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EXECUTIVE INTELLIGENCE REVIEW

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TABLE OF CONTENTS

INTERNATIONAL REPORT

- 1 T-Ruble Most Important News Since Bretton Woods
- 3 Press Debates Expanded Use Of T-Ruble
- 5 CAP Calls Carter's Bluff
- 7 New Entebbe Next In Confrontation Policy
- 8 Rabin Victory Counters Vance 'War Shuttle'

NATIONAL REPORT

- 1 Carter's Budget Unveiled
- 3 Carter To Stop Dam Construction
- 4 Next Ten Years As Seen By Brookings
- 7 Blackmail Against Carter Opposition In Congress
- 8 Congress Punts On Warnke Nomination
- 9 Carter's Budget-Cutting Spree

ECONOMICS

- 1 Banking
- 9 Special Report
- 12 Gold

ENERGY

- 1 Trilateral Commission Revives Failed Baruch Plan

SCIENCE AND TECHNOLOGY

- 1 Fusion Possible In Five To Ten Years
- 3 Demonstration Fusion Plant In Late 1980s
- 3 Fusion Enduring Solution To Energy Problems

SOVIET SECTOR

- 1 Eastern Europe Hard-Liners Push T-Ruble

EUROPE

- 1 France
- 2 Britain
- 3 West Germany
- 4 Italy

MIDDLE EAST

- 1 Vance Visit Leaves Sadat Shaky
- 2 Carter Injects War Threat Into SALT
- 3 All Sides Denounce Cyprus 'Mediator'

AFRICA

- 1 Smith Tries To Look Liberal
- 1 Ethiopia Struggles To Escape Hotspot Role

ASIA

- 1 Carter Applies 'Cuban' Policy To Vietnam
- 2 India's Election Campaign Enters Homestretch
- 3 Congress Party Program
- 4 CPI Manifesto
- 5 Janata Party Manifesto

LATIN AMERICA

- 1 Oil: Mexico's Road To Fusion Power
- 2 The Mexican Labor Party Energy Program
- 3 Colombia: Carter's Vietnam
- 5 Brazil Draws Line On Nuclear Power

LAW

- 1 Testimony Of FEF On Midland Case

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IN THIS WEEK'S ISSUE —

For the first time, a top government official in the Comecon Sector has issued a high-profile statement proposing use of the **transfer ruble** as a replacement for the IMF and similarly non-functional dollar-based international monetary institutions. And within the past ten days, the business pages of **major newspapers in Italy, Britain, France, and West Germany** ... not to mention America's Chicago Tribune ... have been **debating the usefulness of the T-ruble** as a way out of the present monetary mess. A news analysis of the t-ruble debate ... including excerpts from **the key articles and commentary in the world press** ... is the lead item in this week's **International Report**.

* * *

The U.S. credit system ... the ultimate financial underpinnings of global production and trade since World War II ... is **shot**. A special report on banking in our **Economics** section proves it ... utilizing a rigorous statistical survey which establishes the facts beyond dispute ... and **puts the blame** squarely where it belongs, on **Chase Manhattan** and the major New York banks.

* * *

To maintain "confidence" in the dollar, **David Rockefeller's Trilateral Commission** and its mouthpiece **Jimmy Carter** are threatening a new **Entebbe** "show of force" in Africa ... using the lunatic **Idi Amin** as their foil ... while continuing provocations against Eastern Europe and efforts to foment a new Arab-Israeli war. The scenario for enacting "limited sovereignty" in Africa is outlined in **International Report** ... which also includes a report on the last minute European in-

tervention which produced a victory for **Prime Minister Rabin** and pro-peace forces in Israel ... and partially short-circuited **Cyrus Vance's** warmaking caravan through the Middle East.

* * *

Mexican officials have announced their country contains enough oil to make it potentially one of the world's half-dozen largest producers ... and the **battle for Mexico's oil is on**. The Carter administration wants to use it to **bust OPEC** ... the Mexicans are considering an **OPEC invitation** to join the producers' alliance. (see **Latin America**).

