

EIR

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Sunset for U.S. basic industry?
Iraq's war to clean out Khomeini
Shanwar Bhutto on the Muslim Brotherhood

**The strategic significance
of the West German elections**



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EIR

From the Editor

On Oct. 5 the West German population will go to the polls to elect the country's federal parliament. The issues being debated in that election are of strategic importance for the future of the Atlantic Alliance and the world economy. West Germany's crucial role in determining if there will be war or peace, depression or economic growth, is detailed in our special report this week.

We commissioned Webster Tarpley, an American journalist who has specialized in European affairs most of the last decade, to bring you this lively account of the real story behind the candidates and what's at stake in this election.

Lately, U.S. foreign policy commentators have begun to smirk that, in the wake of the Polish crisis, Helmut Schmidt will be more "realistic" and turn toward Washington, away from the détente policy he developed in tandem with the French. Tarpley assesses Schmidt's past record in depth, and lays out the role of two adverse leaders in Schmidt's Social Democratic Party—British agents-of-influence Willy Brandt and Herbert Wehner—along with the role of Schmidt's coalition partner, the liberal Free Democrats.

We have another special feature in this issue which takes you behind the scenes in the Iran-Iraq war. Iraq is fighting for keeps against the fanatical regime of Ayatollah Khomeini. Iraqi President Saddam Hussein has determined that the economic development plans of Iraq and the rest of the Arab world will be sabotaged if Khomeini's Islamic fundamentalism and the Muslim Brotherhood are not destroyed.

Middle East editor Robert Dreyfuss and Judith Wyer detail the history of the conflict, the French collaboration in Iraq's economic development projects, and how the outbreak of war has collapsed the deal carefully being constructed between the Carter administration and the Ayatollah for release of the hostages before the November election.



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Chancellor Helmut Schmidt (r) with party chairman Willy Brandt (l) and the Social Democratic parliamentary leader, Herbert Wehner (c). The slogan: "Responsibility For Our State." Photo: German Information Center.

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The American spirit lives

Time was when the world stood in amazement and gratefully looked on as American farmers, workers and businessmen forged ahead with irresistible spirit to level mountains, carve out waterways, sow mighty cities in the wilderness, flood the world with new and miraculous machines capable of subjecting nature to man's rational command.

Those were the 1880s and 1890s, the teens and twenties, and again, on a smaller scale, the forties and fifties of this century. The world gave this phenomenon a name that stuck: *American boosterism*.

There is, however, something more profound to the historical American phenomenon than this banalized notion of "boosterism." To better understand it, we invite you to reflect upon last week's key developments.

True, the current business climate is viewed as gloomy. True, Paul Adolph Volcker, the chairman of the Federal Reserve, once again jacked up the discount rate from 11 percent to 12 percent and the prime rates went up correspondingly. True also that inflation continues to surge ahead. And production to go down; and unemployment up. Our own subscribers and clients are increasingly concerned and unnerved about upcoming economic prospects. The war rages in the Persian Gulf and the legions of bureaucratic mice are busy in Washington preparing for "emergency controls," "emergency allocations," "emergency rationing," and so forth. Should one be "optimistic" or "pessimistic" in forward business planning? we are asked.

One should be neither. One should be rational and, above all, combative.

Two important events last week justify this perspective: one is the unanimous voice vote on the floor of the United States Senate which passed the Fusion Energy Research, Development and Demonstration Act, which is now on President Carter's desk to be signed into law; the second is the emergence within the Democratic Party of the Demo-

cratic National Policy Committee, a constituency-based, policy-formulating institution possessing an intellectual sophistication that has not been seen in American public life since the great "American System" economist Henry C. Carey advised President Lincoln on how to lay the foundations for an industrialization drive which transformed the U.S.A. into a miracle among nations.

The NDPC study

On Sept. 26, the NDPC released to the public its first major study, *Industrial Revival for the 1980s*, a reasoned and aggressive report which puts forward the following perspective:

First, the policy of all three major presidential candidates of discriminating between "sunrise" and "sunset" industries and committing themselves to policies of condemning to death the sunset industries (steel, auto, construction, chemicals, agriculture) is proven to be a policy of national suicide which would result in a catastrophic caving-in of our overall national productivities not later than 1985. If this policy is ultimately implemented, one can make the deduction that by the year 2000 our nation's economy would be so transformed as to be unable to sustain a population larger than 75 million persons.

Second, the NDPC report outlines a comprehensive set of immediate and intermediate measures to get the American economic engine surging forward again, namely:

- Full-scale revival of our nuclear energy industry to the status of the principal "sunrise" industry, deploying the full range of its capabilities from fission plants, fast breeders, and re-processing facilities to fusion reactors.
- Revitalization of our agriculture by means of parity prices at levels capable of financing a dramatic expansion of capital formation in American agriculture.
- Mobilization of our traditional industries of steel, auto, chemicals, construction, and so forth,

as *feeder* industries capable of providing the materials and technologies needed by both agriculture and the nuclear industry.

- Recasting of our national monetary and banking policies in accordance with a national strategy to drastically increase American exports to the world by about \$100 billion.

Based on a commitment to strengthen our regional and local banking system, such an export policy should be designed to increase overseas effective demand for American goods by redeeming our trillion-dollar-plus "Eurodollar" obligation with gold-backed United States bonds which, offered at low interest rates, will become the instrument by which foreign nations can pay for the importation of high-technology American goods.

Finally, the NDPC report concludes, "the future industrial prosperity of the United States and its citizens depends on such a moral national commitment to help the nations of the developing sector gain access to the industrial and technological goods they require to enter the era of industrialization."

The feasibility question

As our own editorial bias is both unabashed and well known, we do not hesitate to emphasize that the matter of "optimism" and "pessimism" in matters of forward business planning very much depends upon a rational political judgment of how feasible a programmatic perspective is. In our view, it is eminently feasible.

The basis for this judgment is scientific rather than simply moral. One need not move ahead in the spirit of exuberant but uninformed "boosterism." We once again repeat that the underlying cause of "American boosterism" is not the implied banality of the youthful fool; rather, it is the embedded, though recently alarmingly weakened, ability of the American people to respond to reason and to science.

This is the significance of the passage of the fusion energy bill in the Senate and also the significance of the Maine nuclear energy referendum. Once the fusion bill is signed into law, a thoroughgoing transformation will begin building momentum in the less visible, vital core of the American economic machine.

From the standpoint of modern science, in which this magazine and its collaborators have pioneered, competent economic policy proceeds from the demonstrated fact that the generalized concept of social productivity is derived from the rates of improvement of the ratio *free energy/total energy* characteristic of any given technological stage of an economy.

This is precisely what the thermonuclear fusion reactor will provide.

The economic future

Once this task is accomplished in the not-too-distant future, the rest of the organism of our national economy will, sooner or later, rationally reorder itself around the fundamental breakthrough in the energy production sector. Allowing ourselves an appropriate metaphor, we can venture the prediction that the currently besieged political constituencies of the country-farmers, business, labor and minorities will be capable of responding to the emergence of the policies of the National Democratic Policy Committee, in a way analogous to the response the aggregate industrial sectors of an economy would display toward the introduction of fusion in the energy production sector: higher productivities, greater effectiveness and a higher degree of rational self-organization.

This is "politics" in its best and noblest sense. In the spirit of this politics, we confidently greet the emergence of the National Democratic Policy Committee whose Advisory Committee is ably chaired by Lyndon H. LaRouche, Jr., the founder and contributing editor of this publication.

A sunset policy for U.S. basic industry?

by Richard Freeman

Two wholly different proposals for “reindustrialization” of the United States have now been placed before the Democratic Party nationally. One, issued last Aug. 4 by the Subcommittee on Industrial Policy (SIP) of the Senate Democratic Party Task Force, is premised on the proposal that the U.S. economy should no longer be based on agriculture and basic industry. A second, issued this week by the National Democratic Policy Committee, has rejected the SIP proposal as “incompetent” and calls for a revival of basic industry like steel and auto on a high-technology basis.

This week brought fresh evidence that the SIP proposal is already being effectively put into operation by the continued tightening of interest rates under Federal Reserve Chairman Paul Volcker. In August, it was announced that a 200 basis point increase in six-month Treasury rates helped cut new factory orders by 2.3 percent for the month.

The SIP, a think tank for the party, is a relatively new creation under the direction of Democratic Senators Lloyd Bentsen of Texas and Adlai Stevenson III of Illinois. SIP, although nominally created to guide Democratic electoral campaigns, authored proposals to phase out basic industry and shift capital flows into electronics and telecommunications fields that are essentially in agreement with those “reindustrialization” proposals favored by the policy advisers and controllers of the Reagan campaign and the John Anderson campaign.

The basic tenet of the SIP is that the U.S. economy must now be transformed into a postindustrial economy,

with a heavy dose of military expenditures, a massive synthetic fuels sector, and a buildup in computer-based office and home gadgetry. This view was also expressed in the perspective of a parallel group, the White House Commission for a National Agenda for the 1980s, set up by Hedley Donovan, the former publisher of *Time* magazine. According to a report on a mid-July Commission conference:

A transformation of the economic base is underway. The once very prosperous, but now mature basic industries—steel, primary metals, paper, textiles—will continue to decline in their relative importance. . . . How should they adjust—scrap excess capacity, reorganize by merger or acquisition, transfer labor and capital to new growth sectors?

To the “older, mature industries” can be added auto, housing, trucking, airlines and the thrift institutions, which have been dubbed by the SIP “sunset industries,” and elsewhere “industrial losers.” The light industries, along with the defense contractors and coal liquefaction and oil shale developers, have been christened the “sunrise industries.” Thus, during this recession, the U.S. economy is being divided into two tiers, with the winners allowed good credit terms while the sunset tier is phased out.

No capital

The Subcommittee on Industrial Policy singles out auto and steel in particular for immediate gutting.

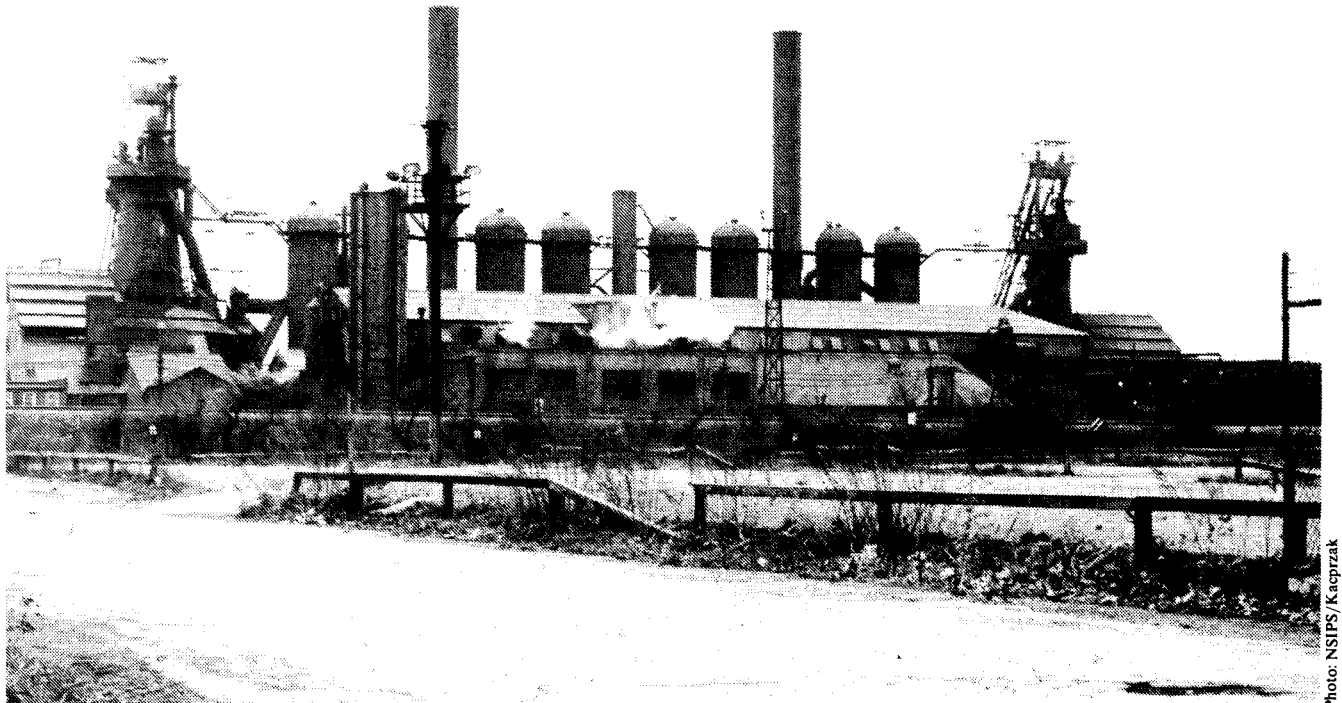


Photo: NSIPS/Kacprzak

Bethlehem Steel on short hours.

“There is little economic justification, if any, for the bailout of industrial losers. . . . The process of disinvestment is essential for economic growth.”

In particular, the Bentsen and Stevenson-led SIP states that the steel industry cannot be resuscitated. Although Japan revitalized its steel industry in the 1960s, this success story is not generalizable, says the SIP. “Radical steel restructuring being promoted under the European Community’s Coal and Steel Authority [the Davignon Plan—ed.] has generated social unrest and political problems, particularly in France. Nowhere has the revitalization of basic industries been accompanied with growing or even stable employment, although output may expand.”

Thus, because revitalization can’t work, states the SIP, the basic sunset industries must close down, or at least be seriously contracted. To do this would mean having to dispense with the auto industry as well. “The Chrysler Corporation will cut its North American car production capacity from 3 to 4 million car output to 1.5 to 2 million by 1983,” stated a well-placed source at the Department of Transportation Sept. 10. “This was agreed to on the dotted line, as part of the Chrysler loan guarantee from the Congress,” he added. “Ford may have to reduce their North American car output from 5 million car units to 2.5 million units in the same period. Ford’s North American car operations profit loss this year will be \$2 to \$3 billion. They can’t sustain that for much longer, without closing down their operations here and taking them overseas,” he stated.

A White House source was more blunt. “There’s no use trying to bail out ailing industries like auto. The auto industry is an industry of the past and it will have to face that fact.”

Precisely because these industries will be shut down, the SIP has prepared an elaborate worker relocation plan. States the SIP document, “In light of the current situation in the auto industry—an estimated 300,000 workers are on layoff—consideration should be given to a special larger scale demonstration ‘worker adjustment plan’ ” which will relocate workers into the sunrise industries.

The postindustrial economy is to have a heavy base of \$200 billion military procurements; an energy autarky, based on \$600 billion in synthetic fuels investment over the next 25 years; the growth of the “information” sector of computers, paper processors, and the like. Select high-technology areas like semiconductors and telecommunications would be steered into support for the same military, synthetic fuels, service and information economy buildup instead of high-technology reindustrialization.

This is not only the view of the Carter administration, but of the campaign of Republican Party presidential hopeful Ronald Reagan as well. Indeed, many of Reagan’s advisers are drawn from the Georgetown Center for Strategic and International Studies (CSIS) and the Stanford Research Institute, whose proposals in the areas of synthetic fuels and *Wunderwaffen* defense procurements far exceed anything floating in the Carter

camp administration circles.

The problem with this approach was incisively analyzed by a newly formed think tank that rejects the “sunset/sunrise” strategy and instead bases itself on a high-technology solution for America’s economy. This group, called the National Democratic Policy Committee (NDPC), in a document released this week, stated its own premise: for an economy to function, it must promote productive activity. Most of the purposes to which the sunrise activities are to be placed are non-productive in the extreme. Take for example the synthetic fuels program. Coal gasification will produce oil equivalents at the price of \$75 to \$90 per barrel, three times the commercial price set by OPEC. Compared to the high-technology use of coal in magnetohydrodynamics (MHD), which turns coal into an energy-dense plasma and converts this directly into electricity, it is grossly inefficient. In addition, the U.S. could and should move rapidly to the use of nuclear power, both the construction of 1,000 nuclear power plants by the year 2000, and the commercialization of fusion power by the 1990s, as provided for by the McCormack fusion bill. Within such an energy-dense regime, the NDPC says, the use of coal liquefaction represents a deduction from the type of allocations that must be made for such a competent energy-dense energy program.

If the misallocation of materials proceeds on a massive scale, and the Volcker high interest rate policy continues into the next year, then capital formation rates will plummet, not just for steel, but for all basic industrial processes. At this point, the productive goods needed for the sunrise industries’ construction will collapse.

The U.S. economy would benefit instead, said the NDPC document, by building the U.S. economy around the two real sunrise industries of the U.S. economy: nuclear energy and food production. The basic steel, specialty metal alloy, and equipment production parts of the U.S. economy would be technologically upgraded and its production capacity expanded to meet nuclear power requirements. Waterways, dams, and internal trucking and rail transport would be upgraded to meet the expanded shipment of food. A return to low-interest credit, coupled with the U.S. participation in the gold-based monetary system started by German Chancellor Helmut Schmidt and French President Valéry Giscard d’Estaing, would be the needed financial and monetary arrangements to make the industrial policy work.

Yet, John Sawhill, testifying before the Senate Energy Committee Sept. 17 confirmation hearings on his nomination as director of the newly created Synthetic Fuels Corporation, told them that the Carter version of the coal program will emphasize synthetic fuels production, as well as some coal production for export.

Interviews

‘Use credit controls to cut consumption’

The following is an exclusive interview with Lester C. Thurow, Professor of Economics and Management at the Massachusetts Institute of Technology and the author of the Zero-Sum Society. Thurow, a former editorial board member of the New York Times, was among the people consulted in the drafting of the Senate Democratic Policy Task Force report on “sunset and sunrise” industry.

EIR: What is your view of the administration’s so-called revitalization program? Do you feel that it is too oriented toward helping the so-called sunset industries?

Thurow: I think that all the particular steps are oriented that way. . . . This is a “prop up the losers” program.

EIR: Can we talk a little about the losers?

Thurow: One thing that I think ought to be made clear is that people often talk like if we don’t help the steel industry, it will go out of business. The steel industry is not going to go out of business, it is going to get smaller. There are many kinds of steel where it still makes sense to make them in the U.S. We ought to be doing high-technology, high quality steel and get out of making massive numbers of tons of pig iron. The real question is how are we going to prop up the “winning” parts of steel. . . .

EIR: You have talked of funding these changes with an

Thurow: I don’t think auto is a loser. Textiles are a loser. Chrysler is a loser, but that is because of the management of Chrysler. Ask yourself what the Japanese would have done about Chrysler. I think there are two answers. They would have opted for one healthy auto company, instead of one very sick company and one semi-sick one. . . .

EIR: Isn’t the economy too skewed towards a service economy now?

Thurow: I don’t think so. Not at all.

EIR: You have talked funding these changes through an investment policy, that someone will have to give up consumer goods so that they can become investment goods, that there will be a five-to-ten-year period when consumption must fall.

Thurow: If you think about how long it takes to build new factories, it takes five to ten years. If you really talk about a major shift of investment, the money that is

going into investment or the goods and services that are going into investment have to come from somewhere. They are going to have to come out of consumption. I've spoken about ways to do this, like the value-added tax.

Another possibility is to really use credit controls to stop people from buying consumer durables. If you can't buy a car except by paying cash for it, then you do two things to savings. First, somebody else's savings don't have to finance your car. And second, business can use your savings for investment until you get the full amount to buy a car. The Europeans use a value-added tax to drive down consumption. The Japanese drive down consumption by making consumer credit much less available. Nobody will like this. These are not popular things. I think that you have to do this in such a way that you spread the consumption cuts across the whole economic spectrum. If you are saying that "look, we can't do this, it is too unpopular" then you are saying, really, "look, we can't compete."

I recently wrote an article for *Psychology Today* on the role of economic trust as it deals with these kind of political economic questions. They ended up not publishing it because there was too much economics in it and not enough psychology. I started off by pointing out that Roosevelt in 1936 got 65 percent of the vote, yet everything was worse than it was in 1932. How did he persuade

people to re-elect him though he had not solved the problem. He had persuaded the people that although he didn't solve the problems in four years, he had a vision about how to solve them.

You must absolutely build a coalition around the following unfortunate choice: we can deliberately lower our consumption standards in the early 1980s in order to start them on that upward path in the late 1980s or we can do nothing in the early 1980s and we will be on a slow downward path for the next 20 years. This must be done. And it can be done only through a real recognition of the crisis. People have never responded with the kind of sacrifice necessary because they never have had to respond. You look at the British, we surpassed them in per capita GNP in 1900; ever since then they have been writing articles about pulling up their socks and doing something. They never have. The same group of human beings, when they were confronted with an invasion in World War II, pulled up their socks in ways in which very few societies have ever pulled up their socks. So you can't say that there is anything wrong with the human beings because they did it. But what you can say is that the slow relative decline never gives the feeling of a crisis that we have to survive, yet over 80 years you go from being the number one economic power in the world to number 25.

'Detroit workers can move to synfuels'

EIR conducted the following interview on Sept. 11 with Eli Ginzberg of Columbia University, who heads the National Committee on Manpower Policy.

EIR: On the topic of reindustrialization, what do you think?

Ginzberg: Reindustrialization is a major error. The economy is already tilted to nonmanufacturing so while I'm not opposed to shoring it up, it is a small part of the total. I'd prefer the term revitalization of the economy. The American economy is heavily balanced toward services and food.

EIR: What areas should be revitalized?

Ginzberg: It is not clear. People are misled by data. It is not clear what percent of the economy is—much of the decline is make-believe. Our economy is in pretty good shape, especially if we did not have such free and

easy cheap gasoline. The classic idea is that we are not saving enough, but I don't think that we should do things exactly the way the Japanese and Germans are.

I don't believe a major nation like ourselves should let its steel industry disappear. What's going on is that for the last 15 years people were not investing in steel. And I don't favor reestablishing the Reconstruction Finance Corporation. I'm not sure we would not have been better selling off part of Chrysler.

Certain areas of the economy must be permitted to fade; these include industries from inexpensive shoes to computers. The question is which other industries to end. We haven't begun to do the analysis on this. We are shooting from the hip. There will be a new cycle in auto where there will not be as many employed. We have to shift from auto into some industry for these workers. If we go through a big synfuels program then a large number of workers from Detroit can go into that—into synfuels or construction.

Our wage rates are in good shape because they are below Germany and France. But they are not lower than the Third World. Things like cheap shoes should be made in the Third World; they should fade out here. We should have just advanced technologies, agriculture, and advanced services.

'Auto and steel will recover... a little'

The following are excerpts from an EIR interview with Fred Knickerbocker, Director of Policy Planning, Department of Commerce.

EIR: There has been a great deal of debate around the Carter revitalization program about the concept of "sunset and sunrise" industries and how to handle the problem.

Knickerbocker: Not just around the Carter program, but within the Carter administration itself. There is a great deal of disagreement about these ideas. The program doesn't go very far in favor of the idea of picking winners or losers. There are some people around here who don't believe that it's possible. . . .

EIR: But doesn't the program target certain areas of concern, like auto and steel? It doesn't say anything about the sunrise industries like semiconductors.

Knickerbocker: As I said, there was some uncertainty about the viability of a winners and losers strategy. Our program has a generalized stimulus and shies away from too much specific targeting. The tax proposals work in that way. . . .

EIR: What about auto and steel? We have massive unemployment in auto and problems in steel.

Knickerbocker: Let's talk about auto first. The main problem we have there is in reorienting the product line toward high quality small cars. That is taking place. The investment is being made to do this and the industry will be restored to health and it will show some vitality. . . .

EIR: Does the administration accept the idea that the auto industry will shrink in size? Can its former employment levels be restored?

Knickerbocker: The industry can recover. I don't think anyone here has really worked out how much it will recover, whether it can go back to former employment levels. The plants are being retooled. There will be cuts in employment caused by automation. . . . It is not necessarily administration policy to put all the auto workers back to work in auto plants. There is going to be some reduction in the workforce. We want to let the market forces determine the size of the industry. We see the U.S. growing as an exporter of auto parts, not finished cars. That is the way the market is going to work.

EIR: What about steel? Nearly everyone is saying that the production of basic steel in the U.S. will decrease sharply, that it is really a sunset industry.

Knickerbocker: Again, we fundamentally want the industry to have the opportunity to get its fair share of the international market. Let the market say what is profitable and what isn't. As for how small the industry might become, I don't think that anyone can say right now. There is wide disagreement on the subject. If current production capacity is around 100 million tons, I would say that people who are talking about dropping it to, say, 75 million are crazy. I think that it may drop to 90-95 million tons, but let me stress that we feel that it is going to be the market that determines the size of the industry. We are not going to "enforce" a policy here—we are not going to tell the industry which plants to shut down. They will make those decisions and are already making them, just as they are deciding how to go about modernizing the plants. . . .

EIR: Aren't these matters going to be discussed in the newly formed tripartite committees for auto and steel?

Knickerbocker: Yes, they are going to discuss things like that there. They will plan a strategy to revive the industries; that is why they were formed. . . .

EIR: Why hasn't the administration linked the coal development program it has announced to the economic revitalization program?

Knickerbocker: That is a real good question. I'll be damned if I know. We have an interagency task force working right now on spelling out the details of the coal program and what you are saying is right. There are many people who want to go big with the coal program and I think that eventually we will spell it out in that way. . . .

EIR: I have one other question. How can you and the Carter administration be serious about really promoting a "revitalization program" as long as Volcker and the Federal Reserve push high interest rates. No one can afford to borrow capital. Steel, for example, can't afford any real modernization program. So despite what you say, all that is likely to happen is to shrink industrial capacity. . . .

Knickerbocker: What you are saying is at least partially true. It would be nice if interest rates were lower, but I can understand Volcker's policies and what must be done to keep inflation down. . . .

EIR: But do you support the Volcker policies?

Knickerbocker: I think it would be easier if there were slightly different policies. But Volcker knows what he is doing and he will do what he wants anyway. We don't run the Fed, really. . . . ■



“To understand what has gone on in Iran, one must read what Robert Dreyfuss wrote in the Executive Intelligence Review.”

—Empress Farah Diba Pahlevi,
widow of the Shah of Iran, to the West German magazine *Bunte*

The EIR's Mideast Editor, Robert Dreyfuss, predicted in a series of articles that the fall of the Shah was the first phase in a plan to disrupt Mideast oil flows. The plan, as Mr. Dreyfuss documented, was to blackmail Europe with an oil cut-off and to put a full stop to Iran's attempt to modernize. It was this plot which the Shah only belatedly came to understand—as Empress Farah has reported.

Now the Executive Intelligence Review presents a full strategic assessment of the Arabian Gulf after the Shah's fall. Is the Saudi Royal Family next in line? Will Khomeini's terrorism spread? Get the inside story in:

Prospects for Instability in the Arabian Gulf

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Free banking zone on front burner

Has Volcker struck a deal with the Chicago banks for a national EFT system?

Federal Reserve chairman Paul Volcker is quietly pushing for immediate creation of no-reserve "free banking zones" in the United States, Fed sources said this week. Federal Reserve staff director for monetary policy Stephan H. Axilrod and his Washington staff are busy wrapping up a semi-classified new study of the International Banking Facility (IBF), to be submitted to the Board of Governors for approval some time during October. Volcker thinks he has the votes.

As one New York bank lobbyist put it, Volcker is bringing the Eurodollar market back home. Under the free zone proposal, U.S. banks would be able to accept non-taxable foreign deposits without U.S. government reserve requirements just as the London Eurodollar market banks now do, moving most of the American banks' London business, in effect, back into the United States. The American banking system would soon be awash with short-term Eurodollar lending as banks turn away from domestic production activities.

