness in the American economy—a systemic disease whose symptoms and etiology have escaped the mainstream of current economists

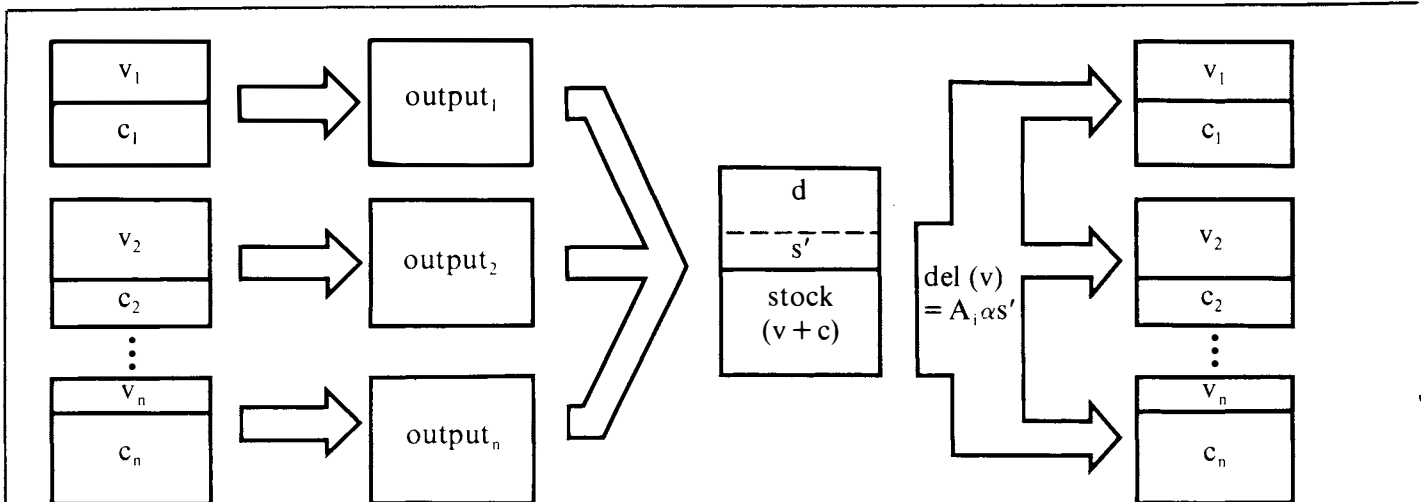


Figure 1
FLOW CHART OF SECOND-GENERATION
LAROCHE-RIEMANN MODEL

The model begins with the inputs to a cycle of economic production divided into the tangible goods necessary for reproduction of the productive workforce (labeled v_i for the tangibles consumed by the productive workforce in the i th sector) and the tangible goods required for the reproduction of plant, equipment, and raw materials (labeled c_i). These inputs are consumed in the production process, resulting in output from each sector.

Each sector produces surplus ("value added") in proportion to the productivity of that sector; causally, the employment of productive labor creates profits. The model then pools the output from each sector and divides the total output into three categories: first, the stocks necessary for an exact equilibrium

reproduction of the labor force and capital goods of the economy (this will equal the sum of the v_i and c_i of the next cycle of production); second, the surplus invested in the expansion of v and c in the next cycle (this reinvestment goes either to an expansion in scale or quality of the economic process); and third, the other "overhead" expenditures (labeled d) out of which are met stock of tangibles both necessary (health, education, some services, some parts of government, and so forth) and unnecessary. The successful reproduction of an economy depends on the relative size of the productive compared to the nonproductive expenditures. On this basis, the model defines a "free-energy ratio," $s'/(c+v)$. If this ratio is increasing at an increasing rate, then the economy is progressing.

and policymakers. The misdiagnoses are familiar; to take some examples: "imported oil"; yet the Europeans and Japanese import more than 90 percent of their oil, while the U.S. imports about half that percentage. Or "energy waste"; yet the energy efficiency of the U.S. economy has nominally *increased* since 1973, and the U.S. economy has gotten worse. Or "cheap foreign labor"; yet West German steel workers are better paid than Americans.

The Fusion Energy Foundation, in collaboration with *Executive Intelligence Review*, has undertaken a detailed study of the American economy using the LaRouche-Riemann econometric model (see Figs. 1 and 2). The preliminary conclusions from this study provide a striking view of the current state of the U.S. economy and the policies necessary for an American recovery.

The policies of recovery

First, the American economy over the last 20 years has suffered from acute underinvestment. A comparison between the West German and U.S. economies performed with the LaRouche-Riemann model shows, for example, that an economy investing at the accelerated

rates of the West German economy can weather a disturbance like the 1973 oil price rise with relatively few ill effects. (See *Fusion*, Sept. 1980, p. 73.) The U.S. economy totally lacks that resiliency.

Second, the most important parameter reflecting this lack of investment is the secular decline in U.S. industrial productivity. Using the model, a more sophisticated measure of productivity has been developed that shows that this decline in productivity—more than any other parameter—measures the failure of an economy. It is the long-term decline of productivity of key sectors of the economy like steel and the utilities (through attacks on nuclear energy) that has made the growing overhead burden of financial speculation, government debt, and transfer payments unbearable. The result has been double-digit inflation.

Third, the U.S. economy is now at the point of a catastrophic collapse; and this collapse is inevitable unless an emergency reindustrialization program is implemented. Without a drastic long-term mobilization of the country's manpower, capital, and brainpower, our economy will collapse. (For details on the Riemannian

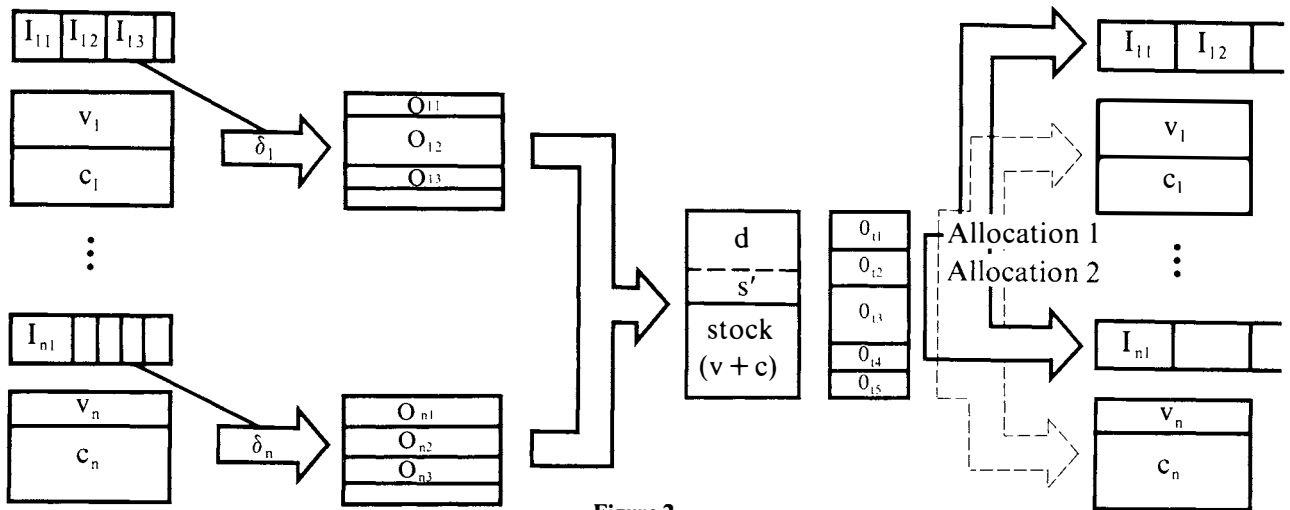


Figure 2
**FLOW CHART OF THE THIRD-GENERATION
 LAROCHE-RIEMANN MODEL**

A real economy functions on two levels simultaneously, only one of which is treated by the model shown in Figure 1. In addition to the flows of tangibles tracked in the second-generation model, the economy's reproduction depends on the material composition of these flows. Thus, a certain mix of labor, capital, energy, and new technologies implies reproduction in the next cycle at a certain level of productivity, higher or lower.

In the third-generation model, this composition is taken into account by a productivity measure that functionally depends on the input-output vectors for that sector. This allows

the modeler to determine the productivity of a given sector by varying the inputs to that sector (its energy intensity, for example).

Once the production cycle is completed, two allocations must be made.

The first of these replicates the financial allocation of reinvestment to each sector parallel to that in the first chart. In addition, the surplus product must be allocated in its material form. This latter allocation is especially critical in bottleneck areas like machine tools where a small shift of investments from one sector to another can greatly affect the overall productivity.

analysis of the threat to the U.S. economy of “thermodynamic death,” see *Fusion*, May 1980, pp. 57-66.)

The Riemannian litmus test

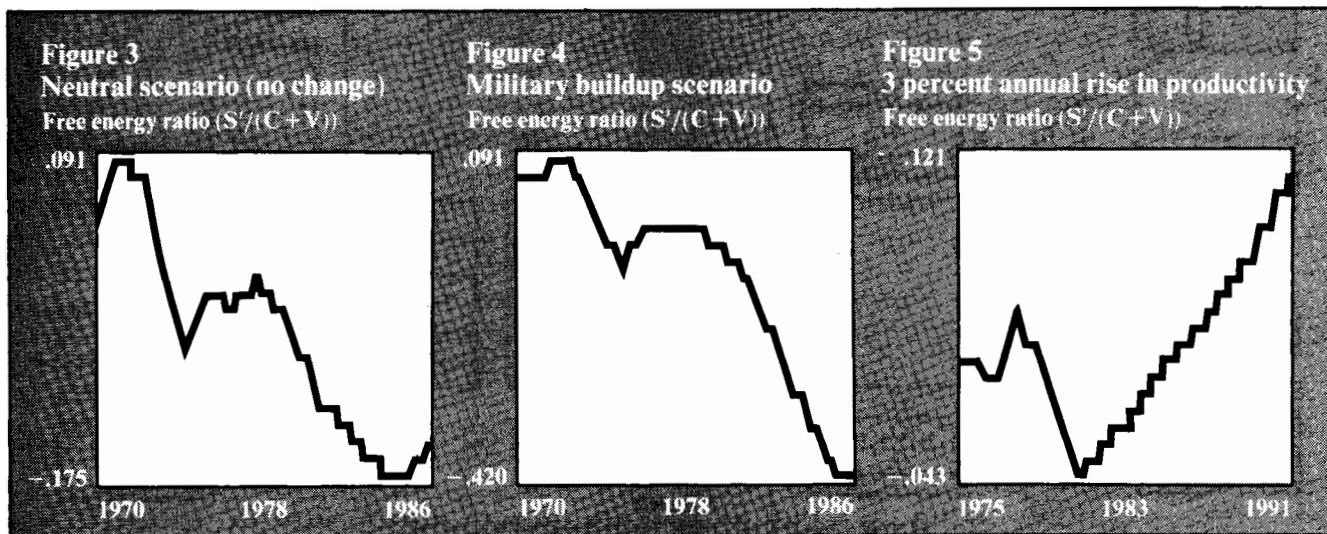
Using the model, we have found that the litmus test for any reindustrialization program is its effect on *productivity*. Since the LaRouche-Riemann model is based on the fundamental causal relations among productivity, capital investment, and technological progress, the model shows unequivocally that nothing can succeed but a reindustrialization program that results in accelerated investment into the frontier areas of new technologies, the translation of these technologies into industrial production techniques, and the training of the increasingly skilled labor force needed to man these new technologies.

In quantitative terms, the model shows the folly of basing a reindustrialization program, as some have proposed, on an expansion of military production “in width”; that is, with little or no investment in the most advanced new technologies and scientific ideas. Figures 3, 4, and 5 contrast this “in-width” military build-up (Figure 3), with a neutral scenario projecting more of the same (Figure 4) and a minimum recovery program

(Figure 5). As the graphs show, the model predicts that the present health of the U.S. economy is so poor that it is unable to sustain the additional overhead costs of a military program that lacks technological and productivity spin-offs. Furthermore, even a continuation of present policies with no additional military spending would mean a serious depression in the next year.

The model’s calculations show that a *minimum* 3 percent per year rise in productivity is necessary for the U.S. economy to recover. Given this rate of productivity increase, a much larger budgetary overhead could be sustained—and in fact, must be sustained—to pay for the research and development, education, and training required to make a reindustrialization program work.

As subsequent parts of this series outline, productivity increases of this magnitude can be realized only in an economy where the momentum is supplied by an Apollo-style program of technological development. Investments in the frontiers of science and engineering, most specifically space exploration and nuclear fusion, are the prime ingredients in such a program. The only way a desperately needed reindustrialization program can succeed is to “pull” the economy forward with technological development.



The figures show the free-energy ratio (the ratio of reinvested profit to reproduction costs) for the U.S. economy in three alternate scenarios: The first, Figure 3, shows a neutral scenario based on a continuation of the present policies of credit restrictions, declining industrial production, and growing unemployment. The U.S. economy is now so weak that it faces a serious collapse within the next year if such policies are continued.

The second graph, Figure 4, shows the same chart for the economy with a reindustrialization effort based on a program of military production “in width.” This simulation assumes that there is a significant shift of investment toward heavy industry. Initially, this has a beneficial effect on the economy since the average productivity of these sectors tends to be

higher than the average in the economy, and the economy is shifted toward these sectors. However, the additional overhead burden bogs down this increased average productivity after two and one-half years.

The economy as a whole collapses in a severe depression by the middle of 1982.

The third scenario, Figure 5, attempts to measure the minimum productivity increase that would be necessary to sustain an increased overhead of the magnitude required for reindustrialization. The initial calculations show that an average 3 percent per year increase in productivity would be sufficient for the modest recovery of the American economy shown in Figure 5.

American rearmament potential: why a 'quick fix' won't work

by Lyndon H. LaRouche, Jr., Contributing Editor

Democratic Presidential candidate Lyndon Hermyle LaRouche, Jr., this week issued the following comment ridiculing the new rearmament proposal of the Republican's 1980 draft platform.

"The Republican Party's latest rearmament proposal has about the same merit as Sears Roebuck's rushing a mail-order of deck chairs to the sinking oceanliner *Titanic*. I owe it to my Republican friends, and the general public, to expose the way in which this particular bit of nonsense made its way into the 1980 platform.

"There is no doubt of the parentage of this rearmament proposal. When a red-eyed, green-haired boy is born to a brown-eyed, brunette-haired mother, the list of probable fathers is shortened considerably.

"The idea behind this proposal was first cooked up by former Republican candidate George Bush's Team B. The Team B scheme was patched up, in a rush job sponsored by the Hoover Institution. The conception was inserted into the sleeping body of the Republican Party by the four-man foreign policy team of Governor Ronald Reagan's advisors, Henry A. Kissinger, William Casey, Richard Allen, and William Van Cleave.

"The choice of the absurd 'guns instead of butter' military proposal was made by the same group of foreign policy advisors who forced a dumping of Governor Ronald Reagan's diplomatic recognition of Taiwan. The 'quick fix' approach to military policy is part and parcel of the lunatic perception of Communist China as a credible military force against the Soviet Union.

How the 'quick fix' came about

"The crowd which created the 'quick fix' recipe began with the same set of facts as every other well-informed military analyst. Over the course of the past two decades, the relative strength of United States forces has fallen consistently in comparison to Soviet

forces. Except for an aging thermonuclear-deterrent capability, the United States is qualitatively inferior in deployable performance to every Soviet category, in our army, navy, and air force.

"The F-15, for example, is represented as impressive on paper—but what percentage of those planes can be deployed without spare parts and with the service of technically illiterate maintenance forces? Even the much-reduced navy flotilla of ships in commission can not be fully deployed, because of a growing lack of qualified ship's complements.

"This decay of U.S. military capabilities is well-known to be the outcome of three principal factors.

"The first cause of the collapse of U.S. military capabilities was Robert S. McNamara's introduction of 'cost-benefit analysis,' an incompetent budgeting method which bases allocations against critical investment in inherently high-risk research and development programs.

"The second cause of the collapse was the 1967 decision to phase out rapidly NASA and related ongoing advanced research and development efforts.

"The third cause of the collapse of military capabilities is the collapse of the civilian industrial economy and tax base as a direct result of post-1967 monetary policies, combined with the effects of the 'post-industrial society' policy on both the civilian and military aspects of the economy.

Accelerating since 1967

"The trend in this direction has accelerated more or less continuously since 1967. The Soviet economy has not only sustained a modest but significant real economic growth where real U.S. economic growth has been sliding downhill, but the Soviets have built up a massive commitment to education, not only in research and development, but in public education of the citizen-

ry generally. This has enabled the Soviets to pursue a policy of achieving war-winning strategic capabilities aided by the self-imposed decline of the United States under the influence of the Environmental Protection Act, the Carter 'energy policy', and related doctrines imposed upon the United States by the growing influence of the 'neo-Malthusian' Club of Rome.

"During the recent years, especially since 1972, Pentagon budgets have been outright fraud, and increasingly so from year to year. The all-volunteer army scheme of Professor Milton Friedman, the collapsing navy, and the practice of buying new planes without adequate stocks of spare parts or qualified maintenance crews are examples of the efforts to keep a show of capabilities in width on paper, covering up both the fact that paper capabilities must be discounted by about 75 percent to arrive at effective capability, and that in all categories, the U.S. military is a generation or more behind comparable Soviet capabilities.

"To understand the thinking of the authors of the 'quick fix' proposals, one must recognize that there are two ways of approaching analysis of comparable U.S.-Soviet capabilities. One method, that used by the authors of the 'quick fix' gimmickry, looks at military capabilities only in terms of width of first-line combat capabilities, using preexisting standards for assessing quality of military capabilities. The other, rejected by the authors of the 'quick fix,' is the correct approach.

Their blunders

"There are two fundamental blunders in the thinking of the 'quick fix' advocates. First, they ignore entirely the decisive issue of depth of capabilities, focusing only upon width of first-line capabilities. They have copied the Nazi 'blitzkrieg' approach to a deficiency of depth. Second, they have ignored the second aspect of depth over time, qualitative changes in technology now approaching deployment by Soviet forces. On both points, the proposals of the 'quick fix' crowd are based on technologies established during the 1960s—such as the B-1 bomber and addition of improvements in targeting capabilities to basic systems of early-to-middle 1960s vintage.

"The correct approach is based on uprooting both the McNamara 'cost-benefit' policies and dumping the 'post-industrial society' in favor of resuming rapid, high-technology, capital-intensive, energy-intensive growth of the civilian industrial economy. The basis for development of parity in military capabilities is provided by high rates of scientific progress, translated into science-oriented general education and social values, and into rapid retooling and expansion of all *civilian* production in terms of high-technology, capital-intensive, energy-intensive modes of production. This growth

of the civilian economy provides the indispensable baseline for sustainable development of in-depth military capabilities.

"The 'quick fix' crowd was not ignorant of the correct approach. Why, then, did they refuse to choose that option? The quick fix nonsense came about because the boys tried to devise a way of correcting defects in military capabilities which would not require overthrowing the Carter administration's commitment to a combination of Friedmanite austerity policies plus Club of Rome-style 'post-industrial society' policies.

The German precedent

"The precedent for this problem is the case of 1932-1933 Germany. Under conditions of world depression, 1932 Germany had the choice of developing markets for exports of capital goods, which then meant the Soviet economy as a market, or going for Adolf Hitler. General von Schleicher represented the first option—a genuine solution. Adolf Hitler the second. Although Hitler's original sponsor, Nazi Economics Minister Hjalmar Schacht, was moved out because of Schacht's opposition to the extremism of Goering's 'guns instead of butter' policy, Goering's policies were an inevitable outgrowth of the monetary and autarky policies imposed by Schacht.