* * *

OPEC member Venezuela's **Carlos Andres Perez** became the **first world leader to treat the Carter administration with the contempt it deserves** last week ... and set an important diplomatic precedent for other governments ... when he called **Washington's bluff** on Washington Post "CIA leaks" which claimed he was on the CIA payroll. CAP pinned the White House with responsibility for the lies ... recalled his Ambassador ... demanded and got a retraction from Carter, The history, and the text of Carter's apology, is carried in the **International Report**.

* * *

The Carter budget released last week could **backfire** just as badly. Preliminary analysis of the budget ... which contains **disastrous cuts** in U.S. nuclear energy, military-aerospace, and irrigation programs for starters ... is available in the **National Report**. Also included ... exclusive excerpts of a newly released **Brookings Institution** document

which lays out in black and white the Carter "strategy" for maintaining national security by gutting the U.S. economy.

* * *

Carter's nuclear budget cuts have already produced **backlash testimony in Congress** by U.S. energy officials and scientists ... who are now going public with the story our subscribers have had for months: with proper funding, thermonuclear fusion energy will become available within a decade. For lengthy excerpts from ERDA's testimony ... and the sympathetic hearing it got in Congress ... see **Science and Technology**.

* * *

The Carter solution to the drought ... no more dams. The **National Report** details the effect of the proposed irrigation cuts ... and reports the growing ire of Congressmen in the face of the Trilateral "Imperial Presidency."

* * *

Europeans are responding to the U.S. **Labor Party** as the potential key to catalyzing an effective American **industry-labor alliance** behind a **competent energy program** ... a political fighting force to take on Rockefeller in his own backyard. The proceedings at the **nuclear energy conference** hosted by the USLP's Lyndon LaRouche in Milan this week show which way the wind is blowing. (see **Europe**).

* * *

Politics on the other side of the Atlantic now revolves around forging just such business-labor alliances for expanded reproduction. Reports on the significance of the **Callaghan cabinet reshuffle** in Britain, the continuing **Schmidt-Stoltenberg** battle for **nuclear plant construction** in West Germany, and new attempts to sidetrack a **Gaullist-Communist partnership** in France are featured under **Europe**.

* * *

Back in the U.S., **state Labor Party officials in Michigan** have intervened in a court case on behalf of a local power company now **fighting Naderite "environmentalist" sabotage** of

expanded energy output. For the text of USLP testimony submitted to the court, arguing that the **"conservationist" viewpoint is unconstitutional**, see **Law**.

* * *

New aggressiveness on behalf of the trouble is only one sign that **Soviet sector hardliners** are feeling their way toward an effective political strategy in **support of a European breakaway from Washington**. The Czech paper Rude Pravo attacked Carter by name last week ... one sign that the mush faction in the Soviet Politburo is coming under heavy pressure. For the others, read out **Soviet Sector** report.

* * *

Will Colombia become the Carter administration's **Vietnam war**? The Colombian peasantry is up in arms, the working class is nearing a strike wave ... and Colombian **Communists have promised "armed resistance"** to an expected fascist coup attempt and looting of the economy. (see **Latin America**).

* * *

In Vietnam itself, the Carter team is trying the same "negotiating" gambits it is using on the USSR and **Cuba** ... step-by-step psychological warfare to extract concessions ... or force a **new confrontation in Asia**.

* * *

This week's EIR also features these important background stories: *****Trilateral Commission Goes in "New Directions"** — Rockefeller regroups his agent apparatus into a unified strike force. (see **Military Strategy**).

*****The Clifford Fiasco** — All parties agree Carter's Cyprus emissary should have stayed home (see **Middle East**).

*****What's Behind the Violence in Ethiopia** — and what the Israelis have been up to on the "Horn of Africa" (see **Africa**).

*****Democracy in India** — The key excerpts from the three major parties' election platforms ... plus an analysis of the race as they enter the home stretch.

*****Sadat Shaky After Vance Visit** — the Saudis are asking Carter: do you want Sadat or a Revolutionary Command Council (see **Mideast**).