The Fed's new free zone plan may also be used to introduce national banking in the U.S., vastly accelerating the Carter administration's general deregulation of U.S. banking, and undermining the nation's regional banks.

To gain the support for free zones from Chicago and other big money center banks, the New York

banks who originated the proposal may agree to set up a nationwide Electronic Funds Transfer system to hook the nation's 50 largest banks into one huge market.

The IBF proposal is not new. The New York Clearing House Association, the umbrella group for the big twelve New York banks, proposed the free zones in July 1978 and since then has repeatedly been voted down by vociferous opposition from the nation's 14,700 small and medium regional banks.

Pressed to explain, Fed sources claimed the new review was prompted by a little-known May 1980 letter to the Board from the New York Clearing House modifying its old proposal with two amendments. These would move back the opening of the free zone to July 1981 to "enable institutions to plan" for Fed removal of reserve requirements (Regulation D) and lifting of interest rate ceilings (Regulation Q), and raise the minimum deposits into free zone accounts from the \$100,000 originally proposed to \$500,000 to "avoid potential disruption of local markets," that is, to keep small depositors from rushing out of local banks and into the free zone with their savings.

Following these minor concessions by the New York banks, a number of startling events occurred. New York Federal Reserve president Anthony M. Solomon, in a speech to the New York Bankers Association June 2, made the first

public endorsement of the free zone by a Fed official as "consistent with the national interests of the U.S." On June 24, the ABA, whose thousands of regional members had previously strongly opposed the free zone, sent a little-publicized letter to the Fed endorsing the proposal "in light of" the New York banks' so-called new amendments. In early July before the House Banking Committee, Fed chairman Volcker himself called for a speedy new "review" of the free zone issue.

In fact, this flurry of action on the free zone is taking place because "Volcker and the New York banks have made a deal with the larger regional banks," Capitol Hill sources say. The deal is to cut the larger banks outside New York—in Chicago, Boston, Detroit, San Francisco, etc.—in on the free zone, in return for their political support of the program. The rest of the nation's banks would be cut out.

With the creation of a Eurodollar market in the U.S., First Chicago, Continental Illinois, the First National Bank of Boston, and others, are demanding a nationwide extension of the New York banks' Clearing House International Payments System (CHIPS) computer.

Continental Illinois executive vice-president Alfred F. Miossi told *EIR* this week that "we could support the New York proposal for IBFs if we have equal treatment. We cannot have a situation where the New York banks have a competitive advantage because they can clear funds so cheaply with Europe through CHIPS and we cannot. We must have equal access by all major banks through a national CHIPS system to clear directly with London, nationwide."

R&D cuts traded for Carter votes?

Uncovering a kibosh on federal mechanization efforts, in order to court Chavez.

"I'm not saying there isn't any such thing," Deputy Director for Joint Planning and Evaluation of the U.S. Department of Agriculture's Science and Education Administration (SEA) James Nielson stammered in a recent telephone interview, "but I have to get a better hold on what you are talking about." Dr. Nielson was responding to my inquiry concerning reliable reports that top levels of the USDA and SEA are now moving administratively to terminate federal work and funding on mechanization in three major areas: apples, citrus fruit and lettuce.

Federal support for agricultural mechanization research was pushed into the limelight last December when Secretary Bergland told an audience in California—the home of militant stoop labor advocate Cesar Chavez—that he thought federal support for labor-saving devices "improper."

A so-called "Redirection Plan" ordering that work be stopped and funds withdrawn from ongoing projects to develop mechanical harvesting technology in the three named areas is reportedly now being circulated for approval in the command structure of the SEA. The plan will not pull federal dollars out of the state research units altogether, knowledgeable sources say, but will order their "redirection" to approved projects. The same sources surmise that the plan is being cleared now for implemen-

tation as of the beginning of the new fiscal year Oct. 1, and report that project leaders affected are being so advised.

The decision to single out the apple, citrus and lettuce sectors—to the exclusion of the myriad other fruits and vegetables like broccoli, peppers, sugar cane, etc., where mechanization work will be able to continue—smells like a crude vote-getting ploy. The three targeted sectors are among the largest in terms of numbers of farmworkers who stand to be "displaced" from their stoop labor by mechanization.

As we reported here several months ago, at the time that Secretary Bergland originally made known his preference for cheap, manual labor over machines, a lawsuit against the University of California had been making its way through the state courts. The plaintiffs sought to prevent tax dollars from being used to support research that allegedly benefits private, not public interests. The suit, brought by the California Rural Legal Assistance project, centers on the development of a mechanical tomato picker at U.C.-Davis, where a prototype lettuce picker has also been developed. The CRLA maintains not only that the mechanical harvesting machinery is increasing tomato production, but is eliminating thousands of menial jobs. This, according to CRLA, is contrary to the public interest.

"We will not put federal money

into research where—other factors being equal or neutral—the major effect of that research will be the replacing of an adequate and willing workforce with machines," the Secretary stated.

If successful, this move will not simply reverse the tradition of high-technology agriculture, but undermine the "American System" of progress based on of an ever-more-highly skilled workforce.

The directors of the fifty state agricultural experiment stations quickly pledged to challenge the Secretary if forced. It is in this context that the administrative initiative was quietly launched, preempting the activities of the special task force on mechanization. SEA's Nielson, also a co-chairman of the task force, was happy in fact to issue denials on behalf of the task force. They had decided against a study of existing mechanization projects for lack of time and money, he insisted.

But when confronted with details of the administrative maneuvers, Dr. Nielson became curiously ill-informed for a man who is one of six deputy directors at the head of the SEA. "There is constant review and redirection every year," he said. "It is motivated by the tightness of budgets, or sometimes by congressional priorities," he continued. "Perhaps they are sensitive to the need to look especially closely at these areas because of the Secretary's concerns."

When it was suggested that there might be someone else in the SEA administration with more direct knowledge of the situation, Dr. Nielson demurred. "Let me look into it," he insisted. "I will look into it and I will call you back if there is anything to talk about."

Price jump not just a scare reflex

Why the upward trend will continue, and the remonetization plans will, too.

Gold surged past the \$700 an ounce mark last week, not simply because of a shift in the world strategic picture favoring an early return to some form of gold-based monetary system. The Anglo-American policy establishment, who are the chief opponents of gold remonetization, suffered major setbacks last week on two fronts.

First, the Iraqi invasion of Iran wiped out the Carter administration's hope of a rapprochement with Iran. Should Iraq prove successful in toppling the reactionary, antimodernizing mullahs presently ruling Iran, they will also discredit the "fundamentalist Islamic" factions currently threatening the stability of Saudi Arabia and other Arab states. This could open the way to a major improvement in Euro-Arab relations.

Second, the credibility of the International Monetary Fund (IMF) has been eroded as a result of that institution's confrontation with the Saudis over the question of whether the Palestine Liberation Organization should be given observer status at the IMF annual meeting. If the U.S. succeeds in blocking the admission of the PLO, the Saudis will have the pretext they need to cut off funding to the IMF/World Bank—and proceed toward closer collaboration with the European Monetary System (EMS), which is based on a pooling of European central bank gold reserves.

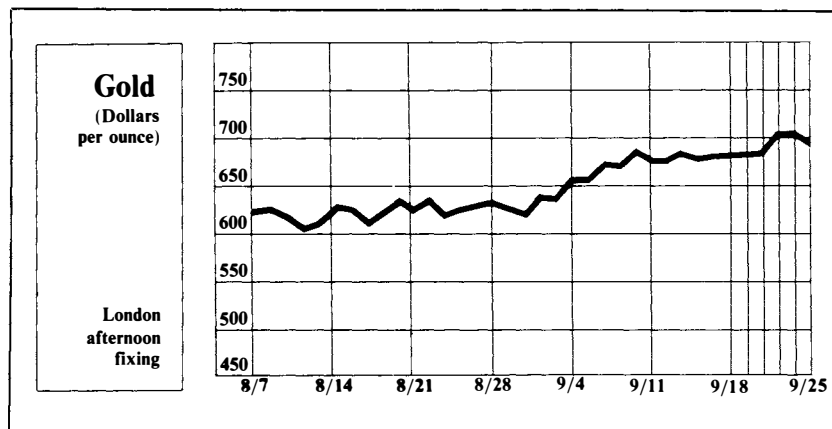
British analysts are increasingly concerned about the possible emer-

gence of a European Monetary Fund as a gold-based competitor to the IMF. In a recently published review of the gold market entitled "The Gold Price 1980-84," London stockbrokers Laing and Cruikshank accept the formation of the EMF as a given and predict that this will lead eventually to much greater stability in the gold price. The mobilization of central bank gold reserves in the EMF will make gold "the sun around which adjustments in parities will be made." Under such a system, the central banks will not be able to countenance wild swings in the gold price and will intervene to stabilize the market, the report states.

Meanwhile, *Financial Times* columnist David Marsh emphasized in a Sept. 19 article the Soviet Union's growing interest in the EMS and Western Europe's effort to remonetize gold. Marsh notes the warm commentary on the EMS

in the May issue of the Soviet journal *Economic Science*, an article first brought to the attention of Western readers in an *EIR* exclusive last July. Marsh also notes that, as *EIR* readers were already aware, officials of Consolidated Goldfields, a London-based mining finance house with extensive holdings in South African gold mines, had talks in Moscow that could lead to Soviet-South African collaboration in gold marketing.

The end result of all this is that gold is probably heading higher, at least in the medium term, until Western European governments gain the political confidence to go ahead with the EMF and declare a fixed gold price. A final note: *EIR* was correct in predicting a resurgence in the gold price this fall, when many well-known Wall Street analysts were projecting either a recession-related collapse or aimless chopping which would go on to another six months to a year. We were right because of a superior grasp of the world strategic picture. The ineptitude of Carter's Middle East policy was certain to have triggered an explosion in that region at some point.



EMS at loggerheads with IMF

If Europe gets serious about "recycling" OPEC funds, it will undermine the IMF.

European finance ministers met Sept. 19-20 in the town of Müllerthal, Luxembourg, to approve a plan which increases the resources and powers of the European Monetary System (EMS). The EMS was created in 1979 to expand Europe's financial clout through stable exchange rates and economic stability. Now the EMS guidelines will be revised to allow it to accept multi-billion-dollar deposits from OPEC.

The meeting preceded the Sept. 30 annual conference of the International Monetary Fund (IMF), the 35-year-old bastion of Anglo-American domination of world financial policy. Private banking officials and EC spokesmen confirmed in interviews this week that if the EMS now starts to assume a larger role in recycling "petrodollars," which is what the new plan suggests, then the EMS will be moving into a world financial position previously assumed only by the IMF.

This change in the EMS guidelines comes at a time when the IMF has come under increasingly vocal attack from many nations. Last week, 150 countries at the United Nations voted to have the IMF put under day-to-day U.N. control to ensure lending policies more in line with the needs of developing countries. During the U.N. vote, France broke ranks and voted in favor of the resolution and against a U.S.-British-German veto bloc which prevented the passage of the resolution.

Also attacking the IMF is Saudi Arabia, which is demanding a much larger voice in shaping IMF policies in return for loans the IMF is trying to get from OPEC.

Asked about the emerging conflict between the EMS and IMF in an interview on Sept. 23, a French government official emphasized that the IMF must drop its policy of attaching harsh austerity requirements to loans it makes to Third World countries. "The IMF can no longer demand such austerity conditions that the result is to topple governments," he stated bluntly, in an obvious reference to Turkey. Earlier this month the Turkish military seized power in a coup aimed at quelling the social chaos which erupted there because of an IMF austerity program which sliced imports, devalued the lira, and cut industrial output.

The EMS plan just approved at Müllerthal is a first step in the direction of a larger EMS role in solving the Third World debt crisis through programs of economic development essentially financed by OPEC.

The plan calls for the EMS to acquire between \$10 and \$14 billion in OPEC deposits. These funds will then be reallocated to European countries hit by record deficits in 1980 due to high oil payments and sagging exports. This deficit refinancing program will help free continental European banks to continue private lending to the Third World. (In 1980, world commercial

bank lending to LDCs will probably amount to \$70 billion.)

During the meeting, in addition, an expanded version of this plan was presented to the ministers by the EC's Monetary Commission. This version called for the EMS to also allocate loans to a select group of about 40 developing countries: Portugal, Spain and Greece (which are associate EC members), and the 36 Asian, African and Caribbean countries which are members of the EC trade pact known as the Lomé treaty.

Many European officials are currently saying that this second, expanded plan will have to wait one to two years to go into effect. An EC official explained, "Since June, the EC has taken an interest in the question of recycling . . . the community could extend credit to non-members. . . . My own sentiment is that there is extreme reluctance, based on the fact that we are badly positioned to compete with the IMF."

The major cause of this "reluctance" is reflected in the current national election campaign in Germany, where Chancellor Schmidt is bending to immense pressure not to rally voter support for any policy which could be considered an affront to the United States. The U.S. still considers expansion of the EMS onto the IMF's "turf" an affront, as evidenced by an emergency study commissioned last week by the State Department on the volume of EMS transactions. The State study was requested after officials there realized they were mistaken in an earlier assessment that President Carter had succeeded in scaring off any kind of EMS-OPEC linkup plan during the Venice summit last spring.

Trade Review

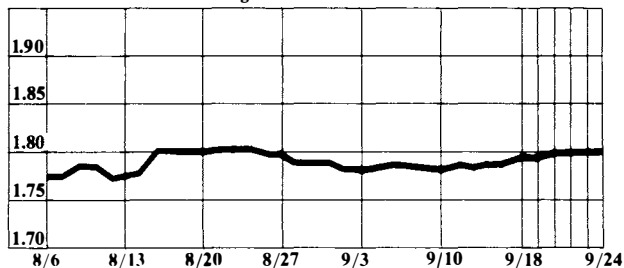
by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Financing	Comment
NEW DEALS				
\$192 mn.	U.S.S.R. from France	Rhône-Poulenc is supplying Soviets with technology for a 21,000 ton per year methionine plant. Methionine is an additive to animal fodder. Speichim, also of France, will build the plant. The agreement is part of a Soviet-French long-term economic cooperation program and is paralleled by a second deal for trade in animal feed products.		
\$179 mn.	Iraq from France	The French firm Thomson-CSF won bidding to set up a radio broadcasting system.		Separate from \$952 mn. electronics deal reported in <i>EIR</i> Sept. 2, which has not yet been announced.
\$100 mn.	Ireland from Japan	Fujitsu, Japan's leading computer company, will build plant near Dublin to manufacture integrated-circuit computer components.		
UPDATE				
\$350 mn.	U.S.S.R. from France	480,000 ton per year electrical steel sheet plant. <i>Japan Times</i> reports U.S. Undersecretary of State Richard Cooper failed during a special visit to Paris this year to stop Creusot-Loire from signing contract for the plant. Nippon Steel of Japan and Armco of the U.S. had won the contract last December, but were forced out by sanctions against Soviet actions in Afghanistan.	French Exim Bank.	French reportedly will sign soon.
\$500 mn.	Brazil from France	Petroleum equipment including two semi-submersible rigs and electronic echo-sounders for use in Campos Basin. Half of loan will finance equipment; half will not be tied to trade.	Consortium headed by Paribas.	Brazil negotiating terms and minor participation of Brazilian capital goods industry.
\$50 mn.	France from Brazil	French Defense Ministry announced it will buy 52 Xingu training planes from Brazil's Embraer. Opponents of the deal allege that Brazil will buy Mirage jets in return. This is Brazil's most important aircraft export deal.	Banco do Brasil export credits.	Deal had been stalled by controversy.
\$40 mn.	U.S.S.R. from Japan	Added credit for cost overruns on coking coal project Japanese are building in Yakutia, Eastern Siberia, was approved by Japanese Exim Bank. Another credit for forestry was also approved.	Japanese Exim Bank.	

Currency Rates

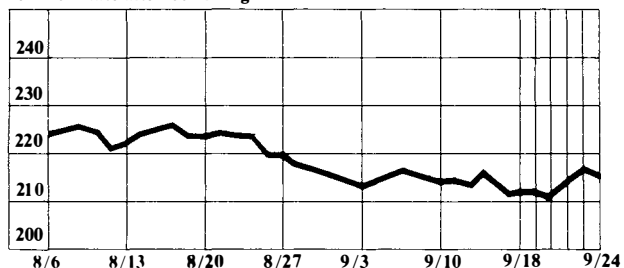
The dollar in deutschemarks

New York late afternoon fixing



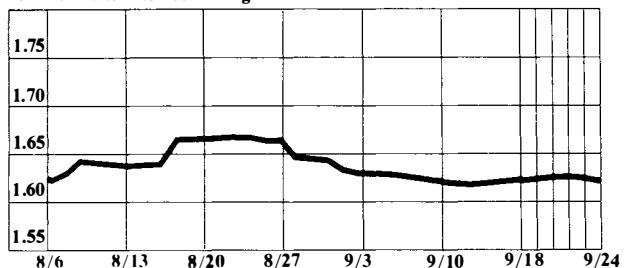
The dollar in yen

New York late afternoon fixing



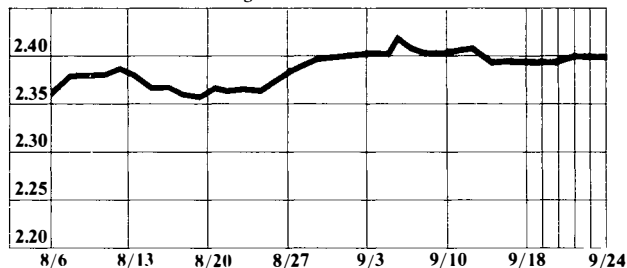
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



American Reindustrialization: The High Technology Solution

A Groundbreaking Advance in Econometrics

The American economy will not survive if the policies for "reindustrialization" of the United States championed by the three major presidential candidates are implemented much further. Contesting the need to abandon decline of America's steel, auto and other so-called "sunset" industries, the seminar will use the LaRouche-Riemann economic model to show that "reindustrialization" must be based on reviving American basic industry, led by the development of nuclear energy. EIR's forecast for 1981 will also be presented.

In Atlanta

Thursday, Oct. 23, 1980, 2:00 pm

Tower Place Hotel
3340 Peachtree Road NE
Atlanta, Georgia

Speaker:

David Goldman, EIR Economics Editor
\$25, Cash bar to follow

Contact: Susan Schlanger (404) 266-0744

In Chicago

Tuesday, October 28, 1980, 1:00 pm

McCormick Inn
Lakeshore Drive and 22nd St.
Chicago, Illinois

Speakers:

David Goldman, EIR Economics Editor
Ron Thelin, State President,
Conference of Illinois Cement Masons Union

\$25 admission

Contact: Paul Greenberg (312) 782-2663

Business Briefs

International Credit

Int'l Monetary Fund cash-short in 1981

According to calculations by an American research organization, the International Monetary Fund will come up roughly \$10 billion short in lending resources during 1981. Even after the United States Congress approved its contribution to the fund's new round of quota increases, the International Monetary Fund had usable resources of no more than \$30 billion, the Atlantic Council of the United States believes. The Council calculates that the \$80 billion payments deficit of the developing sector during 1981 will require larger IMF outlays, given the unwillingness of private sector banks to increase commitments to already heavily-indebted countries.

What the Atlantic Council fears is severe institutional weakening of the IMF, if it is unable to meet Third World funding requirements.

Prospects for raising additional funds from the OPEC countries or other sources seem dim. Most observers rule out a major direct contribution from the reluctant Saudi Arabians or Kuwaitis. An alternate plan, to have the IMF borrow on world capital markets to re-lend to borrowers, appears to have been put aside under European objections.

Capital Expansion

Despite recession, Japanese invest more

Despite a decline in output at an estimated annual rate of 5 percent since March, Japan's industries are expanding capital investment by 22 percent in the year ending March 1981, better than the 18 percent hike businesses had planned on before the recession began. This is the highest expansion since the pre-oil-crisis boom year of 1973. "In the past, I can't remember accelerating capital investments taking place against such a back-

ground [of overall production decline]," Japan's business daily *Nihon Keizai Shimbun* was told by economist Hisao Kanamori, one of the architects of Japan's 1960s boom.

Steel is one of the heaviest areas of investment even though in Japan, as in the U.S., total output is less than before the oil crisis. Japan's firms are heavily investing, not in capacity expansion, which occurred up to 1973, but in conversion from conventional processes to continuous casting, which uses one-third less energy per ton of steel. Kawasaki Steel president Hideo Iwamura says the ratio of continuous casting in his firm will rise to 80 percent through this program. Other major areas of investment are in robotizing auto plants, improving electronic products, and other high-technology fields. After inflation, the overall capital investment represents a 15 percent increase, compared with 5 percent in 1979.

Domestic Credit

Federal Reserve under attack

The U.S. League of Savings Associations has mounted a full-scale attack against the deregulation of U.S. banking as part of which William O'Connell, League Executive Vice President, this week hit the Fed itself as a "dangerous" concentration of power.

O'Connell told the California Savings and Loan League convention Sept. 23 that the Fed "has not only the responsibility for monetary policy, but, through the Depository Institutions Deregulation Committee, it also has new and effective life-and-death power over all financial institutions. This is, I submit, an extraordinary, unwarranted and dangerous grant of power to a few non-elected public officials who are not accountable to the electorate of a representative democracy."

O'Connell also denounced the Fed's current high interest rate policy and its entire monetarist orientation to monetary policy since October 1979. The Fed

should never have implemented such a stringent monetary policy at a time when it was already placing the banking system under strain with the new Omnibus Banking Bill's provisions to deregulate banking, he said.

"Either one would have been difficult enough to absorb by itself," O'Connell stated. "Tied together, they have added up to a prescription for chronic chaos in the financial markets."

O'Connell criticized what he called "unprecedented swings" in interest rates under the Fed's program. "We have had, in short, an overload of financial change at a very difficult time for the economy," he stated.

Banking

Agreement nears on U.S. banking free zone

The New York Clearing House Association of the twelve largest New York banks has set up a task force on International Banking Facilities (IBF) with the major Chicago, Boston, and California banks. The task force is ready to endorse the IBF, or "free banking zone," Chicago sources told *EIR*. The Federal Reserve is expected to quickly rule in favor of the New York banks' 1978 proposal, which has been held up for two years by the powerful opposition of the largest money-center banks outside New York, these sources say.

"We have certain conditions regarding equality with New York we want met, but we're willing to move now on the IBFs in view of our negotiations with the New York Clearing House," a Chicago banker told *EIR* this week. The Association of Reserve City Bankers, the national organization of the top 100 banks' chief executive officers, is said to have agreement on the free zones from every major regional banking giant in the country.

The regional giants' "condition for equality" is the establishment of a national Electronic Funds Transfer payments system. They want a national version of the private Clearing House Inter-

national Payments System (CHIPS), which electronically clears New York banks' payments with their London offices and among themselves. There are various stages to a national CHIPS.

Continental Illinois says the Chicago banks are ready to go if they are merely allowed to set up a CHIPS terminal in their Chicago headquarters on line with their New York correspondent bank—that is, without even themselves becoming full CHIPS members. Bank of America is asking for an account for its San Francisco headquarters at the New York Fed to clear with CHIPS—a sort of “partial” CHIPS membership. First National Bank of Boston would be satisfied for now with full CHIPS membership for its New York Edge Act subsidiary, which presently operates through a New York correspondent bank.

All these sources told *EIR* they expect eventually to become full national members of a U.S. CHIPS system—but that they'll support the free banking zone even before that occurs.

Agriculture

GAO reports out parity study

Spokesmen for the U.S. Government Accounting Office officially presented on Sept. 18 the summary conclusions of the study they were directed to undertake almost two years ago on the impact of parity pricing in agriculture. Henry Eschwege, director of the GAO's Community and Economic Development Division, and several staffers who had worked on the report appeared at hearings called by Rep. Nolan, the Minnesota Democrat who heads the Subcommittee on Family Farms, Rural Development and Special Studies, which had commissioned the study.

Eschwege read a preliminary statement that gives little hope that the study itself will emerge with any teeth from the so-called peer review process in which it is still ensnared. The GAO's mandate had been to examine both the direct and

secondary impact of parity pricing, and also to critically evaluate the assumptions in the econometric models routinely used by the USDA and others to rule out a parity policy for agriculture. Eschwege said the study concluded that food prices would rise along with net income, hardly a new finding, but that currently available techniques do not permit estimates of secondary effects and thus cannot draw a total picture of whether or not, for instance, consumers would be better or worse off in the long run.

Foreign Exchange

Currency markets calm despite war buildup

Foreign exchange rates had ended their wild fluctuations by Sept. 24 even though the Iran-Iraq war intensified at the same time. Traders had initially viewed the war as advantageous for the U.S. dollar and British pound, since the economies of Western Europe and Japan would be much more vulnerable in the event that Persian Gulf oil traffic were shut down or Iraqi oil output halted. On the other hand, the toppling of the Khomeini regime through an Iraqi victory would probably result in greater availability of oil to continental Europe.

The deutschemark recovered against the dollar despite a Bundesbank announcement Sept. 24 that in August, West Germany had run its first trade deficit in 15 years. The deficit was about \$74 million, compared with a \$543 million surplus in August 1979. Bundesbank officials blamed the deficit on the higher cost of imported oil and rising imports of other goods. Although the volume of oil purchases and other raw materials fell 7.5 percent in the quarter ending in July, as West Germany's economy began slipping into a recession, the volume of imported finished goods jumped 8.5 percent. Lacking domestic sales and hoping to benefit from the cheap dollar, U.S. companies have dumped large amounts of goods on European markets in recent months.

Briefly

● **CHINA** has abandoned plans to build a \$250 million trade center in Peking. The cancellation of the project is a source of embarrassment to David Rockefeller, who devoted great time and effort to the proposal, and Chase Manhattan, which was organizing financing for the project.

● **THE EXIMBANK** has been denied an additional \$1 billion appropriation by the U.S. Office of Management and Budget, on the grounds that the increased funding would contradict the Carter administration's commitment to budget cutbacks.

● **IRWIN KELLNER**, a Manufacturers Hanover economist, presents a grim picture of world economic prospects in a recent bank study: “An extended period of global low growth, the introduction of protectionism, beggar-thy-neighbor economic policies, sharp cuts in living standards with the disappointment of social and economic aspirations, debt default by one or more of the LDCs with consequences for the international financial system—any or a combination of these could introduce a period of economic chaos.”

● **DR. UWE PARPART**, director of research for the New York-based Fusion Energy Foundation, recently concluded a week-long trip to some of Mexico's major cities, including Hermosillo and Ciudad Obregón, Sonora, and Mexico City. The FEF has just completed a proposed 30-year economic development program for Mexico based on the LaRouche-Riemann model. Dr. Parpart held a public seminar for economists, scientists and engineers, press conferences, and meetings with government officials on the FEF's LaRouche-Riemann econometric model and the need for Mexico to begin an aggressive nuclear development program.

The significance of the West German national elections

by Webster Tarpley

On Oct. 5, citizens of West Germany will go to the polls to cast their votes for the country's ninth Bundestag, or federal parliament, since the establishment of the Bundesrepublik Deutschland in 1948. That Sunday's vote will decide whether the present ruling "social-liberal" Bonn coalition of Social Democrats (SPD) and liberal Free Democrats (FDP) led by Chancellor Helmut Schmidt and Foreign Minister Hans-Dietrich Genscher will withstand the challenge of the Christian Democratic Union (CDU), who are offering as their chancellery candidate Franz-Josef Strauss, the prime minister of the federal state of Bavaria. A third force in the election fight, influential out of all proportion to its numbers, is the Europäische Arbeiterpartei (EAP), the European Labor Party in the Federal Republic. The EAP's chancellery candidate is Helga Zepp-LaRouche, wife of former Democratic presidential candidate Lyndon LaRouche.