"This time, continental Western Europe, led by France's President Giscard d'Estaing and Germany's Chancellor Helmut Schmidt, has chosen the von Schleicher sort of alternative. They have made East-West trade the basis for comprehensive political, economic, and military agreements needed to promote the development of the Southern hemisphere as a self-expanding politically secure market for self-expanding volumes of capital goods exports.

"The Carter administration, plus the Republican platform's foreign policy proposals, have denounced the policies of Europe, and have supported the Club of Rome's proposal for depopulation of developing nations—through 'natural causes' such as famine and epidemic, together with reliance on the illusory 'Chinese hordes' of Peking as the basis of a transpacific anti-Moscow axis.

"The authors of the 'quick fix' are counting upon a collection of absurd assumptions.

"(1) That the danger of intercontinental nuclear warfare is limited to 'first strike' against ICBM capabilities: that all other warfare will be limited to theater engagements of nuclear-augmented regional warfare. This doctrine is nonsense.

"(2) That the Soviet Union, as well as the Warsaw Pact generally, can be subjected to successive waves of internal destabilization (Poland, Romania, Soviet Muslim populations) without triggering Soviet in-depth

military reactions against the sponsors of such enterprises.

“(3) That in this geopolitical configuration, the sneaking of nuclear warhead and modern missile capabilities into Communist China can be conducted without Soviet preemptive response, developing Communist China as an adequate acceptable military complement to U.S.A., ASEAN, Japan forces.

“To this end, they propose a ‘guns instead of butter’ retooling of portions of the collapsed civilian industrial sector of the U.S.A., to patch up holes in the presently tattered, paper-thin military capabilities in width.

The factor of ideology

“Although the principal line of postwar control over U.S. policy-making has been our nominal colonial masters, the Anglo-Canadian financier interests, it is too simple and misleading to assume that our policy blunders have been purely and simply British-created. This word of caution is properly underlined by referring to key statements delivered by the late Lord Louis Mountbatten before his death, warning against the lunacy of the China policy. One British faction, typified by the Mont Pelerin Society’s Sir Keith Joseph, Mrs. Margaret Thatcher’s industries minister and her controller, is committed to the lunatic policies of the Carter administration and Henry A. Kissinger’s crowd. Other leading elements of the British ‘Old Guard’ are horrified by the sort of lunatics Brzezinski and Kissinger represent.

“The needed clarification is symptomized by looking at the four-man team now dictating Governor Ronald Reagan’s foreign policy: Henry A. Kissinger, William Casey, Richard Allen, and William Van Cleave. The common denominator is Georgetown University’s Center for Strategic and International Studies (CSIS). The foreign powers who control Georgetown University are not, as some suppose, the Vatican. The foreign controller of Georgetown University is a cabal of the fruitiest feudal aristocrats of Europe.

“The oldest element in this collection is the Geno-centered Italian ‘black nobility.’ This ‘black nobility’ was the creator of and is completely intermarried with the Hapsburg aristocracy of the old Austro-Hungarian Empire. Both are represented in contemporary Germany by the old Bavarian Wittelsbach oligarchy.

“These crazed, Dracula-like aristocratic exiles from Austria, Hungary, Romania, the Balkans are the authentic kooks of central Europe. They are gathered in such feudal cult institutions as the Hapsburg Order of the Golden Fleece, the Hapsburg-sponsored eugenics and feudalism cult the Pan-European Union, and the international political-intelligence arm of the Eastern European branch of the feudalist Hospitaller Order, the

same Mont Pelerin Society which features Sir Keith Joseph, Friedrich von Hayek, and Professor Milton Friedman. This crowd created and still has ownership of the old Romanian branch of today’s Mossad, the gang behind the Begin government and such terrorist forces as the Jewish Defense League—as opposing factions of Zionists have repeatedly and correctly emphasized.

The British connection

“These central European kooks intersect British factions not only through such channels as Sir Keith Joseph, but, more significantly, control the psychological-warfare branch of British intelligence, centered in the London Tavistock Institute. This crowd intersects the Bronfman interests in Canada, and such notorious figures as Roy Cohn in the United States. It is the crowd tied most closely to the illegal drug traffic’s conduiting of hundreds of billions of dollars into such channels as U.S. real estate speculation.

“It is relevant that Henry A. Kissinger was promoted into U.S. policy-making circles after receiving indoctrination and training by the London Tavistock Institute. It is also notable that the ‘Russian studies’ institutions into which Bronfman-sponsored Zbigniew Brzezinski was promoted are all branches of the London Tavistock Institute.

“It is this crowd of kooks which sponsored the ‘China card’ policy. This gang of crazed feudalist ideologues, dreaming of a resurrection of the old Holy Alliance, regard Communist China as a dedicated ally against the spread of industrial technology. Hence, the frequent religious pilgrimages of these kooks to the ‘old China’ shrine of Maoism in Peking.

“There is no objective basis for assuming that Communist China could achieve a level of acceptable qualities of military capability against the Soviet Union. Moscow will simply crush Peking’s capabilities at a moment of its choosing, challenging Washington to accept this as the only alternative to the launching of intercontinental thermonuclear war within less than half an hour.

“In fact, Peking does not intend to be drawn into such a venture. Peking’s strategic policy is: ‘Let the foreign devils destroy one another.’ Washington is not using Peking; Peking is playing its Kissinger card. Peking is prepared to accept a significant penalty under conditions of war between Moscow and Washington, but only on conditions that Peking believes it will emerge hegemonic over a ruined U.S.A. and Soviet Union.

“Reagan should have honored his earlier commitment to reestablish full diplomatic recognition of Taiwan.”

International Intelligence

Soviets warn against Chinese war buildup

The Soviet Union has issued a new series of warnings on the heels of Jimmy Carter's talks with Peking in Tokyo. The government paper *Izvestia* said July 11 that Carter and Hua, together with the Australian and Thai leaders and Pol Pot deputy Ieng Sary, were "without doubt . . . essentially working out a joint strategy of actions by imperialist forces in league with Peking in a broad region from Iran and Afghanistan in the West to the Korean peninsula and Australia in the East."

Citing Carter's proclamation of Sino-American common strategic interests, *Izvestia* says, "There is clear evidence of the Carter administration's blessing for the adventurist plans of the Peking leadership." Correspondent Yuri Bandura adds that it was no accident that last year's invasion of Vietnam came just after Teng Hsiao-ping toured the United States.

TASS observer Yuri Kornilov, in a July 10 commentary, charges that China is being granted a sphere of influence that will condemn entire Asian peoples to butchery as in Cambodia, then states that the plan to accomplish this will fail. "Do not cherish illusions, gentlemen."

Israel maps violence against Iraq

A special ministerial committee met in the Knesset July 16 to escalate Israel's campaign against Iraq, following reports that Iraq has received supplies of enriched uranium from France. According to Washington sources, the committee resolved to "carry out a wave of assassinations against Iraqi leaders" as the centerpiece of a destabilization drive against the Saddam Hussein government.

Throughout the week, Israeli leaders have issued acrimonious attacks on both Iraq and France. Emerging from his hospital stay July 14, Prime Minister Mena-

chem Begin called France's shipment of enriched uranium an "extremely dangerous development."

One day earlier, the architect of Israel's nuclear bomb capability, Yuval Neeman, proclaimed in a nationally broadcast speech that Iraq's sole objective in obtaining this material was to "put into operation atomic weapons," not to develop peaceful uses of nuclear energy. Neeman called on Israel to take appropriate strategic measures to meet the "Iraqi threat."

What Neeman had in mind was pinpointed in a July 11 speech by Moshe Dayan, former Foreign Minister and 1950s collaborator of Neeman in building Israel's intelligence networks: "We never said that we would not use atomic weapons, or that we would be too late in employing them. We only said we would not be the first to bring them in," Dayan declared.

On the same day as Dayan's speech, British member of Parliament Winston Churchill III published a *London Times* commentary blasting France for having "lit a nuclear fuse in the Middle East" and creating an "intolerable" threat to Israel. Churchill warned that if this policy were not reversed, Israel would be forced to carry out preemptive actions to prevent the completion of Iraq's nuclear projects.

South Africa's labor policy under debate

A wave of strikes in the Cape Province of South Africa hit about a dozen companies from mid-June through the first week of July. Though the companies already paid among the highest wage levels in South Africa, the strike wave resulted in significant raises in pay, despite the fact that the strikes were illegal under South Africa's rigid anti-labor apartheid structure. The main target was Volkswagen, whose wage agreements apply also to General Motors and Ford. The minimum wage at Volkswagen went up from around \$1.50 to \$1.90.

The strike wave coincided with a concerted push by certain British circles to back up black South African wage demands as a way of forcing change on the rigid Afrikaner apartheid apparatus. The *London Economist* and the *London Times* have both been attacking the South African government of P.W. Botha as a "fascist" regime implementing a more rigid "neo-apartheid" structure. The *London Times* stated editorially July 5 that "In the encouragement and recognition of black trade unionism—a key factor in the equation existing industrial unrest shows—British firms and investors have cards they must play wisely. It is not enough to exhort them generally."

Opposition strengthens: is Khomeini finished?

Admiral Ahmed Madani, a prominent collaborator of former Iranian Prime Minister Shahpour Bakhtiar, has formed an opposition party inside Iran, called the National Struggle Front, to challenge the rule of Ayatollah Khomeini. The party has received broad support from throughout the Iranian population, and has begun to publish an independent newspaper. According to Iranian sources, the authorities cannot touch Madani, who was implicated in an alleged coup plot against Khomeini, because he has the entire Iranian navy as well as a significant chunk of the air force behind him. Should he be arrested, the sources report, the navy and air force would revolt immediately.

Faced with the growing threat to the Islamic dictatorship by this European-backed opposition, Khomeini's Revolutionary Guard has gone on a rampage against the population. Leading members of the National Front, the social-democratic coalition that helped to bring in Khomeini but has since broken with his regime, are being rounded up. The rate of political executions rivals the situation just following the February 1979 revolution, with victims being lined up in the streets of Teheran. In Shiraz, the Revolutionary Guard launched a major

Briefly

assault on the leftist Mujaheddin, a sizeable guerrilla force that recently broke with the mullah-dominated government.

Last week, the fanatical Islamic Republican Party under Ayatollah Beheshti ordered all of Iran's borders to be sealed and cut air traffic into and out of the country, while the purges and persecutions are carried out.

As a result of the recent shifts by the military command and the National Front against Khomeini, Khomeini has lost all basis for governing. Even President Bani-Sadr appears to be aware of this. Sources report that Bani-Sadr may be opportunistically playing a card in favor of Madani and the Bakhtiar forces, perceiving that otherwise his days are numbered.

'Talk to Russians,' says Israeli spokesman

Shlomo Avineri, the former Director-General of the Israeli Foreign Ministry, has called upon Israel to actively pursue negotiations with the Soviet Union. In a July 14 op-ed in the English-language *Jerusalem Post* entitled "On Talking to the Russians," Avineri criticizes Israel's insistence on excluding the Soviets from the Middle East peacemaking process as a "legacy from a bygone era."

Claiming that the days of Henry Kissinger's "step-by-step diplomacy" in the Middle East are over, Avineri says that Israel must "reassess" its policy. Now, Avineri asserts, "the Arab world has become America's senior partner in the Middle East," and Israel must seek to balance this to some extent by "engaging in dialogue" with the Soviets on issues of mutual concern.

In this context, he continues, Israel can offer the Soviets peace. "It may sound strange," Avineri comments, but "I do not believe that the Soviet Union is interested in another war in the Middle East, which might involve it in a confrontation with the U.S."

Reporting on Avineri's policy proposal July 15, France's *Le Figaro* identi-

fied it as an attempt to reawaken the idea of Israeli "non-alignment" that had been Israel's official foreign policy in its first two years of existence under Foreign Minister Moshe Sharett. *Le Figaro* adds that Avineri's idea has increased credibility in the current Middle East situation because of the strong mutual antipathy of the Soviet Union and Israel to the outbreak of Khomeini-style Muslim fundamentalism in the region.

According to *Le Figaro*, in the 1976-77 period, Avineri had advocated a positive response to Soviet overtures for a resumption of relations, but had been rebuffed by then-Israeli Prime Minister Yitzhak Rabin. Israel and the Soviets have not had diplomatic relations since the June, 1967 Arab-Israeli war.

Italy's coalition not yet unstuck

At last week's national council meeting of the majority Italian party, the Christian Democrats (DC), "Preamble" faction supporters of the present DC governmental coalition with the Socialist Party squelched the followers of ex-Prime Minister Giulio Andreotti and ex-DC President Benito Zaccagnini, whose policy is one of collaboration with the Communist Party and its trade-union base.

Zaccagnini spokesman Ciriaco de Mita warned the council against continuing the party's alliance with what he termed the unreliable and unprincipled Socialists, and stated that "the lack of a political initiative for renewed dialogue [with the Communists] may result, not in the defeat of this or that party, but in the death of democracy in Italy. . . . The risk is that the DC is jumping on the back of a tiger from which it will be unable to free itself, and which will succeed in gnawing away the consensus—less among the Communists than among the traditionally Christian Democratic middle class. Governability will be crushed along with the democratic forces. The end of the republic will come in sight."

● **A SECRET COMPONENT** of the recent U.S.-Britain deal over Trident missiles involves the stationing of nuclear weapons on Diego Garcia in the Indian Ocean, according to confidential sources. Included in the Trident deal is an unwritten agreement by Britain to provide a "supplementary Rapid Deployment Force" to back up Washington's RDF in deployments into the Persian Gulf.

● **MATITYAHU DROBLESS**, Menachem Begin's personal representative in the World Zionist Organization, has just written a confidential report for the WZO's Settlement Department calling for Israel to create 85 new settlements in the West Bank over the next five years. He details a road and infrastructure complex that would keep the Palestinian Arabs under tight control, and wants the Zionist population there to be increased tenfold by 1986.

● **BENITO AQUINO**, Philippine opposition leader, is reported to be in Damascus, Syria, for talks with leaders of the Philippine Muslim rebel movement. Efforts to confirm the Agence France Presse report have been unsuccessful, however. Many observers of the Philippines express doubt about its accuracy. Aquino, in the United States since May for medical reasons after living in detention for over seven years in the Philippines, has expressed his intention of organizing a "Christian-Muslim" unified opposition to the Philippines government of Ferdinand Marcos.

● **ITALY'S HEALTH** Ministry held a stormy staff meeting recently after the European Labor Party staged a series of Rome demonstrations against Health Minister Aldo Aniasi's proposal to decriminalize marijuana and hashish and introduce a British-style heroin maintenance program. Sources say supporters of the plan were outnumbered.

LaRouche on Peking's Kissinger card

The talks held in Tokyo last week between President Carter and Chinese Premier Hua Guofeng brought a broadside political attack on the 'China card' policy this week from Democratic 'dark horse' Lyndon LaRouche, who characterized the substance of the dangerous policy to be China "playing its Kissinger card." The Tokyo meetings are also responsible for growing, though quiet, second thoughts among many American Asian specialists that the Carter administration may be going too far. And these second thoughts are coming from many of the people who helped to shape "the opening" to Peking by former Secretary of State Henry Kissinger, and the "normalization" of relations by Carter.

The specialists are wondering among themselves what exactly the American strategic relationship with China really is, and whether it serves the American national interest to see a China with strategic nuclear weapons, giving Peking the capability to attack the United States.

Few details of the actual talks between the two heads of state have been revealed, but this has simply saved analysts from wasting time on the obvious. Carter himself told a Japanese television interviewer that the United States, China and Japan all had to work together against the Soviet Union.

In addition to talking with Carter, Hua himself kept busy by talking with Australian Premier Fraser and Thai Premier Prem about uniting against Vietnam and Moscow. Hua also met with Ieng Sary, the right-hand man of Pol Pot, who murdered more than three million of his fellow countrymen under the direction of Peking.

In short, what began to take shape as a result of the Tokyo talks was a revival of the old SEATO military pact in Asia—with the major difference being that the Peoples Republic of China is the center of the military-

strategic alliance, rather than its target.

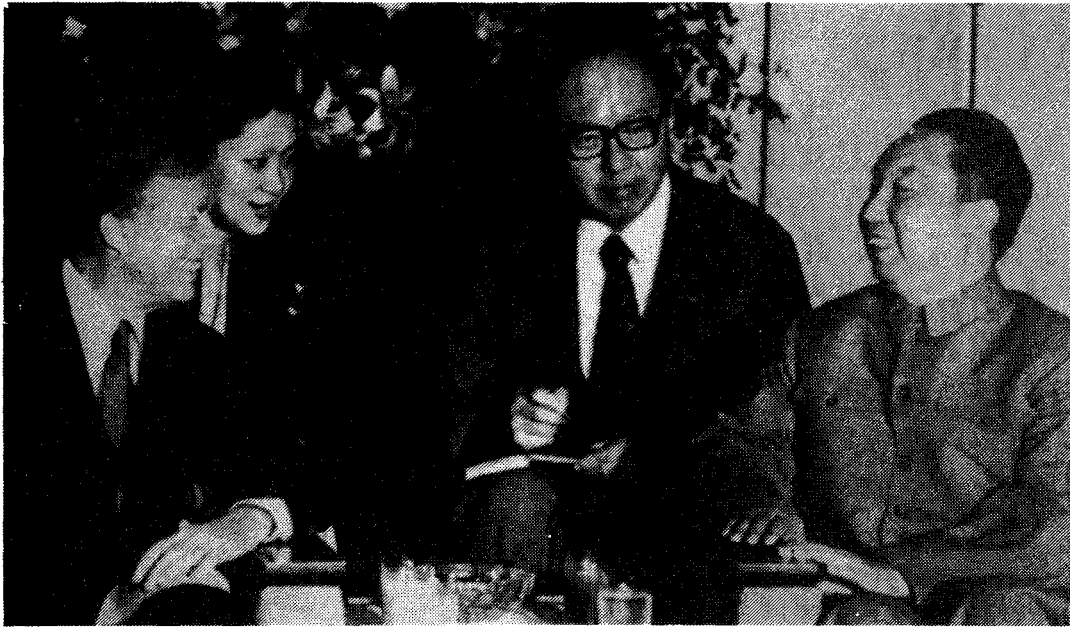
The Carter-Hua talks in Tokyo were arranged by Richard Holbrooke, Assistant Secretary of State, in a visit to Peking in the first week of July. At that time, Holbrooke agreed with the Chinese leadership that the two countries will begin in October to hold quarterly military consultations on a high level. He and Senate Majority Leader Robert Byrd visited the launching site of the rocket recently tested by Peking to carry an ICBM nuclear warhead.

To Moscow, the message could not be clearer.

The American Asian specialists must decide whether China is using the West in a long-term strategy to milk NATO of advanced technology, with the plan of eventually turning against the West. Mr. LaRouche says, most emphatically, they are. The specialists must also consider the short-term situation: everything is not auspicious for Peking in Asia. Vietnam has struck a heavy blow against Peking's chief foothold in Indochina, the Pol Pot guerrilla forces. Malaysia and Indonesia are still wavering in their official policy, with many in those countries viewing China as the bigger threat. Last week India recognized the Vietnamese-allied Heng Samrin government in Kampuchea. And, perhaps most important, Japan is now under a new leader, Zenko Suzuki, and the Foreign Ministry in Tokyo has already signaled that Japan will try to mend fences with Moscow.

China's severe strategic dilemmas in Asia could easily provoke them into action such as a second Vietnam invasion. The Soviet Union will clearly become involved, raising the question of what the Carter crowd will do then.