INTER-NATIONAL
NATIONAL
ECONOMICS
ENERGY
SCIENCE TECHNOLOGY
SOVIET SECTOR
EUROPE
MIDDLE EAST
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ASIA
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LAW

'T-Ruble Most Important News Since Bretton Woods?'

A delegation of 180 Italian businessmen in Moscow headed by Prime Minister Giulio Andreotti's personal representative this week began negotiating the use of the transferable ruble to finance East bloc trade with Italy, while pursuing the nuts and bolts of involving one or more major Third World countries in the pilot "triangular" circulation of T-Ruble credits. The Third World element of the prospective package was stressed by both the Moscow Narodny Bank in London and sources close to the Italian government and the Montedison chemical conglomerate, which has taken the lead in exploring what its international director, Guisepppe Ratti, called "creative" new means of trade finance. Ratti has now left Moscow for Libya. At the same time, an Eastbloc government has made an unprecedented public call for transferable-ruble-based trade; the deputy finance minister of Czechoslovakia, Mirko Svoboda, specified in the Feb. 21 issue of the official newspaper Rude Pravo that such trade is needed to counter the collapse of the present international monetary system in general and to promote Third World economic development in particular.

The Italian-Soviet negotiations follow a report last week in *Il Sole 24 Ore*, the daily newspaper of the Confindustria, Italy's national industrial association, that British investment bankers are collaborating with the Soviets to make the transferable ruble an alternative to the dollar on a world scale. British bankers confirmed that they are conducting "feasibility studies" on the "international negotiability" of the transferable ruble. The *Financial Times* of London reported Feb. 22 that the Soviet plan "has sent ripples through Western banking circles.... Was it even, as one leading banker claimed, the most important news for currencies since Bretton Woods?" Yesterday's *Financial Times* followed with a report on the already existing ties between the Eastern European Common Market, the CMEA, and Third World institutions including the African Development Bank and two Algerian banks. The article commented that "one of the transferable ruble's advantages is that it is quite cheap" — ruble credits bear a 25 percent charge — owing to the "comparative price stability of Comecon (CMEA) markets," i.e. the sturdy growth of real economic activity in the East.

There are so many unanswered questions about just how it (the t-ruble) will work that the West has yet to make up its mind what it all means," continues the Feb. 22 *Financial Times* article, which proceeds to stress two aspects — the t-ruble's availability for the Third World as well as the advanced sector, and the Soviet refusal to

allow the t-ruble to become a "convertible" increment of international liquidity subject to manipulations on the Eurodollar and other Western markets. The T-ruble is not another currency, but a credit line, the *Financial Times* reminds its readers.

This consideration has already led the USSR negotiators with Italy to rule out a proposal by Italian Trade Minister Rinaldo Ossola to make Soviet promissory notes "discountable," i.e. saleable for cash on the Eurodollar market. The problem thus remained of how to finance the roughly \$6 billion in new Italian-Soviet business deals concluded this winter but stalled for lack of Italian credit facilities, given Italy's \$20 billion international debt obligations.

The Italian delegation conducting the talks which have now turned to the transferable ruble is on the highest level, including men who command the respect of pro-growth forces throughout the world, such as Eugenio Cefis, the Montedison head who has been a prime mover behind Italy's push for industrial development and expansion of international energy networks outside Exxon-coordinated restrictions; and Ratti, author of a leading plan for a new international financial institution involving the CMEA as well as OPEC oil-producing governments.

The Italian financial press has made the background and international significance of the negotiations explicit. Last week *Il Sole* related the introduction of the transferable ruble to the "general illiquidity crisis" constraining trade; financial commentator Giorgio Vitangeli followed in *Il Fiorino* Feb. 20 with an insistence that barter alone — one of the Italian tactics for filling the credit gap — cannot replace the remnants of the Bretton Woods dollar-based system with a genuinely stable and practical new monetary order. In *Il Globo* Feb. 24, an economist from the Italian state petroleum concern, ENI, called for a return to a system of fixed exchange rates based on regional currency blocs, a system that could provide needed liquidity to the Third World as well; the only obstacle was described as U.S. efforts to maintain its financial ascendancy.