Because West Germany is one of the pillars of the Paris-Bonn axis, the most important political combination in the world today, because of this country's status as economic giant of Western Europe and strategic centerpiece of the continent, these elections are of decisive importance for the entire world.

European media, unlike those in the U.S., are now devoting broad attention to the battle between Schmidt, the stolid manager from Hamburg, the old Hanseatic League trading city at the mouth of the Elbe in northern Germany, and Strauss, the volatile, impulsive Bavarian from the deep south. Television programming is full of speeches by Schmidt, delivered in measured High German accents, and by Strauss, in his abrasive Bavarian peasant dialect. These two have been joined by Helga Zepp-LaRouche, who is getting less television time, but who is generating excitement by the sheer political content of her television and radio appearances. Zepp is from Trier, near the French-German-Luxembourg border, the home town of the Renaissance philosopher and politician Cardinal Nicholas of Cusa.

This West German election is different from the present phase of the U.S.



Helmut Schmidt, in Hamburg cap, on campaign tour.

presidential contest. West German voters can do something more than choose among competing brands of Trilateral Commission degeneracy. This is true because Schmidt and Zepp-LaRouche, on the one hand, and Strauss and company, on the other, represent the two hostile policy factions that are presently struggling for control of Europe and the world.

The contributions of Zepp-LaRouche and the other leading candidates of the EAP—Uwe Friesecke, Anno Hellenbroich, Elisabeth Hellenbroich, Gabriele Liebig—represent the clearest and most competent formulation of the economic development faction. The EAP is running on a five-point program that calls for deepening the Franco-German alliance, launching the European Monetary Fund as a new, gold-based universal monetary system, fully exploiting nuclear energy, reshaping German education through a return to the classical models of Leibniz, Schiller, and Beethoven, and massively assaulting the drug problem.

Schmidt's program

West German political history since the fall of Willy Brandt in 1974 has been marked by the EAP's increasing ability to force Schmidt's convergence on successive approximations of the EAP program. This process has not been simple, and there have been repeated phases of backsliding on the part of the chancellor, but the trend is unmistakable. Whatever his inadequacies may be today, Schmidt has come a long way since he took

About the author

This unique, in-depth report on the West German electoral campaign and its aftermath was commissioned by *Executive Intelligence Review* from American journalist and economist Webster G. Tarpley to provide U.S. and other non-German readers with an accurate overview of political trends in America's most important allied country, developments that have been ignored or distorted in the U.S. press accounts.

After first coming to Italy as a Fulbright scholar in 1966, Mr. Tarpley has been writing on European political and economic developments from Western Europe for nearly a decade. Since March 1979, he has produced and presented the "Osservatorio Economico," a weekly half-hour wrap-up on world economic developments for the Vatican-linked television channel Teleradiosole in Rome.

Tarpley directed the team of authors who produced the 1978 book-length study *Who Killed Aldo Moro?* The authoritative Milan newspaper *Corriere della Sera* called it the most exhaustive account of the kidnap and murder of the former Italian premier and the background of international terrorism.

He brings to his account of the 1980 German elections both the "outsider's" insights as an American and the "insider's" view of one who has lived and worked in West Germany. A long-time associate of *EIR* founder Lyndon LaRouche, Webster Tarpley headed the conservative Democrat's presidential campaign committee in Europe this year.

office in 1974, and key parts of his present policy profile—the French-German alliance, the European Monetary Fund, the tendency to decouple from Washington and NATO—come straight from the EAP. In these elections, the EAP is seeking to go beyond its high-level influence, and to consolidate its own machine of political power.

Helmut Schmidt has staked the future of his government on an alliance with French President Giscard d'Estaing, his old friend from the days when both were finance ministers during the monetary crises of the early 1970s. The Schmidt-Giscard combination is an attempt to replicate the de Gaulle-Adenauer "entente cordiale" of the early sixties, this time with more ambitious content. The Paris-Bonn axis of today, virtually the only going concern in the entire field of international diplomacy, is committed to a policy of war avoidance vis-à-vis the Soviet Union and the Warsaw Pact, through the maintenance of the highest possible level of diplomatic, economic, and cultural contacts with the East bloc.

More importantly, Bonn and Paris have taken the first steps towards the creation of a new gold-anchored international monetary system, the European Monetary System of March 1979, to replace the IMF and related relics of the defunct Bretton Woods system. The future of the human race is very much riding on the quality of political and economic moves that Paris and Bonn come up with during the coming months, since these are the only world capitals that have maintained any approximation of fruitful, global strategic initiative during the period of cataclysmic crisis that the world has been passing through during the last year in particular.

This is the essence of the Bonn-Paris alliance, which was ceremoniously affirmed during July on the occasion of President Giscard's visit to West Germany, the first by a French head of state since General de Gaulle.

Strauss: apostle of confrontation

Franz-Josef Strauss is a horse of a different color. Strauss's pedigree goes straight back to the intelligence circles of the Wittelsbach family, the dynasty that held the throne of the Kingdom of Bavaria until 1918, and to the related intelligence establishment of the Hapsburg Austro-Hungarian monarchy in Vienna. Contrary to surface impressions, the influence of these feudal aristocrats is far from extinct, especially down in the Danube Valley, where Franz-Josef hails from.

One of Strauss's most intimate associates continues to be Grand Duke Otto von Hapsburg, the pretender to the throne of the Holy Roman Empire, the Austrian Empire, and the Kingdom of Hungary, though Otto has been keeping a lower profile these days than he did in last year's elections for the European Parliament in Strasbourg. Otto and Franz-Josef—the name is not coincidentally an allusion to the next to last Austro-

Hungarian sovereign—see eye-to-eye on a conception of society that has deep roots in the feudal turf of pre-World War I Eastern Europe.

In matters of foreign policy, Franz-Josef Strauss is an apostle of confrontation with the Soviet Union and its allies; even more blatantly than Henry Kissinger or Zbigniew Brzezinski, he speaks in the linguistic clichés of the cold war of the 1950s. In his campaign speeches, vehement to the point of raving, the old Dulles dream of "rollback of Communism" is never far below the surface. Strauss is in basic agreement with the Dutchman Josef Luns, the general secretary of the North Atlantic Treaty Organization; with British Prime Minister Margaret Thatcher and her Svengali, Sir Keith Joseph; with France's hawkish pseudo-Gaullist Jacques Chirac; and with Italy's Amintore Fanfani, another Christian Democrat who is hooked up to the same Jesuit and former Nazi networks that give Strauss his power.

The perception of the majority of German industrialists and bankers, who back Schmidt, is that Strauss's commitment to confrontation in the political, economic, and ultimately strategic arenas is so strong that if the Bavarian were to succeed in his quest for power by establishing himself as tenant of Bonn's Palais Schaumburg, the chancellor's official residence, the outbreak of head-on confrontation between the great powers in Europe would be a foregone conclusion.

It is thus a matter of immediate importance to the nations of the world that the West German electorate, according to all surveys taken to date by a broad spectrum of polling organizations in the country, seem to have every intention of giving Schmidt four more years in power with a parliamentary majority somewhat larger than the present one. Somewhere between two-thirds and three-fourths of the citizenry judge Schmidt the best man for the chancellor's post, making him the first German politician who has been able to top the popularity of founding Chancellor Konrad Adenauer, who was number one among his countrymen for almost a decade after his death.

Strauss, by contrast, is seen as too likely to set the Russian tanks rolling in the wake of social conflict, strikes and disorder on the home front. Schmidt would today be on the verge of an overwhelming landslide victory, were it not for the German public's intense dislike for the left wing of Schmidt's Social Democrats, represented by men like Horst Ehmke, Egon Bahr, Erhard Eppler, and other satellites of former chancellor and present SPD chairman, Willy Brandt, who is a close friend of Robert McNamara of the World Bank.

EAP surveys show that the overriding concern of the West German population is the maintenance of peace in Europe. In reaction to the Carter administration policies, which are seen by the average German as aberrant and adventurous, there is a colossal anti-Amer-



Franz-Josef Strauss (r) during a parliamentary session.

ican resentment abroad in the land, a resentment which is still boiling under the surface merely because no politician of the major parties has chosen to become a spokesman for it. For the mature German citizen, the experience of war as catastrophe, as *Untergang*, is now the operative factor in determining political behavior.

Ironically, this feeling, which derives from the tragic experience of Hitler's assault on the Soviet Union, has led to a profound psychological rapprochement with the Soviet people. This is based on the convergence of the German and Russian perceptions of war as the total negation of everything that makes life worthwhile, and of war avoidance as the imperative necessity. Germans and Russians, one increasingly hears, have "war in their bones," and differ in this from the political culture of the United States, which knows almost nothing, by comparison, of war's real devastation, and is thus seen here as a country that courts confrontation in a totally irresponsible manner.

The threat of war

Schmidt's two slogans for the SPD campaign are "*Sicherheit für Deutschland*" (security for Germany) and "Increase the well-being of our people while warding off threats." Several months ago Schmidt compared the world situation of today with that of July-August 1914, on the eve of the outbreak by miscalculation, of World War I. He has repeated this analysis recently, stressing that the present world configuration is "eminently dangerous."

In a television interview with several journalists

organized by Bavarian television several weeks ago, Schmidt offered the following analysis. The principal causes of the threat to peace are essentially four: Iran, after the fall of the shah and the taking of the American hostages; Afghanistan, after the Soviet invasion; the Middle East; and the threat of a massive new escalation in the arms race between the United States and the Soviet Union. At the beginning of this year, Schmidt continued, all dialogue between the United States and the Soviets had been broken off, and the diplomacy of the superpowers had been paralyzed by crossed ultimat. Schmidt said that this extremely dangerous "wall of mutual silence" had been overcome only through the diplomatic initiatives, first of the French Republic under "my friend" Giscard d'Estaing, and then by the Federal Republic of Germany. Schmidt stressed above all the necessity of such dialogue: "Security derives from having one side listen to what the other is saying," he asserted in one of his speeches.

In this connection, Schmidt has repeatedly underscored the importance of maintaining equilibrium between the United States and the U.S.S.R. This equilibrium is imperative, he said during his Bavarian television interview, and the purpose of arms limitation, arms control, and disarmament is to guarantee that equilibrium can be reduced to lower and lower levels of overall military appropriations. In response to a question about Ronald Reagan's quest for U.S. military superiority, he answered that Germany would never accept such a policy. Out of this flows Schmidt's commitments to favor talks between Washington and Moscow on the limitation of the medium-range missiles in Europe. This

was the only result of his late June trip to Moscow, other than the approval of several important development deals with the Soviets.

In a more recent television broadcast from the offices of the *Nürnberger Nachrichten*, a newspaper in northern Bavaria, Schmidt elaborated that a new cause of world instability is the destructive economic effects of the 1979 oil price increases, which are now being acutely felt by all countries. Schmidt said that he was deeply concerned that the prospect of rising unemployment and inflation would cause a turn to protectionism and thus deal a fatal blow to the integrity of world trade. From this point of view, he added, today's world economic situation can only be compared with that of the years 1931, 1932 and 1933.

In a speech before the Munich International Energy Conference, Schmidt added that without the development of nuclear energy, there was a danger that wars could break out for the control of a dwindling world oil supply.

If Schmidt is compared to the corresponding level of politicians in the United States or Great Britain, he appears to be a paragon of statesmanlike competence, towering over disgusting immorality and abysmal stupidity of his counterparts. However, this standard of comparison is not the relevant one. Schmidt, like Giscard, must be measured according to the standard of necessity, of the adequacy of their policies to guarantee the survival of the human race at this strategic juncture, since this is the role they must perform; and from this point of view, Schmidt's rating looks very different.

Schmidt's problems center on conceptualizing the relation between monetary crisis, world depression, and the threat of war in today's world-strategic process. Most simply put, Schmidt has for the moment dropped all initiatives in the direction of the urgent implementation of the second or credit-issuing phase of the European Monetary System. As recently as several months ago, he was reported to be thinking hard about ways to wipe out the Eurodollar market and use this liquidity for development credit within the framework of the new European Monetary Fund. But, for the time being, both Schmidt and Giscard seem to have decided that this is a bridge that can only be crossed after the German elections, and perhaps even after the French elections late next spring. Schmidt seems to see these issues as either-or: either stress dialogue and peace policy, or else push the EMF, but German and international power relations do not permit both.

Thus, the EMF is never mentioned these days by Schmidt or by his finance minister, Hans Matthöfer. The Europäische Arbeiterpartei, however, continues to make the EMF the core of its campaign. Schmidt tends to point to his own track record in economics with the smug complacency of a successful sales manager. He said on television that when the SPD took office, it took

four D-marks to buy a dollar; now it is about 1.75. Pointing out that the West German economy has thus been shielded from the increased cost of oil, Schmidt praised the D-mark as one of the hardest currencies in the world, established as such by all the currency markets in the world, not many of whose brokers are German Social Democrats, he quipped. We have the greatest currency reserves of any nation in the world, the second greatest gold reserves in the world, the lowest inflation rate and the lowest rate of joblessness of any major industrial nation, Schmidt continued.

Schmidt tying his own hands

All well and good: but at the same time the motor force behind the deterioration in the military-strategic realm is the ongoing economic decline, as has been obvious in famine-ridden East Africa. This was the focus of Helga Zepp-LaRouche's first national TV spot. The other side of the coin is seen inside West Germany: beneath the appearances of order and well-being is a population with a birth rate of 1.4 children per woman,

Catholic bishops attack Schmidt

The conference of Roman Catholic Church bishops, with the consultation of one of Franz-Josef Strauss's campaign advisers, last week drafted a pastoral letter which was read from the pulpits of over 12,000 churches, criticizing the Schmidt government for "sacrificing our youth's future by following a policy of inflationary public state debts."

In a speech given a few days later on Sept. 23 by Archbishop Josef Höffner. The Archbishop declared that West Germany's politicians and industrialists were leading the country into a "world catastrophe" with their industrial development policies. He called such policies a "cancer" which threatens to engulf all of God's creation, and especially singled out what he termed "the reckless pursuit of nuclear energy construction." The head of the conference of bishops added that man should not treat nature as his resource reserve, but must find his way back to the simple methods of soil cultivation practiced by the Benedictine Order and the Cistercians.

Schmidt responded to the bishop's move by calling it an unprecedented and unwarranted interference of the Church in political affairs. He added that there was nothing in the Old or New Testament dealing with state finances.

far below the level of simple reproduction, which is 2.2.

The point is that Schmidt has chosen not to use the election as a forum of mass education around the leading strategic and economic issues, beyond the level of the general briefing summarized above. In his appearances he is rather more concerned with projecting an image, that of the sober, self-controlled statesman-like, reliable steward of the public interest, all in comparison to Strauss, who is none of these.

This strategy means that Schmidt has tied his own hands in a critical period. It is well known that Schmidt's attitude towards "unpredictable" President Carter is one of personal loathing, and deep distrust; nevertheless, Schmidt is careful to keep these well-known facts under wraps during the campaign, lest he offer grist for Strauss's mill. Behind the scenes, an official of the Bonn coalition predicted that until Oct. 5, Schmidt would avoid all overt clashes with Carter. But after that, he said, there would be a series of extremely tough confrontations between Bonn and Washington, growing more out of the predictable course of events than out of any special plan of Schmidt's.

He characterized the Bonn government as sick and tired of receiving ultimata from Washington, and said that he was eagerly awaiting the day when Schmidt or some other member of the cabinet would tell Carter to go to hell. For this, a united Europe would be necessary, but, he added bitterly, some countries, like Italy, are little better than colonies of the United States. In Italy, the Americans have erected an iron curtain against the necessary "historical compromise" between Christian Democrats and Communists, he said, and it is the Americans who need constant terrorism to make sure that the PCI is kept out of the government. Kissinger is the evil spirit who curses at the German détente with the East, the *Ostpolitik*, he went on. Pretty soon, he concluded, the French and the Germans are going to get together with the Soviet Union and impose a solution on the Middle East in coherence with European interests.

Top officials of the Bonn coalition are known to consider Zbigniew Brzezinski a dangerous lunatic, and to keep certain artifacts of Brzezinski's more crack-brained escapades on prominent display in their offices, where they can be ridiculed for the amusement of visiting officials and guests.

Unfortunately, not much of this is allowed to seep out in public, despite the fact that people are more than ready to hear it. At high-point in the recent Polish crisis, Schmidt showed the extent to which he underestimates the political maturity of the population here. Helmut Kohl, the CDU chairman, and Strauss had both demanded that Schmidt declare his full support of the Polish strike movement, and that he deny the Warsaw government a DM 1.4 billion loan that had been floated by a consortium of German banks. Schmidt, thinking

himself very sly, rejected the opposition demands, saying that he agreed instead with President Carter that interventions into the Polish situation should be kept to a minimum, and adding that he had just received a letter from Carter recommending that Western economic help to Poland should be increased, not cut.

Schmidt may have cleverly boxed in the hapless Kohl and Strauss, but many intelligent Germans perceived these remarks as the cheap election trick they were. One veteran SPD factory councilor in a steel mill in the Saarland told this writer: "We've had it up to here with letters from Washington telling our government what to do, and Schmidt should have said so." Despite deep popular loathing of the Carter administration's dangerous antics, West German Chancellor Helmut Schmidt's campaign for reelection has steered clear of attacks on Carter. The political mood in the electorate is increasing hostility to having Bonn pushed around by Washington. But a strange taboo has descended on this question in the past few months.

One index is this year's Autumn Forge maneuvers, which are billed as the biggest war games on German soil

Der Spiegel attacks the EAP

The West German magazine *Der Spiegel* prominently features in its Sept. 22 issue an article entitled "Dark Forces," which characterized the European Labor Party (EAP) as rightwing and Nazi, mysteriously supported by both the CIA and KGB. The EAP's leading candidate in the October elections is Helga Zepp-LaRouche, wife of the American political leader Lyndon LaRouche.

Der Spiegel accuses Mr. LaRouche of brainwashing his supporters through "deep analytical therapy" and "endless interrogations with deprivation of sleep and food . . . a political Jim Jones."

Der Spiegel is a left-liberal magazine whose editor, Rudolph Augstein, was arrested in Italy last year on drug charges.

The EAP has issued a leaflet pointing out that "the original source of most of the lies in this week's *Der Spiegel* is the weekly New York City newspaper *Our Town*, whose editor is Ed Kayatt, a convicted felon who served time in prison for fraud involving U.S. government bonds." Kayatt, the leaflet continues, is a protégé of Roy Cohn, a lawyer whose first claim to fame was his participation in the McCarthy witch-hunts of the 1950s and who now distinguishes himself as a lawyer for international organized crime members.

since 1945, with hundreds of thousands of NATO troops, especially British troops, taking part. Last year, Defense Minister Hans Apel's ministry had protested what it termed the unnecessary scale of similar maneuvers. This year, despite the fact that the maneuvers are a bigger and more absurd provocation in every way, Apel meekly took his place beside NATO General Secretary Joseph Luns and NATO Supreme Commander Bernard Rogers at the Royal Air Force base in Gütersloh for the official opening ceremony. At the time, Helga Zepp-LaRouche of the EAP urged Schmidt to end West Germany's status as an intimidated, occupied nation by calling off maneuvers that coincide with the Warsaw Pact fall maneuvers in the neighboring German Democratic Republic, as well as with the critical final phase in the West German election campaign.

Appearing in an EAP television election spot following the second program evening news, Zepp-LaRouche introduced herself as the wife of Lyndon LaRouche, the American presidential candidate and economist, and sharply attacked the Carter administration for deliberately threatening Europe with nuclear destruction in the service of Zbigniew Brzezinski's military fantasies. "Enough is enough," she said emphatically.

"I know the United States better than Schmidt, to say nothing of Strauss," said Zepp-LaRouche, "and I know that the real America is not the bankers of New York, Boston, and Chicago." The real America, she asserted, would welcome the imposition of rational policies on Washington by joint Franco-German policy initiatives. First among these must be the implementation of the second phase of the European Monetary System, in the context of energetic measures to neutralize Carter's confrontation policies in all the relevant world arenas, she said.

Results of vacillation

Schmidt's reluctance to undertake such meaningful, high-impact measures in the months before the election has permitted a noticeable deterioration in the policy climate. By shying away from the domestic political risks of an open repudiation of Carter and everything that he stands for, Schmidt has armed the enemies of détente policy, both in Washington and Moscow. From the Soviet point of view, Schmidt is the man who met with Brezhnev in June, who received a member of the DDR Politburo in Bonn for the first time this spring. But he is also viewed as an accessory to the December NATO decision to deploy the medium-range Euromissiles, a prime mover in the boycott of the Olympic Games, and the vice-chairman of the SPD, a party which provided major inputs into the Polish destabilizations. Although Soviet President Brezhnev, in his recent Alma Ata speech, repeatedly stressed the Soviet centrist faction's desire for cooperation with France and

the Federal Republic, there is no doubt that the Paris-Bonn-Moscow combination has lost momentum when it could have been accelerating.

Clearly, this was not Schmidt's intention. His calendar for August had originally called for a visit by Polish party secretary Edward Gierek to Schmidt's private home in a quiet suburb of Hamburg, a privilege that Schmidt extends only to those foreign leaders whom he finds both personally and politically congenial, and which has never been offered to Carter or Thatcher, who lose on both counts. After that, Schmidt was scheduled to travel by car into East Germany for a meeting with the DDR chief-of-state and party leader Erich Honecker. This meeting was slated to yield further massive improvements in inter-German trade, energy agreements, and possibly a dramatic all-German call to preserve the peace in Europe and the world, containing a pledge by both sides that world war will never again be unleashed from German soil. This meeting, which was to have taken place near the Werbelinsee, northeast of Berlin, would have been the first-ever summit of the two German states. Afterward, Schmidt was scheduled to visit the Baltic seaport of Rostock. There he was expected to receive a very warm reception from local citizens, which would have duly impressed West German voters.

As it turned out, Gierek was forced to cancel his visit, and it was left to Schmidt to call off the projected German summit, fearing that it would coincide with Polish or Soviet military moves to crush the Polish strikes, or that provocateurs might exploit his presence in the DDR to touch off rioting there. West Germany's right-wing Springer press, which backs Strauss, was quick to assert that the basic thesis of Schmidt's *Ostpolitik*—that East-West negotiations and dialogue must be maintained under all circumstances, and especially in times of crisis—would not hold water.

How Schmidt is boxed in

To find the cause of these setbacks for Schmidt, one need look no further than his own party, the SPD, and his coalition partner, the FDP.

The most serious problem is represented by Herbert Wehner, leader of the SPD faction in the Bundestag, boss of the powerful AFA (Arbeitsgemeinschaft für Arbeitnehmerfragen, or working group on employee problems), the interface between the SPD and the huge German trade union confederation. Wehner is the *éminence grise* of the SPD—and the most powerful British agent in West Germany today. He is, for example, a much higher grade asset, from the British point of view, than the better-known Willy Brandt, who tends to act as a spokesman and vehicle for policies decided upon by Wehner. When, in the wake of the Polish destabilization, the official East German press agency Neues Deutschland



Foreign Minister Hans-Dietrich Genscher (l).

issued a stinging attack on the West German media and “revanchist circles” for blatant interference in the Polish situation, there can be little doubt that Wehner’s networks in the East bloc, including various networks dating back to the infamous SPD Ostbüro espionage and subversion operation of the cold war years, were being targeted.

Wehner started out in the Weimar Republic as an anarchosyndicalist professing views similar to those of Gregor Strasser of the so-called left wing of the National Socialist German Workers Party. Later, Wehner became a communist, joining the Ernst Maslow-Ruth Fischer putschist-terrorist faction of the old KPD (German Communist Party). He worked in the British-infested Paris office of the Comintern. During the Second World War, Stalin decided that an anglophile agent like Wehner was expendable, and tapped him for a high-risk infiltration mission into the Nazi capital of Berlin. Wehner, traveling toward Germany on the classic “northern route,” figured out what was happening and gave himself up as a Comintern agent to the Swedish government, who did not extradite him to the Reich, but merely interned him. When the war was over, Wehner popped up almost immediately as a leading SPD politician in the strictly controlled self-government organs of the British zone of occupation in Germany. Up to that point, he had never been a member of the SPD.

Wehner’s world-outlook is that of an anarchosyndicalist and a German chauvinist. He also has some romantic slavophile tendencies. Because he is such a vehement enemy of the American System of economic growth, he is strongly anti-American; for the same reason, he detests French economic dirigism, and has exerted as much anti-French influence as possible. It is reportedly Wehner who has also been running the major

containment and harassment operations against the influence of the EAP and Lyndon LaRouche in the SPD since the fall 1974 “incompatibility” decision, which barred SPD members from joining the EAP.

Wehner was unquestionably a major factor in the Polish destabilization, and he did not act alone. Partners in this operation included such figures as Horst Ehmke, Erhard Eppler, and Egon Bahr, presently the organizational boss of the SPD and formerly the top envoy in the East bloc for former Chancellor Brandt. Some of these, like Brandt’s old sidekick Ehmke, are among Schmidt’s most bitter personal enemies. Much of Schmidt’s real power, by contrast, comes from outside the SPD and the trade unions altogether. Schmidt has the backing of key sectors of German high-technology industry, including nuclear reactor exporters and firms trading with the East bloc.

The pro-environmentalist, antinuclear bias of a large, swampy section of the Wehner-led SPD Bundestag faction is another big problem for Schmidt. High-level figures of the Bonn coalition say privately that as soon as the election is over, the federal government will launch a nuclear reactor construction effort modeled on the French program, including significant funding for the high-temperature reactor, the fast breeder, and a big increase in fusion research appropriations. But in public, Schmidt allowed himself to be upstaged by the EAP and by Strauss on this critical issue.

At the recent world energy conference, Strauss took a stand for a clear and unconditional “yes” to nuclear energy, while Schmidt hemmed and hawed about the unsolved problems of nuclear waste disposal, ending up with a lukewarm commitment to nuclear. Official SPD propaganda says that the party wants neither economic growth nor nuclear energy “at any price,” and approves



Folk musicians campaign for the FDP.

nuclear only to cover energy needs that cannot be met by coal and a hodgepodge of “renewable” sources.

The role of the FDP

On this front, like all fronts, pressure against Schmidt continues to come from his coalition partner, the Free Democrats. The EAP and Helga Zepp-La-Rouche are calling on West German voters to turn the FDP out of office and open the way for an SPD-EAP coalition.

The FDP is the direct descendant of the old German Democratic Party of the Weimar Republic, whose founding father was the subsequent Nazi Finance Minister Hjalmar Schacht. After World War II the British-sponsored, reconstituted FDP was a popular back door route for various personalities who had not stayed clean during the 1933-45 period to get back into politics. The principal leader of the FDP during the 1950s, Erich Mende, was part of the international dirty-money networks that later sponsored Bernie Cornfeld's Investors Overseas Services (IOS).

During the 1970s, the FDP became the most zero-growth of the Bonn parties, with a strong antinuclear wing. Even more than the left SPD, the FDP is a party closely attuned to the Club of Rome. It is the party of Countess Marion Dönhoff, a Kissinger liaison who edits the weekly *Die Zeit*, the party of Malthusian Ralf Dahrendorf of the London School of Economics.

In elections held last spring in North Rhine-Westphalia, the most populous and most heavily industrialized of the West German federal states, the FDP failed to obtain 5 percent of the votes and thus disappeared

from the state parliament. The panic-stricken FDP leadership is now banking everything on two interrelated tactics to stave off repetition of this defeat and the ouster of the party from the Bundestag in the national election.