Here we provide Lyndon LaRouche's analysis of this dangerous policy.



Hua receives Carter in Tokyo.

Photo: Wide World

During the past 24 hours, my organization has received important reports from New Delhi, containing public information on Communist China logistical support for armed insurrection recently launched in northern portions of India.

Armed rebels detained by Indian law-enforcement forces have been reported armed with weapons supplied from Communist China. It is also reported that detained rebels have stated that they received military training at camps in the Communist China province of Tibet.

This public information merely confirms a part of what was already known in considerable detail to me and to relevant intelligence entities of the Western alliance nations.

In response to this development, I reaffirm my previously stated commitment to restoring full United States diplomatic recognition to the government of Taiwan. I also challenge the Republican candidate, Ronald Reagan, to immediately reaffirm publicly his own unequivocal commitment to immediate and full diplomatic recognition to the government of Taiwan.

Restoration of full U.S.A. diplomatic recognition to Taiwan is an issue which stands on its own merits. The Carter administration's withdrawal of such recognition was among the most unwholesome, contemptible acts of immoral opportunism in recent U.S. diplomatic history.

Nonetheless, there could be no more appropriate time than the present moment of world crisis for U.S. public figures to rally deeply embedded popular support for restoration of recognition. The wild adventurers in Peking need to be reminded that the United States is not to be used as Peking's private 'Kissinger card.' Responsible U.S. public figures must speak out now, in such a manner as to deliver the most stinging slap of rebuke to

certain unwholesome political faces in Peking. Let us make it clear that the United States is not to be a mere toy in the foreign policy schemes of Hua Guofeng, et al.

It is time to remember Vietnam

This is the proper occasion to add the following summary reflections on proper U.S. policy toward Communist China. These reflections should begin with reference to a decade-long, 'no-win' war which the United States conducted in Southeast Asia, and should proceed from that to review summarily the manifest character of the present ruling combinations in Peking.

The prolonged U.S. war in Vietnam was initially the result of a policy which Britain conducted into the United States through such channels as the manifestly seduced General Maxwell Taylor. The fruitcake strategists of the London Tavistock Institute, including General Robert 'Malaysia' Thompson, used British intelligence's staged 'street theater' insurgency-counterinsurgency controlled experiment in post-war Malaysia to promulgate the doctrine governing the initial, CIA phase of U.S. military operations in Vietnam.

The imposition of this fruitcake strategists' recipe upon the administration of President John F. Kennedy was a stunning victory for the computer printout 'Utopian' faction of the U.S. Pentagon over the sane 'traditionalist' officer corps. It was argued that within the framework of thermonuclear deterrent, long-term war against the Soviet Union could be won sneakily, by 'nibbling' Soviet influence to death with aid of geopolitical special forces-type game of insurgency-counterinsurgency controlled experiments deployed on the Soviet forces' perimeter.

It is relevant to the continued influence of that

fruitcake sort of 'Utopian' doctrine that Henry A. Kissinger and Zbigniew Brzezinski were promoted to the positions of relatively high-ranking 'hired guns' in the U.S. intelligence establishment through indoctrination and selection by the London Tavistock Institute, the kook faction of the British intelligence establishment.

It is that lunatic sort of military-political doctrine, resurrecting the old 18th-century 'cabinet warfare' doctrine crushingly discredited by French military forces, which has guided the evolution of the present, disastrous state of affairs.

Since Vietnam was not efficiently a controlled experiment, like the British street theater exercise in Malaysia or the Mau-Mau replica of Malaysian operations in Kenya, the special forces cult-dogma, applied to Vietnam, not only failed to contain anti-Diem insurgency, but, instead, transformed an endemic insurgency into a full-scale popular insurrection.

At that point, instead of writing off a discredited bit of military-political doctrine, the U.S. political-intelligence establishment elected to bail out the special forces' failure through moving to overt military operations in Vietnam.

At this juncture a potentially fatal blunder of command judgment infected the U.S. officer corps. These officers proceeded from sound traditional doctrine to propose a MacArthur-like flanking operation against North Vietnam. The soundness of this proposal, from a purely military standpoint, caused the officers to blind themselves to the larger strategic realities. The policy behind the entire U.S. military involvement in Southeast Asia was to nibble the Soviet strategic position to death *by operations below the threshold level for general warfare. The 'no-win' Vietnam war policy was built into a decade-long operation from the beginning.*

Healthy-minded U.S. military commanders have built up a white-hot hatred against Henry A. Kissinger. However, most of them have never understood the Kissinger problem in significant depth. They have overlooked who and what Kissinger works for, and have failed to grasp the implications of the background policies which govern what otherwise appears superficially to be merely Kissinger's use of lies and wild, apparently vacillating improvisations and betrayals of allies and agreements.

Those officers, and others, have so far failed to comprehend the significance of the fact that the same British kook-faction behind the promotion of the Vietnam doctrine was also the sponsor of the Bertrand Russell-led anti-Vietnam war movement. Having committed the United States to a no-win war in Southeast Asia, the Tavistock-centered crowd launched and orchestrated the 1965 launching of the U.S. anti-war

movement, using the prolongation of an increasingly unpopular no-win war as the opportunity to discredit and weaken the military and industrial institutions deployed in conduct of that war. There are other, more popularized explanations of the 'anti-war movement.' But what is popularly believed is merely a mixture of credulously swallowed lies and news-media-orchestrated delusions.

Once we remove the mask from Bertrand Russell, exposing the reality that this grandson of Lord John Russell was recruited into the British intelligence service at Cambridge University, that his pacifist role, begun in the first decade of the century, was his participation in that aspect of British intelligence operations, the myths about the 'anti-war movement' begin to be exposed. It is inclusively directly relevant to this that Russell's assignments on behalf of the British foreign intelligence service included a very significant postwar assignment in China, an assignment whose significance was properly emphasized by another leading China intelligence hand, Major General Karl Haushofer. This activity of Russell and Haushofer has direct bearing on the political character and connections of the ruling circles in Peking today.

Remember the "falling dominoes"

The virtually treasonous character of the Kissinger-Brzezinski 'China card' doctrine is underlined for embittered memories by those who remember the way in which the 'falling dominoes' doctrine was exploited by the Johnson administration to motivate U.S. commitment to escalation of the Vietnam War.

The Johnson administration's 'falling dominoes' doctrine was not wanting a basis in fact. The doctrine was the mirror image of Chinese Communist policy, as that policy was summarized in 1965 by Maoist spokesman Lin Piao. In Pekingese dialect, this doctrine was known as the 'countryside surrounding and overwhelming the cities' scenario.

According to both the U.S. State Department and the Peking versions of this early-1960s doctrine, Peking's variety of communism would ultimately conquer *both the Soviet Union* and the industrialized capitalist nations, by a wave of third-world, ChiCom faction takeovers. Southeast Asia, Indonesia, the Asian subcontinent, Africa, and Latin America were to fall to the Chinese anti-industrial form of communism, like falling dominoes. By so 'surrounding the cities'—figuratively, the urban-industrial Soviet and capitalist states, the ChiComs would bring down the Soviet and capitalist industrialized nations.

The Johnson administration's State Department interpreted this ChiCom strategy to mean that Indonesia was then ripe for Peking's plucking, and that a com-

munist victory in Southeast Asia, radiating from Vietnam, would trigger a sweep through the subcontinent, Africa and Latin America.

This Chinese doctrine was coupled with another. This complementary, other feature of ChiCom policy has been ingrained into brainwashed kindergarten and schoolchildren over decades. This is the doctrine of 'let the foreign devils destroy one another.' Peking's policy was to incite the NATO and Warsaw Pact alliances to destroy one another in a *transatlantic* general nuclear war. This transatlantic general nuclear war would destroy the Soviet and capitalist industrialized powers of the West, so creating the situation in which surviving Communist China would arise as a Pacific power, reaching out to establish Peking's world rule.

So, under these circumstances, the United States conducted a protracted, no-win war in Vietnam for a decade, presumably to stop this ChiCom strategy of the 'falling dominoes.' Then, the Vietnam war was called off. How and why? Because Henry A. Kissinger was in the process of concluding an anti-Soviet alliance with Peking!—to unleash the Chinese doctrine in Southeast Asia and along the Asian borders of the Soviet Union—the same doctrine we have fought a 10-year, no-win war presumably to stop.

Although I have received corroborated information concerning the secret portions of the Carter administration's treaties with Peking, I must confess that I have never actually seen such secret agreements, nor have I witnessed corroborating direct exchanges between Carter administration and Peking officials. Despite my merely qualified hearsay knowledge of such secret treaties as such, recent months' patterns of Chinese Communist and Carter administration policy and actions constitute complete verification of the existence of some form of secret alliance based on exactly the kind of detailed agreement reported to me.

Carter has manifestly given Peking a free military hand against a series of Asian nations. These nations include Taiwan, all of Southeast Asia, including Thailand and Indonesia, Burma, Bangladesh, India, Ceylon and Pakistan. U.S. actions have confirmed the existence of such secret agreements with Peking. The present Chinese Communist aggression against India has to my direct knowledge, the active support of Brzezinski, the drug-running 'Kosher Nostra' faction of Israeli intelligence, and the same multinational firms and elements of the Socialist International involved in the preceding and present efforts to destabilize the government of India.

The blood of Vietnam veterans sent to die, and die mentally on Chinese Communist heroin, in the decade-long, no-win war cries out in anguish against the treasonous, evil bunglings of Henry A. Kissinger and

the Carter administration. The United States was bled and torn apart by a misconceived military enterprise into which the United States was drawn, *to the stated purpose of preventing precisely what Kissinger, Brzezinski and Carter have currently set into motion.*

The Kampuchea case

New Delhi's announcement of proof of Chinese Communist-led military aggression in Northeast India coincided, and not accidentally, with India's diplomatic recognition, with boisterous parliamentary acclamation, of the present, Vietnam-allied government of Phnom Penh.

It is not disputed by any government that the Peking puppet regime of Pol Pot committed willful genocide against no less than three-sevenths of Cambodia's (Kampuchea's) seven million population, creating the conditions of famine and mass-psychosis in the victimized population as a whole.

However, this genocide, proportionally the worst crime against any ethnic section of humanity in this century, was not the 'excess' of a regime which happened to be a proxy for Peking. The genocide was not only deliberately planned, but planned in Peking and conducted under direction of battalion strength teams of Peking 'advisors' directing every move taken in the name of the Pot Pot regime.

Now, the Carter administration, acting largely through elements of the United Nations Organization and its control of a client government of Thailand, is supporting a Peking effort to reconquer Kampuchea from Thai bases, and is collaborating with Great Britain in anticipated military expenditures in India and Southeast Asia.

This is the same Carter administration that professes one of the cornerstones of its foreign policy to be 'human rights.'

At this moment, the same President Jimmy Carter is proceeding to planning meetings with principal Peking officials, meetings to be conducted over the ashes of the recently-deceased former Japanese Prime Minister Ohira. What is prominently included on the agenda for that meeting is the creation of a Pacific military axis-alliance, to include Peking, the United States, Australia-New Zealand, hopefully a rearmed Japan, and as much of relics of the old SEATO pact as can be dragooned into the arrangement for cosmetic purposes.

This meeting occurs under the aura of imminent Peking military operations into Southeast Asia, as well as continued ChiCom military aggression against India.

It is well known that if Peking continues these imminent military adventures, the Soviet Union will take prompt and decisive military action against Peking. A Soviet occupation of Sinkiang Province of China is

the minimal probable action. If Peking receives thermonuclear warhead and/or modern missile capabilities from the combined sources and conduits of Britain, the United States and Israel, that will cause prompt and total neutralization of such Peking capabilities by Soviet bombardment.

If the United States acts to provide a strategic umbrella for Peking under such circumstances, a *trans-pacific general nuclear war* is the virtually certain result. *Western continental Europe might not be involved.* At least, the present negotiations of France's Giscard and Germany's Schmidt tend toward excluding a Western European participation in a Pacific-centered nuclear war.

Considering the wretched condition of U.S. military capabilities, the present Tokyo junket of the Carter crowd is the worst imbecility imaginable under the circumstances. Worse, the Pentagon has become such a nest of 'transcendental meditationists' and the like, since Admiral Elmo Zumwalt's patronage of National Training Laboratory's witches, wizards and freaks, that one fears our purpose is almost as disoriented as the *Los Angeles Times'* prize kook, Harold Brown.

Peking's character

Few persons of influence in the world have the capacity to comprehend the degree of sheer evil embodied in the Chinese Communist leadership. The list of the uncomprehending must include Moscow, a location which is not otherwise particularly uncritical of Peking's political and moral character. Moscow's problem, in particular, is that it does not comprehend what 'Old China' truly signifies.

The relevance of citing Moscow's weaknesses in comprehension on this point is this.

General nuclear war is so destructive, and known to be so destructive in advance by all principal prospective participants, that only a lunatic would willingly develop a strategic confrontation to the point that the adversary would be pushed into choosing a general nuclear response. Hence, general nuclear war could occur only as a consequence of gross strategic miscalculation by one of the adversary forces, or by one adversary's underestimating the insanity of another.

Moscow's underestimation of the degree of insanity embedded in the 'Old China' world outlook causes Moscow to rely excessively on 'political factors' in the Peking command which Moscow views as an element of 'realism' in the Peking combination.

Peking is profoundly dedicated to the ultra-Malthusian doctrine it enacted in the Kampuchea genocide operation. The 'let the foreign devils destroy one another' is the ruling mythology of hundreds of millions of brainwashed Communist Chinese, up to top levels of

command. Peking is obsessed with its commitment to a transatlantic general nuclear war, and the kook faction in Washington is obsessively committed to its deluded confidence in the 'China card.'

'Old China' is the principal continuation into modern times of the same specific oligarchist philosophy which caused the near-collapse of once-flourishing trans-pacific and transatlantic civilization in the Western hemisphere. Barring the indigenous American Indian's assimilationist intermarriage with Scandinavian, Irish and later Portuguese colonists before the time of Columbus and the later Pilgrims, the American Indian cultures were not autochthonous primitives; they were the remains of a once-great civilization which degenerated into Central American barbarisms and North and South American primitive savagery.

It was this same 'zero-growth' doctrine of 'Old China' which made the Southeast of China for two millenia the world's principal breeding place for epidemic disease, through the conditions of famine and epidemic caused by cultural stagnation. Present day Chinese Communism is a modern adaptation of that proto-Malthusian 'Old China' tradition. It represents an ideology which causes the believers to connive at mass genocide—as was done in Kampuchea under Pol Pot—for the purpose of defending the zero-growth order against the threat of a rationalist orientation to technological progress.

This danger was more or less adequately understood by the leaders of the Meiji Restoration in Japan. It was the influence of Confucian culture imported from China which nearly destroyed Japan's culture. It was against the vestiges of the evil 'Old China' influences that the predecessors of the Meiji Restoration worked from early periods of Dutch humanist contacts. These forces in Japan understood the importance of fostering a Japan-modeled 'New China' movement around such figures as Sun Yat-Sen.

This 'Old China' ideology does not entirely reject modern technology. When obliged to do so, it has coopted military technologies. But at the same time it has taken precautions to prevent the influence of such technologies from lifting the mass of the Chinese population out of the sewage of labor-intensive primitive, feudal and feudal-commune agricultural servitude, ignorance and superstition.

The development of the Chinese Communist Party went through several phases. At first it was a European-influenced byproduct of the 'New China' movement of Sun Yat-Sen. This European-Japan influence within the Chinese Communist Party was cut back massively during the late 1920s and early 1930s. British agent Mao Tse-Tung exemplifies the turn toward an 'Old China,' peasant-oriented outlook. The successive 'Great Leap

Forward' and 'Great Cultural Revolution' virtually completed the transformation of the party into an organized lunacy of an 'Old China' cult.

Although the 'New China' orientation is sociologically endemic among urban industrial populations of China, the influence of that endemic current is easily exaggerated in attempts to assess the roots of current factional strife among leading Peking circles. The Mandarins themselves are essentially factional cannibals and their factional affrays must be so comprehended.

The present U.S. intelligence community is a collection of utterly incompetent fools in attempting to assess the China issue. Naturally, being conditioned time-servers, they shape their evaluations to fit the propaganda requirements of whatever current line is dictated from the National Security Council and similar precincts of command. They condition themselves to believe whatever the current NSC 'party-line' persuades them it is politic to be overheard thinking during the monthly polygraph and stress analysis interrogations at the Langley 'cookie factory,' for example.

It is imperative that the United States preemptorily dump Peking's 'Kissinger card'—as the late Lord Louis Mountbatten rightly proposed. Restoring full diplomatic recognition to Taiwan is one of the proper measures for getting strategic policy back into balance.

Otherwise, the next President of the United States must create a new, special 'China section' within both the State Department and the Central Intelligence Agency. This section must draw upon persons who have realistic Japan or Taiwan versions of the 'New China' insight into the problem of containing and proceeding to destroy forever the last vestige of 'Old China' ideology on the face of the earth.

Western European governments, similarly, must proceed quickly to rid themselves of the delusion that they can 'work with' the contemporary Peking representatives of the 'Old China' ideology. That ideology must be contained, preparatory to eradicating it from the face of the earth. Any government which takes a different view of the matter is indulging in the most foolish sort of wishful delusions.

It must be emphasized that the Chinese Communist directed genocide in Kampuchea systematically emphasized the eradication of every possible relic of modern technology and rationalism. Nearly every literate person upon which Pol Pot's murderers could lay their hands, and induce to return to Phnom Penh, was systematically butchered. Every relic of urban civilization, excepting a pitiful few elements used for administrative purposes, was chopped literally into small pieces. In this hideous program against every vestige of rationality, we encounter in distilled form the underlying global objectives of the 'Old China' Mandarins ruling Peking today.

India draws the line on China

by Paul Zykovsky
Asia correspondent in New Delhi

Concluding a debate last week on foreign policy in India's parliament, Minister of External Affairs Narasimha Rao said his government's policy toward Communist China was "absolutely cautious." Mr. Rao explained that while India will remain open to any Chinese overtures, India won't be fooled by double-dealing for which the Chinese have been notorious in the past.

Mr. Rao's assessment came a few days after India had announced its recognition of the Heng Samrin government in Kampuchea amidst cheers from all sections of the upper and lower houses of Parliament. Narasimha Rao told the parliamentarians that: "This stand was shared by an overwhelming majority of political opinion in the country." That ended speculation that the Gandhi government had fallen for Peking's recent "offers" to settle outstanding disputes originating from Chinese occupation of Indian territory since the 1962 Sino-Indian war.

The talk in the capital had centered on Deng Xiaoping's latest border dispute solution "offering" to India. One day prior to the visit of Indian External Affairs Secretary Eric Gonsalves to Peking, Deng told an obscure Indian journalist that: "While we recognize the present line of control in the eastern sector which is left over from history, India should recognize the status quo in the western sector."

Indian defense analysts are not impressed with the offer. Said one: "This is old wine in new bottles. Such an offer was once made 22 years ago by Chou En-lai. But there is no border dispute in the eastern sector that we know of. The entire contention is on the western side where China has appropriated Indian territory in the 1962 war."

That the journalist to whom Deng made this "offer" has known connections to Islamabad and London, exposes Peking's questionable intentions even further in Indian eyes. The journalist is also closely linked to the Hindu chauvinist organization, the RSS, whose leaders in the previous government attempted to push India

closer to China.

The Chinese, who have been speaking in soft tones to India over the recent period, were loud in their condemnation of India's decision on Kampuchea. A Chinese Foreign Ministry spokesman accused India of "conniving at the Vietnamese invasion of Kampuchea," while an editorial in the party daily *Renmin Ribao* said the decision was the price for receiving Soviet arms.