These themes were echoed in the Gaullist publication *L'Appel*, which portrayed the USSR as the world power able to help launch a new gold-based monetary system to supersede the suffocating dollar debt overhang.

One institutional focus for expanded negotiations will probably be the European Economic Community (EEC), whose Commission has formally proposed action on "long-delayed European monetary union," now that the pound sterling has been stabilized, according to the latest

EEC economic monthly publication. Britain has been proposed as mediator in "bloc-to-bloc" relations between the EEC and the CMEA, a long step beyond bilateralism. European monetary union, probably based on the kind of gold clearing-accounts system being studied by the Commission, would facilitate the orderly clearing-instrument use, in turn, of the transferable ruble.

The key dimension, however, is not strictly speaking a monetary one. The CMEA ruble is actually a form of long-term, low-interest credit which CMEA members use to finance trade and development projects. When, last October, the CMEA's central bank offered to facilitate the extension of this new form of credit to the West, the bank pointed to "projects on a continent-wide scale." This is the way the Italian delegation is approaching the negotiations, and the source of Fiat spokesman Nicolo Gioia's enthusiasm for the transferable ruble as expressed in *Il Sole* Feb. 25. Italian corporations were invited during the negotiations to participate in expanding the Soviet nuclear power capacities based in Siberia; Montedison spokesmen's references to the "complementarity" of the two national economies are based on Italy's need and technological capacity for involvement in this sort of milestone large-scale project.

Consequently, the transferable ruble has an immediate reality for Italian business which is not yet matched in West Germany, in particular. Manifestly, no West German delegations are yet negotiating the kind of overall multibillion packages that necessitate the ruble. However, West German industrialists are following up the CMEA initiative. Traditionally averse to "state-to-state" dealings, they have conducted East-West and Third World deals on the corporate level. Now, not only has the banking journal *Zeitschrift fuer gesamte Kreditwesen* publicized the CMEA ruble initiative, but the leading financial daily *Handelsblatt* has assumed what amounts to a negotiating stance on the matter, signaling interest in pursuing the Ratti proposal for some sort of East-West trade bank, and suggesting obliquely that transferable ruble credits could be used to overcome the present stumbling blocks of CMEA deficits with the West and Third World deficits with the CMEA. The head of the East-West Trade Association this week said that corporations would be happy to use ruble accounts, but more "clarity" is needed on the whole question — and this call for clarity" has appeared in other European press organs.

Some of the points involved can be briefly summarized, keeping in mind the fact that the practical intent and function of t-ruble credits are basically on the scale of multilateral development projects, not simply deals between a given CMEA enterprise and a Western firm.

The first question has already been answered: the transferable ruble will not be automatically "convertible" into Western currencies, to the professed discontent of the *Neue Zuercher Zeitung*, the *Frankfurter Allgemeine Zeitung*, and the West German correspondent of the *Chicago Tribune*. No one except speculators and U.S. government economic warfare tacticians would benefit from such convertibility, and the New York banks have no hope that ruble balances could be tran-

smuted into debt repayment by Italy and others.

The valid question is who will receive transferable rubles and thereby in effect grant credit to the CMEA. Private banks, under present conditions, have to pay too much for their own money to afford 2—5 percent "loans" to the CMEA, which is what a ruble account with the CMEA amounts to. Governments, however, can.

Isn't this, as the *Neue Zuercher Zeitung* charges, simply a giveaway to the East? One answer was probably provided by *L'Appel*, that is the French Gaullist businessmen: European governments have been holding dollars for decades and thus giving credit, through these paper IOU's, to the U.S. on a gigantic scale. "In liquid form it is especially the U.S. which is indebted, and this indebtedness, these dollars maintained outside the U.S. can be considered a sort of monetary base on which the dollar market is developed in other countries."