First, the FDP chairman, the chubby Foreign Minister Hans-Dietrich Genscher, is playing the peace card to the hilt, trying to outdo Schmidt in cashing in on the popular will to avoid war. “*Ohne Frieden geht nichts*” (“without peace, nothing works”), is the headline of the FDP's election newspaper. Genscher is crisscrossing the Federal Republic at a breakneck pace, asking for votes to continue the “Schmidt-Genscher” government and to stop Strauss—not to implement “liberal policies,” as the FDP slogan usually has it. Genscher reflects current strategy among the British faction formerly headed by Lord Mountbatten, demanding on the one hand that the United States and the U.S.S.R. begin negotiations without preconditions on the Euromissiles, while repeating a litany of protest about the Soviet presence in Afghanistan on the other. Genscher has succeeded in the past in sabotaging Schmidt's policies, simply by threatening to withdraw from the coalition in favor of a deal with the CDU-CSU.

Secondly, the chaotic, antinuclear, pro-marijuana “greenie” wing of the FDP, as typified for example by Hamburg Bundestag Deputy Helga Schuchard, a frumpy Gloria Steinem, has totally disappeared from the national print and broadcast media. Eclipsing them has been Count Otto Lambsdorff, the economics minister. Lambsdorff has been pushed up front in an effort to provide a moderate point of identification, especially for disgruntled CDU voters who are not comfortable with Strauss, would like to see Schmidt stay on as chancellor, but would rather die than cast a vote for “subverter of the state” Brandt and the SPD left wing.

Count Lambsdorff, a petty oligarch like so many FDP spokesmen, started a campaign for middle-class votes—small businessmen, professional people, and so forth—that made him one of the most hated men in Germany. In an appeal to small employers, Lambsdorff asserted that German workers have slacked off, and should work much harder if they ever expect to compete with the Japanese. In the factories of the Ruhr, Hessen, Stuttgart and Lower Saxony, the workers were furious. “Let that bum count come down here and tell us what he thinks after a day on the assembly line,” said one angry factory councilor. Nevertheless, among some CDU strata, the tactic is working: some will abstain from voting, which is virtually unheard of here, but others will vote FDP.

At the same time, the FDP left wing has periodically come out of the closet. The party youth organization, the Judos, now fully support the legalization of hashish and marijuana, a position that is also widely attributed to the interior minister, Gerhard Baum of the FDP.



Willy Brandt at a rally in Salzgitter.

Baum, unlike his colleagues Genscher, Lambsdorff, and the agriculture minister, Josef Ertl, is a member of the younger, "greenie" generation of the FDP.

In addition to his notorious softness on the drug issue, Baum has been pal-ing around more with known terrorists during the past year. First there was the case of Horst Mahler, the West Berlin lawyer who was a key member of the Baader-Meinhof gang, the so-called Red Army Fraction, during the late 1960s and early 1970s. Mahler, who had undisputedly shared in several of the Baader-Meinhof's earlier crimes, repudiated terrorism while in jail. Baum, interior minister since a 1978 cabinet reshuffle, bought the story, and that certainly helped Mahler to win parole this year after having served only half of his sentence. Long conversations between Baum and Mahler have even been published as a book, *The Minister and the Terrorist*.

More recently, during the hot phase of the election campaign, Baum decided it was time for another public appearance with Mahler, allegedly to keep in contact with disaffected youth who might otherwise drop out and pick up the gun. This came at a time when the Baader-Meinhof was launching its August buildup for new terrorist acts during the election campaign, with Chancellor Schmidt as the number-one target. Baum appeared at a public forum with Mahler and Professor Klug, the former interior minister of the federal state of Hamburg.

The round table was presided over by Rudolf Augstein, the editor and publisher of *Der Spiegel*, West Germany's biggest weekly news magazine. Augstein was arrested last year in Italy on charges of possession of marijuana. The discussion was interrupted by pro-

terrorist youths, and even a convicted terrorist on leave from jail, who screamed their defiance of the capitalist state and the pigs who work for it. *Die Zeit* called the meeting a failure, while the CSU branded Baum "the terrorists' friend," and for once they were right.

Certain SPD members would like to see their party attain the absolute majority in the parliament, in comparison to the 42.6 percent the SPD received in the 1976 elections. This would make possible an SPD *Alleinregierung*, or one-party government. In 1976 the CDU-CSU got 48.6 percent, and the FDP 7.9 percent. During his *Nürnberger Nachrichten* television interview, Schmidt noted that never, not in the pre-1918 German Empire, nor in the Weimar Republic, nor since World War II, had the SPD ever achieved an absolute majority. "It would be very nice," Schmidt said, to have the honor of leading that kind of victory, "but it's not going to happen." For the SPD to become the biggest faction in the Bundestag, which has not happened since 1933, would already represent a great personal triumph for the chancellor, and the polls show that this is within reach.

Strauss runs amok

The biggest architect of the probable social-liberal election victory will of course be Franz-Josef Strauss himself. The Bavarian patriarch, who just turned 65, is nothing but a raging, greedy Id, constantly out of control, and running amok. But since Franz-Josef goes ape in *every* speech, for the last year his own personality has been *the* issue of all German and thus much of European politics. Strauss is what is called here a *Wählerschrecker*, a candidate who scares off voters and is always placed on the defensive by having to explain his most recent ranting fit.

There is method in this particular madness. Late in 1974, when Schmidt was just settling in as federal chancellor, Strauss delivered a notorious speech in the town of Sonthofen which, Helga Zepp-LaRouche claims in her introduction to the EAP election pamphlet, "What Wehner Refuses to Say About Strauss," has been the Strauss strategy ever since. In that speech Strauss said: "The economic situation will have to get much worse before we will have a chance to get people to listen to our ideas, warnings and proposals. Everything has to go bankrupt somehow, followed by a real shock in public awareness. We have no reason to want to avoid this crisis, because otherwise there is only a pause, and after the pause everything starts going in the wrong direction once again." In the meantime, Strauss stressed, it would be a big mistake to propose positive solutions to any problems whatsoever. In his reflective moments, Strauss probably cackles while comparing himself to Goethe's Mephistopheles, the devil who always negates. Schmidt's standard characterization of

Strauss is not off the mark: "He is incapable of peace. We cannot vest control of all of us in a man who cannot keep himself under control."

Thus, there is almost nothing to say about Strauss's positive program: he has none. In a television interview from the offices of the *Westfalenblatt* in Bielefeld, Strauss summed up his positive program in two points: maintain the free, democratic order, and peace in freedom, meaning a strong commitment to NATO. If elected, he said a few days ago, I wouldn't go to Moscow or the DDR, but to Washington. Strauss told the *Rheinischer Merkur* that he stands for "Peace and Freedom—not peace through surrender on the installment plan, not getting chummy or showing willingness to give in." "Pax Americana, not Pax Sovietica," says Strauss, and that means "functional alliances, not a paper guarantee from Moscow." When asked how his *Ostpolitik* would differ from Schmidt's, he replied: "More dignity, less chumminess, more reserve, more clarity."

One of the reasons that Schmidt looks good as chancellor is that the visible alternatives in the SPD are all so vastly inferior to him in ability and maturity. It is a rule of thumb in European politics that the older politician who has experienced war and postwar reconstruction will acknowledge a reality principle in some form. Only from this point of view can the function of the EAP be fully appreciated...to ensure that West Germany is provided with 'survivable' leadership through the 1980s and beyond.

Otherwise, Strauss has made the following claims: "If I were chancellor, there would be no Russians in Afghanistan." "If the Poles could vote, they would choose me, and not Gierek." "In contrast to Helmut Schmidt and the German trade unions, I stand on the basis of democracy."

The Strauss campaign is otherwise a cataract of raving insults and abuse, much of it aimed at Schmidt personally. Strauss has branded the popular chancellor as "ready for the mental hospital," "Moscow's errand

boy," "the tool of Moscow," "the blue-tailed fly," "a chameleon," "the panic chancellor," "the war chancellor," "the peace prattler," "the Moscow faction," "the top executive of Marxists, Incorporated," "a fraud," "a liar," "the prophet of panic," a man guilty of "delusions of grandeur," responsible for "war hysteria."

According to Strauss, the "course of the SPD is decided today by the Marxist long-range strategist Herbert Wehner, by the false prophet Willy Brandt, and by the underground manipulator Egon Bahr, who is responsible for the fact that SPD propaganda can hardly be distinguished from the propaganda of Julius Streicher and the magazine *Der Stürmer* back in the 1930s." *Der Stürmer* was a broadsheet of the Nazi stormtroopers.

Strauss during the same speech called the SPD rank and file "the street mob and a collection of vagrants" paid and organized by Egon Bahr—who is taking Strauss to court on that one.

But Strauss's classic speech probably remains the one he gave several weeks back to a joint CDU-CSU delegate conference in Munich, which has been repeatedly excerpted in television spots. Here Strauss gives a veritable litany lasting a quarter of an hour on the following model: "If you think that Wehner's connections to Moscow are more important than our connections to Washington, then you should vote SPD or FDP. If you think that we should pay more to East Germany, then you should vote SPD or FDP. If you think we need more government and not less, then you should vote SPD or FDP. If you think that another currency reform would be a good thing, then you should vote SPD or FDP. If you think the government knows what you should do better than you do yourself, then you should vote SPD or FDP." And so on, winding up with "The question is not whether we should be red or dead, but whether we will be red first, and then dead in a war against the United States." All this, and more is the product of what Strauss called on television "my cool analytical mind, my hot heart and passionate mouth." "I say what I think and I do what I say," concludes Franz Josef. Small wonder that Schmidt's old nickname *Schnauze*, "the Lip," is seldom heard these days.

While Strauss is out on the hustings warning against the consolidation of the "SPD State," the CDU-CSU "leadership team" has been able to generate, at last count, two issues in addition to the "issues" implied so far. Each is, in its own way, the fruit of profound desperation.

The secretary and campaign manager of the CDU, Heinrich Geissler, is responsible for the charge that Schmidt is robbing old people of their pensions. "Schmidt is a political pension thief," is Geissler's refrain. Geissler himself is a sneak, vain, cynical, and calculating. The substance of his attack is that the

social-liberal coalition is computing pensions on the basis of net earnings during a working lifetime, rather than gross earnings. Schmidt, says Geissler, is a con man.

Otherwise, there is only the debt issue. The Strauss boys have discovered that the yearly debt service on all forms of public debt (federal government, federal states, and cities) is now more than the total debt load when the CDU-CSU left the government in 1969. Strauss's shadow finance minister, Schleswig-Holstein governor Gerhard Stoltenberg, and Strauss himself have therefore been spreading the ridiculous rumor that the D-mark is about to fall, with a Weimar-type inflation just around the corner. Strauss says he predicted it all; in 1969, when the social-liberals took power with Willy Brandt, he wrote: "Here and today begins the sellout of Germany." Karl Klasen, the former head of the German central bank, the Bundesbank, pointed out that the total debt burden is only 28 percent of the yearly German GNP, compared to figures like 52 percent for the United States and 61 percent for Great Britain.

The future of the parties

By now, the only real question left open regards the exact dimensions of the CDU-CSU debacle, and Strauss knows it. In the wake of the coming election defeat, the older generation of CDU-CSU politicians will be swept away. Strauss will remain as power broker, but he will be washed up politically. CDU Chairman Helmut Kohl, Geissler, Stoltenberg, the CDU's Hesse boss Alfred Dregger, CSU Strauss cronies like Friedrich Zimmerman, Gerold Tandler, Werner Dollinger, and General Secretary Edmund Steuber—all will be finished. The future of the CDU-CSU will belong, by all indications, to the Lower Saxon finance minister, Walther Leissler Kiep, the prime minister of Baden Württemberg, Lothar Späth, and the Lower Saxon prime minister, Ernst Albrecht, all CDU. Of these the most dangerous is certainly Kiep, the synthetic product of linguistic labs and image makers. Kiep, smooth-talking and urbane, has been cultivating a sort of Jack Kennedy mystique for a number of years. He passes out T-shirts that say "Kiep Smiling." His pedigree is pure Anglo-American; two years ago he told a crowd in Hannover, "I love Queen Elizabeth." Kiep is a mouthpiece for Zbigniew Brzezinski's controllers: he has lately been saying that it is time to send the Federal German navy down to the Cape of Good Hope to guard the routes of the oil tanker convoys. Kiep and Albrecht are holed up in the Lower Saxony government with Science Minister Eduard Pestel, the leading spokesman in West Germany for the Club of Rome, of which he is an assiduous collaborator. Lothar Späth's political profile is still blurry.

Under Adenauer, the CDU was the conservative

Catholic party. With Kohl and Strauss, it has become the Catholic Volkspartei, or People's Party. With Kiep and Albrecht, the CDU would touch bottom as a liberal Catholic party, aligned with the Club of Rome, and ready to celebrate the coming of the Age of Aquarius.

The changing of the guard is approaching in the SPD as well. Wehner will be stepping down as Bundestag faction chief in 1982. Schmidt has been described by insiders as immensely tired, telling friends that two full terms is all that a man can stand. That would mean that Schmidt, too, might resign during 1982. Schmidt thinks that he has succeeded as chancellor far beyond anything that anybody could have expected. He reportedly feels that demands that he keep détente alive and create a new world monetary system at the same time are just plain unreasonable.

One of the reasons that Schmidt looks good as chancellor is that the visible alternatives in the SPD are all so vastly inferior to him in ability and maturity. The best of these is Hans Apel, a stolid Hamburg businessman type whose experience as former finance minister and present defense minister recalls Schmidt's own career before he rose to the chancellorship. But Apel is Schmidt's inferior by at least one full order of magnitude. Until recently, Apel was the unquestioned successor. Next comes the current finance minister, Hans Matthöfer, a former trade-union bureaucrat who is cagey but who has all of Schmidt's crass defects—pragmatist, big operator—with none of Schmidt's saving competence. Even less acceptable is Justice Minister Hans-Joachim Vogel.

Beyond these senior ministers, the outlook is even bleaker. It is rule of thumb in European politics that the older politician who has experienced war and postwar reconstruction will acknowledge a reality principle in some form. This even applies to British agents. Those too young to have such experience are for the most part mere plastic technocrats, veering on the whole toward leftist heteronomy. That is what we find if we look at Schmidt's younger cabinet officers like Volcker Hauff (technology), Rainer Offergeld (development), Dieter Haack (housing), Jürgen Schmude (education).

Only from this point of view can the indispensable historical function of the EAP in West Germany be fully appreciated. As we have seen, the EAP is necessary first of all because of the fact that Schmidt, good as he is by empirical standards of evaluation, simply is not good enough. Equally important, it is the role of the EAP to ensure that West Germany is provided with "survivable" leadership through the 1980s and beyond, a problem that will become absolutely critical in only a couple of years, depending on how long Schmidt holds out.

Were it not for the EAP's past campaigns, Schmidt would never have come as far as he has today. The EAP's campaigns in Lower Saxony and Hesse in 1974,

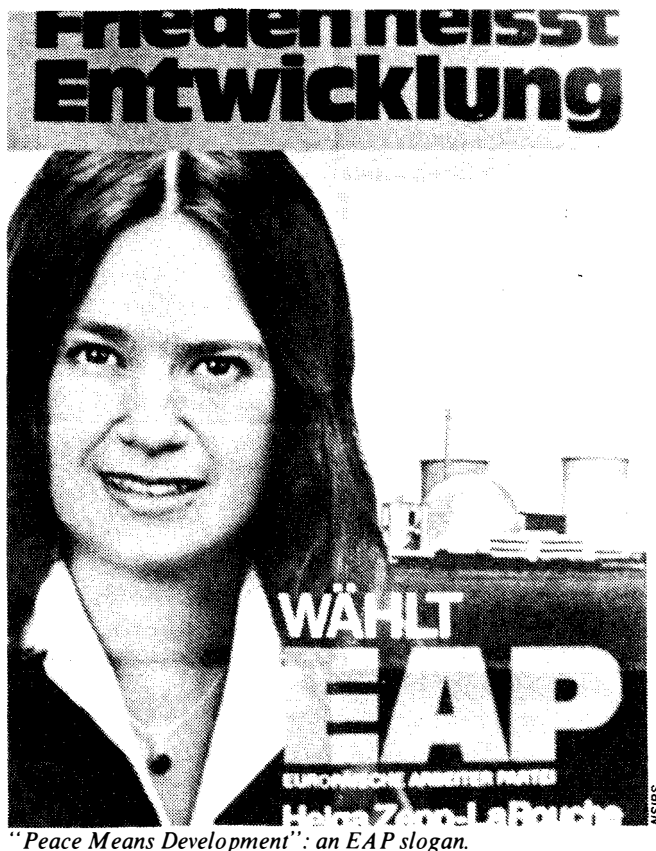
in the Ruhr in 1975, and during the Bundestag elections in 1976, all of which centered around versions of the LaRouche International Development Bank, were indispensable in preparing Schmidt personally and West German public opinion in general for the 1977-78 developments that led to the mid-1978 Schmidt-Giscard decision to found the European Monetary System.

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During this phase the EAP's impact was, above all, mediated through policy-generating circles. During last year's campaign for the European Parliament, the EAP's access to four nationwide television spots gave the party a vastly heightened mass impact. During that campaign, Helga Zepp-LaRouche appeared in 20 million German homes before the backdrop of the Biblis nuclear reactor complex, the largest in the world, demanding a full commitment to nuclear energy as the only alternative to the immiseration of the developing sector and world war. This spot resulted in massive pressures on Schmidt to announce an enhanced commitment to nuclear energy, which the chancellor first delayed until after the election, citing the usual left SPD "greenie" opposition, and then diluted altogether. The spot was apparently so memorable that it was cited in a front page editorial of the Munich daily the *Süddeutsche Zeitung* a few weeks ago in an attempted slur of the EAP.

Despite its expanded influence, EAP deputies were not elected, due in large part to voting manipulations that spanned all national parties and the trade unions as well. A key factor was the stubborn refusal of the television, radio, and press to report the EAP's campaign in accordance with its newsworthiness. A leading pollster marveled at the party's ability to achieve significant results in the face of virtual media boycott, but



"Peace Means Development": an EAP slogan.

stressed that real saturation and penetration begins only when a candidate is on television several times a week, rather than a total of four 2½-minute spots, the sole coverage the EAP was allotted.

This year, in order to be present in all 10 federal states, the EAP, mobilizing something less than 100 fulltime activists, had to collect more than 35,000 signatures on petitions, filled out in duplicate according to exacting bureaucratic standards. By Oct. 5, these same EAP members and volunteers will have distributed more than 500,000 program folders. They will have put up almost 20,000 posters and billboards.

Being present in all 10 federal states means that the party will be assigned four 2½-minute radio spots and ten 4½-minute radio spots. In addition, various regional television stations, corresponding to federal states, have been filming coverage of EAP rallies. In the wake of Helga Zepp-LaRouche's television attack on Jimmy Carter, *Stern* magazine and other publications have requested interviews.

EAP pressure on Schmidt to tell the truth about Carter is hitting a very sensitive point very hard. One Zepp-LaRouche radio spot contained a reference to Carter as *unzurechnungsfähig*, conveying the idea that Carter is unable to account for his own actions, and that the President is mentally incompetent. The North German Radio of Hamburg played the spot as record-



NSIPS/Philip Ulanowsky

Helga Zepp-LaRouche with a portrait of Schiller.

ed. Several days later, the West German Radio of Cologne called the EAP federal executive to complain that the term *unzurechnungsfähig* represented a slanderous insult of a foreign political leader. The West German Radio, the most servile of a bad lot, demanded that the passage be deleted. Several days later, Hesse's Radio of Frankfurt called in with the same demand.

The EAP program demands the construction of 80 more nuclear power reactors during the next 20 years, plus the implementation of the total fuel cycle in the Federal Republic. For many years the EAP was the only German party with this quality of commitment to advanced nuclear technology. It is likely that Schmidt's real postelection nuclear posture will look very much like what the EAP is demanding.

The EAP, in cooperation with the West German Anti-Drug Coalition, has made drug trafficking an explosive political issue in this country, mainly at the expense of the FDP, which acts as the semi-official prodrug lobby. It has recently come to light that the SPD, FDP and CDU-CSU are all parties to a secret agreement, through which they are all committed to make sure that the drug issue is not raised in the campaign. In so doing, they have abandoned the issue to the EAP, which intends to use it to expose the bankruptcy of the other parties.

Related to this issue is the question of education and

culture. In the homeland of Beethoven, Schiller, and Riemann, each of the four established parties is using rock, disco, and other varieties of counterculture to attract young voters. This is wholly coherent with the educational and cultural policies of each of these parties, which now comes down to total betrayal of the Leibniz tradition in favor of the most destructive Anglo-American empiricist pragmatism. The EAP is demanding a return to German humanist traditions that made this country the leading musical, philosophical, archaeological and scientific power in the world.

The basis of the EAP's views on these leading issues was summed up by Helga Zepp-LaRouche during her keynote speech to the party's election congress held in the Rheingau some weeks ago. In that speech, she described the decades-long commitment of Anglo-American intelligence, through the Versailles war-guilt clause, the years of Nazi rule, and the crushing imposition of postwar "collective guilt" on all German citizens for the crimes of the Nazi regime, to the utter destruction of every positive national identification and sense of patriotism in the German nation. As a result, any real German patriot is routinely defamed as a Nazi. The EAP stakes its claim for a positive sense of German national identity which must be present to mobilize the population of this country to make the contribution that is required of them in the industrial and scientific

development of the Third World. The German Federal Republic, she said, has today attained a degree of national maturity that makes possible and necessary a fully independent foreign policy of active war-avoidance which must be asserted in cooperation with France in direct opposition to the insane confrontationism of Washington, London, Tel Aviv, and Peking.

The choice is either to declare the Second World War and its aftermath over once and for all, or to face the Third World War, Zepp-LaRouche concluded. The EAP's policy of technological and scientific development is the only basis for overcoming the conflicting anticommunist and anticapitalist compulsive delusions built into the leading institutions of the two Germanies, and preparing the terrain for eventual German reunification in the context of a European development bloc "from the Atlantic to the Urals."

The EAP is running to replace the FDP in the Bundestag and in the ruling coalition, but there is no guarantee of success. The West German political system has two built-in features which make changes in the party landscape extremely difficult. The first is the five percent clause, which bars any party from sending deputies to the national and state parliaments until that party has obtained a full 5 percent of the total vote. This aspect of the Federal Constitution was motivated by the need to avoid the proliferation of splinter parties that had marked the Weimar Republic. Today, the five percent clause acts as a psychological deterrent to any person seeking an alternative to the four present Bundestag parties, because of the extremely high risk that such a vote will turn out to have been thrown away.

The second obstacle regards the parties themselves. In comparison to American political parties, the West German counterparts, like European parties in general, are highly uniform, centralized multi-level bureaucratic structures, highly oriented to national issues. Labor, business, professional and cultural organizations tend to be tightly nailed down, by one party or another. This rigidity of political structures is generally unfavorable to the growth of new parties.

The current national tours of Helga Zepp-LaRouche and the other leading EAP candidates have yielded indications that this picture is changing. Many regional power brokers are saying, "As long as it is Schmidt or Zepp-LaRouche, I'll choose Schmidt. If it gets to be Matthöffer or Zepp-LaRouche, that's a different story." Many of these contacts agree that a new party may be the way to avoid the blind alley that SPD, FDP, CDU and CSU will clearly represent by the mid-1980s at the latest. Many express admiration and respect for the courage of the EAP, which says out in public "the things that we can only discuss behind closed doors."

Photographs in this section are courtesy of the German Information Center, unless otherwise identified.

The philosophies of the candidates

European voters are more accustomed than Americans to explicit statements of politicians' philosophical outlook. The following is a summary of the philosophies of the three candidates for the Chancellorship of West Germany.

HELMUT SCHMIDT

As the Chancellor remarked in an interview in early 1979, he began his political career an Anglophile; later reduced his ties to Britain to become an "Americophile"; and now considers himself a Francophile. Schmidt was referring to his ties to the London-based International Institute of Strategic Studies during his tenure as Defense Minister (1969-74), when he worked closely with IISS German member Theo Sommer. At the end of the Nixon-Ford administrations, he deemphasized his ties with Britain, in favor of a closer working relationship with U.S. conservative layers, but in reaction to the Carter administration's foreign policies, soon went through the same transition as his predecessor Chancellor Adenauer: pursuit of a Franco-German alliance with France's President Giscard.

Schmidt has said that his personal philosophy is that of Immanuel Kant's *Critique of Practical Reason*: to behave so that one's morality coheres with a universal rule. This outlook, in abstraction, is characteristic of many other estimable Germans; by comparison with a Charles de Gaulle, however, it lacks active commitment to transforming the outlooks of others, as a means for shaping history.

In practice, Schmidt's philosophy is said to rest on the maxims of the Stoic Roman emperor Marcus Aurelius—patient endurance of fools and ingrates, because there is no single principle of natural law to guide the development of nations and men's minds. At the same time, because Schmidt is a German nationalist, his Kantian rationality is sometimes influenced by the "Leibniz" humanist world outlook, which was the foundation for the American Revolution. He is known to be a practicing student of Bach's organ music, and during his university study in war-devastated Hamburg, had intended to become an architect and city planner.

FRANZ-JOSEF STRAUSS

Strauss is often called a neo-Nazi by those who have little inkling of how close his social philosophy actually

is to the attacks on "big business and big labor," or the pleas for a "return to the land," vaunted by Nazi demagogues in the 1920s and 1930s. As governor of Bavaria, he said in 1978: "The peasant's vocation is a form of undertaking that unlike any other is suited to economic stability and environmentally healthy production. . . . We do not want any industrialization of agriculture. . . . Our peasantry is an indispensable element of a wholesome population faithful to its homeland. . . ." Globally, Strauss extends his polemic against industrialization and technology: "Today the mass-consumption society, as realized in the West and still, with ever-greater obstinacy, striven for under social-industrialism, is no longer a viable form of society, and in no way, despite the illusions cultivated by the U.N., should be transferred to the developing countries."

In the same speech, Strauss identified his own philosophy as "pragmatism," and in a fashion reminiscent of postwar propaganda about universal German guilt, excoriated "great plans and visions of the future" stemming from "German idealism."

Strauss in 1979 went so far at a Pan-European Union symposium as to throw the Nazi charge against the industrialists: "This technological development is nothing other than the palpable expression of an intellectual tendency that ultimately led to Fascism in Italy and to its National Socialist imitation in Germany, and in a weaker form to the centralized governments and administrations of other European countries under the myth of the nation-state." Strauss himself, despite his attacks on the United Nations, explicitly favors a supranational world government along the lines sketched by his friend Zbigniew Brzezinski in *The Technetronic Age* (1968), and beneath it, as prescribed by the Pan-European Union, a balkanization of the West into ethnic principalities.

HELGA ZEPP-LAROCHE

Mrs. Zepp-LaRouche, who also ran for Chancellor in 1976, is known throughout Western Europe as a scholar specializing in the great 18th-century German philosopher, writer and historian Friedrich Schiller, and in the 15th-century German philosopher and political leader Cardinal Nicholas of Cusa. Her own philosophy was recently stated in her preface to a 58-page campaign pamphlet published by the Europäische Arbeiterpartei, titled "What Wehner Refuses to Say About Strauss":

"Permit me at the outset to offer a personal comment. It makes me happy that Strauss has lost the last two elections on the state level. It makes me happy, because it says something good about the German population.

"Precisely at a point when the question of a positive national identity for the Federal Republic is still in no

way resolved, and every conceivable enemy of our state is consistently looking for ways to undermine our morale as a republic, precisely then have we won this small but important victory. . . .