The discussions in the Indian parliament made it clear that neither the government nor the opposition has illusions about Peking. "In the new situation, when a fresh axis has been formed between Peking and Washington," said the daily *Patriot*, "it is, therefore, not inconceivable that the Chinese leaders may have decided to follow a dual policy toward India—one of pressurizing through destabilization and the other of making friendly gestures."

Indian views of China are very much shaped by the country's own experience with Maoist duplicity. China launched its 1962 invasion of India while it professed great "friendship." Moreover, it is now reported here that China is building a major nuclear missile base in central Tibet directly targeting India.

Y.B. Chavan, former foreign minister and now member of the opposition Congress (U) Party, declared in the parliamentary debate that India cannot deal with China on a "purely bilateral basis. India must always keep in mind," he said, "China's outlook toward the world situation. China believes that a Third World War is inevitable. China does not believe in détente."

Taking Peking to task on its constant use of the term "superpower," Chavan pointed out that India does not bracket the Soviet Union and the United States as equivalent. "The Soviet Union has always stood by us, whereas it is difficult for us to forget the U.S. tilt against India when it was going through great difficulties in 1971."

The "great difficulties" Chavan referenced include Henry Kissinger's role in the 1971 Bangladesh war. As Kissinger has admitted, the genocide during the Bangladesh war was permitted by the United States in order to protect Kissinger's China Card policy. At the time, Pakistan was backed by Peking and the United States in its suppression of the independence movement in Bangladesh (then East Pakistan).

The Bangladesh card

There is great concern again in New Delhi that Peking is manipulating the fragile internal political structure of Bangladesh to use the country for subversive operations into India's backward northeast region, which borders China directly. President Ziaul Rahman and his advisors are telling journalists that "a fearful situation now prevails in the country, and famine and bloodshed will be inevitable."

General Ziaul Rahman is expecting foreign aid-givers to bail him out of this "impending catastrophe." World Bank President Robert McNamara and Peking may do so, but may choose even more faithful puppets than General Ziaul.

The price is the destabilization of India. After meeting Chinese Premier Hua Guofeng in Tokyo on the occasion of the funeral of Japanese Premier Ohira, General Ziaul authorized a Bangladesh territorial claim on two islands in the Bay of Bengal. General Ziaul himself will be in China later this week.

In the Bangladesh parliament, the Indo-Bangladesh Friendship Treaty, signed after Bangladesh's independence was gained with Indian military assistance, is coming under fire as "too pro-Indian."

Last week the Indo-Bangladesh Water Commission talks collapsed when Bangladesh insisted that Nepal be brought into the water discussion as per the World Bank's "multilateral" plan for "water development." The World Bank also demands that China be involved.

India is seeking a bilateral approach to the task of linking the Ganges and Brahmaputra rivers through Bangladesh. This would solve the cycle of flood and drought in the northeastern region.

These reports from Bangladesh are viewed in New Delhi as signals in Peking's surrogate warfare against India. The Bangladesh government itself has been under political pressure from both pro-Peking groups and right-wing pro-U.S. and pro-Pakistani groups led by former Bangladesh President Khondakar Mushtaque Ahmed, who was recently released from imprisonment.

As one analyst from Dacca described the situation: "The gangup of pro-American and pro-Chinese elements in Bangladesh has been assigned a role in the northeastern region of India also, aside from the role of seizing power in Bangladesh itself." Many of the insurgents in India's Northeast are Chinese-armed and trained. It is now rumored that they have been given sanctuary and bases in the Chittagong Hills region of Bangladesh that border those northeastern states.

New evidence has been uncovered of extensive Chinese backing and control over the spreading violence and insurgency in the Northeast. During the last week 42 tribal insurgents with large caches of Chinese arms were arrested in the northeastern state of Manipur. The detained insurgents have admitted under questioning that they were trained in a Chinese base in Tibet, where Afghan guerrillas are now undergoing training.

On July 8 Indian security forces were put on alert to cut off an expected attempt by Mizo tribe rebels to hook up with tribal extremists in Tripura. The state of Tripura is still in a state of extreme shock following the recent brutal massacre by tribal rebels of non-tribal peoples there.

Franco-German entente: dealing from strength

by Dana Sloan

At the conclusion of an historic five-day state visit to West Germany by French President Valéry Giscard d'Estaing, he and his host, Chancellor Helmut Schmidt, asserted their determination to take joint leadership in conducting Western Europe's foreign policy and ensuring its military security. The two heads of state, speaking at a July 11 press conference in Bonn, took stock of what they had accomplished in their talks together as well as in the dialogue with the Soviet leadership which Schmidt and Giscard have each opened in face-to-face meetings with Leonid Brezhnev during recent weeks.

In addition to molding continental Europe as a world power which no one—whether in Washington, Peking, London or Ronald Reagan's campaign—can ignore in the 1980s, Schmidt and Giscard resolved to step up Franco-German economic cooperation, especially in advanced technology industries. They also undertook the vital task of organizing the European population behind them, as Giscard demonstrated in speeches which he gave throughout West Germany.

The Soviet and Arab fronts

The "independent Europe" policy stressed by Schmidt and Giscard during the visit is already showing concrete results on two fronts. One is the response from Moscow: new Soviet negotiating proposals in some of the most complex areas of arms and strategy resulted directly from the efforts of France and West Germany, while the U.S.S.R. officially took note of the Franco-German alliance.

The perspective of cooperation with Europe was the subject of a lengthy analysis in the Soviet government paper *Izvestia* by A. Bovin, a commentator who usually reflects the views of top Soviet officials. While Europe remains "completely loyal to the Atlantic alliance," Bovin acknowledged, it wants to be "an equal partner" and will rightly voice its views on the world scene.

Arab leaders are also discussing reorganization of the international monetary system and investment in Third World industrial development, two interrelated areas which Schmidt and Giscard prioritized two years ago when they drafted the European Monetary System.

During Giscard's tour of West Germany, a group of 25 Saudi and other Arab government and business leaders was in Bonn for talks on reorganizing the international monetary system and to follow up on the so-called triologue: a proposal for applying European technology in the less developed countries, with financing from the oil-rich Arabs. A similar approach was presented by Saudi Arabia and Iraq at a ministerial conference of 20 Arab nations held in Jordan; Iraq, which has extensive ties to France, recommended forming a 15 billion dollar development fund.

Schmidt added a further dimension to Europe's Middle East policy, when he temporarily left the Giscard tour for an appearance in Amsterdam at the 85th birthday celebration of Zionist leader Nahum Goldmann. Goldmann has harshly criticized the extremist policies of Prime Minister Menachem Begin, which he believes will lead to Israel's destruction, while Schmidt was instrumental, at the June summit of European leaders, in drafting an independent European initiative for Middle East peace. In Amsterdam, the West German Chancellor was hailed as a friend of the Jewish people—a measure of confidence that provides important support for the European peace bid.

European military strategy

The summit has given added momentum to continental Europe's effort to break loose from the Carter administration's foreign policy and the equally upsetting prospects of an American government guided by Ronald Reagan's mentors. Giscard emphasized at the concluding press conference that the French and Ger-

man dialogue with the Soviets has *already* prevented a further breakdown of the international situation toward confrontation.

The week Giscard and Schmidt met, Jimmy Carter drew the knot of alliance with Peking even tighter in talks with Communist Party Chairman Hua Guofeng in Tokyo. In Detroit, the Republican Party issued a platform which likewise adopts the China card and instructs Europe to stay in line—surrendering foreign affairs say-so within the NATO alliance to Washington.

Under these circumstances, Giscard and Schmidt, for the first time, openly discussed military cooperation between the two countries as crucial to ensuring Europe's independence and security. This does not mean that West Germany will suddenly quit NATO's military command as France did under General de Gaulle in 1966, but it adds a steel backbone to the two countries' challenge to what they consider to be Washington's misleadership of the alliance. The announcement by Giscard that France is testing a neutron bomb and building a new generation of nuclear submarines—decisions praised by Schmidt—demonstrates that Europe's choice of détente and economic deals with the East is being taken from strength, not as a stepping-stone to "neutralization," as Henry Kissinger charged.

A diary of the state visit

July 7

Upon his arrival in West Germany, President Giscard laid out the theme for the rest of his week-long visit as he spoke in German to a crowd of several thousand in front of City Hall in Bonn. "I have come," he said, to "express the sincere and confident friendship that hereafter unites our two neighboring countries. This trip must be the opportunity to affirm our will to act together, to restore to Europe its role in world affairs."

"Yesterday we went through the phase of reconciliation," he declared, referring to the historic visit of his predecessor Charles de Gaulle in 1962. "We must now begin the phase of joint action to give Europe back its influence in the world."

Dramatically brushing aside the notion of "collective guilt" imposed on two generations of German

people after the war, Giscard declared: "I salute the German people, this great people," who have "made an exceptional contribution in science, art and culture."

In the afternoon, Giscard had his first hour and a half meeting with his host, Helmut Schmidt. The two leaders discussed their recent meetings with Leonid Brezhnev and the subsequent Soviet disarmament proposals.

Giscard then went to lay a wreath in front of the Memorial to the "victims of the war tyranny," and requested that French Ambassador Jean-Pierre Brunet bring a bouquet of red roses to the tomb of Konrad Adenauer, de Gaulle's partner in the first phase of reconciliation between the two countries.

As guest of honor at a banquet given by West German President Karl Carstens, Giscard struck the same theme of the need for Europe to assert itself. "If France and Germany achieve this objective, they will have rendered a great service to peace and the equilibrium of the world which, we note every day, needs a strong and independent Europe."

France and West Germany "must act together to put an end to Europe's self-effacement in the world. . . . Never have the ties been so strong between our two countries. Never have we been so close."

July 8

After a breakfast meeting with Foreign Affairs Minister Hans-Dietrich Genscher, Giscard left Bonn for the garrison town of Baden-Baden, where France maintains 50,000 troops. Schmidt unexpectedly accompanied the President on this military parade review.

There Giscard introduced a new theme, hailing the military cooperation that has been established between the two countries: "My presence among you, alongside the Federal Chancellor, bears witness to the confident and friendly cooperation which has been built up between our two commands and our two armies."

Noting that one out of every six French servicemen does his military service in Germany, Giscard declared that "in this way, they will come to know the daily life of the principal partner with whom we are building Europe so that its world role and influence will be restored."

"France and Germany are the cement and the spearhead of European construction. It is the Franco-German entente which must give Europe the will and the means to affirm itself in the world."

Later in the day, Giscard spoke to a crowd of some three thousand in Kassel. This time the theme was economic cooperation. "Our two economies are well equipped to confront the final phase of the difficult crisis the world has been going through for the last 18 months, and to constitute a zone of stability and growth

within the Western world. Everyone knows the importance of our economic exchanges. Your region alone buys more from France than the Soviet Union does, and sells us more than Algeria does. Our two great markets have become indispensable to each other. Our two countries must now develop an industrial strategy as partners."

July 9

Giscard's next stop was Bavaria, for a meeting with Franz-Josef Strauss, regional leader and the Christian Democratic Union's candidate against Schmidt in the Chancellery elections. The "Bavarian bull," as he is known, opened the talks by attacking those who share "the illusion of détente" and those who show "indulgence" towards the Soviet Union—a reference to his guest and the Chancellor which escaped no one.

Giscard responded with a diplomatic tour de force, a speech on German culture, which he concluded by looking straight at Strauss and stating, "I understand your passion for Bavaria," a remark whose intent escaped no one either, including *Le Monde*, which commented, "More crudely put, he would have said: to each his own; leave international politics to me, and I'll leave you your beloved province."

After a grand feast, Giscard left Bavaria for the northern town of Lübeck.

There Giscard was greeted by large crowds of local people and by Gerhard Stoltenberg, Christian Democratic Minister-President of Schleswig-Holstein and former Minister of Scientific Research. Giscard made a moving tribute to Franco-German scientific cooperation.

"What will the scientific and technological universe of the year 2000 look like? And how can we prepare for it together?"

"The results [of growing cooperation] are already before our eyes. . . . It was mixed teams who developed the rocket Ariane, the satellite *Symphony*, the Airbus which, all across the skies, bears witness to the excellence of our joint technology, the high-temperature reactor in Grenoble, the ionospheric diffusion probe, and now joint teams are working on the development of space communications or millimetric radio-astronomy.

"In the field of nuclear energy, our scientists and engineers have accomplished impressive progress in the fast breeder. . . .

"We must take note of this reality which is too often ignored by public opinion in both countries: through these initiatives, through the cooperation of our scientific communities and constant exchange of information and personal contacts, France and Germany have reached the point of no return: we are now engaged in a joint process in the fields of scientific and technologi-

cal research, as well as in their applications."

We must, he said, address the fears that "dizzying progress" has brought forth in the minds of some. "It is up to us to bring forth, to the eyes of those who doubt and who worry, the certain victory of hope."

From the vantage point of having led his own country into the world's most ambitious nuclear program, Giscard declared that "we must demonstrate and repeat that high technologies do not represent some Faustian vision among a handful of people, but that they generate employment, that they are called on—like the steam engine and railroads in their day—to improve the working conditions and the existence of us all, to free us from constraints like the limitation of energy resources which can compromise our very future."

July 10-11

Back in Bonn for two days of talks with Schmidt and talks between the ministers of the two countries.

At a joint press conference on the final day, Giscard was asked if Europe intended to become a superpower, and he replied that "if by that you mean that the voice of Europe should and will be strongly heard in the great debates of the world, in the great affairs of the world, then I think so."

"The Federal Chancellor and Mr. Genscher's trip to Moscow was not only useful but necessary. All one has to do is to try and imagine what the situation of tension would be like in the world today and how Europe would have been absent from the debate if we had not had those two successive conversations that I held in Warsaw with Mr. Brezhnev and that the Chancellor and Mr. Genscher held in Moscow on the two essential issues of the present time."

"The task which must be accomplished [by Franco-German relations]," he declared, "is a community of destinies. . . . This must lead us toward two types of actions: to coordinate our actions in a systematic and regular fashion in view of the events taking place in the world on the one hand and on the other to make Europe's voice heard together to propose solutions or to suggest actions concerning the development of these events."

In his concluding remarks, the German Chancellor declared that he "expressly welcomed the modernization of the French deterrent force," which Giscard had announced two weeks before the trip.

And finally, "I want to stress my particular approval for the President's statements on Franco-German cooperation to strengthen European awareness and cohesion but also to make a more effective contribution to the maintenance of a military balance in Europe and in the world and to peace."

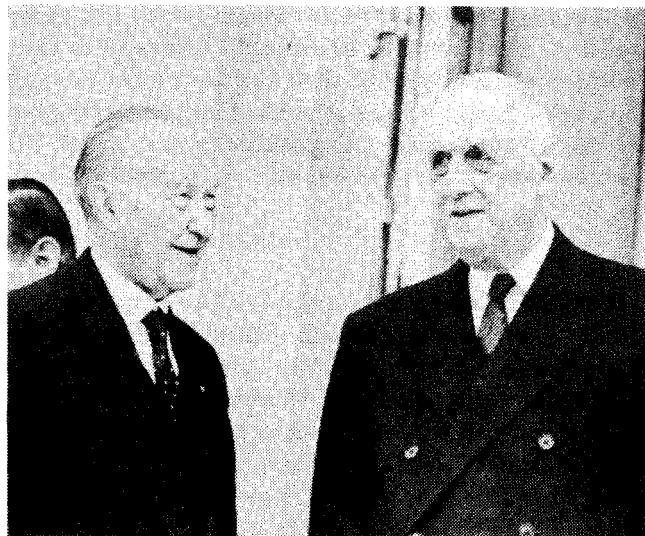
How de Gaulle built the foundation

by Garance Phau

The origins of French President Giscard's design for a Franco-German entente can be found in the political organizing undertaken in the late 1950s and early 1960s by General Charles de Gaulle. It was de Gaulle, the leader and symbol of the French Resistance to Nazism in World War II, who began to reconcile Frenchmen and Germans, and sealed that reconciliation with a treaty between the two nations in 1963. The treaty effectively re-established West Germany's sovereignty, by allowing her a counterweight to Anglo-Saxon control through association with France.

Since his return to power in 1958, de Gaulle had committed himself to undoing the Cold War. His alliance with West German Chancellor Konrad Adenauer took place at a time when President John Kennedy's advisors argued in favor of a "limited nuclear warfare" stance, much like Carter today, and proposed to install nuclear weapons on German soil through the Multilateral Force, as NATO proposes now. De Gaulle was convinced that the military policy of the Atlantic Alliance, combined with Malthusian attitudes toward the underdeveloped sector, could only turn the Cold War into a hot war—at any time.

The Cuban missile crisis took place in between de Gaulle's tour of the Federal Republic in September 1962 and the signing of the Bonn-Paris treaty in January 1963. De Gaulle thought a Europe modeled on Charlemagne's modernizing impetus would be capable of resisting Anglo-Saxon as well as Soviet pressures and of achieving détente. When the General launched the term détente, it did not have the vaguely pacific connotations it has today. Rather, as he defined it to the American Congress in 1960, it meant an agreement between Russia, the United States and Europe to combine their resources to



1958: the first meeting between de Gaulle and Adenauer.

Photo: French Foreign Ministry

effect an industrial takeoff in the underdeveloped sector. That had been the agenda of the 1960 four-power meeting sabotaged by the U-2 incident. For de Gaulle the Franco-German treaty was a tool to impose reason in international politics and economic policies, "because if civilization doesn't develop, it collapses."

Barely six months after his return to power, on September 14, 1958, de Gaulle received Chancellor Adenauer in his private house at Colombey-les-deux-Eglises to symbolize the openness and friendship which was to prevail between the two leaders. There, de Gaulle proposed to Adenauer an alliance between the two countries as the pillar of the new Europe. Adenauer was surprised and delighted, since de Gaulle had been built up publicly as a "revanchard" who would seek to punish Germany for World War II. At a loss for words, he could only tell journalists the next day: "The General is not a nationalist." He added: "We are convinced that close cooperation between the German Federal Republic and the French Republic is the foundation of any constructive work in Europe. It contributes to the reinforcement of the Atlantic Alliance and is indispensable for the world."

In his memoirs, de Gaulle recalled their talks: "I assured the Chancellor that we in France considered it perfectly natural that Federal Germany should adhere unreservedly to the Atlantic Pact. How could she do otherwise in this age of atomic weapons? . . . But in this respect as in others, France was not in the same position. Hence, while continuing to belong to the alliance . . . for mutual assistance in case of aggression, she planned to leave NATO sooner or later, the more so as she intended to equip herself with nuclear weapons which there could be no question of integrating into the system. . . . At the conclusion of our discussions, we agreed to establish

direct and special links between our two countries in every field, and not to limit them to membership of organizations which extinguished their individual personalities. From then onwards we were to remain in close personal contact.”

The grand tour

On September 4-9, 1962, de Gaulle undertook a triumphant tour of West Germany. Greeting President Heinrich Lübke in Bonn, de Gaulle spoke of the tasks of Franco-German unity. His goal, he said, was “a union in the perspective of détente and international cooperation which would allow all of Europe—from the moment that the East relinquished the domineering ambition of an outdated ideology—to establish European equilibrium, Europe’s peace, Europe’s development from the Atlantic to the Urals, provided that there is a lively and strong community in the West, that means essentially a unitary Franco-German policy.”

De Gaulle took great pleasure in directly addressing the German population in half-a-dozen cities. Within five days, he spoke (in German) to crowds in Bonn, Cologne, Düsseldorf, to Thyssen factory workers in Duisburg-Hamborn, to German soldiers in Hamburg, and to the people of Munich, concluding with a moving appeal to West German youth in the industrial center of Ludwigsburg.