The dollar-debt structure is now agreed to have lost its compensatory merit of financing trade and investment, as dollar flows are concentrated in financing state and private debt rather than expansion of economic activity. And in 1977, the ease of short-term rollovers which has maintained that overhang since 1974 is jeopardized by U.S.-generated inflation and consequent upward pressure on interest rates.

The dollar's monopoly as a trade-credit and payments-settlement vehicle was not welcomed by European businessmen after World War II, but they had scant choice, and the U.S. economy was after all strong enough to back the value of the dollar — a situation which visibly eroded as of the late 1950s. There exists a precedent for the credit instruments of a less than universally beloved world power to finance trade and joint-venture operations.

By comparison, what to do with ruble balances is a far more gratifying question. Italian spokesmen have shown that new business can immediately be generated, pending the kind of triangular arrangements with the Third World that would make the t-ruble into a full-fledged substitute for the dollar: if Western European governments and corporations can meet oil and other commodity payments in CMEA rubles, which in turn can be directed by exporters as new orders for intermediate CMEA goods and high-level Western technology, the t-ruble will be "hard" indeed.

Additional questions ("Could Smith and Co. sell its transferable rubles to Western importers of Comecon goods" asks the *Financial Times*) will have to be ironed out in negotiations; the answer here seems to be "Why not, if the purchase is tied to trade?" A Euroruble equivalent to the Eurodollar market has been forcefully ruled out by the East, and the technicalities of parity relations depend first of all on progress in European monetary integration.

The strict controls on the t-ruble emphasized by some press outlets are a feature of any monetary system or internal corporate financial flows. The persistence of annoying secondary bureaucratic hassles in East-West trade should not obscure the expansive potential of t-ruble use. This was clearly perceived from a certain distance by Senior Vice President for Research Carlos di Origanaga at the world's largest bank, the San Fran-

cisco-based Bank of America, who commented in a recent interview that "I don't see any problems with establishing it (the transferable ruble) as an international credit device. It doesn't present any problems to Soviet planners. There's no reason why it

shouldn't fly." Di Orignaga stressed "triangular trade" — the involvement of OPEC and Third World countries in European-Soviet deals — as the key to the transferable ruble's prospective success.

International Press Debates Expanded Use Of T-Ruble

*Rude Pravo, Feb. 21,
"For More Active CMEA Monetary Relations,"
by Mirko Svoboda, Deputy Finance Minister:*

The decisive factor for the development of Comecon member nations is the commodities sector, i.e., securing sufficient amounts of fuel, basic raw materials, energy-related copper, and so forth.

The systematized supply of these resources, which also involves the organization of currency transactions and bills of exchange, helps broaden cooperation and improve its qualitative level. The (Comecon) state's monopoly on foreign exchange transactions facilitates a more active use of exchange and currency relations... The fact that the state has the unconditional right to conduct credit and payments relationships with other nations, to transmit abroad the means of payments, and to make them available in the first place, provides the possibility — from the standpoint of exchange relations — of influencing production and the flow of goods, as well as signalling lags promptly and promptly eliminating them.

In the present period, characterized by the effects of crisis developments in the capitalist world which will not be overcome but on the contrary will persist, the importance is increasing of the foreign exchange monopoly's defensive functions is increasing... vis-a-vis the negative effects of this process. The international monetary system of the capitalist countries, which was established on the Bretton Woods basis following World War II, has in fact collapsed, as has its representative, the International Monetary Fund.

An international world wide monetary system cannot be created which defends the principle of giving a privileged position to a number of capitalist powers — specifically the U.S. — as is today the case. It is impossible here not to take into consideration the changes in international developments and in the world community of nations, based on the efforts of the socialist countries and the developing nations for independent decisions in currency and monetary issues and for reversing the horrible consequences of former colonial dependence on their economies.

Attempts to reform the International Monetary Fund into some kind of 'World Central Bank' or into a 'World-wide centralized organ for International Monetary Relations' are necessarily a fiction which belongs with other "convergence theories" about the "growth of capitalism and socialism towards each other."