"We have come to a point at which the German population bears a special world-historic responsibility, as Chancellor Schmidt and East German Premier Honnecker have recognized and publicly acknowledged. Never again can Europe, West and East, become the arena of war. Not because the German people carry the blame for two world wars, but because we in particular can measure the grief bound up with war, do we have a special responsibility.

"The German population in the Federal Republic and the German population in East Germany have the specific historic task of giving détente policy a lasting foundation. While the expansion of East-West trade, even under conditions of the present world monetary system, represents an important means of securing peace, an active strategy of war-avoidance is still required. . . .

"If the European Monetary System can go into its second phase, and thus, through gold-backed credits, put into motion an industrial upswing on a global level, the Federal Republic will assume a unique role. Precisely because the West German economy is Europe's most important, and in a certain way acts as the motor of Europe, we will decisively determine the course of the world economy.

"We in the Federal Republic must deliberately follow the 'volcano theory,' that is, participate as an exporter of high technology in the development of the underdeveloped sector; at the same time, as an 'avant garde,' we must develop the next, higher stages of technology. . . .

"Our positive national identity thus lies precisely in the tradition of so-called German idealism, of the strategic policy of a Leibniz, the economic policy of a Friedrich List, the tradition of mathematical-physical science of a Georg Cantor, a Bernhard Riemann, a Christian Gauss. It lies in the humanism of Friedrich Schiller, in the classicism of Bach, Mozart and Beethoven.

"A population schooled in the great humanists, deriving from them its ethical standards, and drawing on them for its concepts of the future, will reject a political leadership that can only exist when the population is degraded.

"Rather, such a population will demand the representatives it needs because it will be elevated by such a leadership. In the sense of Nicholas of Cusa, and thus according to natural law, political leaders must be distinguished as, not the cleverest spokesmen for the population, but those with the highest moral standards and the greatest readiness to pursue the national good."

The Iraqi war to clean out Khomeini

by Robert Dreyfuss

The warfare that has broken out between Saddam Hussein's Iraq and Ayatollah Khomeini's Iran currently has the potential to create an entirely new international strategic balance, pending the ultimate resolution of the conflict. Should Ayatollah Khomeini fall from power as a result of the ongoing conflict and its aftermath, or should the Muslim Brotherhood regime survive in a modified but contained form, then the entire decade-long strategy of the Anglo-American financial faction will be in jeopardy. They will have lost their "Islamic card," and as a result, the international power and influence of the nations of the European Monetary System and their OPEC allies will be greatly strengthened.

Questions still remain in regard to the ultimate intentions of both the Soviet Union and continental Western Europe in allowing the Iraqis to pursue their offensive deep into Iran. But at the same time, both the Carter administration and the British policymaking elite have been caught off guard by the events in the Persian Gulf. They are still groping for a policy to deal with the threat of a victory by Iraq and allied Iranian exile circles.

In the midst of the policy vacuum in Anglo-American circles, some factions, like those associated with Zbigniew Brzezinski and Israel's Menachem Begin, are already demanding a strong Anglo-American intervention to defend the Khomeini regime and prevent even an apparent Iraqi victory. But at present, President Carter is operating within a limited range of options, given the restrictions placed against U.S. intervention by America's European allies, especially the governments of France and West Germany.

It is *EIR's* evaluation that a significant and even determining factor in the overall situation around the Iraq-Iran conflict can be introduced by continued strong, independent action by the government of Iraqi President Saddam Hussein, and meaningful action by exile circles led by Prime Minister Shahpour Bakhtiar.

Two war aims

According to intelligence sources, Iraq's intention in launching its offensive against Iran, which followed months of Iranian border provocations, is twofold: first, to recapture Iraqi territory from a long-standing border conflict between the two countries; and second, to force the political collapse of the Khomeini regime. The scope of the Iraqi offensive, for which the entire nation has been mobilized, indicates that Iraqi President Saddam Hussein has determined that Ayatollah Khomeini and Iran's Muslim Brotherhood regime must be handed a crushing defeat in order to halt the spread of so-called "Islamic fundamentalism" into the Arab world and other countries bordering Iran.

In its offensive Iraq has received support, either publicly or privately, from the Soviet Union, France, West Germany, many Arab countries including Saudi Arabia and Jordan, and from anti-Khomeini Iranian opposition forces.

Opposed to the Iraqi offensive are primarily Great Britain, the United States, and Israel.

For several years, Zbigniew Brzezinski, President Carter's national security adviser, has sought to build an alliance with the Muslim Brotherhood secret society,

a powerful British-sponsored Islamic cult, and with the Khomeini regime itself, which came to power in 1979 with the full support and encouragement of the Carter White House and State Department. Brzezinski believed that Muslim fundamentalism would be an ally of U.S. strategic interests in the area, serving as a "bulwark against Communism," and increasing Anglo-American leverage over Middle East oil and financial power.

It is that entire strategy, Brzezinski's "arc of crisis," that stands in jeopardy from the Iraqi offensive.

Iraqi strategy

From the initial pattern of the Iraqi attack into Iran, and from intelligence analysts in Washington, the following conclusions can be drawn about Iraqi strategy in the war.

The fighting began in earnest on Sept. 22 with a preemptive strike by the Iraqi air force against ten Iranian air force bases scattered throughout the country, including Teheran itself. Over the next 48 hours, Iraqi fighter-bombers continually pounded Iranian air force facilities in an attempt to eliminate Iran's air capability. At the same time, Iraq's extremely sophisticated electronic air defense systems took a heavy toll of Iranian jets which attempted counterstrikes against Iraq, and Iran lost at least 50 planes in the first two days of the war.

Highly informed military specialists reported that because of Iran's lack of maintenance teams and ground facilities, routine equipment failures and mechanical upkeep problems are expected to put the vast bulk of the Iranian air force out of commission almost immediately.

Once that initial Iraqi goal is accomplished, then Iraq's armored ground forces can advance under an almost invincible air cover, and the Iraqi home front will be permanently secured from Iranian attack.

Under these circumstances, Iraq would be able to advance at will deep into Iran, and to inflict painful and humiliating defeats on the Iranian forces. As the Iraqis advance, the political authority of the Khomeini regime—which is already hated by the bulk of Iran's population—will crumble. Local, tribal, and regional leaders, dissident military units, and Iranian clergy opposed to Khomeini could then launch a combined civil insurrection against the Khomeini dictatorship.

Thus, according to informed sources, Iraq is now counting on its attack triggering a political upsurge against Khomeini.

Signs of the rebellion have already started to become known. In Iran's northern province of Azerbaijan, the popular clergyman and opponent of Khomeini, Ayatollah Shariatmadari, has escaped from his house arrest in Qom and returned to his native Tabriz, Iran's most populous regional capital, where he is expected to lead

an open revolt against Khomeini. In Kurdistan and Khuzestan, as well as in the tribal areas of western and central Iran, a series of growing insurrections are developing, and at least three entire western provinces are reported already to be free of Khomeini influence.

Further, according to Iranian sources, exiled Prime Minister Shahpour Bakhtiar and other Iranian opposition leaders have traveled to Baghdad or contacted the Iraqis about coordinating their struggle against Khomeini. Although few Iranian opposition leaders can afford to be associated publicly with Iraq's attack on their nation, privately they have welcomed it. The *Sunday Telegraph* of London reported that Bakhtiar was in Iraq this week to coordinate exile activities on the eve of the start of the war.

Alongside their military offensive, the Iraqis have also launched a political broadside against Khomeini's partisans. In one appeal, the Iraqi leadership stated its distinction between the Iranian armed forces and the fascist Revolutionary Guard, appealing to the Iranian army to stop fighting. "We bear no grudge against the Iran regular armed forces, but only against the Khomeini Guard," Baghdad announced. Iraq also issued an appeal to the "sons of Iran's ethnic and religious communities" to join the fight against Khomeini's "racists."

Support for Iraqis

Simultaneous with Iraq's declaration of war against Iran, issued Sept. 21, Iraq's Deputy Prime Minister Tariq Aziz left Baghdad for Moscow. The Aziz mission, though highly secret, was reportedly aimed at securing a continued flow of Soviet arms to Iraq, which has a standing treaty of friendship with the U.S.S.R. The following day, an unhappy Iranian Ambassador to Moscow, Mohammed Mokri, met with Soviet officials and complained that he was not able to persuade Moscow to halt the flow of arms to Iraq. "We are surprised at our Soviet friends," said Mokri.

Though publicly neutral in the conflict, the Soviet Union has hinted broadly that it supports the actions of its Iraqi ally. A Sept. 22 *Pravda* article said bluntly, "The United States is favoring Iran against Iraq." In Baghdad itself, the Iraqi press prominently reported the *Pravda* piece as a sign of Soviet support.

Then, on Sept. 24, Tariq Aziz—returning briefly to Baghdad—left for Paris where he held a meeting with President Valéry Giscard d'Estaing. According to French sources, the French, who also supply arms to the Iraqis, are quietly supporting the Baghdad offensive. Newspapers in Paris were effusively praising President Hussein of Iraq, calling him a "blockbuster patriot" and a man who lifted his nation "out of backwardness." In recent years, Paris and Baghdad have developed a close working relationship and France is supplying Iraq

with a nuclear industry, a defense industry, various advanced electronic systems, and so forth.

In the Arab world, Jordan, Kuwait, Yemen, and the United Arab Emirates, have officially supported Iraq while Saudi Arabia, though silent, is widely known to support Iraq's action against Khomeini. In addition, Saudi Arabia and Jordan are trying to persuade Syria, which has opposed Iraq and tilted in favor of Iran, to join now with Baghdad against Khomeini.

U.S. paralysis

As for the Carter administration, which put the Khomeini regime in power, it is the belief of most U.S. analysts that the United States has no choice but to do nothing and watch the Iraqis defeat Iran. Although some limited options do exist, for the most part any American intervention runs the risk of touching off a direct U.S.-Soviet confrontation.

Since August, Carter has been working out a scheme to bring about a rapprochement with Iran, including the supply of American military spare parts and U.S. military advisers to Khomeini's regime, in exchange for freeing the U.S. hostages. Now, with the Iraqi offensive, that deal is shattered—and the U.S. is left without a policy.

Sept. 25 President Carter convened an emergency meeting of the NSC to discuss U.S. options.

According to Iranian military sources opposed to Khomeini, the chief U.S. contingency under consideration is the following.

First, in secret communication, the Carter administration will arrange for the Khomeini regime to launch a blockade of the crucial Straits of Hormuz in the Gulf. That action, which would halt the flow of two-thirds of the world's oil imports from the Persian Gulf countries, would then provide a pretext for direct U.S. naval action to break the blockade. With the conflict thus "internationalized," both Carter and Teheran hope they can halt the Iraqi advance. But such a strategy is dangerous in the extreme because of the likelihood of Soviet intervention, including possibly a direct Soviet military move into Iran.

Another U.S. option under consideration involves a U.S.-backed coup in Iran bringing to power the Iranian military loyal to President Abolhassan Bani-Sadr, at the expense of the more extreme Muslim Brotherhood leaders. Such a strategy presumably would allow Teheran to free the hostages and then ask for American assistance. But most analysts also believe that this strategy is not viable.

At any rate, Israel is leading the outcry against the Iraqi advance. Prime Minister Begin, General Mordechai Gur, and other Israeli officials have branded Iraq as a "Soviet puppet" and warned that an Iraqi defeat of the Khomeini regime would create a new Arab super-

power. Gur said that Iraq was an "extremist, hard core member of the Rejection Front" and demanded action to stop Iraq.

A top Reagan adviser, Joseph Churba, a radical Zionist, stated his belief that Washington should immediately supply all the military spare parts Iran needs to defeat Iraq in exchange for the release of the American hostages!

Among more sober U.S. analysts, such as the *New York Times'* James Reston, the conclusion is that Washington must try to prevail upon Moscow to issue instructions to Iraq to halt the fighting. Regardless of whether such Soviet demands on Iraq would be heeded, Reston declared in a column entitled "Where is the Hot Line?" that even though there is the "possibility that Moscow might not agree" the Carter administration ought to ask the Soviets to restrain Iraq and cool down the fighting.

At best, Reston is reflecting the dawning realization that the United States, which once earlier this year had said it would use force to defend the Persian Gulf, is now reduced to asking Moscow to restore tranquility to the region.

That, if nothing else, is a measure of the blunders of the Carter-Brzezinski administration.

Iraq shatters U.S.-Iran pact on the hostages

by Judith Wyer

Iraq's invasion of Iran this week has left in shambles a months-long diplomatic venture launched by the Carter administration to free the American hostages in exchange for recognition, and arming, of the outlaw regime of Iran's Ayatollah Khomeini. Carter calculated that a release of the hostages on the eve of the Nov. 4 presidential elections would greatly enhance his chances of reelection.

So stunned was the administration over the Iraqi invasion that neither the President nor administration-officials have formulated a coherent response.

During a California campaign tour, President Carter told the press, "We have been monitoring the situation very closely. . . . We are doing everything we can to contribute to a peaceful resolution." A few hours afterwards Secretary of State Edmund Muskie gave a press conference from the United Nations which brought into question what intelligence the Chief Executive was "monitoring." A beleaguered Muskie stated: "Our resources in Iran are not all they were. . . . This is a serious

matter and we are trying to get the best intelligence possible, as we must not jump to conclusions.”

Muskie also brought into question just how capable the U.S. may be in contributing to “a peaceful resolution.” He responded to a question on what initiative the U.S. would propose at the United Nations Security Council by stating that the U.S. had not talked to either Iran or Iraq.

Recognizing Khomeini's 'revolution'

The day before, Muskie, in an address to the U.N. General Assembly, became the first administration official to publicly acknowledge the legitimacy of the Khomeini regime. Muskie declared: “As a new chapter opens, we emphasize that we recognize the reality of the Iranian revolution, and we respect the right of the Iranian people to choose their own form of government without intervention of any kind.”

Muskie's obsequiousness was part of an effort to legitimize the Islamic revolution in return for the hostage release. The intention is to stabilize the Islamic government with U.S. arms supplies to maintain the Khomeini regime as the centerpiece of a policy known as the “Islamic card.” A creation of U.S. security chief Zbigniew Brzezinski, the Islamic card policy ostensibly aims at containing Soviet influence along the southern flank of the U.S.S.R., but is chiefly designed to abort economic development in the region.

Muskie's overture to Iran came too late. Days before Iranian President Abolhassan Bani-Sadr and other Islamic leaders began a bitter propaganda campaign calling Iraq a “U.S. agent in its aggression against Iran.” The Iraqi invasion then made it impossible for Bani-Sadr, considered to be the man in Iran amenable to a deal with the U.S., to heed Muskie's call.

The White House has tried to salvage its deal with Iran by feebly calling for both Iran and Iraq to halt the war. But efforts to obtain a U.N. Security Council demand for a ceasefire were watered down by the Soviet Union during hours of deliberation over the crisis. American Ambassador to the U.N. Donald McHenry complained that the Soviets had deliberately thrown up “procedural and substantive objections” to U.S. efforts to secure a more forceful call for an end to the fighting.

U.S. military left without options

Few strategic planners in Washington think the U.S. has any military options to play in the Gulf. Former National Security Council staffer William Quandt, now a Middle East analyst at the Brookings Institution, observed that “If the Soviets are clever, they may be able to turn the Iraq-Iran conflict to their advantage.” University of Virginia-based Professor R. K. Ramazani,

who often advises the administration on the Gulf, was aghast at the degree of the Iraqi assault: “There has been armed conflict in the past, but the mutual vulnerability of both sides has kept it at the level of skirmishes and brinkmanship. . . . This time I'm baffled. Apparently this mutual restraint does not exist. It is unprecedented that it has gone as far as it has.”

Nationally syndicated columnist Jack Anderson issued a story on Sept. 22 which stunned the White House and State Department. According to “leaks” he claims he got from the National Security Agency, the Soviet Union is now prepared to counter a U.S. invasion of Iran. He reports that Moscow is already well-advanced in redeploying nuclear howitzers, SA-11 missiles, and other hardware to the Iranian border from its borders with China and Europe.

A military strategist at Georgetown University concurs that “there is no way” the U.S. can counter the Soviet Union in the Gulf region: “The Soviets hold all of the logistical cards, the U.S. Rapid Deployment Force is years away from being able to deter the Soviets.”

As a result, the U.S. is being forced to scrap a plan which has been in the making since just after the November 1979 seizing of the American hostages, to effectively condition the American population to accept the Iranian revolution. Only last week was it revealed that the State Department had written a 60,000-page document to be presented to the Khomeini regime admitting U.S. “guilt” in its wrongdoings towards Iran under the Shah—a key demand for release of the hostages. Muskie had even sent a letter to Iranian Premier Muhammed Rajai expressing U.S. willingness to accept the Islamic regime.

Christopher waves FLAG

State Department Undersecretary Warren Christopher has played a central role in a twofold process aimed at conditioning Americans to accept the Khomeini regime. First he was working with a State Department task force and a group formed from the families of the hostages called the Family Liaison Action Group (FLAG) to forge a “reconciliation” with the Iranian regime in order to free the hostages. And second, he and other State Department officials were complicit in an effort being run in cooperation with various anthropologists and linguists to popularize a view of Iranian “culture” which was aimed at creating an “understanding” between the American people and the revolutionaries in Iran.

The public response of the administration to the Iraq invasion has shown the American people and the world the bankruptcy of the White House policy toward Iran and its inability to deal with international forces committed to challenging that policy.

Franco-Iraqi military deals aid Arab economic buildup

by Judith Wyer

The Iraqi government this month initialed a \$1 billion agreement with the French firm Thomson-CSF that will establish the foundation of an Iraqi electronics and military industry. The agreement is the most recent in a series of contracts signed between France and Iraq to make Iraq the center of an ambitious pan-Arab economic development plan, a plan which is expected to be approved at the November summit conference of Arab heads of state in Amman, Jordan.

Both Baghdad and Paris assume that the quality of industrial takeoff they envision for the Arab world cannot be attained without developing an independent Arab military capability to provide security for the region. The Thomson-CSF deal is rumored in Arab circles to be designed to launch an effort discussed in several Arab capitals to reconstitute an inter-Arab arms industry. A new consortium would replace the Arab Organization for Industrialization (AOI), an inter-Arab arms industry that was to be centered in Egypt but fell apart after Egypt signed a separate peace agreement with Israel.

Iraq may become the seat of a new AOI, according to the Sept. 1 issue of *Strategy Week*, with participation by Saudi Arabia, the United Arab Emirates, and Qatar. It is reported that these petrodollar-rich Gulf states will put up the bulk of funds for the \$3 billion arms industry.

Thomson-CSF was awarded the Iraqi contract at the last minute after a sudden falling out between Iraq and Britain a few months ago which took the British firm Plessey out of the running. The Iraqis identified Britain and Israel as initiators of an international campaign against Iraq's drive to develop nuclear energy, and in particular against France's export of a nuclear training plant to Iraq.

The contract strengthens France's bid to become the number-one foreign supplier for Iraq's race to develop a self-sufficient agricultural system and industrial economy by the year 2000. The Giscard government has been an advocate of turning Iraq into the center of a Fertile

Crescent agro-industrial belt in which nuclear energy and the most advanced technologies will serve as the basis to develop the Arab world as a whole. This Franco-Iraqi commitment to act as a model for future Euro-Arab economic ties was sealed in July 1979 during a series of talks between Iraqi President Saddam Hussein and French Premier Raymond Barre.

Thomson-CSF's role

Thomson-CSF has acquired a number of military contracts in the strategic Arabian Gulf aimed at expediting efforts within the oil-producing nations of the Arabian peninsula to build an independent security capability. Last year Thomson landed a multibillion-dollar contract with Saudi Arabia to build the Saudi navy. Thomson is also the frontrunner for a massive contract with British aerospace to build and launch the Arab satellite (Arabsat) inter-Arab communications system.

Run by Philippe Giscard d'Estaing, cousin of the French president, Thomson was founded in the 1960s by the government under President Charles de Gaulle and the French bank Paribas as part of a group of companies designed to increase French participation in foreign markets, notably those of the developing sector.

The terms of the Thomson contract with Iraq conform to that policy. Thomson is reported to have agreed to build turnkey factories in Iraq, which means Thomson provides all of the materials that go into the construction of the factory, including training Iraqi manpower. When Thomson leaves, Iraq intends to have the most advanced electronics industry in the Mideast, and the labor and managerial force to run it.

Financial sources report that for Iraq, one of the strong selling points in French contractors' favor is the French government's ability to provide low-interest financing for projects. The French banking system works closely with the government in this effort. Paris

in recent months has become a new haven for Arab revenues as various Arab nations have opened new branches of Arab banks in France. Paribas has recently gained the confidence of the Saudis and other nations of the Gulf as a broker for placing their surplus petrodollars in foreign investments.

In turn, France has gained a new trust from the Gulf states as an ally in reaching peace in the Mideast that provides for a solution to the Palestinian problem, and undercuts the U.S.-crafted Camp David accords. This Franco-Arab relationship has deepened since Giscard toured the Gulf states this spring.

Since then, France has signed a number of defense-related contracts with the Gulf states. One of the most notable achievements of Franco-Arab relations is a \$2.5 billion contract with Saudi Arabia for naval equipment and arms, expected to be signed by the end of this year. The agreement may include provisions for developing the most advanced French fighter, the Mirage 4000, and building assembly plants for the Mirage 2000 in Saudi Arabia. There has also been speculation that

Riyadh would contribute to financing the construction of the fighter jet.

Iraq-Saudi rapprochement

The sudden visit to Taif, Saudi Arabia last month by Iraqi President Saddam Hussein has been seen in Arab and European capitals as having opened the door for the Gulf states to consider the scheme to reconstitute the AOI. Besides Egypt, no other Arab country except Iraq is thought to offer all of the necessary requirements to house a full-scale Arab arms industry. Iraq has the needed water, industrial infrastructure and indigenous labor force to meet the challenge of servicing an Arab arms industry.

Until the Iranian revolution in 1979, Iraq and Saudi Arabia had been traditional adversaries, given Iraq's longstanding leftist ideology and Saudi Arabia's ultra-conservative outlook. But since the Khomeini takeover, Iraq and Saudi Arabia have forged a formidable alliance that is the basis of a French-backed independent security force for the region.

The diplomatic record of Iraq's Saddam Hussein

Since Saddam Hussein took command of Iraq in 1979, he has consistently fought to make Arab nationalism the basis of his plans for unprecedented economic growth for the Arab world. Hussein has affirmed that the growth of the Arab nation-state is fundamentally challenged by the spread of Islamic fundamentalism centered in the regime of Ayatollah Khomeini. Because of Hussein's outspoken Arab nationalism, he has been characterized as aspiring to become the "new Nasser" of the Arab world.

On Sept. 17, Hussein delivered a speech to an extraordinary session of the Iraqi assembly where he abrogated the 1975 border treaty with Iran and declared his intentions of challenging the Khomeini regime: "We say before you, before the Arab nation and before the entire world, that we have unmasked the false face by which the ruling circle in Iran came to power. This clique has falsely used the face of religion to expand at the expense of the Arab sovereignty and the nobler Arab interests. This clique has falsely used the face of religion to foment sedition and division among the nation's ranks despite the difficult circumstances through which the Arab nation is passing. . . .

The clique in Iran is using the face of religion to flame fanaticism, resentment, and division among the people of the area to serve the designs of world Zionism, whether this clique realizes it or not."

On Feb. 8, 1980 Hussein submitted a major proposal to the Arab League to reunify the fragmented Arab world known as the "Arab Charter." Hussein proposed that no foreign military bases or facilities be allowed on Arab soil. The Arab Charter was, in effect, a sharply worded denunciation of President Carter's State of the Union address where Carter called for the installation of U.S. military bases in the Mideast, East Africa and the Indian Ocean region. The creation of a U.S. military presence in the Mideast is a feature of the Camp David agreements between Israel and Egypt, to which Iraq has been adamantly opposed.

Last month Hussein made a surprise visit to Saudi Arabia, the first by an Iraqi head of state since Iraq's 1958 revolution. During his talks with Saudi leaders, Hussein solidified an alliance between Riyadh and Baghdad designed to create an independent military and security capability to protect the strategic Gulf from outside invasion or subversion.

In 1982, Iraq will become the head of the non-aligned movement of developing countries in place of Cuba. Between now and then, Iraq is expected to dramatically step up its development pace and to install a nuclear training reactor to create a new Arab cadre of physicists and engineers.

Gromyko issues an icy warning

by Rachel Douglas

Soviet Foreign Minister Andrei Gromyko startled listeners at the United Nations General Assembly session Sept. 23 when he delivered one of the toughest speeches of his two-decade-long career. Dispensing with the obligatory praise for the role of the U.N. and the accomplishments of détente, Gromyko launched immediately into an indictment of American foreign policy.

The next day, Soviet President Brezhnev repeated the charges against Washington, in a message to an international parliamentary conference taking place in Bulgaria. He said the war danger has grown since “one of the big powers” shifted nuclear strategic doctrine, referring as Gromyko did to the Presidential Directive 59 on counterforce and “limited nuclear war.”

The sections of Gromyko’s speech which we present here, in the unofficial translation of the U.S.S.R. Mission to the United Nations, come from its opening and closing sections.

* * * *

Speaking today from this rostrum, I would like to emphasize at the very outset the great importance which this session of the General Assembly would have if it were a success. In view of the specific character of the situation in the world today, it is particularly essential for the work of the session to be conducted in a constructive atmosphere. . . . We focus attention on this because the international situation has lately become more complicated. This was caused by a sharp turn in the policies of the United States and some other NATO countries.

Let us turn to the facts—they are more telling than words.

Back in May 1978, the NATO countries decided to automatically increase their annual military expenditures almost to the end of this century. Last December, they took a decision to produce and deploy in Western Europe new American medium-range nuclear missile systems, which is designed to change the military strategic situation to the unilateral advantage of the NATO bloc. Simultaneously, Washington also announced its own multibillion-dollar build-up program.

The course the U.S.A. opted for, which cannot be

called anything but militaristic, has manifested itself in the so-called “new nuclear strategy.” Using as a cover arguments concerning the possibility of some “limited” or “partial” use of nuclear weapons—arguments which are a far cry from reality—the architects of this strategy seek to instill in the minds of people the idea of the admissibility and acceptability of a nuclear conflict. This foolhardy concept exacerbates the risk of a nuclear catastrophe, which cannot but cause, and does cause, concern all over the world. . . .

Several propositions have recently been taken up by American foreign policy which, by all appearances, are regarded as its credo. Here is one of them.

This or that region of the world is chosen at will . . . and declared with naked bluntness a U.S. “sphere of vital interests” . . . not just anybody’s but American interests, and on top of that—God only knows why—of “vital” interests. . . .

A build-up of U.S. military presence is underway in East Africa where most recently new American military bases have been coming into being. . . .

The anti-Arab Camp David deal has as its direct consequence the unabated tensions in the Middle East where the situation is fraught with perilous unforeseen developments. That should not be overlooked. . . . In short, since the time of the separatist collusion between the U.S.A., Israel and Egypt, the situation in the region has proven to be farther from a genuine peace than ever before. . . .

In another region, the Far East, Washington is striving to strengthen its political and military positions and is heating up militarist trends that are far from waning among certain quarters in Japan. Peking is acting in unison. . . . In recent years, the United States, as well as some other Western countries, have resorted ever more frequently to playing the “China card” in order to use to their own advantage the great-power ambitions of Peking which is itself keeping pace with the most zealous proponents of the position-of-strength policy and is stubbornly and cynically advocating the idea of the inevitability of another world war with never a thought of giving this up. . . .