The reader should recall that under the joint management of the U.S. Office of Strategic Services and British intelligence, occupied Germany was subjected for 15 years to intense psychological warfare aimed at convincing the population that every single one of them was responsible for the Nazi atrocities, and their nation could never again exert international influence.

De Gaulle cut through this “universal guilt” at one stroke in his Ludwigsburg address. “As for you, I congratulate you! I congratulate you, first of all for being young. . . . I congratulate you, then, for being young Germans—that means the children of a great people. Yes, a great people, who at times during the span of its history has committed great mistakes and caused great calamities, and condemnable ones, but which on the other hand, propagated across the world fruitful waves of thought, of science, of art, of philosophy, one who enriched the universe with the innumerable products of its inventions, of its technologies, of its accomplishments, one who deployed in the works of peace, as in the challenges of war, treasures of courage, discipline and organization. . . .

Finally, I congratulate you for being the youth of today. . . . Your generation sees and no doubt will continue to see the multiplication of combined results of scientific discoveries and technological achievements which deeply modify the physical condition of man. A

new and prodigious field opens up in front of you. . . . It is the duty of those your age to make it the conquest, not of a few privileged ones, but of all our human brethren. Let your ambition be to make progress the common good, so that each individual partakes in it, so that it permits the development of the beautiful, the just, and the good everywhere and especially in the countries which like ours create civilization.

“Let it procure to the billions of inhabitants of the underdeveloped regions the means to conquer in their turn hunger, poverty, and ignorance, and accede to complete dignity.”

Six months later, on January 22, 1963, the Franco-German Treaty was signed in Paris which put into effect the aim of the de Gaulle visit: to tie the closest bonds between the two nations so they might speak with one voice in the international arena. France brought to the alliance its open ties to Moscow based on France’s commitment to détente and industrial exchanges, and its web of influence throughout the developing countries. West Germany was building a formidable industrial capacity. The combination of the two nations could be the heart of Europe’s power.

The treaty mandated regular biannual state summits and ministerial meetings at all levels, including defense, foreign policy education, and culture, at least four times a year to coordinate matters fully. The treaty opened the way for French military weight behind the Federal Republic. In de Gaulle’s mind, the French *force de frappe* deterrent was the kernel of an independent European defense policy, that would make the North Atlantic Treaty Organization an obsolete relic of the Cold War.

The treaty was signed a week after de Gaulle vetoed Great Britain’s entry into the European Economic Community, and indicated that Germany would back France’s efforts to prevent the British from making the EEC into a free trade zone for dumping Commonwealth goods.

Britain and her allies on the continent were displeased. Anglophile Willy Brandt, then head of the SPD opposition to Adenauer, did his best to sabotage it when it came up for ratification in the Bundestag on May 8, 1963. Brandt introduced a rider which specified that the treaty “did not affect the rights and obligations derived from the multilateral treaties concluded by the BRD,” and especially collaboration with Great Britain and the United States. Within a year Chancellor Adenauer was removed from office by way of a Watergating operation known as the “Springer affair.” Nonetheless the treaty has continued to provide a foundation for Franco-German entente on the continent. Giscard’s visit to West Germany last week was the *thirty-sixth* Franco-German summit.

Impressions of London

Laurent Murawiec visited policymakers there in June

More than the contrast between monuments of imperial splendor and today's poverty, what strikes the visitor to London is the austerity, the economic offspring of Mrs. Thatcher.

No need to launch raids into the country's ravaged economic areas, just watch what British television has to say and show. Turn it on and watch "News at Ten," and no day will elapse without this kind of report: 2,000 workers laid off in the Wales collieries; the giant British Steel (BSC) may well go into receivership, and will now sack 50,000, as much as already fired; a film shot in a classroom in Wales, where the teacher leads a course on unemployment: "How many of you think they will have to leave the town to find a job?" Thirty hands up, to a man. Thames TV announces that one out of every three houses in London is unfit for habitation. Inflation is above 20 percent. The day this visitor arrived, news was announced that unemployment had topped its postwar record, and was now going to the two-million mark.

Not all the blame, of course, should be laid on the current Prime Minister. She inherited, and decisively aggravated, the effects of strategic decisions taken after the war—to deindustrialize Britain. But it is she and her monetarist guru Sir Keith Joseph, the Industry Secretary, who decided to shut down schools and have parents pay for busing, shut down hospitals and cut their employees' pays, increase transport fees, health costs, local taxes, in the name of fighting inflation, of course. The musicians' union is leading a strike and demonstrating in protest: the BBC is disbanding five classical orchestras. They protest in front of the House of Parliament, playing Handel's Water Music. Police motion them away so that the honorable parliamentarians will not be unduly disturbed by the mob.

Is it necessary to point out that the British population is poor? Of course, it has been imbued with the proud notion that it partook in *Rule Britannia*—racial superiority over the subjects of the Empire, the Wogs, and those beyond the Irish Sea and the Channel. Belonging to the Empire should make up for material deprivation.

Worse perhaps is the cultural deprivation. Beyond

crumbs of imperial glory, who would wish to identify with the Duke of Marlborough, a.k.a. Sir Winston Churchill? Has there been a great national design, a de Gaulle to uplift the nation's morale? The British population has been offered Queen Elizabeth and Prince Charles. Her Majesty's subjects have been left with the Beatles and rock culture. Yellow- and green-haired punks roam the streets in large numbers.

A special program commemorates the first anniversary of the death of the Earl Mountbatten of Burma, cousin to the Queen, former Viceroy of India, former First Lord of the Sea. "Uncle Dickie" who educated Prince Charles, the Prince of Wales, and sent several million men to their bloody death in his partitioning of India in 1947, spoke loud and clear in his last earthly speech against the insanity of "limited" nuclear warfare, warning with his soldier's experience that it would immediately turn into global war. One expects the man himself somehow to reflect this healthy, realistic assessment.

The long BBC interview taken shortly before his death quickly dispels any such notion. The Earl exudes aristocracy through all pores, explaining: "I've always been very self-assured. Conceited I am not. Well, perhaps I am." The Earl makes it clear that playing polo and playing with a few million men's fate is the same game.

Subjects, not citizens

Off-the-cuff conversation in a snack bar on Cannon Street in the city. The man is fiftyish, presumably a higher clerk with some broker.

Visitor: As a foreigner I'm really amazed that you still have a monarchy.

Man in the city: What's so amazing? We have a queen and most Britons like her and her family a great deal. They are a great symbol for the country.

Q: You see, in our republics we elect our presidents, our premiers, but you seem to have the same families in power for centuries. . . .

A: Well the Queen's powers are very limited nowadays. The wealth and money of the aristocracy, they don't have it as an aristocracy but they work, they earn it, aside from the tiny group in direct line for succession to the throne. All the others produce wealth, they are in banking, business, in the press. We do have national figureheads. But sadly, we have not been doing well. People are greedy, they don't really want to work, the young especially, they just want more money. There are plenty of jobs around. If anyone is out of a job it's his fault. If you want a job, change your trade and find a job where and how there is one. The unions are greedy for power, for money, for influence . . .

He just said what he thought. One could call the British a submissive society. Each man in his place. The Queen at Ascot, the Duke of Edinburgh at Lord's shaking hands with cricket players and the unemployed on the dole queue.

The resignation, the passivity and fatalism which decades of postwar stagnation and especially the post-1970 disaster have afflicted the population with are carefully nurtured. If the welfare state is dead, there is still one product the state is delivering:

Here comes Sir Keith Joseph, the disciple of Friedrich von Hayek and Milton Friedman. The sanctimonious creature is interviewed: what do you think of the British Steel Corporation chairman warning that the concern may well go bankrupt? The hypocrite, gently shaking his silver-haired head, sadly intones that he had warned "strikers and the unions that a strike was not the best manner of improving things, alas, as many redundancies as are required will have to be put into effect to bring the company back in the black."

Inside the city

Behind the walls in houses where no brass plate reveals the identity of the occupants of the premises, sit those men who play with the world like Mountbatten played polo. While their mouthpieces of the media may print any "line" they see fit to impress the population with, they have their own thinking. On the quiet, they debate. Their conclusions are passed down as gospel to dozens of influential institutions worldwide.

In one of these noise-proof offices, one man serenely explains that a social explosion in England is inevitable, something will have to give. As well, the Middle East *will* explode. "Africa is starving, there are famines spreading all over," another says. "The Americans, the State Department, they have written off Africa," he pants in a burst of rage, "they want to turn it into a hellhole. And they are writing off Brazil, and Argentina. . . ." But, sir, was it not "British brains?"

"The Club of Rome is dead and the Brandt Commission is a PR operation," says the old man, who paints an apocalyptic picture of Soviet domination of the sea lanes. "They don't have to fight World War III, they won it already." Where were the British brains? Should not those British brains repudiate the New York Council on Foreign Relations policy of neo-Malthusianism if they want to escape the consequences of Soviet strategic superiority?

Others play it dumb. Yes, of course this is all true. But it is so difficult for us Britons to intervene in that fascinating, if complex, U.S. electoral process. He does not want to tell you of decisions taken by the family, and in fact the family is still groping at a decision. But some reality is making itself felt: the families were so

unanimous about neo-Malthusianism in the U.S.A., and "the Russians" who did not swallow an inch of this line are now superior, starting with brute force—aha, that's a language one understands.

But for all the signals which reality sends clicking in the eyes of the gentlemen in the city and "the nobs," as the British population calls its rulers, decisions have not yet been taken. Disarray, creeping fear, grudging recognition of Soviet military-strategic superiority, but Mrs. Thatcher has not been told to come off it. She still feels free to support the Brzezinski follies, from China to the Muslim Brotherhood, from Menachem Begin to maneuvers in the Caribbean. Lord Carrington, an Olympian descended on the earthly matters of government, and a man more able to decipher signals from the real world, does not have the upper hand. The extremists, Joseph et al., do.

There is a great debate raging in the inside avenues, the inner corridors of power. "The U.S.A. is the country where the degeneracy of the elites has gone deepest," complains an old insider. He adds that the rock-and-drug culture must be done away with, standards of rationality in society upheld and enhanced, high educational standards restored. Their erosion started in the 1890s, with Nietzsche, the late romantics. But wasn't it you British who did it, you British brains? The man does not protest. What he fears is a war in the 1980s, "a major war." He sees Soviet superiority lying in their long-term planning. "The spirit of Richelieu blows in Moscow, not in Washington."

Not all are equally realistic. In Tavistock Street, in the West End, where Jack the Ripper officiated, sits the International Institute for Strategic Studies, that prestigious institution which sets so much of the tone of strategic-military debate in the West, boasting of a one-thousand-plus membership among influentials of all sorts throughout the West.

One meets with a tall young man, whose features are not dissimilar to those of the late Reinhardt Heydrich. His hair is shorter. On the shelves of the crammed little room, lots of books, a jogging suit and—unconcealed—a tube of vaseline. On the wall opposite, an autographed picture of Zbigniew Brzezinski. Very much at ease, the young man says no one should worry about the great strides of Soviet science in the last decade; the economic depression in the United States is not a problem; the 8,500 U.S. servicemen arrested on drug charges last year merely reflect the normally low morale of occupation troops. The U.S. economy, the R&D potential of the West, are superior in any case. Let us have more conventional weapons, more small nukes. The Russians would only fight in global thermonuclear warfare. Never anything under that threshold? Who can be sure? Nothing's a problem. I'm all right, Jack.

Brazil: no letup in insurgency

“Red Bishops” exploit the Papal visit, Cynthia Rush reports

The international press has expended a good deal of time and newsprint recently to attempt to explain and analyze the 12-day visit of Pope John Paul II to Brazil, the world's most populous Catholic country. Almost all the articles published have however missed the essential point of the Pontiff's trip, and its implications for the rest of Latin America.

What the analysts have failed to grasp is that while Brazil is nominally the largest Catholic country in the world, it is not Catholic in the sense of apostolic Christianity as we know it. Various forms of “popular” syncretic religions, such as African spirit cults and variations of voodoo predominate among Brazil's nominally Catholic population.

The worship of such pagan cults as “candomblé” or “macumba” is by no means limited just to the poorer, uneducated masses, and it is not uncommon to hear Brazilians describe themselves as practitioners of macumba and “Catholics too.” “Many Brazilian churchmen have opted simply to tolerate macumba within the church as a way of reaching people who might not otherwise be touched by Catholicism . . .” reported the *Christian Science Monitor* on July 9.

Brazilian “fundamentalism”

It is this salient characteristic of Brazilian society which makes it ripe for the kind of religious “fundamentalist” upsurge which has already thrown Iran back into the Dark Ages, and has been orchestrated in Central America by Khomeini's counterparts, the Jesuit Order's “Theology of Liberation” faction.

While Brazil is not the only country in Latin America targeted for the Iran treatment, it is perhaps the most important because of its size and population and the effects that such a catastrophe would have on the rest of the continent.

For decades, cultural relativists have focused their attention on Brazil, studying and profiling its Indian populations, languages, and syncretic religions. Their findings were to provide vital information in determin-

ing how to maintain the degradation of the Brazilian population and expand it throughout the developing-sector populations.

While Jacques Soustelle carried out his studies of Mexico's Aztec culture in the 1930s, his cohort Claude Levi-Strauss performed similar studies in Brazil from his post at the University of São Paulo. Levi-Strauss's most famous book, *Triste Tropiques*, is a detailed anthropological and linguistic profile of the Amazon Indians.

Today the Society of Jesus and its liberationists have no purpose but to bring Soustelle's and Levi-Strauss's cultural relativist dreams into being. The radicals of the Brazilian National Bishops Council (CNBB) rely on the profile of the country's syncretic religions, and the history of messianic uprisings dating back to the early part of the 20th century, to mobilize the Brazilian population into a fundamentalist revolt.

Their aim is not only to wipe out all traces of progress or industrialization in an already impoverished nation, but to extend chaos to the rest of the Latin American continent.

What did the Pope do?

This is the situation into which Pope John Paul II walked on June 29, and for which he was clearly unprepared. Judging from the enthusiastic response of such radical spokesmen as São Paulo's archbishop Evaristo Arns and his colleague Leonardo Boff, the liberationists feel that the Pontiff's visit was a real plus for their cause.

Equally revealing was the remark which the *éminence grise* of the Figueiredo regime, Gen. Golbery do Couta e Silva, was heard to mutter toward the end of the Pope's trip. Golbery reportedly said that “the unexpected had happened” during the visit, implying that it had been a bad idea to invite the Pontiff to Brazil.

What really happened?

Contradictions abound

At two points during his visit, the Pope made strong statements unequivocally directed at the “Theology of Liberation” faction within the Brazilian Church.

In a meeting with 300 bishops on July 10 in the city of Fortaleza, the Pope warned “your vocation prohibits you directly and in total clarity, from taking part in anything that appears to be politically partisan, subject to whatever ideology or system.”

Even stronger was the telegram sent just before his departure from Brazil to the Ecclesiastic Grass Roots Communities (CEB), the apparatus used by many radical priests to mobilize masses of the urban poor in political and social protest. The CEB's, the Pope

warned, must follow the guidelines laid down by Pope Paul VI. "The danger of intromission in politics is particularly insistent. Such an intromission could come about in the very genesis of the communities which are formed without a view of the Church but with criteria and objectives of political ideology. . . ." The Pope repeatedly emphasized that the CEB's should not become politicized, but rather serve as expressions of "charity within the community and solidarity with the most needy."

While the purpose of the Pope's message escaped no one, statements made on the rest of the trip contradicted it. This was the case particularly in the jungle cities of Salvador and Manaus, the last stops on the tour, where the backward voodoo-worshipping Indian and peasant populations have proved a useful tool for the Jesuit "liberation" cause.

The Church radicals of the CNBB have made a *cause célèbre* of the plight of Brazil's Amazon Indians, who are being exterminated by the crude resource stripping and slave labor projects characterizing the government's Amazon "development" program. The radicals generalize from the government program to argue that industrialization in any form is evil, tantamount to "ethnocide," and are demanding that the Indians be permitted to live out their bestial existence as "noble savages."

The CNBB had been particularly anxious that the Pope visit the jungle cities.

Voodoo is popular religion

In Salvador, the Pope was confronted with 400,000 people, many of them practitioners of both voodoo and Catholicism, by their own admission. "We've got to protect ourselves on all sides," one local voodoo priestess explained.

In Manaus, representatives of several of Brazil's Indian tribes, many of them dressed in native costumes, headdresses, and decorative animal bones through their ears and lips, told the Pope, "Holiness, we are a disappearing people . . . we want rights . . . We support you . . . but how can we smile . . . when we are being massacred and exploited?"

The Pope's response to these petitions was what the Jesuits were waiting to hear.

In Salvador, the Pope endorsed the concept of "popular religion." "It is necessary to cultivate and use popular religiosity for the better evangelization of the people," the Pope said. "It is important not to look down on it nor laugh at it . . . The manifestations of popular religion, when these are purified of the negative values of superstition and magic, are without doubt a useful form so that the masses maintain their faith."

The Pontiff responded to the Indians of Manaus: "May you not suffer the true nightmare of being removed for the benefit of others. May you remain secure in a living space that is the base not only for your survival, but for the preservation of your identity as a human group." While the Pope spoke in Salvador, much of the audience beat drums and chanted "John Paul is our voice."

The radicals are optimistic

The liberationist radicals saw cause for optimism in other actions of the Pope. While the Pontiff did emphasize that the clergy must remain outside the realm of politics, he also said that the Church must be an instrument for promoting social justice, and called on the ruling classes to share their wealth, promote equality of income and civil rights. The Pope's references to terror, torture and repression proved an embarrassment to the ruling Figueiredo regime, but met roars of approval from the millions who turned out on the streets. In city after city, crowds met the Pope with the cry, "John Paul is our voice," and "the Pope is our King."

Nor were the Jesuits disappointed with the Pope's treatment of some of their leading spokesmen. Prior to the trip, rumor had it that the Pope might rebuff or even remove radicals like Cardinal Arns of São Paulo from his post. But the Pope met publicly with and affectionately embraced many of the radical spokesmen, including the infamous grandfather of liberation theology, "the red bishop of the Northeast," Dom Helder Camara. The Pope greeted Camara as the "brother of the poor" in a public appearance viewed by millions on television. Rumors are now circulating that Camara will shortly be made a Cardinal.

EIR expects that the Church radicals will now try to leverage the Pope's trip to foment the chaos that could destabilize the Brazilian government. Situations such as that which developed around last April's metalworkers' strike in São Paulo, in which the liberationist faction was deeply involved, are expected to occur with greater frequency and with far more disruptive effects. During that strike, Bishop Claudio Hummes of São Bernardo do Campo, proclaimed:

"Every worker should be a Moses whose mission is to free the workers. Moses unsettled the powerful; he organized his people to overthrow the Pharaoh. The Brazilian Church is at the side of those who fight for freedom, on the side of the people unsettling the powerful." As indicated by Gen. Golbery's earlier comment that the Pontiff's visit brought "the unexpected," the Brazilian government views the potential for destabilization with alarm.

On the trail of the Muslim Brotherhood

Information just received by EIR has the clandestine society running scared.

At a secret meeting convened late last month in a town in the eastern United States, several prominent Arab Christians gathered together to pledge themselves in unholy alliance with the Muslim Brotherhood—the society of Muslim fundamentalists responsible for the Khomeini takeover in Iran and for the attempted Iran-style dissolution of virtually every sovereign nation in the Middle East.

Informed Arab sources have passed this—and other—sensitive intelligence about the Muslim Brotherhood along to *EIR*, intelligence that, when published in detail later this month, will blow the lid off the Brotherhood, its collaborators, protectors, and benefactors, and its wide-ranging international operations.