There presently exists a diversified unit of account system in transferable rubles, which subsumes all forms of trade relations, as well as a number of non-trading

relations, including short-, middle-, and long-term credit- ing through the banking institutions of the socialist countries. The International Bank for Economic Cooperation and the International Investment Bank are to be counted in this system. This year, the CMEA's Standing Commission for Currency and Monetary Questions will deliberate on a number of important tasks, which touch upon the entire array of matters in the area of parities and unit of account relations. Priority deliberations will be completion of the system of guaranteeing equivalency in non-trade relations; raising the effectiveness of currency-financial and credit instruments functioning through international economic organizations; currency, financial and credit questions, which relate directly to economic and scientific-technical aid for the developing nations; prevention of double taxation between Comecon member nations and the People's Republic of Yugoslavia; and similar matters. Special emphasis is to be put on the role of the collective currency (the transfer ruble) and the broadening of its application. An analysis is needed also of the appropriateness of the parity and the gold content of the transferable ruble, in connection with the contracted prices of the member countries of the Comecon for the years 1976-80 and the dynamics of the world market price.

In the area of currency relations, it is necessary today to draw joint conclusions from events which constitute the negative consequences of the capitalist countries, price increases in petroleum and energy, the economic decline of the capitalist world and price movements on the capitalist markets.

*L'Appel, February,
"The Cold War":*

The implementation of American dollar inconvertibility into gold in two steps — March 1968 for private holders and August 1971 for all dollar holders — has provoked the greatest wave of international inflation which the world has ever known. On this wave, which creates and carries the dollar market outside of the U.S., the quadrupling — in fact today the quintupling — of oil prices has appeared as the inevitable consequences of the disorders thus engendered.

Developed countries, like developing countries, feed (supply) the OPEC countries, not with real goods — but in the form of debts. The oil consuming countries borrow dollars on the external markets. Then they settle their oil accounts with these dollars. The excess part of these liquidities thus received by the oil producing countries is

then replaced by the latter on the preceding markets. What is produced in fact is a gigantic transfer of debts: debts which may determine the fate of peace or war in the world.

In the short term, in liquid form, it is especially the U.S. which is indebted (more than \$120 billion) and this indebtedness, these dollars maintained outside of the U.S., can be considered as a sort of monetary base on which the dollar market is developed in other countries. Reciprocal commitments of all sorts on this market surely represent more than \$400 billion.

Among the U.S.'s short-term creditors, let us cite especially West Germany (more than \$20 billion), Saudi Arabia and the other oil producing countries (more than \$60 billion), then Japan, Switzerland, France, etc.

Following a chart of the indebtedness of certain key countries like Brazil and Mexico, Christian Borromée concludes that so-called "reasonable" reforms of the monetary system are not impossible, that now events will decide what happens rather than men. Pressures are mounting and "these pressures can be transformed into a tidal wave:

1) if, the holders of short-term capital decide to flee from the dollar,

2) if a sufficient number of debtors become insolvent at the same time,

There will then only remain the gold solution, after changes of regimes caused by unemployment or the abuses of inflation.

But one must also think that this return to gold could one day be provoked by the appearance in the international financial concert of a USSR whose position has never varied in this area.

Barring an armed conflict between China and the USSR, one can say that the next great world shakeup will be monetary. Provoked by events... or by a great country.

*Neue Zürcher Zeitung, Feb. 20-21,
"Convertible Ruble?"*

... There can be no question of introducing convertibility in the sense of the concept as it applies in the West... Transferable rubles cannot be exchanged for hard Western currencies... Even if to a restricted extent the (transferable ruble) opportunity is used by Western exporters, it would de facto amount to simply a provision of credit to Eastern European states for an indeterminate period at a notably low interest rate...

*Frankfurter Allgemeine Zeitung, Feb. 22,
"Transferable Ruble for the West":*

... The latest rumors about a supposed introduction in the Soviet Union of a convertible ruble have been confirmed in a manner anticipated by Western observers: the Comecon bank is finally in a position to offer the West a "weak convertibility" of ruble assets, which would only hold good within the Comecon and even there only with many restrictions.