No responsible politician in the world can remain indifferent to the course pursued by those countries in whose policies the cult of war is becoming a predominant factor. Indeed, even here and now in the host country of the U.N. headquarters, massive propaganda of nuclear war is being waged. Waged, one can say, before the very eyes of the public. But it is not a question of propaganda alone. Plans for such a war are being worked out and discussed, and it is all being done at a government level.

In the atmosphere of militarist frenzy which has of late become so widespread in the United States, there is ever less room left for sound and sober assessments of the world situation and well-considered conclusions for the conduct of policy. . . . ■

Shanwar Bhutto on Muslim fanatics

An exclusive interview with the son of Pakistan's executed modernizing leader.

On Sept. 19, Executive Intelligence Review correspondents Thierry Le Marc and Edith Hassman interviewed Shanwar Bhutto, the youngest son of the late Pakistani Premier Zulfikar Ali Bhutto, in Germany. Since the execution of his father by the military regime of General Ziaul Haq in April 1978, the younger Bhutto has lived outside of Pakistan. He is currently touring Western Europe speaking to the overseas Pakistani community and others in his capacity as a leader-in-exile of the Pakistan People's Party (PPP).

EIR: What is your assessment of the present situation in Pakistan?

Bhutto: The situation inside Pakistan has come to such a point that it seems like dynamite just waiting for a match to light it for it to explode. People are being terrorized into obedience, they are being flogged, they are given the worst sort of treatment in jails, being tortured in jails.

Basically, it is terrorism. It is not the rule of the government, it is the rule of terrorists. The will of the majority is being ignored, and a small minority clique is using terrorist tactics against the majority of people. The people are fed up, they are tired and they want a change.

We have used every avenue, every method possible to achieve this through democratic and electoral manners, but we have failed because of the stubbornness of the military government of General Zia. For these reasons we have come to the conclusion that we have to use limited means of armed struggle. I am not saying armed struggle, because armed struggle is used by the minority against the majority, in certain cases.

There are cases, of course, where armed struggle is used by the majority against minorities. But a lot of people say if you use armed struggle you'll be showing that you are a minority, that you cannot use any other methods, you're using terrorist tactics, that you're not better than the enemy. We tried to explain to them that we have tried every other tactic, we have tried every other means, but now we have come to the level the military understands. They don't understand the meaning of a discussion, the meaning of a conference table. They are

military men. They only understand the meaning of a bullet, the meaning of a war, and we are going to confront them in that way from now on.

As you know, as everybody knows, nobody can stand in front of the will of the people. Nothing can stand in front of that, no one, no obstacles. Obviously, there are foreign agencies supporting this government, very large foreign agencies. Intelligence agencies have been ruling and influencing our country for the last 200 years. But we are going to bring about a change with the will of the people, to give the people rights to advance technologically, to build the nation, to educate the people, not to move them back to the 14th century.

EIR: How will you deal with the mullahs, with the Jamaat-i-Islami (the Pakistani branch of the Muslim Brotherhood)?

Bhutto: Well, the Jamaat-i-Islami of Mawdoodi, now dead, of Mufti Mahood . . . the people are fed up with them also. The people have seen their real characters, their real role in Pakistan. They fully support the military junta. They are part of the military junta. They are involved in the government of the military junta. The people have seen their real face, they cannot hide behind their beards any longer. The people have understood their real meaning. The people are not going to be fooled by them any longer.

The problem is not a religious problem in Pakistan, we are all Muslims. It is not a religious problem. Our problems are socio-economic ones, not a problem of who is a Muslim and who is not a Muslim, we are all Muslims. Islam in Pakistan was not created on the 5th of July, 1977. It is much older than that. I do not see the mullahs, the Jamaat-i-Islami and these groups being much of a problem because people know the real facts about them in the last three years.

EIR: Could you just elaborate a bit further on how the government of Zia is dealing with political prisoners, and your people?

Bhutto: The military government, as you know, is sup-

ported by the Jamaat-i-Islami, itself supported by other groups. It is a whole process, a whole line of people who are ruling Pakistan, not only from within, but from outside Pakistan.

As you know in China there was the opium trade a long time ago, and they used opium to feed the people that they would have no time to worry about political problems because they would be trounced. The same thing is being used in Pakistan, in jails in Pakistan. The government is feeding the people with drugs so they would not have the time or the consciousness to think about the real problems inside Pakistan. They are released from jail, and they go around in a trance, like zombies, because of the influence of drugs in the jails.

It is a problem of Amnesty International, but A.I. has not brought this up. They have ignored this problem. They must bring it up. There are no human rights in Pakistan, but nobody talks about that. Carter and Brzezinski and all say, "Human rights! We depend on human rights. Our policy is human rights. . . ." But there are no human rights in Pakistan and they forget about those things.

EIR: What is the strength of your party?

Bhutto: Our support inside Pakistan, as it is outside, is very great. If the elections would be held today, we would sweep the vote. There is no doubt about that. If there was any doubt about it Zia would hold elections, but he knows we are going to win, therefore he doesn't hold elections.

Regarding international policy, I am not a policy-maker. The policy line comes from the Pakistani People's Party within Pakistan. We are not going to deviate from the policies of the People's Party of 1970. It is going to be the same policy. We have a mission! We say we have to complete that mission, we have to make Pakistan into a progressive nation, we have to give it technology, we want it to advance technologically, we want to industrialize the nation, we want to build dams, we want to build schools, we want to get nuclear reactors for peaceful purposes, not to make a bomb.

We have to worry about our people first. We have to worry about our industrialization program. We want to educate the people. The Jamaat-i-Islami doesn't want to educate the people. Of course they have their own reasons, because they don't want the people to become conscious, they don't want the people to realize the farce behind which the Jamaati is hiding.

EIR: How would a government led by the PPP approach regional problems such as the Afghanistan crisis?

Bhutto: We say that if democracy is established, we would do everything in the power of the people to solve the crisis. . . . In a democratic government, you have a parliament, the parliament sits and decides. There is a

structure, a proper channel. We will go through such channels to solve the regional problems, not through the gun and the bullet. That is not our method!

EIR: What is your view of the Afghan developments over recent years?

Bhutto: The man who made the coup against King Zahir Shah [king of Afghanistan, overthrown in 1973 ed.] was a Khalqi [a member of the Khalq, or People's Party faction of the currently ruling Afghan People's Democratic Party]. They had been able to make a coup of their own and take over five years earlier, but they didn't, for their own reasons. They had their own reasons and we do not know them, but they were capable of doing it. I do not think that it is the Soviet Union which forced them to make the coup, because in any case they had the capabilities, they worked from within the military. They still had the capabilities five years later, and they decided this time to do it. They did it when they thought the time was ripe.

The problem of the intervention of the Soviet Union, came two years later. It was not immediate. When Afghanistan was in complete danger of being occupied by reactionary forces supported by Pakistan and the Jamaat-i-Islami—that's when the Afghan government asked for help from the Soviet Union.

Egypt has asked for help from America, why doesn't anybody shout about that? Why doesn't anybody cry out and say, "Egypt has been invaded"? Egypt is giving bases to America, Somalia is giving bases to America, nobody shouts and cries about that.

The Chinese are in Pakistan. Whether they are there for construction work or what, nobody shouts about that, although they are also a communist country! The Americans are not Muslims, the British are not Muslims. . . .

It is propaganda from certain channels through certain radio stations to create internal problems so that the people cannot progress technologically, cannot advance, cannot be educated. They remain fourteen hundred years behind, to be under the influence of a small clique of people determined not to let them progress, to keep them in poverty, to make them dependent on certain nations so that these nations can control them. . . .

The Afghan government wanted to change that, but the Jamaat-i-Islami is not letting them do it. Each time a nation wants to progress, wants to educate its people, wants to create industries, wants to create technology, the Jamaat-i-Islami has had a hand in stopping it. They stopped it in Pakistan, now they are stopping it in Afghanistan, they are trying to create problems in the Middle East. Syria is a very famous example because right now it is in the press [Syrian government suppression of the Muslim Brotherhood—ed.] but it is all over the Middle East!

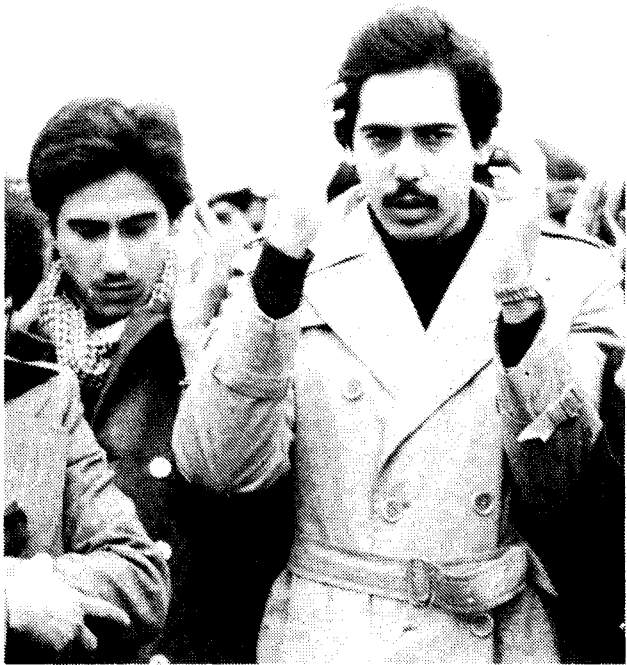


Photo: Wide World

Mr. Bhutto (c) and his brother Murtaza at an April 1979 rally in London protesting the death sentence against their father.

EIR: What is your review of the Afghan rebels, what do they represent really?

Bhutto: If you take ordinary Afghans from the mountains who have been fighting for two years, and ask him: "Why are you fighting? What is your reason?" He will not give you a social reason, or an economic reason. He will say, "The Jamaat-i-Islami, the leader of the Jamaat-i-Islami told me to fight." "Why do you listen to him?" you ask him, but he will not answer.

You say, "You don't have food, the Afghan government is giving you food, you should support this government." He answers, "No, no, the leader of my area of the Jamaat-i-Islami says that this government is bad, you have to fight against this government, so I listened to him. . . ."

This is a special kind of opium. It is not the drug opium, but a different kind of opium where the man does not think for himself. He depends on other people. He doesn't think logically. He doesn't think about his own social and economic problems. He is under the influence of this drug and he will just go according to it.

The Afghan people are very poor people. Why are they poor people? There is not a single industry in Afghanistan. The agricultural system is two or three hundred years old. The Afghan government wants to change that, they want to build industries, to modernize the agricultural sector and to educate the people. The Jamaat-i-Islami says this is "un-Islamic" so this poor man tries to get educated, tries to get his land cultivated, but he will not because this madman of the Jamaat-i-

Islami or whatever their special group is called, will say "No! This is un-Islamic!"

That is not correct. They abuse the name of Islam. They use the name of Islam to move towards their own ends. They themselves are not independent people, they are the puppets of intelligence agencies of the Western world.

EIR: How do these people act?

Bhutto: Any person who even has a moustache, which is slightly thick, is considered by the so-called Mujaheddin to be a Communist. He is taken and either they use that man to defuse mines, or if he survives that, he will be put into another mine. That is when they are feeling generous. That is when they are in a generous mood they do that.

Under normal circumstances they cut every part of the human body off, they take the eyes out. It is a fact that we have seen with our own eyes, we have seen the bodies. They mutilate the body completely, they cut people's hands and legs off and leave them on the mountains, barren mountains. They cannot walk, they cannot do anything, they are not dead, they die very slowly. They skin people alive completely. They hang people upside down from barges and they put them into the ice cold water of the Kabul River in the months of December or January. These are just a few examples of the ways they torture. They do not take any prisoners, they kill them all. Whether they kill them by skinning them or other means, they do not shoot them.

EIR: What message would you give to the Western countries?

Bhutto: The Western European countries must realize that Zia is not the alternative. Zia is going to make the Pakistani people move further and further away from the Western European nations. We do not want that!

Pakistani People's Party has got a certain policy, a certain foreign policy which was made by our late chairman and martyr, Ali Bhutto, and we want to follow the same policy. We do not want to go off the tracks. But, if Western countries continue supporting Zia the way they are, giving him economic and military aid, the people of Pakistan will have to look for another alternative.

It is in the hands of Western powers whether the people of Pakistan will continue to look to them, continue to ask them for support in the future in a democratic manner, or whether they want them to move away from Western democracy. It is in their hands.

It is not up to me to decide this, it is up to the people of Pakistan to decide, and the way things are moving at the moment, they are moving in the wrong direction.

They are moving away from the Western democracies, and this is going to be very harmful for the Western European countries. ■

Chopping block for Polish industry

Already the 'consumer' spokesmen are taking over policy, Rachel Douglas reports.

The new leaders of Poland have moved swiftly to eliminate the remnants of former party chief Edward Gierek's heavy industry development policies and to dismantle the political machines that ran them. Following the purge of Gierek's closest allies from the ruling Polish United Workers Party (PUWP), officials responsible for East-West trade find their jobs in jeopardy as the list of "corruption cases" up for court action lengthens by the day.

Stefan Olszowski, the opponent of Gierek who holds the economic portfolio in the PUWP Central Committee under Stanislaw Kania's regime, confirmed the direction of Poland's new economic policy Sept. 21, in his first speech since settlement of the most serious Polish strikes in early September. Speaking at the town of Bromberg, Olszowski criticized the party's "arrogant, voluntarist system of action" under Gierek, by which he meant the attempt to boost Poland forward through the centralized development of heavy industry. One of the researchers detailing new economic policies for Olszowski wrote that Gierek's economic policy had been a bundle of "seven sins" which now had to be remedied by decentralization and reallocation of investments into the consumer sector.

The short term benefits of Olszowski's redirection of the Polish economy, for the consumer, will eventually be undercut by shrinkage of the industrial base—forcing Poland even more into import dependency.

Zdislaw Grudzien, the party chief of the coal and steel district of Silesia and one of the remaining exponents of Gierek's policy in the top leadership, was removed from the Polish Politburo and his regional job last week. Now, the internal party reorganization is targeting individuals involved in East-West trade.

Yesterday State Prosecutor Lucjen Czubinski announced he would open proceedings against "economic criminals," including industrial enterprise officials who allegedly get kickbacks in their deals with Western firms. Their trials will see the executors of another part of Gierek's policy, import of machinery from Western European countries, in the dock.

For the first time in more than two months, Poland was reported to be free of any strikes in mid-September. But the labor scene could be swept by unrest again.

New unions chartered

Leaders of the new "free trade union" movement met in Gdansk Sept. 21 to draft the statutes of its national organization. The union will apply for formal registration later this week, in a Warsaw court. If it is refused, one union leader threatened, "recourse to a general strike" could not be excluded.

According to some reports, a militant wing of the unions is insisting that more concessions be granted immediately. Five local unions from scattered parts of Poland released a statement today accusing the regime of backsliding on promises for full media coverage of the independent unions' activities and warned of serious consequences for the nation if that trend were not reversed.

Kultura liaison talks about Poland

On Sept. 5 in Rome, EIR correspondents Umberto Pascali and Giuliana Sammartino interviewed Dominic Morawski, Vatican correspondent for the Polish émigré magazine Kultura. Based in Paris, Kultura has served for many years as the organ of the Polish opposition groups linked to Poles abroad.

Morawski sketches a picture of a controlled destabilization, stopped just in time to keep the Soviets from moving in militarily. His proposal for a "Marshall Plan" for Poland is a widely circulating plan to select investment priorities for Poland from the outside. It apparently aims to bring Poland into ever tighter dependency on its Western

creditors and out of the Soviet bloc, despite Morawski's plea for an "unpoliticized" attitude toward Poland.

Our interview took place before Edward Gierek was removed from the leadership of the ruling Polish United Workers' Party.

EIR: What is your assessment of the Polish situation now, and of the conduct of the West, particularly Western Europe, towards Poland during the crisis?

Morawski: Certainly the hottest phase of the fight between the authorities and the workers has ended, at least in its most incandescent form. But this does not mean that everything has ended. On the contrary, and I am sure of this, we are at the beginning of a very long and troubled process which involves the kernel of workers who obtained the first free trade union in the East bloc, the population in general with its various layers, and the Polish United Workers Party, which has to acquire again the credibility that has been destroyed—while at the same time managing the renewal process promised to the population.

I have heard a high official, a man very close to Gierek, saying, "Concerning the party—we are in an earthquake; concerning the country—we are in a revolution."

The most important thing to understand is that this process, which the leaders of the party themselves call a revolution, represents a moment full of upheavals and deep changes. It has, however, to proceed cautiously and gradually, particularly to avoid a Soviet intervention. But the party cannot manage this peaceful revolution without the approval of the population, and this will be the most difficult thing. In fact to build an alternative to all the mistakes made by the closed and monolithic party over 35 years, mistakes which the officials themselves recognize in their self-criticism, two things are needed: approval and credibility.

I think that the second strike wave will be the students' one, beginning at the opening of the academic year on Oct. 1. The students will demand an independent organization from the one called the Polish Socialist Union, which is an appendix of the party just as the official trade unions were for the workers' sector.

Concerning the behavior of Western Europe and the United States, which has been very cautious, we cannot say that it forced the Polish government to concede what the workers were demanding. It only allowed the party to begin negotiations in a relatively calm situation, in contrast to the one which would have existed given a Soviet kind of attitude.

In Poland, I have also heard comments of approval and acknowledgement of the way Western Europe and the United States behaved during the strikes. I repeat that the positions of Europe and the United States are important with respect to the U.S.S.R., more so than for

the Polish domestic situation itself. On the other hand, we have to remember that despite the cautiousness of the political initiatives in Europe regarding the strikes in Poland, the U.S.S.R. managed to launch a hard attack on Western Europe and the United States.

We could say that Western Europe learned something from past experience, namely the failure of its way of intervention in Hungary in 1956 and Czechoslovakia in 1968. In the first instance, Europe tried to push the domestic revolt and in the second it supported too forcefully the so-called new course of Dubcek.

In Poland, the workers' demands have been accepted by the government essentially for two reasons. The first one is that the government realized it was isolated and discredited and that the time of truth had come when it was necessary to accept the workers' demands, including the hardest to accept, the free trade unions, but also to proceed to a restructuring of relations between the authorities and society.

The second reason has to do with international political relations. Gierek felt relatively safe from a Soviet intervention into Poland, because the consequence of that would have been the end of the *Ostpolitik**, which is so important to Moscow, and victories for Reagan in the United States and Strauss in the German elections.

After the Afghanistan invasion and also its problems in the Central Asian republics bordering on Iran, the U.S.S.R. looks with anxiety at the opening of the Madrid conference, the results of which could be heavily influenced by a Soviet intervention in Poland.

What Europe can do to continue the process of liberalization is to continue to have a political attitude of great caution, without trying to interfere politically in the Polish situation. On the other hand, and this is the most important thing, it can continue what may be called "the Schmidt Project," the policy of economic aid which Chancellor Schmidt began with the first loan to Poland, with [West German Foreign Minister] Genscher's trip to the United States, and with the loan being negotiated in London which seems to involve Japanese banks as well.

But on this point we have to be careful. The loans being made to Poland or the ones which will be made, given that country's bad economic conditions, could add up to money that cannot be paid back. Therefore it is very important to consider what some circles of the dissidents and also outside of Poland are calling a new Marshall Plan.

This would not be a new American Marshall Plan, but a plan by the European Economic Community. America should participate without having the role of protagonist, because that would mean a veto from Moscow and would be wished neither by the government nor by Polish society because it could be exploited by Carter for electoral purposes.

What does a new Marshall Plan for Poland mean?

Our economy not only needs loans which repay old debts and interest on those debts, which this year requires \$7 billion, but to have all of its productive capacity working. What happens instead in Poland is that the plants, even if reconstructed and modernized, work at only half capacity. Managerial mistakes are serious.

The circles in Poland about whom I spoke before are thinking of initiating a process of exchange of technical and scientific knowledge through the temporary exchange of qualified workers between Western Europe and Poland. What I have in mind is something similar. Here in Western Europe there is a skilled labor force, sometimes semi-employed or even unemployed. These people could be sent by various governments for a period of six months or one year to Poland, and paid by our government in *zlotys*, without the use of other currencies. This would really be a help for Poland.

But besides the bad operation of plants and bad management of various sectors of the Polish economy, I will tell you about the terrible situation of the transport system in Poland—something people do not talk about.

I know that this important sector of the economy is totally obsolete. For years, the infrastructure necessary for transport has not been rebuilt. Because everything depends on the railway and road system for transport, we have the following situation: there is double the lead on the Polish rail system than what those of France and West Germany combined carry, despite the fact that the Polish network is much less developed than the French and German ones. When the government speaks of disruptions caused by the strikers in the national distribution network, it does not mention that the real reason for such bottlenecks is the decay of the rail transport system.

A new Marshall Plan means a new policy of trade and cooperation, in which credits are not given without discrimination (because that way the credits could be used by the party to strengthen itself), but great latitude is given to visits and exchanges of experience in the labor world.

The Italian press reports that there has been a Comecon economic intervention for Poland, which provides raw materials aid. I think that this fact, even if it is positive, can be interpreted as the fear of the Soviet leadership that the West will conduct an aid policy towards Poland which is broader than mere credit—the exchange policy I have been speaking about.

I want to say that the basis for this policy of exchange is that this process is highly unpolitical. The ideological and political elements have to stay out of this process. We have no need of propaganda in Poland, even if it is well meant.

EIR: What role can the Catholic Church play for Poland?
Morawski: The role of the Church in this new upheaval in Poland was coherent with its role in 1956, 1970 and

1976. It looked to the general interest of the state and the nation. An important thing to emphasize is that the final statement of the Central Council of Polish Bishops on Aug. 27, 1980 spoke of “the responsibility” of the Church towards the state and the nation, referring for the first time not only to the nation but to the state. What does this mean? It means that the Church took into consideration the social conditions and the situation of the nation but also of the state and of the party governing it, and that the state was almost losing control over the nation—which could have meant a Soviet intervention in Poland.

The Church did everything possible to avoid a degeneration of the situation, knowing clearly the limits within which the party was moving. All the interventions made by the Church and its authorities were made with consideration of the future, the long-term consequences. The Church caused the opposition to moderate and protected it at the same time.

Today the press speaks (without knowing much) about a privileged relationship between Primate Wysinski and Gierek, but forgets that two years ago Gierek and the Central Committee of the PUWP recognized in their documents the national role of the Polish Church and asked the cooperation of the Church. The Church accepted its power without receiving the communication and information means it demanded in exchange.

Therefore, during the strikes, the Church tried to find a way out of the crisis which would be positive and useful not only for the immediate future, but also for the long term and also not only for Poland, but for the other Eastern European countries. The Church, including in its official documents before the Polish crisis, was always committed to solve the situation of Catholics in the “persecuted nations.”

It is therefore clear that in this instance of the revolt of the workers, the Church was actively interested in what everybody now sees as the beginning of the decolonization of the last empire in the world—Russia’s.

What the press attacked Cardinal Wysinski for is not true, namely that in his negotiations with the government he went over the head of the workers. Actually, he put himself over and beyond all parts, knowing well the total risks Poland was running.

The Church therefore recognized the maturity shown by the Polish working class, thanks also to its teaching, and is waiting for the developments to come in the internal fight within the PUWP. I think that the party cannot back out of its promise without a bloodbath in the country.

In any case, the party now has a debt to the Church. There will have to be a period of loyal cooperation between Church and government.

* Détente, called “Ostpolitik” in Europe after West Germany’s “East policy” of dialogue with the U.S.S.R. and Eastern Europe. ■

Who's running the Omega 7 threat

by Jeffrey Steinberg

On Sept. 11, Félix García Rodríguez, an employee at the Cuban Mission to the United Nations in New York City was assassinated as he drove his car on a crowded street in Queens, N.Y. Within moments of the assassination, a call was received at the Cuban Mission to the U.N. in which the caller claimed credit for the killing on behalf of the Cuban exile terrorist group, Omega 7. The caller threatened to carry out a similar assault on Cuban U.N. Ambassador Raúl Roa Khoury.

Sources have reported to *Investigative Leads* that García, the security and counterintelligence expert at the mission, had been investigating the role of Omega 7 and other exile gangs in the multibillion-dollar cocaine and marijuana traffic in southern Florida at the time of his assassination. Some of that money may now be a war chest devoted to bankrolling a new wave of rightwing terrorism throughout the Western hemisphere parallel to the recent activation of the Armed Revolutionary Nucleus (NAR) in Italy and the FANE in France.

These fears of renewed activity from the Cuban exiles have been bolstered by a series of recent developments.

On Sept. 16, the U.S. Court of Appeals in Washington, D.C. ruled that two members of Omega 7, Guillermo Novo Sampol and Alvin Ross Díaz, must be retried and their prior conviction overturned in the 1976 bombing assassination of former Chilean government official Orlando Letelier. The Court ruled that evidence critical to the original conviction of the pair had been illegally planted in their jail cell and therefore had to be stricken from the prosecutors' case.

The same day, a military tribunal in Venezuela entered a not guilty ruling in the trial of Dr. Orlando Bosch, the founder of Omega 7 who had been accused of masterminding the 1976 Air Cubana bombing that claimed over 72 lives.

The Omega 7 organization was created at the 1976 World Anti-Communist League (WACL) conference in Miami, Florida, attended by hundreds of Cuban anti-Castro exiles and rightwing activists from all over the Western hemisphere. The U.S. delegation to that conference was bankrolled by Reverend José Casado, a minister in the Unification Church of Reverend Sun Myung

Moon. During the 1960s, Reverend Moon created a similar WACL organization spanning all of Southeast Asia. By late 1975, the U.S. Cuban exile networks had already begun to resurface as a terrorist formation with the founding of the Cuban Nationalist Movement, based out of Union City, New Jersey and Miami. It is widely believed that the CNM and Omega 7 are identical.

In late 1975, a former Chilean minister in the government of Salvador Allende was assassinated in Rome. Bernardo Leighton and his wife were gunned down by an individual later identified as a member of the Italian fascist youth party, "Comando Cero." However, credit for the murder was claimed by CNM member Virgilio Paz. Paz would be later implicated in the Washington, D.C. assassination of Orlando Letelier.

This "joint venture" assassination was later explained by Michael Townley, a go-between in both the Leighton and Letelier hits, as a prearranged public relations stunt to provide the newly constituted Cuban exile group with instant notoriety.

Perhaps the most notorious factor in the Omega 7-CNM story revolves around Townley himself. According to information released in the trial of Novo and Ross Díaz, Michael Townley had been the Chilean director of Investors Overseas Service (IOS) for a number of years preceding the 1975 founding of Omega 7-CNM. Under the guise of being an international mutual fund, IOS deployed an army of "salesmen" in over a hundred countries around the world. These salesmen were couriers of black market revenues, garnered from international narcotics traffic and related criminal operations.

In the 1960s, French President Charles de Gaulle and the French intelligence service SDECE proved that monies laundered through the IOS and the Banque de la Credit Internationale (BCI) had been passed into a Montreal-based international trade expositions firm called Permindex to finance the assassination attempt against the General. IOS-Permindex couriers had delivered \$200,000 to the rightwing Secret Army Organization (OAS) for the hit attempt on de Gaulle.