For example:

- *EIR* has uncovered the intricate, overlapping network of business fronts and illegal money-laundering operations belonging to the Muslim Students Association (MSA), the Muslim Brotherhood's "long arm" into the United States. For years, the MSA has built up these numerous fronts through which are run millions of dollars to finance such MSA activities as paramilitary training, gun and drug running, and on-the-ground terrorist operations both in the Islamic world as well as throughout the West.

- *EIR* has pulled together the inside story of the MSA's secret

Documentation Center, set up in Indiana to operate as the computerized command center of Muslim Brotherhood activities around the world.

- *EIR* has gotten the goods on "who's who" in the MSA leadership, a leadership dominated by a group of exiled Egyptians, Jordanians, and Syrians, all of whom were thrown out of their respective countries because of their illegal Brotherhood activities. Later they surfaced in the United States, which under the Carter administration has become a "safehouse" for them and their operations.

In May, the MSA held its 18th annual convention in Oxford, Ohio, which was attended by numerous groups of Islamic fundamentalists calling for the overthrow of their respective governments. Featured as speakers at the convention were two high-level Iranian government officials: Jamshid Hakju, governor of West Azerbaijan; and Mozaffar Partowmah, an adviser to Iranian President Abolhassan Bani-Sadr. That Hakju and Partowmah were allowed to enter the United States, despite the ban on travel to and from Iran by President Carter, pointed to the likelihood of collusion between the MSA and the Justice Department's Bureau of Immigration and Naturalization. *EIR*'s investigation of this incident caused an uproar in Washington.

In addition to intelligence on

the MSA and its modus operandi, the *EIR* is in possession of information that sheds light on the larger strategic operations of the Brotherhood. According to reliable Arab sources, the Muslim Brothers "are aiming at the Soviet Union, capitalizing on the hope that within the next 20 years the Muslim Soviets (one out of every three soldiers) will do away with the socialist regime." This operation against the Soviet Union is designed to run parallel to a similar operation, already in place in Iran, against "the West" and what they call "Westernization" in general.

Coordinating this operation out of Europe is Salam Azzam in London, the home base of his Islamic Council of Europe. Azzam is working with his brother Abdel-Rahman Azzam, the former secretary of the League of Arab States, and Muazzam Ali. *EIR* has also uncovered an extensive network of Americans operating out of New York, Dallas, and other U.S. cities who are working on some basis with the London crew.

Sharing Azzam's Arab League and Muslim Brotherhood connections is none other than the current Arab League ambassador to the United Nations, Clovis Maksoud. Maksoud, a Christian with ties through marriage to the Muslim Brothers as well as well-cultivated links to the Jesuits, has recently escalated his activities on behalf of the Brotherhood. He is working in coordination with Lebanese Ambassador to the United Nations Ghassan Tuani as well as with the spiritual leaders of the Arab American community.

Details on this, and more, will appear in an upcoming issue of *EIR*.

Reagan's Mexico connection

Mexicans are looking at who Ronnie sees when he visits—and what a Reagan administration may mean for Mexico. They are not at all happy with the picture.

Mexican government and intelligence circles are working overtime to figure out what a Reagan administration policy toward Mexico would look like.

One of the angles being scrutinized is who Reagan personally knows and visits in Mexico. The trail is not hard to find. Just two weeks ago Ronnie, Nancy and 27 secret service agents showed up at the Sonora ranch of Diego Redo for the 12th consecutive summer vacation in Mexico's Sierra Occidental Mountains. Reagan's host strode around his San Juan de la Cuesta spread, dubbed "Camp Reagan" for the occasion, sporting a "Reagan for President" pin on his lapel and shooing away reporters to give his close friend maximum peace to prepare his nomination acceptance speech.

Now to understand who Diego Redo is, it's useful to make a few historical points. The backbone of the Mexican aristocracy during the colonial period were the great northern ranching barons, with the Sánchez Navarro family among the most notorious. This elite reconstituted itself with the same landowner base under the 1876-1910 dictatorship of Porfirio Díaz, known as the Porfiriato. Among the big names: the Creel, Cue, Terrazas and Madero families. Today, the hard-core families of this 400-year aristocratic lineage take their ideological cues from the feudalist and semi-secret "free enterprise"

cult known as the Mont Pelerin Society, based in Europe among circles attempting to reestablish the Hapsburg throne. The Mont Pelerin branch in Mexico is headed by Agustín Navarro Vásquez, intermarried with the Sánchez Navarros, and by Gustavo R. Velasco, law professor and intimate friend of the head of the Sánchez Navarro clan today, Juan Sánchez Navarro.

Diego Redo could not be more closely tied to this feudalist crew. His sister is Juan Sánchez Navarro's wife. Diego's nieces and nephews through intermarriage are Creels, Cues and Maderos.

So blueblooded is this set that when Diego Redo invited the British ambassador to the San Juan ranch a few years ago, he mounted a foxhunt in full regalia for his guest, to the astonishment of his Mexican rancher neighbors.

Sophisticated Mexicans recognize that these networks would not become the primary channels of Reagan administration policy toward Mexico, because of their restricted public institutional character. But they see these networks exemplary of the stratum Reagan links up with in Mexico, as well as deeply coloring his perceptions of the country he calls, according to Diego, "part of our way of life."

More immediately behind such hallmarks of Reagan policy toward Mexico as a U.S.-Mexico-Canada Common Market, referred to in Reagan speeches as a North Amer-

ican "Accord," is Reagan's foreign policy chief Richard Allen. It was thus hardly reassuring to Mexican government leaders, following President López Portillo's no-nonsense rejection of such a Common Market in a late-May speech to the Canadian parliament, to read Allen's remarks to the Mexican daily *Uno Mas Uno* when interviewed at the Republican Convention.

The "Accord" remains the basis of Reagan policy, he said; "it is time for us to share our natural resources." To even the most naïve Mexican, that sounds like a heavy-handed rush for Mexico's oil. What did he think of López Portillo's scorching rejection of the plan? "I am not aware of his statements."

The man who in turn briefs Allen on Mexico and Latin America is Roger Fontaine, Latin American affairs honcho at the Georgetown Center for Strategic and International Studies. Fontaine was one of the principal authors of the Rockefeller "Critical Choices Commission" chapters on Latin America almost a decade ago, and moved into his current position as a protégé of Henry Kissinger. So it is Kissinger's extensive Mexico operations—based at former president Miguel Alemán's Acapulco resort home—which are coming back on board if Reagan wins.

The "traffic cop" arranging Fontaine's access to Reagan is American Security Council chief General Daniel Graham. The ASC recommends that Mexico turn to the U.S. to help it "protect" its oil fields. Most Mexicans look at this and think they are being set up, possibly even for invasion. And they are unhappy indeed with Diego Redo Jr.'s choice for the U.S. Presidency.

National News

State Department jockeys on U.S.S.R. proposals

Deputy Secretary of State Warren Christopher met in Bonn this week with West German Foreign Minister Hans-Dietrich Genscher, after a briefing in Washington by Soviet Ambassador Anatoli Dobrynin on Soviet overtures toward new arms talks. After his discussion with Genscher, Christopher held a press conference, stating that the U.S. "forward-based systems," which Moscow wants to include in the talks, cannot include air- or sea-launched missiles.

Christopher pointedly added that the West must "harmonize its views" on the Soviet offer, indicating that he and Bonn had not exactly seen eye to eye on the subject; Genscher also indicated that "harmonization was lacking." Klaus Bölling, official spokesman for the Chancellor, next issued a statement expressing concern about misinterpretations of the Soviet offers, since "there are new elements in Moscow's proposal, and the chance should be exploited now, not lost. The French President and the Chancellor agree that this offer represents a great opportunity to be pursued now, without delay."

Following Christopher's statement, *Pravda* issued a clarification July 15 of the Soviet offers; according to Radio Moscow, the party newspaper stated that some Westerners are distorting the essence of the proposal, claiming that the U.S.S.R. is "resigned to" the December 1979 NATO decision to deploy Cruise missiles and Pershing missiles in Europe. This is not true, writes *Pravda*; the Soviets have made an offer to discuss these weapons along with the forward-based systems, including bombers, submarines, and U.S. bases close to the Soviet border.

In Belgium July 15, Christopher told government ministers that the NATO decision must go through, despite Belgian reluctance. Meanwhile, after Christopher's departure from West Germany, Klaus Bölling stated that his government is confident that East-West talks on the missiles can begin soon, "even if Mr.

Christopher said here in Bonn that the American point of view is that only land-based forward-based systems can be included in such talks." The Soviet offer, made during Schmidt's recent visit to Moscow, was to open talks on all nuclear weapons systems stationed in Europe. in Europe.

Kennedy camp split on delegate challenge

The Democratic National Convention Credentials Committee meets at Washington's Capitol Hilton on July 19, and may find itself facing challenges to all the Carter delegates. According to inside sources, a legal opinion has been written for Senator Ted Kennedy that challenges Carter's delegates on the basis that the entire delegate selection process of caucuses and primaries was "fraudulent." The Kennedy campaign's challenge argues that the rules under which the delegates were elected were written in 1978 by a Carter-dominated Democratic National Committee and were biased in favor of the President.

A "firestorm of challenges" in states across the South could create enough anti-Carter sentiment at the credentials hearings to "open the entire Democratic National Convention" to the nomination of Kennedy or some third candidate, Kennedy sources in Florida say.

But the Kennedy Delegate Selection Division under Rick Stearns, which "footdragged" all the Kennedy campaign's challenges to Carter, including the belated challenge of Rule 11-H, the rule binding delegates irrevocably to Carter, has also put a hold on this delegate challenge, an irate Kennedy family source reports. Stearns' division contains "incompetents and worse . . . Carter submarines," said the source, who vowed to push forward the full credentials challenge.

Florida Democrats say Kennedy delegates are preparing a challenge of the Carter delegation in Virginia. Kennedy State Co-Chairman Richard S. Reynolds III of Richmond is challenging the Carter delegates from the 3rd and 5th dis-

tricts and the Carter slate of at-large delegates across the state. Starting at the local precinct caucuses, the Kennedy delegation charges, Carter-controlled caucus chairmen forced all delegates to sign "loyalty oaths." There were no secret ballots. Once pledged to Carter at the local level in January, delegates were illegally forbidden by Carter officials to shift their votes to Kennedy or go uncommitted.

Heat wave, drought threaten food supply

According to reports the heat wave is now moving into the Corn Belt states of Iowa and Illinois. Meteorologists predict that the high pressure zone carrying the heat wave will sit there for two weeks, a development which could destroy the nation's corn crop. The Agriculture Department has set up a multi-agency team to monitor the crisis, insisting that it was "too early to tell" the extent of the damage. In the words of an FMHA spokesman, it is a situation to be viewed with "very serious concern—but at this moment we cannot say that we have a national disaster."

In areas of northern Texas crops have already been lost. In areas of northeastern Oklahoma the grain crop has been so badly damaged by the prolonged heat that rain will no longer help. Reports from Florida indicate that producers have already turned their cows in on the corn crop. In the poultry belt of Texas, Arkansas and Mississippi, up to 800,000 breeder hens and 3 million market broilers have perished, according to National Broiler Council estimates. Overall, producers say they are looking at 50-70 percent losses of corn, cotton, soybeans, sorghum and other crops now in the ground.

The Carter administration has been slow to respond, preferring to remind people that the winter wheat crop came in a bumper—before the heat hit. Producers fear that the administration will keep up the charade to hold prices down, forcing farmers to take insupportable losses, and then, when truth of extensive

damage can no longer be suppressed, prices will shoot through the stratosphere. The grain companies will make a killing. Farm producers and consumers will get the short, costly end of the stick.

Reagan China hand worked for Vesco

Republican Presidential nominee Ronald Reagan's pro-Peking foreign policy director, Richard Allen, has been implicated in a scandalous business link with alleged swindler Robert Vesco. An exposé about to appear in the September-October issue of *Mother Jones* magazine reports that, while serving as chief political aide to National Security Advisor Henry Kissinger in the Nixon administration, Allen was on a \$10,000-per-month retainer from Howard Cerny, Vesco's lawyer and business partner, beginning Aug. 1, 1972.

Allen has admitted to the *Wall Street Journal* that he was hired by Cerny to establish an "offshore" or unregulated financial center on the Azores Islands. By the time Allen hooked up with Vesco, Vesco had taken over the since-bankrupted international fund, Investors Overseas Services, and was allegedly looting it of hundreds of millions of dollars.

Allen has already admitted working during this period for John King, president of the Denver Resources Company, who at the time was trying to gain control of IOS. King was convicted on a \$100 million securities fraud charge in 1976 for activities related to the IOS takeover bid.

Perhaps most damaging to the Reagan campaign and to Allen is *Mother Jones'* charge that Allen arranged a meeting for Vesco lawyer Cerny with then Securities and Exchange Commissioner William Casey—now chairman of Reagan's presidential effort. Cerny's objective was to persuade Casey not to prosecute Vesco, which the SEC at the time had already begun to do. The SEC later charged Vesco with "misappropriating" \$224 million from IOS. Vesco has been indicted five times in U.S. courts

for these charges, but never convicted. Allen denies that he knew the purpose of Cerny's wish to meet with Mr. Casey.

Who runs Billy Carter?

The West German newspaper *Bild-Zeitung* has characterized as a scandal "bigger than Watergate" the facts surrounding Billy Carter's ties to the Libyan government. Carter registered on Monday July 15 with the Justice Department as a foreign agent for the government of Libya.

Carter declared Monday that he has received \$220,000 from the Libyan government as a "loan," although no notes were executed for the loan and Carter did not indicate he intended to pay the money back. Justice Department lawyers characterized the payments as compensation for Carter's promotional work for the Libyan government. Justice Department officials are reported to be planning a check into the details of a proposed deal which Carter presented to the Charter Oil Company, claiming that he could use his influence to get them a larger share of Libyan oil. On the suggestion of White House counsel Lloyd Cutler, Carter has retained former Watergate prosecutor Henry S. Ruth and Stephen Pollak on this issue.

Billy Carter is close to one Richard Shadyac, a Washington, D.C. lawyer who said that he has been appointed by the Carter-Mondale campaign to round up Arab-American votes for Carter. Shadyac is the chairman of the Arab-American Dialogue Committee, a lobbying organization for the Libyan government.

Republican Senator William Roth of Delaware said from the Republican convention in Detroit that he intends to ask the Senate to begin an immediate investigation of the matter as soon as he returned to Washington. "It's absolutely outrageous. As soon as I return to Washington next week I'm going to ask that the Senate look fully into the facts of the matter and whether as an undisclosed foreign agent Billy Carter has had any improper influence on government policy."

Briefly

● **ROBERT NEUMANN**, who works with Reagan advisors at Georgetown University, said privately this week: "The conservatives thought they had won when Reagan became a sure bet. Now they know they've lost. We're running the show and that's that."

● **A DILIGENT REPORTER** made several attempts this week to locate the Washington office of Reagan's campaign. He finally discovered it at an Alexandria, Virginia address. When he drove out to pick up material for his story, he was a bit surprised to find that the address is the building of the China Trading Company. According to *EIR's* intelligence community sources, the company is well known as an outlet for Red Chinese intelligence in the U.S. Did Richard Allen use his "good offices"?

● **WILLIAM CASEY**, Ronald Reagan's campaign chief, announced this week that the Republican Party is forming an "Incumbency Watch" on President Carter, fearing that the highly unpopular Carter might try some international crisis to force Americans to rally behind him," according to Casey.

● **JIMMY CARTER** recently rode home from a speech before an AFL-CIO convention with Attorney General Benjamin Civiletti. The President noticed that he was missing his briefcase, turned to Civiletti and ordered: "Civi, go back and arrest all those men! One of them stole my briefcase!" Civiletti went back and placed the entire AFL-CIO convention under arrest. Meanwhile Carter arrived at the White House to find Rosalynn using his briefcase to work out some new Social Security cuts. He picked up the phone: "I found the briefcase, Civi. You might as well let those people go." A pause. "Sorry, it's too late. They've already confessed."

Power brokers issue Kennedy minority report

by Konstantin George

Three weeks before the start of the Democratic National Convention, key Democratic Party power brokers, reflecting a decision taken by sections of the labor movement and "Dixiecrats," have decided to maintain the option of an open convention. The move by the power brokers expressed itself through a decision by the Kennedy campaign to wage a convention floor fight to retain the 1976 party rules.

Retention of the 1976 rules would unbind the delegates, and ensure the means for easy placement of additional candidates' names into nomination including "favorite sons." It would also help eliminate debate-throttling "gag rules," and would throw the convention open to an as yet undetermined "dark horse" candidate.

The Kennedy campaign's decision to fight for the 1976 rules was announced by Kennedy's campaign operations director, Carl Wagner, at a press conference held in front of Democratic National Committee headquarters on July 12. Wagner declared that the Kennedy campaign had filed seven "Minority Reports" on convention rules with the Democratic Rules Committee, which on July 9 had concluded their pre-convention session at Washington, D.C.'s Mayflower Hotel.

The five Kennedy "Minority Reports," each embracing a section of the 1976 convention rules, were filed in opposition to seven Carter-Mondale amendments to the 1976 rules, which were railroaded through the rules committee session. The five Carter amendments would, if voted up by the convention floor, seal off any possibility of an open convention, and assure Carter's nomination.

The five Carter amendments would: 1) bind all delegates to the candidate of their preference at the time of their selection as delegates, thus overthrowing the historically ironclad party rule that 'the delegates are supreme over the candidates,' and that the party nominating convention is the highest body of party law; 2) install the machinery for a wholesale purge of delegates *before and during* the convention proceedings, using any flimsy pretext under the hitherto unheard of phrase, "those who seek to violate" the enslavement rule; 3) foreclose any means for placing additional candidates' names in nomination, by imposing a requirement that any prospective candidate must acquire the signatures of 10 percent (333) of the delegates on the convention floor (the current rule is 50). Given that far fewer than 10 percent of the delegates are neither Carter nor Kennedy, the placing of other prospective or existing candidates' names into nomination would become impossible.

The reversal

The rules committee session had ended with a flat statement by Kennedy spokesmen that they would not contest any of the adopted Carter amendments, except for a *pro forma* challenge to Carter's proposed Rule "F-3C," which would bind delegates to a candidate. Even if the Kennedy proposal to scrap F-3C were adopted by the convention, the non-opposition to the other Carter amendments would ensure a "two-candidate" convention (giving Carter delegates no choice but to choose between Carter and Kennedy), with the same assured result of a Carter renomination.

Somewhere between late Wednesday and Friday, a clear reversal of course had been dictated to the Kennedy campaign. The reversal reflected a direct intervention upon the Kennedy camp by what are commonly referred to as Democratic Party “fixers,” power brokers of the moderate-conservative mainstream of the party, anchored heavily among Southern “Dixiecrats” and strong layers of organized labor, who fear the consequences of a Carter renomination, and desire to keep open the option for “eleventh-hour” emergence of a strong dark horse candidate.

The “fixers” were forced to act for several key reasons:

- A Carter renomination means a certain nuclear confrontation between the convention and the November election. With near-unanimity, inside Washington sources from both parties are convinced Carter will stage a “missile-style” crisis to gain reelection.

- A Reagan-Carter contest spells to many influential politicians and power brokers two presidential candidates with identical policies of deepening strategic-military entanglement with Red China. The fear is based on a combined reading of China being close to provoking a U.S.-Soviet nuclear war (China’s recognized policy goal) and the “capture” of both Reagan and Carter by advisers committed to a de facto deadly alliance with Communist China.