The Comecon Bank is not prepared to provide holders

of transferable ruble balances with hard convertible currencies such as U.S. dollars, D-marks or Swiss francs in exchange for transferable rubles. The holders of "TR accounts" will also not be entitled to transfer the assets to third parties at free prices. If this were the case, a free-trading market for transferable rubles could emerge in the West. Under certain circumstances, East bloc countries themselves could also participate, which, however would dissolve the strict accounting system in East bloc trade. In addition, rates for "TR-rubles" — expressed in convertible dollars — would show the state of the actual buying power of the transfer ruble... In the financial market of Zürich, which presides over extensive East-West trade business, it is said that there is no great practical significance in the permission to introduce transfer-ruble accounts... Western observers doubt that in the foreseeable future the Comecon bank will introduce genuine ruble convertibility, because this would run contrary to the rigid foreign-trade system of the East bloc.

Il Sole 24 Ore, Feb. 22:

... According to authoritative circles, the Soviets would have been interested in a doubled credit tranche... While if open to accepting a specification of the new tranche in dollars, the Soviets showed no elasticity on the other conditions requested by Italy, first of all the international rediscounting of promissory notes; if the promissory notes were rediscounted in U.S. banks, as is normally the case, those banks could become creditors vis-à-vis the few foreign banks of the USSR for an amount greater than the levels allowed by the EEC, and further credits to Moscow could be blocked...

Among other modes of trade financing, joint ventures are being discussed for linking exports to third countries to the use of the transferable Comecon ruble. This could provide Italy with the possibility of utilizing credits arising from exports to the Soviet Union to pay for imports from other members of the EEC...

The prevalent feeling here in Moscow is that credit will be arranged...

*Chicago Tribune, Feb. 21,
"More To Trade In Rubles":*

There have been recurring reports that the Soviet Union may seek Western agreement to use transfer rubles as a clearing instrument for East-West trade. The transfer ruble is a collective currency for trade and services within the Moscow-controlled Comecon trading bloc.

Most East-West business deals until recently were contracted in hard currency. But lately Eastern European trading officials increasingly insist on compensation deals with Western companies. The reason is the mounting indebtedness of the Comecon companies.

(West) German firms discovered that inquiries from the Soviet Union involving entire industrial plants were tied to the acceptance of barter goods for the full amount. Similar experiences were encountered with commercial partners in Rumania and Poland.

Some of the East European countries have been urging that the ruble be made a convertible currency, a move that would ease their trade with the West. But Moscow heretofore has turned a deaf ear to the requests.

*The Financial Times, Feb. 22,
"The Enigma of Transferable Roubles"
by David Lascelles, East Europe Correspondent:*

The Soviet plan to encourage wider international use of the "transferable rouble" — the East bloc's closest thing to a convertible currency — has sent ripples through Western banking circles. Was the announcement, made last autumn, the first crack in the impermeable barrier between the currency systems of East and West? Was it even as one leading banker claimed, the most important news for currencies since Bretton Woods?

Several months later, the Russians are still promoting their transferable rouble. There are so many unanswered questions about just how it will work that the West has yet to make up its mind what it all means...

The new rules raise the far-reaching question whether the use of TRs by western countries could lead to the emergence of a discounting market. The enormous imbalance in the East-West trade in the West's favour (some \$6bn. last year alone) would suck out TRs and make the West a major holder. The first reaction of any western banker is that this would create a secondary market in TRs where their value could fluctuate according to trends in East-West trade and Comecon's economic fortunes.

IBEC, however, denies that this would happen since TR holdings would be strictly controlled, and no transfers could take place without its approval. It has stated,

though, that banks or firms holding TRs can transfer them to others, provided they also have accounts with IBEC. Presumably in such cases, the banks or firms involved could still come to some private arrangements over what these holdings are worth. Ideologically, of course, it would be totally unacceptable for a communist currency to be speculated within capitalist markets. But the more strictly TRs are controlled, the less attractive they would be as a means of payment...