Former IOS Chile boss Townley currently lists himself as an official of the Chilean secret police agency, DINA. As one of the countries in the cocaine-producing and shipment region of Latin America, Chile is at the center of the international narcotics traffic route into southern Florida that García was investigating at the time of his assassination. This raises the possibility that drugs, rather than "political ideology," may have been the motivating factor behind the García killing. It further raises the possibility that the IOS-Permindex assassination-drug organization of the 1960s has been reconstituted—under a new series of commercial and political front organizations—and that the recent spate of terrorist operations throughout Western Europe, Latin America, and now the United States may be part of a single effort sponsored by the international drug network. ■

More than a campus battle

The presidency of Mexico's most prestigious university is up for grabs.

The question of who will succeed to the post of rector of the National Autonomous University of Mexico (UNAM) has become one of the main items of backroom conversation over the past weeks. The post does not actually fall vacant until January, but the successor to Dr. Guillermo Soberón Acevedo is likely to be selected by the Academic Council of the university some months before, and the scramble is on.

Such intense interest in the matter may seem strange to readers outside Mexico. But it should be noted that, because of UNAM's preeminent position within the university system as a whole, and the major budget allocations it receives from the government, the rectorship carries a great deal of political as well as academic weight.

Furthermore, keeping student unrest within bounds at the university is of much more than academic interest for politicians who remember the days of 1968 when UNAM-led student marches, and the subsequent bloody Tlatelolco massacre, shook Mexico's political system to its foundations.

This year, issues of university politics will be especially tricky because a leftist-controlled grouping of academic personnel and university workers, called SUNTU, is requesting Labor Ministry recognition as the official bargaining agent of all the country's state-supported

universities. SUNTU is headquartered at the UNAM. A strike has threatened as early as this November.

There are two other noteworthy aspects of this year's fight. One is that the group which is in full gear to capture it—that of current rector Soberón himself—seeks above all to accumulate forces to influence the presidential succession of 1982, when López Portillo leaves office.

Soberón was first installed almost eight years ago (each term is for four years and an incumbent can be reelected once) under of Mario Moya Palencia, interior minister under Lúis Echeverría.

The second issue is the orientation of university education in the country. Up to now the line of thinking which has predominated at UNAM has been to favor so-called social science at the expense of natural science and mathematics. As revealed in a seminar sponsored by the Mexican Association of Fusion Energy this week, Mexico has only produced 1600 doctorates in theoretical and basic sciences in the past 35 years! Now, with ambitious economic development plans to absorb the oil revenues, the shortfalls in trained technical and scientific personnel loom as perhaps the most severe bottleneck the country faces.

The direction of university training has been a recurring battle. Benito Juárez, Abraham Lincoln's republican partner in Mexico, dis-

solved the national university several times because its teaching was controlled by Jesuit, feudal-minded currents opposed to the consolidation of nation-building.

Former President Lázaro Cárdenas, who served as rector from 1934-1940, was stymied in his efforts to harness the UNAM to the development needs of the nation in the 1930s. He created an entirely new institution of higher learning based on the tradition of the Ecole Polytechnique in France, the Instituto Politécnico Nacional.

With much of the responsibility for the success of long-term development efforts riding on the choice of the new UNAM rector, many Mexican analysts are showing concern about the candidates who have emerged so far. The former Mexican ambassador to the Soviet Union, Victor Flores Olea, is a well-known zero-growth advocate and close personal friend of Enrique González Pedrero, head of the National Commission of Free Textbooks in the Education Ministry and a fanatic Malthusian. González Pedrero and Flores Olea are both graduates of the UNAM, and both have been directors of the School of Political and Social Sciences there.

Although less prominently discussed at this moment, also in the running is Education Minister Fernando Solana, trained by the Jesuits.

The candidate of Soberón's faction is the current Secretary General of the UNAM, Fernando Pérez Correa.

It's a classic "política à la mexicana," but the outcome will provide an important reading of whether the underlying basis for sustained Mexican expansion is being properly set.

Behind the Turkish coup

In the military takeover, the International Monetary Fund played a special role.

Was the Sept. 12 military takeover in Turkey backed by the International Monetary Fund? There are numerous indications that this may well have been the case.

Much of the evidence revolves around the figure of Turgut Ozal, the economic adviser to ousted Premier Demirel and the IMF's point man in Turkey. Within hours of the coup, the generals announced that Ozal would be retained as economic czar and that the IMF austerity policies would be adhered to. According to a diplomat quoted by the *Washington Post*, "the generals had very little choice. If Ozal were to quit, they would have had it."

Last week, Ozal was officially appointed to the number two position in the new Turkish administration—Deputy Premier—enjoying total control over economic policy. According to Turkish intelligence sources, all the newly appointed cabinet members have had to agree to the condition that they not interfere with Ozal's running of the Turkish economy.

The irony of the situation is the publicly stated goals of the new military rulers—eradicating terrorism and restoring the nation-building traditions of Kemal Atatürk, the founder of the Turkish republic—are precisely what Ozal has been working against throughout his career. Besides being the agent of the IMF's policies, Ozal is intimately connected with the Islamic

fundamentalist National Salvation Party—a party notorious for its illegal drug-running activities and Muslim Brotherhood terrorist operations. The NSP's leader, Necmettin Erbakan, is expected to be tried in the coming weeks for his efforts to undermine Turkey's secularist orientation. It was Erbakan's revival of militant Islam in Turkey, and in particular his demands for the destruction of secularism, that triggered the coup.

In 1973, Ozal, who is reputed to be a member of the fundamentalist mystical Nursi sect, ran unsuccessfully for a parliamentary seat on the NSP ticket. Ozal's brother Korkut is a top leader of the NSP. Another brother of Ozal's and a son are currently employed by the IMF and the World Bank, respectively, in Washington, D.C.

Ozal's commitment to the IMF is underscored by his declaration last week of a 20 percent price hike for liquid fuels, gasoline, sugar, and fertilizer—all products of Turkey's large state sector. For years now, the IMF has been demanding that Turkey dismantle its state sector enterprises, which produce 50 percent of the country's industrial output, on the grounds that they are "uneconomical." Turkey's state sector—set up by Atatürk as the backbone of a modern Turkish economy—should be replaced by a Friedmanite free-market system, the IMF has been demanding.

In June, the Demirel government signed a stand-by agreement with the IMF, according to which all subsidies to state enterprises were to be cut. Fearful of the public outcry that would have resulted, Demirel, like previous governments, dragged his feet in implementing the measures. In contrast, Ozal, backed by the military, is pushing full steam ahead with the IMF program.

Laboring under a \$16 billion debt, Turkey has been at the mercy of the IMF and its demands for years. The IMF stand-by agreement worked out in June, the latest in a series of IMF austerity packages for Turkey, is a controversial "economic stabilization" scheme designed to bleed Turkey white in the interest of paying off the debt.

In his first public speech, Turkey's new interim Premier Bülent Ulusu pledged to "continue to implement the austerity measures taken at the beginning of 1980," a reference to the IMF stand-by package, whose measures were described as "draconian" by IMF officials themselves.

Last June, following the stand-by accord, the Turkish daily *Cumhuriyet* prophesied the fall of the Demirel government by the armed forces. "All governments that try to implement the IMF's measures fall," wrote *Cumhuriyet*. "In many cases, military governments have to come to power to impose these measures, because of the inability of a parliamentary regime to do so."

The generals, of course, will have more authority than a civilian regime to push through the IMF's measures. But in doing so, they are merely re-sowing the seeds of the very unrest that they sought through their intervention to quell.

International Intelligence

U.S.S.R., Syria to sign security treaty

Syrian Information Minister Ahmed Iskandar told the Paris-based magazine *Al Mustakbal* that Syria and the Soviet Union will sign a military security treaty "very soon." Syrian sources quoted by the magazine said the signing would take place Oct. 8 at a meeting in Moscow between Presidents Hafez Assad and Leonid Brezhnev.

According to Iskandar, Moscow under the new agreement "will supply Syria with a large amount of military aid and, if necessary, will have a heavy military presence there." He characterized the planned treaty as "the adequate response to the plans of the Camp David signatories" Egypt, Israel and the United States.

Saying that the agreement would be "totally different from those concluded between the Soviet Union and other Arab nations," Iskandar compared it to the close military cooperation defined between the U.S.S.R. and Egypt under Nasser.

Drug war linked to Somoza's death?

According to Paraguayan officials, the Sept. 16 assassination of former Nicaraguan dictator Anastasio Somoza was carried out by a squad of the leftist Argentine People's Revolutionary Army (ERP). The Paraguayan officer in charge of the murder investigation charged this week that the Sandinista Liberation Front of Nicaragua worked with the ERP to carry out the murder.

Oddly, less than 20 minutes after the killings, police arrived on the scene with prepared dossiers identifying the assassins and handed them to the press. A few hours later, police drove up to the house of the alleged leader of the hit squad and killed him as he "attempted to escape." Observers are also asking how it was that a foreign band of known terrorists armed

with machine guns and 10-foot Chinese bazookas was able to enter Paraguay undetected.

The Brazilian daily *O Globo* reported Sept. 20 that Somoza may have been involved in drug traffic as well as the arms trade, and that his death "might have been a settling of underworld accounts." Paraguayan dictator Alfredo Stroessner had maintained a virtual monopoly on all contraband in his country and has ties into the "French connection" of the cocaine business.

U.S. offers deal if Japan backs China

Sources in Washington suggested this week that the Carter administration has agreed to hold off on protectionist pressures against Japan in exchange for Japanese support of Carter's "China card" foreign policy. The deal reportedly includes administration acceptance of visiting foreign minister Masayoshi Ito's pledge to cut Japanese auto exports during the U.S. election period by 10 percent below October-December 1979 levels. If confirmed, the deal parallels the one worked out in May 1979 during former Premier Masayoshi Ohira's trip to the United States.

It gave a press conference in Washington strongly critical of France's Creusot-Loire for selling a \$300 million steel plant to the Soviet Union, the same plant order Japan's Nippon Steel lost because of Tokyo's adherence to Washington's embargo against the U.S.S.R. Although Japanese businessmen estimate they have lost \$4 to \$5 billion in sales now earned by French and West German firms, aides traveling with Ito report that Ito did not even ask Secretary of State Muskie to ease U.S. proscriptions on Japanese sales to the U.S.S.R.; instead, he dutifully echoed Muskie's protest to the French government over the Creusot-Loire sale.

A related development was the astonishingly pro-Japanese testimony on trade matters Sept. 18 by Deputy Assistant Secretary of State Harry Kopp before the House Asian Affairs Subcommittee.

Kopp stressed: "It is not self-evident that [auto] import restrictions would provide significant stimulus to sales or production of additional U.S.-built cars." This was a turnaround from Carter's election-eering statements.

Italian government toppled finally

The Christian Democracy-Socialist Party coalition government of Francesco Cossiga was brought down Sept. 24 when a secret ballot parliamentary vote failed to approve the premier's reworked austerity decree by a single vote, 298 to 297. Earlier the same day, in a roll call vote, Cossiga had won a vote of confidence by a 30-vote margin. Four days earlier a vote on a similar decree had been deadlocked 267-all, and the Cossiga government survived only due to a technicality which tips the scales to the government side in the event of a tie.

The 30-vote shift which ensured Cossiga's failure was partially attributed to a bloc of parliamentarians within his own DC party dissatisfied with Cossiga's program, which called for cuts in consumption through reduced government subsidies for certain commodities. A second factor was the upcoming general strike to protest announced layoffs of Fiat auto workers presently being organized by trade unions.

The international strategic situation may have influenced the vote due to grave concern within the Andreotti wing of the DC that Cossiga might allow Italy to become involved in NATO deployments into the Persian Gulf. Cossiga and his Socialist defense minister Lelio Lagorio, had been criticized for their shift in Italian foreign policy, which had been described recently as making Italy "the bulwark of the southern flank of NATO."

Cossiga had recently also been denounced by Communist Party military strategist Arrigo Boldrini for "planning to get Italy involved in a limited nuclear war."

Briefly

President Sandro Pertini will now designate the outgoing government to govern in a caretaker status until the various parties meet and a new government is put together. Vying with Andreotti for the premiership is Socialist leader Bettino Craxi, who is purported to wish to head up a five-way coalition excluding the Communists from power. If arranged, such a coalition is not expected to last very long.

Franco-British summit dodges EC budget

French President Valéry Giscard d'Estaing and Prime Minister Margaret Thatcher met in Paris Sept. 19 for the annual summit between the two countries, in what were reportedly "cordial and confidential" talks. Most observers noted, however, that Giscard had forewarned Mrs. Thatcher that he would not discuss the chief issue between the two, British contributions to the European Community budget. The Prime Minister was told that if she insisted on raising the matter, Giscard would listen, but not reply.

At the same time, French Premier Raymond Barre addressed the Franco-British Council in Bordeaux, warning 150 businessmen and government officials that France will remain "intransigent" on the "fundamental principles" of EC membership. Barre went on to evoke the possibility of a "two-tiered" Europe, which, from a Frenchman, always connotes that Great Britain would be on the lower tier.

Soviets, Swedes chart energy projects and trade

Yurii Brezhnev, son of the Soviet president and himself a deputy foreign trade minister of the U.S.S.R., told the Swedish newspaper *Dagens Nyheter* Sept. 10 that he wanted to double bilateral trade this decade. The expansion, said Brezhnev, should be centered on industrial

trade, particularly in the energy area: drilling equipment, for example, could be bought from Sweden by the U.S.S.R., which could sell the Swedes power station equipment as well as raw materials such as natural gas.

This week, the largest Swedish trade delegation to the Soviet Union in nearly 30 years, 60 top businessmen, is attending a meeting of the Swedish-Soviet Joint Commission on economic, technical and scientific cooperation to concretize this perspective. According to Swedish press reports, Swedish participation in developing a huge Siberian region just East of the Ural mountains is at the top of the agenda. A natural gas, wide-diameter pipeline deal is also under discussion, and will be pursued during a visit to Sweden by the Soviet oil minister next month.

Swedish sources also note that the two countries are set to agree on "joint projects in third countries," and the newspaper *Sydsvenska Dagbladet* writes, "it has been hinted that this may be a reference to cooperation in building nuclear power plants."

Iraq negotiates to build French jet fighters

Iraqi and French government officials are currently negotiating a purchase by Baghdad of 150 Alphajet fighters, which will be partly manufactured in Iraq. The discussions reflect the growing cooperation that has developed between the two countries in aeronautics and other areas. In November, the first of 60 French-made Mirage F-1 air defense interceptors will be delivered to Iraq. Now, it appears that Iraq has decided to set up its own aircraft industry with France's assistance. After the Soviet Union, France is the number-two supplier of arms to Iraq.

Initially, the Alphajet will be produced in French plants. Later, Iraq would assemble the most important Alphajet parts with French assistance. Eventually, most of the components of the Alphajet, including the jet engines, would be built in Iraq.

● **IRAQ** has announced that it will resume the pumping of crude oil through its Mediterranean pipeline that runs from Kirkuk, Iraq, through Syria, and into the port city of Tripoli, Lebanon. It will be the first time that the pipeline has been opened since March, 1976, when Syria-Iraq tensions were at a high point.

● **WARREN CHRISTOPHER**, Assistant Secretary of State, is out to get the South Korean government of strongman Chun Do Wan. According to our congressional sources, Christopher leads the pack at the State Department that wants to threaten tough measures, including aid cutoffs, if the Koreans go ahead and carry out the death sentence given Korean dissident Kim Dae Jung.

● **INDIAN COMMUNISTS**, the pro-Moscow wing, have somewhat amended their previously hostile stand toward Mrs. Gandhi's ruling Congress Party after a recent party executive meeting. The CPI will "join hands" with the Congress on certain issues, they say, shift from a policy that emphasized unity with the Maoist Communist Party/Marxist-Leninist against Gandhi's "authoritarianism."

● **HARVARD** University recently conducted a seminar for Wall Street bankers on political opposition to the Philippine government and the Philippine terrorist movement. The object of the seminar was apparently to direct the bankers to maintain contact with leaders of opposition groups. One prominent U.S. bank, following the seminar, ordered its Manila representatives to talk to "friends" of Cardinal Sin, a Jesuit who coordinates a support network for terrorists whose bombs just killed more than 10 people in Manila, including some Americans.

U.S. Army found unfit for combat

by Konstantin George

There is extreme concern in knowledgeable quarters that President Jimmy Carter may militarily intervene into the Persian Gulf crisis with a reliance on the "option of selective nuclear strike" against "Soviet forces or on Soviet territory." That is the language used in Carter's Presidential Directive 59, which has placed the united States under the doctrine of "limited" nuclear war.

The President has refused to rule out military action, and it is known that the United States is unable to mount any effective intervention using conventional forces.

If Carter decides to invoke his PD-59, it will be his first and last "selective nuclear strike," as the Soviet political and military hierarchy has repeatedly warned.

The latest Soviet warning to the Carter administration was conveyed Sept. 22 by Genrikh Trofimenko, foreign policy director of the U.S.S.R.'s Institute of the U.S.A. and Canada; "PD-59 is . . . extremely irresponsible and fraught with danger. . . . It is aimed at knocking out the bulk of the Soviet Union's strategic forces with a first 'counterforce' blow. The Soviet Union," Trofimenko warned, "will not curtail its own military programs, nor will it preoccupy itself solely with rebuffing counterforce."

Carter's official transition to the "limited" nuclear war doctrine did not occur without opposition from the professional military. In a recent series of articles on defense strategy, the *Daily Oklahoman* quoted a secret April 1979 letter from Strategic Air Command General Ellis to Defense Secretary Harold Brown.

Ellis denounced the "countervailing strategy" of "limited nuclear war" that later became codified as PD-59. As the *Daily Oklahoman* summed it up, "General

Ellis rejects the countervailing strategy of aiming at selected military and political targets in the Soviet Union . . . instead of relying on a strategy of annihilating the entire civilian population."

Collapse of readiness

That any Carter military move into the Gulf must either become nuclear, or abort under humiliating circumstances, is proven by even a cursory examination of the status of the U.S. armed forces.

General Jones, chairman of the Joint Chiefs of Staff, recently issued a private memo assessing the U.S. forces' combat readiness. As quoted in the *Daily Oklahoman* of Aug. 31, Jones said: "The size and sustainability of U.S. conventional forces cannot ensure the success of the strategy they are required to support."

For added emphasis, Jones torpedoed the Carter administration's on-paper claims of divisions available for the Mideast: "In theory, four divisions are earmarked for the Persian Gulf Mideast region, but that is, of course, only if nothing happens in Europe."

These statements by Ellis and Jones are, of course, at great variance with public pronouncements by the same individuals. There has been a notable lack of public professional military attacks on Carter policies.

The dismal state of U.S. readiness, the product of the Kissinger and later Carter administration, is shown by the Army's own ratings of its divisions for combat readiness. According to official Army documents, at the end of 1977, all ten of the Army divisions stationed in the continental United States, were rated as C-1, the highest category, or, combat ready. By the end of 1979,



At Fort Dix, New Jersey, a major training base.

seven of the ten were rated as C-4, the lowest possible category, including two of the three divisions earmarked for the so-called "Rapid Deployment Force" (RDF). These seven divisions are now officially labeled "not combat ready."

This collapse of military capability has produced hysterical reactions from some policymaking circles, but so far the debate has merely added to the blundering of Messrs. Carter, Brzezinski, and Brown.

The latest gizmo Brzezinski, Brown et al. have come up with is known as "strategic forces regroupment," whereby B-52 bomber units are being rotated into a "forward-basing" mode. For the first time B-52 strategic units would be within quick flight striking-distance of the Persian Gulf and adjacent Soviet territory. B-52s are the vehicles for the "options of selective nuclear strikes" outlined in PD-59.

Strategic Forces units have never before been based in forward deployment.

Now, in addition to bases in the United States and Guam, B-52 basing capability has been established at the Indian Ocean island of Diego Garcia, and will be set up in the near future at Ras Banas, Egypt, and Berbera, Somalia.

The administration's justification for this deployment is that the Soviets will know for certain that a U.S. bomber strike is limited, unlike a missile strike, where one is forced to assume that all missiles have been fired.

The most shocking feature of this policy is its tacit acceptance by the spectrum of leading figures who parade as policymakers. Criticisms totally miss the crucial point. A perfect example was the recent House

Foreign Affairs Committee hearings on the B-52 bases. Congressman Stephen Solarz (D-N.Y.) and a majority of the committee's members attacked Carter for wanting to station B-52s at Berbera, on the basis of Somalia's location. Diego Garcia, Ras Banas, or even Oman, looking directly out at the Gulf, were considered perfectly legitimate.

A no less incompetent debate is currently underway around the issue of the MX missile.

Defense Secretary Harold Brown wants to go ahead with the land-based MX, which will ultimately cost over \$100 billion and consume more water and cement than any other single project in national history, leaving the dry West devoid of water for any other use.

Former Defense Secretary Melvin Laird, a Republican, rejects the land-based concept. In a recent article, Laird correctly became apoplectic over the ludicrous social and material costs associated with the project.

Laird's alternative? Keep the counterforce MX missile as a missile, but make it sea-based, "either in ICBM ships or in flotation collars."

Laird's fantasy missiles have been independently endorsed by such diverse elements as two former chiefs of the Joint Chiefs of Staff: Maxwell Taylor, Kennedy's former defense adviser, and Admiral Thomas H. Moorer, a Republican defense adviser based at Georgetown University.

These are the frightening calculations of an administration whose ostensible GOP policy-making opponents match it blunder for blunder, in the face of a potentially rapidly escalating, general crisis in the Persian Gulf.

U.S. army combat readiness

U.S.-based divisions	December 1977	December 1978	December 1979
1st Infantry Ft. Riley, Kan. . . .	C-1	C-3	C-3
1st Cavalry Ft. Hood, Tx.	C-1	C-2	C-4
2nd Armored Ft. Hood, Tx.	C-1	C-2	C-4
4th Infantry (mechanized) Ft. Carson, Colo. . .	C-1	C-2	C-3
5th Infantry (mechanized) Ft. Riley, Kan. . . .	C-1	C-3	C-4
7th Infantry Ft. Ord, Ca.	C-1	C-3	C-4
9th Infantry Ft. Lewis, Wash. . .	C-1	C-3	C-4
24th Infantry (mechanized) Ft. Stewart, Ga. (RDF)	C-1	C-3	C-4
82nd Airborne Ft. Bragg, N.C. (RDF)	C-1	C-2	C-2
101st Airborne (Air assault) Ft. Campbell, Ky. (RDF)	C-1	C-3	C-4

RDF—Rapid Deployment Joint Task Force

Key

- C-1 Fully combat ready
- C-2 Substantially combat ready
(minor deficiencies)
- C-3 Marginally combat ready
(major deficiencies)
- C-4 Not combat ready

Source

Daily Oklahoman, Sept. 14, 1980. Based on interviews with military officials in Washington, commanders in the field, defense specialists and top-secret documents obtained by the *Oklahoman*.

Another crisis and another committee

by Lonnie Wolfe

Deputy Energy Secretary John Sawhill proudly announced to the Senate Permanent Investigations Subcommittee Sept. 22 that the Carter administration has formed yet another top-level committee—this one to deal with the energy crisis.

Sawhill stated that the administration has created a whole crisis management bureaucracy within the executive branch to deal with any emergency. The centerpiece is the Energy Coordinating Committee (ECC), a cabinet-level group that includes members of the National Security Council. Energy Secretary Charles Duncan, now formally the President's energy crisis manager in the federal government, heads the committee.

The ECC will make policy recommendations on the handling of an energy emergency, Sawhill told the senators. It will be responsible for deploying and coordinating the operations of the Federal Emergency Management Agency (FEMA), the government agency created to manage all emergency or disaster situations. FEMA, created by executive order, is best described as a government within the government having broad-based powers to act in an actual emergency.

Sawhill's statements were designed to reassure Congress that the Carter administration is prepared for an emergency arising out of a disruption of Mideast oil supplies.

\$5 a gallon gas?

Sen. Charles Percy, the ranking Republican on the committee who called the hearings, expressed his grave concern over the United States' ability to withstand a new oil disruption.

The Illinois senator warned that the developments around the Iran-Iraq war could quickly lead to huge increases in the prices of gasoline, home heating fuel, and crude oil.

Percy said, "Let's suppose that a full-scale war breaks out between Iran and Iraq, cutting off oil from those two nations. . . . The free world would lose almost 20 percent of its oil. The oil glut today would rapidly vanish, setting in motion the same events that occurred

in 1973 and 1979. . . . If history repeats itself . . . a supply disruption caused by an Iran-Iraq war could triple or quadruple the price of crude oil again, to more than \$100 per barrel. This time the hard truth of the energy crisis would slam home with a vengeance: gasoline prices of \$4 or \$5 a gallon. Home heating bills of well over \$1,000 per month."

It was in this context that Sawhill, the newly-named chief of the Synthetic Fuels Corporation boondoggle, described his new crisis management bureaucracy. He stated that the United States had more than adequate reserve supplies of oil to see it through a crisis deeper than the 1973-74 Arab oil embargo. According to Sawhill, the United States could handle a similar four-month shutoff and still have 40 days of reserves.

Sawhill did not once refute Percy's figures on the amounts of gas and oil price increases, although energy experts watching the hearings were wondering where Percy got his figures. Percy's claim that a shutoff of Iran-Iraq oil constitutes a 20 percent loss of oil to the West is wildly extravagant. The 20 percent figure is more than the total of all OPEC's exports to the West.

Similarly, none of the senators cross-examined Sawhill on how the administration's Mideast policies contributed to the present crisis, or what the administration planned to do about it.

While Sawhill presented enough figures about U.S. reserves to argue against the need for any energy emergency developing in the short or even medium term, DOE sources report that it is currently preparing for just such a crisis somewhere down the road. Four weeks ago a special office of contingency planning was created in the DOE and given the specific assignment of planning emergency measures to deal with a Mideast oil shutoff. Meanwhile, the DOE's office of international affairs is monitoring "world oil flows" and is ready to announce "when crisis proportions are reached," say DOE sources. At that point the ECC could move into high gear.

Who needs a shutoff?

DOE sources report that it is conceivable that the United States could be forced to cut back domestic consumption without an oil shutoff. This would occur if the U.S. was forced to share its oil supplies with Western Europe and Japan, under agreements coordinated through the Paris-based International Energy Agency. DOE officials stated that even under such conditions, the situation in the U.S. "would not resemble the gas lines of 1973-74 or 1979."

Sawhill and Percy agreed at the hearings that the United States remains vulnerable to an oil disruption, regardless of the stockpile figures. They agreed on the need for new emergency measures including increased

pumping of oil into U.S. strategic stockpiles in the Louisiana salt domes. In addition, Sawhill and Percy declared that the standby gasoline rationing plan could get very messy. Sawhill stated that the administration is now considering asking for the imposition of an emergency gasoline excise tax to cut consumption. Finally, both Percy and Sawhill agreed that the current crisis demonstrated the need for increased conservation efforts.

The *Washington Post* and the *New York Times* immediately called for the Mideast crisis to spur new emergency measures. In an editorial Sept. 23, the *Post* said, "The combat reports from the Persian Gulf are a warning that there may not be time for a gradual, comfortable transition to lower oil imports. Congress needs now to design an emergency gasoline tax that would rise sharply with the degree of a sudden shortage. Congressmen who don't like voting for gasoline taxes might usefully start thinking immediately about the alternative." On the same day, the *New York Times* said, "With luck the crisis will be contained before world oil supplies are affected. . . . Our luck is bound to run out long before the oil in the Persian Gulf," urging that action be taken along the lines of Sawhill's recommendations.

Reuss hearings

The Percy hearings were not the only ones to deal with emergency measures. In the House, Cong. Henry Reuss (D-Wisc.) called a session of the Banking Committee to discuss "World War II and the lessons learned on industrial problems." Spectators were treated to an assemblage of old-timer crisis managers including Robert Nathan and David Ginsburg of the World War II War Production Board.