- A Carter renomination would spell electoral disaster for the Democratic Party, with massive congressional, state and local losses. This, in combination with a convention divorcing the party from its constituencies through delegate binding, would destroy the Democratic Party.

- Given the above life-and-death considerations, a very strong sentiment is emerging for a third candidate, or additional candidates, as rallying points for staging an open convention.

The most common name mentioned as a prospective third candidate is that of Senator Henry M. Jackson. At this point, the only candidate actively organizing for an open convention is Lyndon H. LaRouche. LaRouche, though a long shot for the nomination, has earned wide respect among some key party figures for his decisive role in preventing a locked convention. The formulation of the Kennedy minority report upholding the 1976 rules, was a near verbatim copy of a Minority Report drafted and circulated during the rules committee proceedings by LaRouche campaign representatives. The same demands were discussed by LaRouche representatives and Democratic officials across the country.

During the rules committee proceedings themselves, Kennedy representatives present politely but firmly rejected the LaRouche Minority Report formulations. Then came the now famous reversal at Wagner’s press conference. The power brokers had acted.

Documentation

Kennedy men promise a confrontation

The following is the full text of a release by the Kennedy '80 Campaign dated July 12, under the title, “Kennedy Campaign Files Rules Reports—Sets Stage for Convention Confrontation in August.” The press release, in effect, was an announcement of an abrupt reversal in the position of Kennedy campaign officials. When the Carter “majority” report was pushed through a July 9 session of the Democratic Party’s rules committee, Kennedy representatives allowed it to pass without debate, as did Senator Henry Jackson’s contingent and other supporters of an open convention. Meeting afterwards, the Kennedy caucus decided not to issue a “minority report” by rules specialist Jim O’Hara, and issued a challenge to only one Carter rule, 11-H, binding all delegates on the first ballot.

Now, however, it appears that Kennedy will even attempt to unseat many Carter delegates, in addition to the comprehensive challenge to Carter rules as outlined in this release. All emphasis is in the original.

The Kennedy for President Campaign today filed seven minority reports taking issue with recommendations of the Democratic Convention’s Rules Committee, which met in Washington earlier this week. Five of the reports relate to the proposed Procedural Rules of the 1980 Democratic National Convention, and the other two relate to amendments to the Party Charter.

The major item in contention is a Kennedy Campaign recommendation that the 1980 convention utilize the rules which applied to the 1976 convention, while the Carter campaign wants the 1980 convention to adopt a new rule which would deny delegates the traditional right to vote at the convention in accord with the current views of their constituencies, and instead lock them into their initial candidate preference.

Commenting on the Rules Committee meeting this week, Kennedy Field Director Carl Wagner said that “the public is now much more aware of the true context for the rules discussion at the convention:”

1. “It is the Carter campaign, not ours, which is seeking to change what has been the rule at every previous Democratic convention, namely that the delegates are the agents of the party members, instead of being, in the words of one Carter official, ‘the agents of the candidate.’

2. “Despite the recommendations of the DNC and the Rules Committee, both of which were Carter con-

trolled, that the delegates be denied their hard-won right to participate fully in the Party's deliberations, it is the Convention itself which makes its own rules, and unless a majority of the delegates want to be turned into mere puppets in the hands of the candidate staffs, that will not happen.

3. "The candidates' rights are fully protected by the fact that the makeup of each state's delegation fairly reflected the opinions of the voters *at the time they voted* and by the power of each candidate to approve each delegate and thus assure that they were bona fide supporters when selected.

"But," Wagner said, speaking to reporters outside the DNC Headquarters in Washington, "of course, the members of the Party have rights that go beyond the candidates' rights: the rank and file Democrats have a right to know that their interests will not be frozen forever at a point in time as much as seven months before the convention, that their delegates will have the flexibility to reflect and represent the evolving interests and opinions of the voters on a continuous basis in the light of all the facts and circumstances that develop until the convention."

Wagner added: "If there is no significant shift in opinion over the course of the seven months, then the convention delegates will have no reason to shift their preferences. If, however, there is among Democrats a shift in sentiment, up or down, as to the performance, and policies, and prospects, of a candidate, then the delegates have always had, and should keep on having, full power—and *responsibility*—to reflect that shift in their actions at the convention. Surely a year when the early leader has seen his support erode to the point where he was unable to get half his party to endorse him in 20 out of the last 34 contests, and when the polls now show he will get the vote of only 42 percent *of the registered* Democrats in November, is not a year to turn a convention of thinking party activists into a mere tabulation of obsolete punchcards, required to take an action that they know is contrary to the interests of their constituencies, their party, and their country."

"The issues are now clear," Wagner concluded, "and the differing points of view well understood. The decision is now up to the delegates."

'No debate, no choices'

The following are amendments proposed by the Carter-Mondale Campaign to the proposed Procedural Rules of the 1980 Democratic National Convention:

Section C(1)(b): The chair shall arrange for the orderly presentation of amendments and of minority reports

offered at the direction of the committee. Twenty minutes shall be allowed for the presentation of each committee amendment or minority report unless a longer period for any committee amendment or minority report is provided in special orders of business agreed to by the Convention. Time shall be equally allotted to *no more than two* proponents and opponents of each committee amendment or minority report [emphasis in original]. The question shall be put on each committee amendment or minority report immediately following its presentation without intervening motion.

Section C(6)(a): Each such request [to nominate a presidential candidate—ed.] must be accompanied by a petition indicating support for the proposed nominee signed by delegates representing not less than 10 percent of the total delegate votes . . . No delegate may sign more than one nominating petition.

Section F(3)(b): *Such roll call votes shall, at the discretion of the chair, be conducted by having the chair for each delegation telephone in the vote of his or her delegation to the podium [emphasis in original]. Business shall be permitted to proceed during the telephone roll call.*

Section F(3)(c): All delegates to the National Convention shall be bound to vote for the presidential candidate whom they were elected to support for at least the first Convention ballot, unless released in writing by the presidential candidate. Delegates who seek to violate this rule may be replaced with an alternate of the same presidential preference by the presidential candidate or that candidate's authorized representative(s) at any time up to and including the presidential balloting at the National Convention.

'Restore the '76 rules'

In a letter dated July 11, 1980 to Rules Committee Chairman Senator Inouye and Democratic National Committee Secretary Dorothy Bush, Kennedy campaign officials Carl Wagner and Harold Ickes detailed the five minority reports they were filing as amendments to the proposed Procedural Rules of the 1980 Democratic National Convention. Excerpts from the letter follow:

Deletion of the provision added to Section C(1)(b) of the Rules by the Rules Committee which would limit the number of speakers on any minority report to 2 proponents and 2 opponents.

Deletion of the amendment to Section C(6)(b) of the Rules adopted by the Rules Committee and insertion of the provision originally adopted by the Democratic Na-

tional Committee providing that delegates representing not less than 50 nor more than 200 delegate votes, not more than 20 of which may come from one delegation, must sign a petition for a presidential candidate before his or her name may be placed in nomination.

Addition of a new subparagraph C(6)(c) which requires the presidential candidates to present written pledges to carry out the recommendations and fulfill the principles contained in the Democratic Party's platform along with any reservations to specific provisions. Such pledges and reservations would then be distributed to all delegates prior to the balloting.

Amend Section F(3)(b) by adding a provision that a traditional alphabetical roll call shall be required instead of a telephone roll call in the event that 20 percent of the delegates request the traditional roll call.

Substitution of the Procedural Rules of the 1976 Democratic National Convention as the Rules of the 1980 Democratic National Convention with the exception that the Chairperson for the 1980 Convention shall be a male instead of a female.

Wagner and Ickes also stated that they were submitting two minority reports to the Charter:

Amendment of Article 2, Section 4 of the Charter by adding a provision requiring all steps in all states' delegate selection processes to begin no earlier than the first Tuesday in March and end no later than the second Tuesday in June.

Addition of a new Section 6, Article 2 of the Charter which would permit delegates to bring up matters relating to the Party's platform and rules directly from the convention floor if they have the support of 15 percent of the delegates coming from at least 5 states.

'Only delegates can decide'

Morley Winograd was the legal expert behind Jimmy Carter's new rules, notably 11-H binding the delegates. Carter officials have claimed their changes are legitimate. But Morley Winograd, according to Kennedy officials, has himself stated:

"Rule 11-H is a delegate selection rule which has no effect at the Democratic National Convention. Our commission had no mandate to write a rule which would govern the behavior of the delegates once they arrived at Madison Square Garden in August. Only the delegates themselves, acting collectively at the convention, can decide what procedural rules should govern them."

The GOP Platform:

Praise for Peking, threats to Europe

by L. Wolfe

As we go to press, the Republican Convention in Detroit has nominated Ronald Reagan, who selected George Bush as the Vice-Presidential candidate. A special team of EIR correspondents is on the scene and will provide our readers with an in-depth report on the proceedings and their full implications for the world strategic situation and domestic politics in our next issue. The following report on the GOP platform was prepared with the assistance of Susan Kokinda, now in Detroit, and our Washington and New York bureaus.

Delegates and alternates gathering in Detroit for the coronation of Ronald Reagan as the Republican Party's 1980 Presidential nominee were brimming with confidence about the party's prospects for the November elections. If Jimmy Carter becomes the Democratic nominee—and that is the fervent wish among the Republicans—they feel certain that the GOP will reclaim the White House. Many are talking of that rare occurrence—a Republican landslide that could sweep control of the Congress away from the Democrats.

The polls seem to support their confidence. Most have Reagan ahead in a three-way race with Carter and independent John Anderson.

Most of the delegates are a conservative bunch, much in the mold of standard-bearer Reagan. They dislike the Eastern Establishment as epitomized by individuals like former Secretary of State Henry Kissinger and organizations like the Council on Foreign Relations and the Trilateral Commission.

Most of this has been said in the seemingly endless commentaries in the press. What has not been said and what is not really known to all but those in Reagan's inner circle, is that Ronald Reagan and the Republican Party have been firmly captured by the so-called Eastern Establishment.

Gang of Four

Sources at the convention and in Washington report that Reagan is fully under the control of a "gang of four" consisting of former National Security Council

member Richard V. Allen, Reagan's top foreign policy advisor; William Casey, a member of the Council on Foreign Relations and the director of the Reagan campaign; William Van Cleave, the University of California professor and former member of the "Team B" intelligence specialists during the Ford Administration; and Henry Kissinger, the man whom Reagan campaigned against in 1976 and who the candidate once said would never have a role in his campaign or in a "Reagan administration."

It was this gang of four which dictated the key foreign policy planks of the GOP platform (see below). In sum these planks set the GOP on a collision course with our European allies and have embraced the People's Republic of China.

Specifically, the platform junks the traditional conservative support for the government of Taiwan in favor of an endorsement of the continued "normalization" of relations with China. The plank was reportedly "cleared" following discussions with Henry Kissinger by Richard Allen. Well-placed Washington sources say that Allen is little more than an "agent" of the People's Republic of China and that he views as his major accomplishment the "conversion" of Reagan into a "believer" in the China card as a weapon against the Soviets.

Some diehard Reagan supporters, while upset with the China plank, say that it still contains some support for Taiwan and that Reagan's basic commitment to defend that island has not wavered. These individuals are blissfully unaware of a series of phone calls between Richard Allen and officials of the People's Republic of China several weeks ago. The Chinese, nervous about statements Reagan was making which indicated that he might favor re-establishment of formal diplomatic relations with Taiwan, let loose a salvo of press attacks on the GOP leader. Allen, however, assured his friends in Peking that "everything was under control" and that the GOP platform's statements on Taiwan would only be "bones" thrown to the anti-China lobby to keep them at bay until the election. Reagan, reported Allen, is fully committed to the China card.

The platform committee also attacked the U.S. sale of enriched uranium fuel to India, allegedly on the basis of India's past development of nuclear weapons. Idaho Senator James McClure—a strong advocate of atomic energy development and an opponent of Trilateral Commission influence on the GOP—protested that canceling the shipments will seriously damage relations with the Indian government. New York Congressman Jack Kemp argued that this is precisely the idea: to punish India for its new treaty with the Soviet Union.

In a vignette typifying the entire platform non-debate, Henry Kissinger was introduced to the convention by...Senator McClure.

Equally striking is the attack on our European allies. At no time in postwar history has a GOP platform been so deliberately insulting and provocative to Europe and especially to West Germany and France. The platform states: "Republicans deplore the current drifts toward neutralism in Western Europe." West German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing are indirectly denounced for "temptations to conduct independent diplomacy," and their meetings with Soviet President Brezhnev are called a victory for the Soviet Union. Likewise, the French-led attempt to forestall a new Mideast War by bringing the Palestine Liberation Organization (PLO) into peace negotiations is described as the result of a Soviet attempt "to gain decisive political and economic leverage over Western nations. . . ."

In an interview in Detroit, William Van Cleave, who takes credit for the key policy planks, said that Europe must be made to support the extension of Western military capabilities into the Mideast and Indian Ocean. Van Cleave said he violently disagreed with Schmidt and Giscard's conduct of foreign policy.

Richard Allen, told that the GOP platform would anger Europe and promote a backlash against his candidate, sounded like Rhett Butler in *Gone with the Wind*: "Frankly, I don't give a damn if that happens."

A storm has already broken around these planks.

The first overt signs of European opposition emerged July 16 at a press conference given by Allen, Van Cleave and another Reagan adviser, Fred Iklé, to the European and Arab press. One French correspondent warned the Republicans that their Kissinger/Allen-authored platform "puts Europe on a collision course with the Reagan foreign policy." Another reporter told Allen that the platform "treated Europe like children" while a third pointed out that Europe was firmly committed to its policies, regardless of Kissinger's efforts. Allen, like Kissinger earlier, had criticized the European Middle East peace initiative as "not useful." Allen also said that it was all right for West Germany to talk to the East Germans, but that if Germany wanted to talk to Moscow they would have to meet with the U.S. leadership first.

Kissinger *redux*

Individuals familiar with the conduct of U.S. foreign policy find these formulations very familiar. They are what Henry Kissinger has been saying, and give credibility to the stories circulating in Detroit and Washington that it is Kissinger who is running GOP foreign policy. As one source put it, Kissinger intends to use Reagan and his "American nationalists" as a club to "whip the Europeans back into line," while the China card remains the centerpiece of Kissingerian geopolitics against the Soviets.

Our sources also report that Council on Foreign Relations member Bill Casey was the "point man" for bringing Kissinger into the Reagan inner circle. Casey reportedly convinced Reagan that Kissinger was part of the baggage that came with the stamp of acceptability from the "Eastern establishment" and that without this approval Reagan had no chance of reaching the White House. Reagan "sold out," sources say.

The China card was another point of demanded capitulation. No acceptable candidate could repudiate the Kissinger-Allen China initiative, so Reagan was given a new "position," and the responsibility of selling it to his base.

The skeptics in the Reagan camp say that Dick Allen and Henry Kissinger never got along, that Kissinger in fact fired Allen from the NSC. Our sources report that while their personalities inevitably clash, they have little disagreement on policy. Reagan, who at one point claimed to "distrust Kissinger," has in private and recently in public indicated that he now finds Kissinger's counsel invaluable.

By late last week, Kissinger's role in a Reagan administration seemed assured. Allen confirmed that he and the candidate had been meeting with Kissinger for several weeks.

On television, former President Gerald Ford, a protégé of Kissinger, announced that the former Secretary of State was the "most respected American policy expert" and must be used by Reagan. On another TV program, Edwin Meese, the chief of staff of the Reagan campaign, declared that he found nothing strange in the fact that Reagan had spent years campaigning against Henry Kissinger and his ilk and now sought counsel from him. "We are critics of the Carter détente, a détente of capitulation and conciliation," Meese doubletalked. "We see nothing wrong with Kissinger's détente, a détente with strength."

As the convention got underway this week, Kissinger met with Reagan at his suite at Detroit's Plaza Hotel. Declaring himself not a job seeker, Kissinger stated that he found his policies "totally compatible" with those of Reagan.

By the time Kissinger spoke to the convention last week, Reagan and his people had run some interference for him. A planned walkout by loyal Reagan backers was quashed—reportedly by the direct intervention of the candidate. Reagan followers grimaced through one of Kissinger's usual monotone anti-Soviet diatribes on the failings of post-Kissinger foreign policy, and gave him a polite standing ovation.

One delegate remarked that this could never have happened in 1976. "This is not the same Ronald Reagan," said one delegate, shaking his head.

In the euphoria of Detroit, much is forgiven—and, unfortunately, forgotten.

'Our common interests with Red China'

The following are key foreign policy excerpts from the GOP platform, adopted with a minimum of debate by the platform committee and then by the GOP convention.

Republicans deplore the current drifts toward neutralism in Western Europe. We recognize that NATO and our Western Allies today face the greatest array of threats in their history, both from within and from without. Through its inept policies, the Carter administration has substantially contributed to the evident erosion of alliance security and confidence in the U.S. A Republican administration, as one of its highest priorities and in close concert with our NATO partners will therefore ensure that the United States leads a concerted effort to rebuild a strong, confident Alliance fully prepared to meet the threats and the challenges of the 1980s. . . .

These Carter administration inconsistencies have caused disunity in the Alliance. We have seen confusion in the fields of trade, fiscal, and energy policies. The lack of close coordination regarding Iran, the Middle East, Afghanistan, the Olympic boycott, nuclear proliferation, East-West trade, human rights, North-South issues, and a host of other international issues affecting Alliance interests, has reinforced Allied concerns. Republicans are concerned that these Carter administration actions have increased Allied temptation to conduct independent diplomacy and to seek accommodation in the face of pressure from the Soviet Union. In this regard, we categorically reject unilateral moratoria on the deployment by the U.S. and NATO of theater nuclear weapons. Further, Republicans will oppose arms control agreements which interfere with the transfer of military technology to our allies.

In pledging renewed United States leadership, cooperation, and consultation, Republicans assert their expectation that each of the allies will bear a fair share of the common defense effort and that they will work closely together in support of common Alliance goals. Defense budgets, weapons acquisition, force readiness and diplomatic coordination need to be substantially increased and improved. Within Europe as well as in areas beyond Europe which affect the shared vital interests of the Alliance, we will seek to increase our cooperative efforts, including increased planning for joint actions to meet common threats.

[In the Mideast, Persian Gulf—ed.] the Soviet goal is clear—to use subversion and the threat of military intervention to establish a controlling influence over the

region's resource-rich states and thereby to gain decisive political and economic leverage over Western and Third World nations vulnerable to economic coercion. The first signs of Soviet success in this undertaking are already evidenced in the recent proposal by European countries to associate the Palestinian Liberation Organization in the West Bank autonomy talks. . . .

We deplore the brutal acts of Communist Vietnam against the peoples of Cambodia and Laos. [The wording here is important: the GOP refuses to hold the *Chinese-backed* Pol Pot regime responsible for butchering nearly 4 million Cambodians—ed.] We recognize that the suffering of refugees from these ravaged countries represents a major moral challenge to the world and one of the great human tragedies of modern times.

A Republican Administration will work actively to bring relief to these suffering people, especially those who have sought refuge in Thailand. We value the special contribution the people of Thailand have made to the refugees by opening their borders and saving hundreds of thousands of them from death and we pledge to provide full economic aid and military material to assist Thailand in repelling Vietnamese aggression.

We believe that no expanded relations with Communist Vietnam should be pursued while it continues its course of brutal expansionism and genocide. We pledge that a Republican Administration will press for full accounting of Americans still listed as missing in action.