The testimony focused on how to handle the current crisis. Both Nathan and Ginsburg stressed that the nation lacked the appropriate sense of national purpose required to deal with the current emergency. Nathan criticized the new Energy Mobilization Board for its narrow focus on synthetic fuels. "We are ill-equipped to deal with an energy emergency," he said. Ginsburg expressed concern over the failure to comprehend the full depth of the national economic and energy emergency. "What upsets me greatly," he stated, "is that we don't have the contingencies in place. In fact, we don't have a fallback contingency like wage-price controls. We don't have authority for total rationing. We haven't even handed out the coupons for gasoline rationing," he complained.

Ginsburg criticized the administration's lack of planning and foresight. His proposal: set up another committee, an economic policy board, to deal with the economic emergency. ■

The real winner of the debate

by Nancy Spannaus, Contributing Editor

Who gained more from the prime time television debates sponsored by the League of Women Voters on Sunday evening Sept. 21? The answer to this simple question has appeared oh-so-complicated to the nation's media pundits.

Was it media creation John Anderson who benefited the most by being recognized as a major contender for the nation's highest office? Was it Ronald Reagan, who escaped the evening without any of his traditional displays of embarrassing ignorance?

There are even some who claim that the winner was Jimmy Carter, because he stood "above it all" in the Oval Office—although these pundits are hotly contested by those who argue that Carter's disdain for the show made him the actual loser.

The answer is *none of the above*.

The only significant winner from this dull and pretentious occasion was the policy grouping around the Council on Foreign Relations that has announced in print that it would prefer that electoral constituencies not get involved in presidential politics at all, now that the function of government is supposed to be "allocating scarcity and orchestrating sacrifice." It was an event of the media, by the media, and for the media—all of which is fully complicit in this CFR perspective.

And the definite loser was the voting public.

Reagan and Anderson couldn't have been less in control of the situation themselves. Both of them had had to go through weeks of bowing and scraping before the media—Anderson in order to win his coveted 15 percent poll to "qualify" for the debate, and Reagan in order to try to stanch the never-ending flow of abuse coming from the nation's major media.

Anderson—whom media like the *New York Times* openly acknowledge to be their creation—was naturally the best acclimated for this kind of propitiation of the press. Nothing made this more obvious than the first question, which parroted Anderson's own campaign rhetoric by asking what the candidate would do that was "unpopular" with the electorate in order to solve inflation.

Anderson did not disappoint his controllers one bit. With a strident tone reminiscent of a fishwife, he boasted of his intention to impose energy austerity measures such as the 50 cent per gallon gasoline tax that would help force Americans into a lifestyle coherent with "a new conservation ethic." It was all that the press panel could do to contain his enthusiasm sufficiently to keep him within the allotted time.

Reagan showed more obvious distaste with the degradation requested of him. But only once did he dare to disagree with the premise of the questions asked of him. This was to the first interrogatory—he simply asserted that he did not think the proper solution to the problem of inflation needed to be an "unpopular" one at all. Having been rebuked by the panelist who muttered a disparaging remark about how he wished that the two would refrain from simply repeating campaign speeches, Reagan did not veer from polite deference to his interrogators again during the evening.

The Republican candidate concentrated simultaneously on projecting a correct fatherly image, beginning each remark with a slow stiff turn of his head and a benign, if forced, smile.

The media panel chosen by the League of Women Voters, itself a creation of Anglo-American intelligence networks like the Aspen Institute, was not a particularly distinguished group of individuals. There were no Walter Cronkites or Barbara Walters there to awe the candidates, or the viewing audience. Only a selection of smug underlings from every major wing of the Eastern Establishment press: the *New York Times*, *Newsweek* (*Washington Post*), the *Baltimore Sun*, and so forth.

What was most striking was their arrogance and dead certainty that they were the only ones who would be determining the outcome of the November elections.

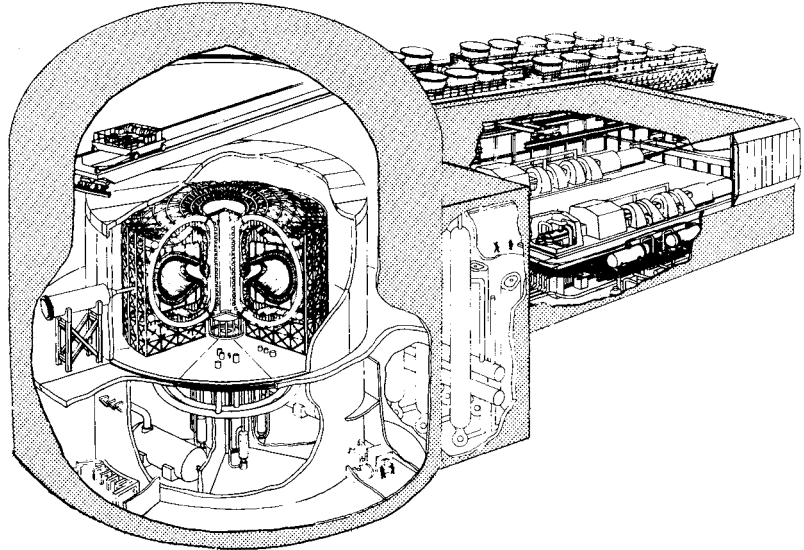
The program which the media found acceptable was blatantly obvious from the formulation of each question: harsh energy constriction; the need for economic austerity if the military were to be beefed up; the immense difficulty, if not impossibility, of solving the problems of inflation and the cities; and the irrelevance of religious values to an electoral campaign.

But the institutions running the media and these debates have another purpose in mind. As outlined in a recent policy statement written by Lloyd Cutler, in the Council on Foreign Relations' mouthpiece *Foreign Affairs*, the men who traditionally run presidential elections in this country have decided to junk the traditional process. They have determined that within their world of imposed scarcity, it will no longer be possible to satisfy the desire for improvements and progress of the American electorate.

If the Anderson-Reagan debate made you hopeless about a solution to the depression and America's political crisis, they accomplished precisely their purpose. ■

Fusion bill clears Congress

by Graham Lowry



Early next week, President Carter will have a bill on his desk that commits the United States to demonstrating the commercial feasibility of controlled thermonuclear fusion power by the year 2000. Final congressional approval of the bill today opens the door for the development of unlimited, cheap and clean energy.

The legislation, initiated by Cong. Mike McCormack (D-Wash.), is entitled the Fusion Energy Research, Development, and Demonstration Act of 1980.

For fiscal years 1982 and 1983, the bill orders an additional \$100 million each year to the nation's fusion program and mandates reaching commercial fusion by "the turn of the 21st century."

The increased funding, which will reach approximately \$500 million in 1982, will allow serious engineering and design to begin on constructing an experimental reactor in the early 1980s.

By voice vote on its consent calendar on Sept. 23, the Senate passed a combined House-Senate version of bills filed by Congressman McCormack and Sen. Paul Tsongas (D-Mass.). Senate amendments had already brought the Tsongas bill into line with McCormack's, and the House voted final approval the day after McCormack announced his acceptance of the amended Senate version of the bill.

Scientists around the country were jubilant over the bill's passage, which many believe provides an effective mandate for unleashing an enormous set of potentials in the most advanced technologies on the horizon.

"This is a great day for America," declared Dr.

An early-1970s blueprint for a nuclear fusion power plant.

Source: U.S. Department of Energy

Morris Levitt of the Fusion Energy Foundation in New York. "By recognizing the near-term potential for the unlimited benefits of fusion to become available, the Congress has provided us with the best possible alternative to the austerity policies and synthetic fuel boondoggles which up to now have been held out as our economic future," said Dr. Levitt, the FEF's Executive Director.

Tarapur fuel sale approved

Congressman McCormack hailed the Senate passage of his bill as "a tremendous victory," and added, "We've had several this week, including Senate approval for shipping nuclear fuel to India for its Tarapur nuclear plant." The 48-46 vote on India Sept. 24 clears the way for the United States to fulfill its treaty agreement to supply fuel for the U.S.-built plant.

At the Fusion Energy Foundation's headquarters in New York, Dr. Levitt also praised "our nation's scientists and engineers, who have proven they can meet the challenge and get the job done when they're given support and adequate resources. With what the McCormack bill provides, we now have the basis to rebuild our industries, our educational system, and a rational military policy."

Dr. Levitt, in addition to citing the impact of the FEF's campaign for fusion since its founding in 1974, paid tribute to "the excellent leadership" of the government's fusion program since the early 1970s. With the passage of the McCormack fusion bill, a program previously restricted to large-scale scientific experiments "now moves ahead with an engineering commitment to produce fusion energy at commercial prices by the turn of the century," Levitt declared. ■

Nuclear fuel okayed for India

By a close 48 to 46 vote Sept. 24 the Senate agreed to the administration's request that a shipment of enriched uranium be sold to India for the Tarapur nuclear facility. The close vote came as a result of a strange alliance between the administration and Reagan Republican, Idaho Senator James McClure. The administration, clearly perceiving the enormous strategic implications of damaging relations with India, pulled out the stops with Democratic senators on the Hill.

At the same time Senator McClure, one of the leading supporters of nuclear energy and of the use of nuclear energy to develop the Third World, heavily pressured Republicans to support the sale. In a highly unusual move, Secretary of State Edmund Muskie was invited to appear before a Senate Republican caucus to argue the case, reportedly at the behest of Senator McClure. McClure, who could never be categorized as "soft on the Soviets," successfully undercut the arguments of some Republicans who wanted to "punish" India for its deepening ties to the Soviet Union. At the Republican platform hearings this summer, McClure tried, though unsuccessfully, to reverse the party position against the sale.

On the floor of the Senate Sept. 23, besides arguing the merits of approving the shipment, McClure also attacked the tactics of some opponents of the sale. He charged that "a small cadre of individuals have worked very hard at develop-

ing suggested editorial pieces and at trying to secure their publication in newspapers across the country. . . . It takes on the appearance of a carefully orchestrated effort by one side by this debate to influence the political opinion of the Congress through hometown newspaper editorials."

The Senate measure assures the sale of the fuel. President Carter had ordered it in an executive order, which requires a vote by both Houses to overturn.

Senate votes to stop grain embargo

In a surprise slap at the administration, the Senate voted Sept. 26 to block the Carter administration from continuing its grain embargo against the Soviet Union. By a voice vote, the Senate added a rider to the appropriations bill for the Commerce, Justice, and State Departments, which forbids any of the departments' money from being used for "enforcement or implementation" of any restriction of agricultural goods to the Soviet Union.

The rider was proposed by Sen. Larry Pressler (R-S.D.) and it had the backing of many Democrats. Although the measure was passed by a voice vote, in an earlier procedural vote on the issue, 11 Democrats joined with the Republicans against the embargo. Sen. Robert Dole (R-Kan.), who has strongly opposed the embargo, declared, "It has had a severe impact on farm income. It has given other countries new markets to feed the

Soviets. It has not had any real impact on meat production in the Soviet Union."

The White House responded angrily to the Senate action, calling it "a clear mistake." Further action on the appropriations bill was suspended later in the day with the Senate leadership removing it from the floor, ostensibly because of disputes over anti-school busing language.

The House refused to agree to measures to stop the embargo when they were brought up in June, and the House may well refuse to agree to the Senate version of the appropriations bill when it goes to a conference committee. There is also speculation that President Carter might veto the measure if it includes the grain embargo rider.

Pension investments in agriculture to be reviewed

The Senate Small Business Committee, at the request of Senator Baucus (D-Mont.) and with the support of Senator Gaylord Nelson (D-Wisc.), will hold hearings Oct. 8 on the investment of pension funds into agricultural lands. Testifying will be representatives from the National Farmers Union, and several other farm groups. Pressure from the farm groups propelled the senators to hold the hearings to investigate whether it is appropriate or necessary for Congress to pass legislation limiting pension investment in farmlands. The Committee will be reviewing the activities of the American Ag-

gricultural Investment Management Company, which invests the pension funds of major corporations in agricultural lands. The House Agriculture Committee, asked to look into the same matter, has requested the General Accounting Office for a study of this question.

Great Lakes shipping may last through January

A measure to keep the Great Lakes open for shipping through Jan. 31 is now awaiting action by the House Merchant Marine Committee. Introduced Sept. 10 by Cong. Thomas Ashley (D-Ohio), the temporary chairman of the committee, the legislation H.R. 8095, would extend the shipping season on lakes Superior, Huron, Michigan and Erie and their connection channels from mid-December through Jan. 31. It endorses the recommendations of the Army Corps of Engineers for facilitating the shipping season with special additional equipment. It also directs that an \$8.25 million three-year study be undertaken on possible shore structure damage and erosion to be expected from an extended shipping season.

The bill has several other provisions to help facilitate such extended shipping including allowing subsidized U.S. flag carriers to offer alternate routes during the closed season without disturbing their subsidy agreements covering Great Lakes service, and permitting a 30-year stretched-out repayment by the St. Lawrence Seaway Development Corporation to the

U.S. Treasury, of the nation's share of the investment in the seaway.

Office of Strategic Trade proposed

"We have had a history of focusing on the export of hardware to the Soviet bloc, rather than on the export of know-how and technology," former Deputy Secretary of Energy John Deutsch told the Senate Government Affairs Committee on Sept. 24. Deutsch was testifying on S. 2606, introduced by Sen. Jake Garn (R-Utah) and William Cohen (R-Maine), to create an Office of Strategic Trade as an independent executive agency. The bill would transfer to the new office functions now performed by the Commerce Department under the Export Administration Act, which provides for controls on commercial goods or technologies which have dual or military applications.

Deutsch's remarks showed that such a new office could rapidly expand its scope beyond exports and could be used to inhibit domestic scientific investigations under the guise of protecting them from the Soviets. In particular Deutsch singled out the problem he used to have with scientists in the DOE who wanted to participate in public conferences on issues such as "inertial confinement fusion," claiming that such conferences would provide secrets to the Soviet Union.

Capitol Hill observers noted that while the hearing was nomi-

nally held under the aegis of the Government Affairs Committee, it appeared to be a rump Armed Services Committee meeting, dominated by Armed Services Committee staff who are closely tied to Georgetown University's Center for Strategic and International Studies. Sen. Scoop Jackson (D-Wash.), a senior member of both Government Affairs and Armed Services, opened the hearing and then turned it over to Cohen, also a member of both committees. Cohen promptly invited Armed Services Committee members Jake Garn (R-Utah) and John Warner (R-Va.) to join him.

In addition, a new lobbying network closely interlinked to that Armed Services Committee grouping has been formed. Called the Institute for Strategic Trade, the group had one of its members, Dr. Miles Costick, testify at the hearings. Chairman of the institute is Gen. Daniel Graham (retired), long a proponent of severely restricting U.S. trade with the Soviets. Also on the institute is William Van Cleave, an adviser to Ronald Reagan.

Lame duck session expected in November

For the first time in decades, there will be a session of the old Congress after the new one has been elected. The lame-duck convening is expected to take place Nov. 13. The reason: the Senate has failed to complete its 1981 financial appropriations. In fact, it has not even wrapped up funding for the remainder of 1980.

National News

Eizenstat: we are committed to coal

White House domestic policy adviser Stu Eizenstat told the first meeting of the President's Coal Advisory Board this week that the Carter administration is "firmly committed" to a large expansion of U.S. coal production and a giant coal-based synthetic fuels program. Eizenstat emphasized that the administration has already mobilized \$20 billion to fund the effort.

The board, which met in Charleston, West Virginia, also heard from the state's governor, John D. Rockefeller IV, who called on the nation to move forward in the next decade to meet the ambitious demand of the coal expansion program. Sources close to board members say the board has been given full White House backing to work on proposals to raise coal output over the coming decade, including port and rail expansion as well as the already announced synfuel program.

Nuclear power wins in Maine vote

Nuclear proponents won 59.1 percent of the vote in the Sept. 23 Maine referendum, the first of six such battles nationally this year. Of the more than 390,000 who voted (56 percent of the electorate), 230,780 turned down the first referendum that would have closed an operating nuclear reactor and permanently banned future nuclear power construction. Similar measures are on the November ballot in Montana, Oregon, South Dakota, Washington, and possibly Missouri, if a court challenge to that referendum fails.

The vote keeps the Maine Yankee Power Plant operating, to produce one-third of the state's electricity. Before the vote two companies, IMC, which produces chemicals for the state's paper industry, and the 6,000-man Bath Iron Works shipbuilding firm, threatened to leave the state if this deathblow to the state's economy passed.

Despite the victory, nuclear advocates fear that the 40 percent environmentalist vote will be used by national press and environmentalists to escalate attacks on the nuclear industry. Ray Shadis, head of the sponsoring Maine Nuclear Referendum Committee, claims they assembled get-out-the-vote organizations in 61 cities, while the Save Maine Yankee pronuclear coalition ran a campaign confined to media advertising. The state Democratic Party supported shut-down, while the Republicans were silent. Only the state's building trades unions mounted a door-to-door campaign against the referendum.

Dixy Lee Ray defeated in Dem primary

Democrat Dixy Lee Ray, Washington state's outspoken pronuclear governor, was defeated by a 3 to 2 margin in the state's Democratic primary Sept. 16 by State Sen. Jim McDermott, a liberal child psychiatrist. The result is being touted nationally as a show of zero-growth sentiment among the electorate.

Mobilized against Ray were the press, broadcast media, the liberal wing of the Democratic Party, and Republicans who crossed party lines to "get Dixy" by voting in the Democratic primary. Ray's campaign strategists had made a decision to run a low-key campaign, ostensibly because they believed that the governor would win easily.

The campaign fight did not focus on Ray's economic development initiatives, such as bringing supertankers filled with Alaskan oil into Puget Sound. Instead, McDermott and the press emphasized "personality" issues.

Ray's allies were picked off in court or tried by the press. Larry Bradley, her top energy aide who opposed conservation policies emanating from the DOE, was charged with mismanagement and resigned. State Senator Donohue, who helped steer Governor Ray's budget through the legislature, was implicated in the U.S. Justice Department's current "Gamscam" prosecutions. Even the state Democratic convention withheld the en-

dorsement usually given to an incumbent, and adopted a platform of decriminalization of marijuana, pornography and prostitution, which Ray refused to run on, saying that she is a "true Democrat."

Now, Washington's voters face a choice between McDermott and Republican John Spellman, King County (Seattle) Executive, both of whom have been characterized as "antigrowth." McDermott has claimed his victory represents "a new majority [that] has emerged in this state who believe that we don't have to waste Washington with nuclear waste, and who also believe that we don't have to allow growth to destroy the quality of life in this state."

Committee calls for aid to African famine areas

A newly formed Ad Hoc Committee for a New Africa Policy has issued a national call for President Carter to adopt emergency food relief measures to supply 10 million Africans threatened with starvation in the next several weeks, and an additional 70 million who face the combined results of "drought, famine, and war on the continent."

Citing the fact that the U.S. has nearly 26 million metric tons of surplus wheat, 271 thousand metric tons of dry milk, and 30 million metric tons of corn, the committee urges President Carter to "direct the Commodity Credit Corp. to purchase 18 million metric tons of grain and dry milk from farm producers at parity prices . . . and to work closely with . . . the affected countries to ensure the food supplies' effective transport and distribution."

Since the letter by the Ad Hoc Committee was sent out two weeks ago, it has received endorsements from over one hundred ethnic, political, religious, farm, and labor leaders throughout the United States. Signators include Hulan Jack, former Manhattan Borough President; Lillian Roberts, vice chairman of the flagship District 37 of the AFSCME union in New York City, which includes all of the New York service unions; 50

officials of District 37 AFSCME locals; NAACP chapters in Oakland and Hollywood/Beverly Hills, Calif., Plainfield, N.J., and Seattle, Wash.; American Agriculture Movement leaders in Maryland, Pennsylvania, Ohio, and elsewhere; leaders of the National Farmers Organization; officials of the African Methodist Episcopal Church, including H. H. Brookins, President of the AME Bishops; leaders of the Transport Workers Union, UAW, Building Trades, IBEW, Ironworkers, and church leaders of many other denominations.

Fortune magazine calls U.S. democracy outdated

In a Sept. 22 article titled "Making Democracy Less Inflation-Prone," *Fortune* magazine blames economic disruption on excessive government concern for labor, farmers, minorities and businessmen, and calls for constituency representation to be drastically modified. The article begins with an epigraph: "Democracy has a very bad track record. . . it has proved unable to withstand or defend itself against pressure from within, the spendthrifts who disburse its resources . . . the pressure groups who try to cajole, corrupt, or intimidate government. . . ." The author of the epigraph is Lord Hailsham, presently presiding officer of the British House of Lords.

Lord Hailsham is echoed by Alan Greenspan, former head of the U.S. Council of Economic Advisers and a current economic policymaker for candidate Ronald Reagan. Greenspan states: "The problem of inflation has arisen because there is no governor in the system—no limitation on the exercise of one man, one vote."

Robert Komer tours Asia for Pentagon

Known among his colleagues as "Blowtorch" during the Vietnam War, Deputy Defense Secretary Robert Komer returned to the Asian theater this week. In

Tokyo, he reportedly pressed Japan to "fill in the defense vacuum in Asia" because the United States has had to divert its Pacific forces to the Indian Ocean-Persian Gulf area. According to Japan's Kyodo news agency, he stressed that Japan should cooperate with the U.S. in an arms buildup.

In India, Komer attempted to sell \$200 million worth of antitank missiles and howitzers, \$32 million of which had been contracted during the administration of Prime Minister Gandhi's predecessor. Indian sources expect the deal to go through. Komer did not visit China as originally expected, but stopped in Indonesia, whose government is skeptical about China's regional ambitions and traditionally opposed to concentrations of superpower military presence in Southeast Asia.

The Middle East leg of Komer's trip is to include Oman, Israel, Egypt, Somalia and perhaps Saudi Arabia.

NDPC testifies on synfuel appointments

The Senate Energy Committee heard the National Democratic Policy Committee testify Sept. 24 that the President's nominees to the board of the newly established Synthetic Fuels Corporation are "unusually unqualified" to occupy such powerful posts. The NDPC charged that none of the individuals is committed to energy growth or concern for rational water, capital, and labor allocations, and thus could not evaluate the scientific and economic viability of synthetic fuels.

At the hearings, AFL-CIO president Lane Kirkland suggested that the corporation could fund a mass relocation of unemployed workers to synfuel sites. Kirkland faded into inaudibility when asked if he would support Davis-Bacon provisions for the projects, which guarantee that federally funded construction meets area wage scales. After committee chairman Scoop Jackson demanded that he speak into the microphone, Kirkland murmured that he thought under most instances Davis-Bacon would apply.

Briefly

● **JOSEPH CHURBA**, former director of Air Force intelligence and a senior adviser to Ronald Reagan, said in an interview this week that the U.S. should immediately back Iran in its war against Iraq. Churba proposed that the U.S. dispatch a fleet of C-30 transport planes to Iran with spare parts for the Iranian armed forces, in exchange for the release of the hostages.

● **MOBIL PRESIDENT** William Tavoulaareas declared that "the United States should set as a goal that all electricity should be generated by nuclear power" in an op-ed in the *New York Daily News*, "We recognize that nuclear power is not without risks. . . . But the risks of nuclear power are insignificant when compared with the greatest risk of all—the risk of nuclear war triggered by our dependence on foreign oil."

● **THE RDF** assembled by the Carter administration is being criticized by Republican James Schlesinger, who wrote in the *Washington Post* on Sept. 24: "It seems to be a hallmark of this administration that it is prepared on occasion to embrace—and then to advertise—some of Zbigniew Brzezinski's concepts. It is, however, wholly unwilling to put behind such concepts the resources and the planning effort necessary to turn concept into reality. Oddly enough, Brzezinski himself appears to be satisfied with this arrangement."

● **MICHIGAN GOVERNOR** Milliken is projecting \$700 million in state budget cuts, including cuts of \$250.4 million in vital services. Slated for cuts are police, agriculture, public health, transit and social services (\$170 million alone). By law, Milliken is mandated to balance this year's budget by Oct. 1, which shows a \$180 million deficit. A projected \$800 million deficit for next year is caused by lost tax revenues due to mass layoffs in the auto and feeder industries.

What about nuclear energy?

A look at the Carter administration's policy record and the results for the nation.

Since 1976, has Washington succeeded in killing our most efficient, least costly, and still safest energy resource—nuclear power generation? Energy is clearly becoming a national and local election year issue in both congressional and presidential races. It's a useful time to review federal policy decisions over the past three and a half years.

James Earl Carter is the first President since the dawn of the peaceful nuclear energy age in the early 1950s to make opposition to continued development of nuclear power a central feature of administration policy. One of his first major policy declarations after taking office in 1977 was to declare his full endorsement of the conclusions of a Ford Foundation study, "Nuclear Power: Issues and Choices," written by his Deputy Energy Secretary, John Sawhill.

Carter then secured passage of the Nuclear Non-Proliferation Act of 1978, commonly referred to as the Nuclear Export Act. As a predictable result of the stringent export restrictions of this bill, the United States, which only a few years ago exported 90 percent of the world's nuclear equipment, has had to all but abandon its export of nuclear plants. No country is willing to stake its energy future on what is rightly regarded as an "unreliable supplier." The recent fight over shipment of uranium fuel to India's Tarapur reactor is a case in point. In the wake of last week's

House vote under the act to halt fuel deliveries for India's nuclear reactor, Indian business circles were discussing withdrawal from International Atomic Energy Agency safeguard stipulations and development of the very reprocessing technology the U.S. law ostensibly was designed to stop.

Indeed, the very heart of the IAEA international safeguard process underlying the Nuclear Non-proliferation Treaty (NPT) is itself rapidly becoming a dead letter because of the uncertainties introduced by recent U.S. legislation. At the Second Review of NPT meeting in Geneva last month, several developing-sector nations almost walked out in protest against the Carter administration policy. One diplomat noted that "NPT has passed its peak. . . . If they call another conference, it will be worse than this one."

With nuclear exports all but cut off through such policies in the last three years, the domestic industry was softened up for the political assault that followed in the wake of the Three Mile Island incident. George Cunningham, Assistant Secretary of the Department of Energy for Nuclear Energy, stated recently that "There is not an awful lot you can do to keep a factory in business when there's no demand for its product." Such a statement from a responsible official would have been unthinkable several years ago. The DOE Office of Policy &

Evaluation will soon announce latest estimates for installed nuclear capacity by the year 2000. 150 gigawatts is now their "best estimate." Less than a year ago, an international review panel projected 255-395 gigawatts. Even that is paltry compared to the Nixon administration target of 1,000 GW by 2000. For reference, one nuclear plant with a typical 1 GW capacity provides enough electricity for a city of approximately 1 million and saves the equivalent of 10 million barrels of oil per year.

And months after the dust settled from Three Mile Island, it is clear that aside from "psychological" damage to pregnant housewives brought about by irresponsible media, the primary damage from endless environmentalist obstructions to an orderly cleanup could be to bankrupt the Metropolitan Edison utility. Regulatory decision, or lack of it, has prevented restart of the second unit, TMI-1, despite the fact that it was unaffected by the incident.

Meanwhile, the Soviets have been operating a 600 megawatt fast breeder near Beloyarsk since April. The French, who have had a demonstration breeder operating for several years, are well into their commercial-scale Super-Phénix construction. France, West Germany, Canada and the Soviets are grabbing up the lucrative international reactor supply, engineering, and construction market left by the collapse of America's export capability. It's food for thought as election time nears. People like John Sawhill, Carter's nominee to chair the new Synfuels Corporation, may be smiling; the rest of us cannot afford to until these priorities are reversed.