Recognizing the growing importance of the People's Republic of China in world affairs, Republicans—who took the historic initiative in opening the lines of communication with that nation—will continue the process of building a working relation with the PRC. Growing contacts between the United States and the People's Republic of China reflect the interests of both nations, as well as some common perceptions of recent changes in the global military balance. We will not ignore the profound differences in our respective philosophies, governmental institutions, policies, and concepts of individual liberty.

We will strive for the creation of conditions which will foster the peaceful elaboration of our relationship with the People's Republic of China. We will exercise due caution and prudence with respect to our own vital interests, especially in the field of expanding trade, including the transfer of sophisticated technology with potential offensive military applications. The relationship between the two countries must be based on mutual respect and reciprocity, with due regard for the need to maintain peace and stability in Asia.

At the same time, we deplore the Carter administration's treatment of Taiwan, our long-time ally and friend. We pledge that our concern for the safety and security of the 17 million people of Taiwan will be constant. . . .

'Somebody has to play tough with France'

The following interview with Richard Viguerie was made available to the Executive Intelligence Review. Viguerie, famous for his mail-order fundraising campaigns on behalf of "conservative" causes, is closely associated with international opponents of Europe's industrial development push, and recently announced an effort to win Reagan over to a campaign against France.

Q: I understand that you are launching a boycott against French goods because you oppose some of the French policies. Can you elaborate?

A: I am bothered and upset with France. As is usually the case with France, they are not standing with the West. Any country that is not willing to stand with America is part of the problem.

Q: Why are they not working with us?

A: I don't know. France is France. French history has been that they are not interested in helping others. This century they have been weak. I don't think that we should buy French goods. It is not just Giscard but de Gaulle before him.

Q: What could the U.S. really do against France to force them into line?

A: There are a number of assets we have and cards in the President's deck. There is trade and credits, loans we've given to France. Let's ask for payment immediately on them. We can also do a signal; we can say if they will not help us, then we won't help them. We should play hardball with them. We could also say that the alliance will not stand by France if they won't stand by the alliance. Maybe we will lose a country or two. But someone has to play tough.

Q: Who else backs this campaign you have launched?

A: I have gotten a lot of encouraging letters. I've sent out a mailing of thousands of letters to radio, TV, unions, religious leaders. A boycott generally takes six months to get going. I started this in February or March. I have spent \$40,000 of my own money already. I have heard from the Reagan people on this. I was looking at two letters today. They are from two people who have important ties to Reagan, they are household names. They said they agree with my ideas and wish me luck. I was an admirer of Reagan and there is nothing I wouldn't do to get him elected."

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A modest proposal

Along with new intelligence on who is destroying Alaska's energy potential

I have never personally met an Inupiat Eskimo. Nor, fortunately, have I ever personally met John Leshy, Associate Solicitor for Energy and Resources with Cecil Andrus's Interior Department. Yet, in this very specific instance, I feel confident the nation would benefit from a job change whereby the nature-and-wilderness champion Leshy was sent to the North Slope of Alaska and his Washington job taken by a representative from the Inupiat. It couldn't be any worse.

John Leshy was the person who inspired Andrus to make the unprecedented move last February to impose a total embargo on 97 percent of federal on-shore oil and gas leases. At the time, you may recall, we blasted the move as a politically inspired fraud designed to further restrict exploitation in underdeveloped Overthrust Belt lands in the Western States, which contain some of the most valuable oil and gas deposits in the world.

Further investigation of this has turned up some interesting confirmation of this analysis. Indeed, it so happens that it was an official memorandum from Leshy to Andrus some months back which triggered the whole dirty operation. Leshy recommended to Andrus that he impose the dramatic leasing moratorium to spark Congressional action on a bill introduced by Andrus last summer. That bill sought to revamp the entire traditional federal oil and gas leasing

program. Shortly thereafter, the Senate Energy Committee passed out of committee by 9-8 a modified version of the bill, S.1637.

This otherwise obscure federal bureaucrat, John Leshy, is worthy of note. Beginning in 1973, he became an attorney for the environmentalist Natural Resources Defense Council (NRDC). In that capacity, he guided the "environmentalist" strategy in the landmark case against the Department of the Interior in 1975, NRDC vs. Hughes, which challenged existing environmental impact assessment procedures of the department in the leasing of federal land for coal development. While that crucial case was still in litigation, Leshy was appointed the government's chief legal counsel defending the government against the suit he originally brought! Law schools tell us that a good lawyer should be able to argue both sides of a case.

For those of you who are not familiar with the NRDC, it was set up in 1969 with generous funding by the Ford Foundation Project on the Environment. NRDC lawyers have probably done more than any single group to abort the necessary development of nuclear, coal, water and now oil and gas resources.

As a result of Leshy's earlier actions against Interior coal leasing policy, all federal coal leasing has been frozen until at least 1981. Because of the uncertainties created by Interior, we have had a 10-year

shutdown of new coal leases. Some 95 percent of existing western states federal coal lease mining is on leases issued prior to the National Environmental Policy Act of 1970—another NRDC triumph.

Just so you have an idea of what is at stake, the Overthrust Belt and other federal lease lands are estimated to contain approximately one-third of the nation's remaining undiscovered crude oil and about 40 percent of its undiscovered oil and gas.

Add to this the case of Alaska. Carter's Interior Department has successfully locked up 41 million acres, under the 1906 Antiquities Act (sic) to protect bears and Eskimos by creating the Gates of the Arctic, Yukon Flats and Admiralty Island monuments.

Andrus, ever unsatisfied, sent Congress and the White House some weeks ago a revised schedule for leasing off-shore oil and gas in Alaska. The U.S. Geological Survey estimates that we have some 32 billion barrels of undiscovered oil off-shore in Alaska. This is some 5 billion barrels more than industry estimates of total current reserves. Although those figures themselves are drastically understated for political and economic reasons, 32 billion barrels is a hefty amount of hydrocarbon energy potential. The latest Andrus proposal delays any leasing in the promising Chukchi Sea until at least 1985.

Our modest proposal to swap John Leshy and his cohorts in Interior for Inupiat Eskimos may not be the ultimate answer, but I bet they would see the economic benefits to their fellow Eskimos of industry in that desolate part of the world a lot sooner than kooks like John Leshy.



Is Richard Allen a Red Chinese agent?

Anyone who hopes that Ronald Reagan will shift U.S. foreign policy off the lunatic course charted by the Carter administration should take a long, hard look at Richard V. Allen, the man most responsible for shaping Reagan's strategic outlook and who will probably become Reagan's national security advisor.

According to well-placed sources, Allen has been acting as a de facto agent of the People's Republic of China for some time. These sources claim that Allen is using his Washington, D.C. consulting firm, Potomac International, to transfer military technology to the People's Republic of China. Reportedly, Allen is working with Carter administration officials, including Defense Secretary Harold Brown, to conduit to the Chinese technical information required to produce neutron bombs and solid fuel missile delivery systems.

Sources close to Allen say that he has been instrumental in persuading Reagan to drop his sup-

port for reestablishing diplomatic ties with Taiwan. After China's official news agency publicly denounced Reagan on this score three weeks ago, Allen hastily contacted his Chinese Communist buddies to assure them that: "You have nothing to worry about. We've got Reagan and the Taiwan lobby under control."

Currently Reagan's foreign policy coordinator, Allen heads the advisory group which put together the ghastly foreign policy and defense planks of the GOP platform, denouncing Europe and appeasing the PRC.

The platform accurately reflects the geopolitical outlook of Allen and his patrons. Educated at Notre Dame and the Hapsburg-controlled University of Munich, Allen is directly tied to the most backward, pro-feudal elements of the European black aristocracy, the remnants of the Austro-Hungarian Empire. His mentor is Robert Strausz-Hupe, the Viennese-born U.S. diplomat who collaborated with Count Coudenhove-Kalergi. Coudenhove-Kalergi, a sympathizer of Adolf Hitler, founded the Pan-European movement in the early part of this century, which in turn financed the creation of the Nazis.

Allen's commitment to forging a strategic alliance among Washington, Peking and Jerusalem stems from this same geopolitical lunacy. It may very probably have the same strategic consequences—Germany struck West first!

Allen's love affair with Red China dates back at least a decade. In a recent interview, he boasted that he ghostwrote for Richard Nixon a 1967 article for *Foreign Affairs* which described the "Opening to China" later pursued by Kissinger and Nixon. As Kissinger's "principal political assistant," Allen worked out the fine

details of the Nixon administration's "opening" to China.

Despite rumors that Allen and Kissinger despise each other personally—Allen left the NSC because of "personality conflicts"—Allen reportedly arranged the private tête-à-tête that took place between Reagan and the former Secretary of State during the Republican convention.

One source summed it up best perhaps: Richard Allen is "essentially a Chinese agent."

Anderson's not quite triumphal grand tour

Independent presidential candidate John Anderson's trip to Europe and the Mideast has not quite turned out to be the triumphal grand tour his advisors had hoped for. Snubbed by French President Valéry Giscard d'Estaing, denounced by moderate Arabs, and called to task by the U.S. press for some of his more outrageous statements in Israel, Anderson is clearly having a hard time establishing himself as a great statesman, as the trip was aimed at doing.

Nevertheless, Anderson's jaunt is providing a useful excuse for a huge media buildup. France's prestigious daily, *Le Figaro*, ran a three-part series on the Illinois congressman, culminating in a front-page interview. And West Germany's equivalent of *Time* magazine, *Der Spiegel*, carries an article in its current issue stressing the possibility that Anderson could receive enough votes to throw the general election into the House of Representatives.

Back home, former President Gerald Ford gave Anderson a boost when he told a nationwide television audience July 13 that if Anderson stays in the race, there's a "50 percent chance" that the election will go to the House.

Senate passes weapons procurement bill

Just before its July 4 recess, the Senate approved a \$51.9 billion weapons procurement bill by a vote of 84 to 3. The bill is the largest procurement bill ever passed by the Senate. The measure now goes to a conference committee to be reconciled with a \$54 billion House defense authorization bill. Sens. Mark Hatfield (D-Ore.), William Proxmire (D-Wisc.), and Adlai Stevenson (D-Ill.) were the only members voting against the measure.

The bill included an 11.7 percent pay raise for military personnel, nearly double the 6.2 percent pay raise Carter has proposed in his budget. Other measures incorporated in the Senate bill included:

- \$1.5 billion to start production of the MX missile;
- \$8.4 billion for an increased shipbuilding program;
- \$50 million for development of a new transport craft, dubbed the CX, to move heavy equipment for the Rapid Deployment Force;
- \$91 million to begin research on a new strategic bomber;
- \$16.5 billion for 525 new aircraft.

Senate ratifies treaties

The Senate ratified a number of treaties that have been pending for up to six years. On July 2 the Senate unanimously agreed to a 1976 nuclear safeguard agreement with the International Atomic Energy Agency, which is linked to the 1970 nuclear weapons non-proliferation treaty. The agreement requires inspection of nuclear facilities by the

IAEA on the grounds that non-nuclear nations may divert their nuclear energy materiel to war production. The treaty has been regarded by many nations as an infringement of their sovereignty and a method of keeping them from developing nuclear energy.

The other treaties ratified were the 1974 International Convention for the Safety of Lives at Sea, the 1978 International Convention for the Prevention of Pollution from Ships, the 1979 International Convention on Maritime Search and Rescue, and amendments to the 1948 Convention on the Intergovernmental Maritime Consultative Organization.

Senators propose change in Presidential system

A bipartisan group of 21 Senators is calling for the creation of a commission to recommend changes in the Presidential nominating process. The measure, Jt. Resolution S.189, is sponsored by Sen. Adlai Stevenson (D-Ill.).

The proposal calls for a 20-member commission to study the nomination and delegate selection process, Presidential campaign financing, and the nomination of Vice-Presidential candidates, as well as determining how election laws "promote or retard" independent candidacies. The commission would also review the relation of the media to the election process.

According to Stevenson's proposal, the commission would be bipartisan, composed of members appointed by the President, and the leadership of the House and Senate. The chairmen of both parties would

be ex officio members. Congressman Morris Udall (D-Ariz.) has a similar bill in the House.

Stevenson's legislation is now in the Rules Committee, which may hold hearings on the Presidential selection process this fall.

House restores funds to energy research

On June 24, the House restored major cuts in the appropriations bill in the area of energy research made by the House Appropriations Committee. Congressman Don Fuqua (D-Fla.) proposed that the House restore \$107.4 million of the cuts that had been proposed for the Energy and Water Development appropriations bill.

The restored funds were in the following categories: Energy Supply Research and Development—\$18.1 million for basic engineering science, including nuclear science, material and chemical science, engineering, mathematics and geoscience, advanced energy projects and biological energy research. Under the Energy Supply category, magnetic fusion received \$18 million and solar energy received \$49 million. The General Science and Research section of the appropriations received \$19.5 million for high energy physics and for nuclear physics. Magnetic fusion was granted an additional \$2.8 million.

The Carter administration had warned the Congress that the Appropriations Committee cuts were also "devastating" but they only proposed that \$89.3 million be restored.

The Senate has not acted on this and Water Development Subcom-

mittee of the Senate Appropriations Committee will take up the House bill when they return from their July 4 recess. According to subcommittee sources, the earliest the committee can act on the bill is the last week in July.

Subcommittee issues report on Three Mile Island

On July 2 Senators Hart (D-Colo.) and Simpson (R-Wyo.) released the report of the special investigation of the Three Mile Island nuclear incident conducted during the past year by the subcommittee on nuclear regulation for the Committee on Environment and Public Works. According to Sen. Simpson, the report found that "the actions of plant operators and managers was the 'immediate cause of the uncovering of and severe damage to the reactor core.' We find that utility personnel 'proved unable to diagnose the accident correctly in time to prevent a serious situation' and 'took incorrect actions, aggravating what began as a minor problem.' At the same time we emphasize that these actions were due to deficiencies with respect to this set of accident conditions, in training, in control from design, in instrumentation, and equipment, in plant design and in emergency procedures."

Sen. Hart told reporters that the report suggested no specific reforms because his staff took pains not to duplicate the work of the Kemeny and Rogovin Commissions and because the Senate already had imposed changes in the NRC authorization bill.

Both Simpson and Hart declared that nuclear energy was def-

initely needed in America. "We have no choice but to use nuclear power at least the plants now in operation and under construction to get us through our present energy dilemma."

Sen. Jim McClure (R-Idaho) praised the report, calling it "well-balanced" in its conclusions about the ability of the industry to deal with a critical problem and in its recognition that "nuclear power is an absolutely essential element in meeting the energy needs of the future of this country."

Congress debates fuel sales to India

A fight is shaping up in Congress over the issue of shipments of nuclear fuel to India for the Tarapur nuclear facility in India.

Several weeks ago President Carter issued an executive order allowing the sale of the fuel, overriding the opposition of the Nuclear Regulatory Commission, which argued that India refused to sign the Nuclear Non-Proliferation Treaty. India would have had to give the U.S. inspection rights on its nuclear energy plants and their use of spent fuels, without reciprocal rights. Under the Percy-Glenn Act, the President can issue an executive order that overrides the NRC. Congress then has 60 days to overrule the order, or until September 26.

The House is expected at this time to block the fuel shipment. A resolution of disapproval at the sale has been introduced by Rep. Jonathan Bingham (D-N.Y.), with hearings expected on July 23 in the House Foreign Affairs Committee.

A similar resolution has been

introduced into the Senate by Harry Byrd (I-Va.), and another is expected soon by Sen. John Glenn (D-Ohio). The Senate Foreign Relations Committee will hold hearings on the resolution shortly after Congress reconvenes on July 21. What action the full Senate will take is uncertain, but opponents of the fuel sale are being helped by environmentalists like the Friends of the Earth.

Support builds to reverse grain embargo

Sen. Robert Dole (R-Kans.), who introduced legislation (S.2855) to reverse the embargo imposed by President Carter on grain sales to the Soviet Union, has gained the support of several Presidential candidates for his bill. On July 3 Sen. Dole announced that Ronald Reagan has endorsed the plan to end the grain embargo. The day before the announcement of Reagan's support, Ted Kennedy signed on as a cosponsor of the bill. Sen. Dole already has 21 bipartisan Senate cosponsors.

Dole has argued that American farmers are suffering more than the Soviet Union from the grain embargo. Unless Congress acts rapidly, the administration has made clear that it intends to keep the embargo in effect. However, under the terms of a binding U.S.-Soviet grain agreement negotiated in 1975, the U.S. must export up to 8 million tons of corn and wheat to the U.S.S.R. Anything in excess of that requires government approval. Dole's legislation is before the banking committee and hearings are expected shortly.

The Trilateral difference

On the day that Ronald Reagan swept the New Hampshire primary last February, the voters said loud and clear that they had had enough of the "Eastern Establishment," the Trilateral Commission and the New York Council on Foreign Relations. The word was out that this crowd, which created Jimmy Carter for the 1976 race, now controlled numbers of candidates in both parties.

George Bush, the Connecticut-born "blue-blood," lost that race largely on the basis of his identification with Trilateral and CFR policies. The *Wall Street Journal* bemoaned the harsh attacks on George in a February 26 article.

"When George Bush was a student at Yale University, he joined Skull and Bones, a society so secret its members are supposed to get up and leave the room should a nonmember be gauche enough to mention its name.

"As a grown man, Mr. Bush for a while was a member of the Trilateral Commission. . . . Here in New Hampshire, Mr. Bush is under attack for associating with such people. . . .

"Mr. Bush has been asked about the Trilateral Commission so many times that he and his aides carry with them copies of a prepared statement . . . [that read] 'To suggest that those that belong to the Commission . . . are involved in a conspiracy is absurd.'

"It isn't absurd to Lyndon LaRouche, a candidate in the Democratic Primary. . . .

"Mr. LaRouche thinks Skull and Bones is a conspiracy, too. It is 'no mere fraternity,' he says darkly. 'It is a very serious, very dedicated conspiracy against the U.S. Constitution.' Each initiate to 'Bones,' he says, becomes a 'dedicated agent of British secret intelligence for life.'

"So far Mr. Bush hasn't prepared a statement defending Skull and Bones. But the way things are going, he may have to."

We at *EIR* at that time published an exposé of Bush's background, his connections and the cultist Skull and Bones organization. The way things are

going, we may have to reprint it.

The way things were going then, however, Ronald Reagan was acting like a threat to the Trilateraloids, and promising to be a different kind of President. Now, Bush is his running mate, and the press keeps asking Ronnie if he will really step down if he becomes senile. One wonders why the majority of Reagan's base did not walk out in protest at the V.P. nomination.

Can people forget so fast? Or was it the lurid bacchanalia, heavily orchestrated by the press, at the Republican Convention in Detroit that mesmerized the delegates into accepting the impossible—a Trilateral ticket with the hated Henry Kissinger officiating?

Delegates were lulled by the atmosphere and the press manipulations around the extended negotiations of the "co-President" Ford option, but the moral degeneracy that allowed the Reagan hoax to be consolidated began long before.

Long prior to the convention, it was clear to anyone who dared study the issue that Reagan was surrounded by a gang of advisors determined to deliver the same policies the Trilateral Commission delivered during the Carter administration.

Now Reagan's notorious "gang of four" is led by Henry Kissinger, a major architect of the Trilateral Commission program, with Richard Allen, Kissinger's former assistant, Team B advisor William Van Cleave, and William Casey, member and defender of the CFR.

Only a few weeks ago Reagan promised once again that Kissinger would not be a cabinet member or important advisor. Then, on July 14 on NBC's Meet the Press, Reagan advisor William Meese stated that "We've never been against Kissinger."

This solidly Trilateral ticket makes an open Democratic Convention the only chance the nation has left to select a real President. Otherwise, it's Reagan-Bush, Anderson and Carter—all with the same Trilateral difference.