It may be wrong to view the new IBEC regulations in terms of trade with the West. The rules are far more likely to have been drawn up with a view to the Third World, which is putting pressure on the Soviet bloc to improve credit relations.

Perhaps the most important aspect of IBEC's announcement is the implication that the Russians still see no progress in Comecon's external financial relations being made through broader use of the TR rather than working towards currency convertibility....

Il Sole 24 Ore, Feb. 24:

Montedison international director Giuseppe Ratti first dismisses the "worthless criticisms" of opponents of new credits, then announces that Montedison is negotiating new development projects in Siberia on a multibillion-dollar scale. Ratti calls for "more imagination" in "finding new ways to finance those credits" to the USSR and announces that Montedison takes Soviet economic planning into account in projecting its own corporate plans. The Feb. 24 issue of *Il Fiorino* also reports that Soviet Premier Kosygin has invited the Italian industrial delegation to begin involvement in construction of fast-breeder nuclear fission reactors in the USSR.

CAP Calls Carter's Bluff

Within 48 hours after the *New York Times*' "revelation" Feb. 19 that Venezuelan President Carlos Andres Perez had allegedly received CIA money as Interior Minister during the early 1960s, Perez, dispensing with diplomatic niceties, directly held "very high levels" of the Carter Administration responsible for the "mendacious accusation" and demanded a formal retraction, not from the *Times*, but from the U.S. government itself. Stating that this "insidious fabrication against the independence and dignity of Venezuela" was no mere incidence of sensationalist journalism, Perez identified the attack as part of a campaign to undermine Venezuela's "frank and determined third worldist position."

At a meeting on the night of Feb. 22 with Foreign Minister Ramon Escovar Salom, U.S. ambassador to Caracas Viron Vaky delivered a letter from Carter to Perez apologizing for the "unfounded and malicious" charges.

Although Carter's backdown was formally recognized by Escovar as having "resolved" the problem, the im-

pact of Perez' charges will be far reaching internationally. As Perez explained in a statement released on the morning of the 22nd, the "intentions of President Carter" and the much-touted "new morality" in Washington "have been put to the test." "What is occurring in the relations between the United States and the rest of the world," he continued, "we might refer to as another 'Watergate'." Referring to the CIA itself, Perez stated, "It arouses the conscience of the world that the most powerful nation on earth, which proclaims the values of democracy and exalts the dignity of man and liberty, shelters a putrid organization which has as its primary objective the corruption of men and peoples, and which, when such peoples refuse to bend to its designs, drags them into the mire, accusing them of being its servants, fully aware of the worldwide revulsion provoked by any contact with this organization of crime that knows neither boundaries nor ethical limits."

Perez has demonstrated how other governments can call the bluff of the Carter regime's psychological warfare — the premise of James Schlesinger's "aura of

power" strategic doctrine and of the Lower Manhattan banking community's threats against Third World quests for debt moratoria. In a single sweep, he has also crippled a two-months-long destabilization campaign directed against his government ranging from provoked riots and terrorism to attempts to split Perez' party and foment a war environment with neighboring countries.

Perez therefore not only set an example for governments targeted for destabilization by Carter's Trilateral Commission Administration, but also succeeded in throwing a wrench into the Trilateral's "Linowitz Report" strategy toward Latin America, which hinges largely on close relations with Venezuela and the aura of Carter's alleged concern for human rights. A key element in this policy, as explicitly outlined by former Exxon executive Melvin Conant in Senate testimony last month, is to nail down Venezuela as a guaranteed source of oil for the U.S. and drive a wedge between the Caracas government and the Arab OPEC members. Branding Perez "CIA" was intended to cripple him domestically and internationally and prevent his government from leading a Latin American breakaway from the dollar. "No doubt about it," a source close to the National Security Council told NSIPS when asked about the effect

on Carter's Latin American policy of Perez' unexpected counteroffensive. "This is certainly going to be a problem. The effect will be long-range. U.S.-Venezuelan relations have been set back significantly."

Even before the publication of the *New York Times* accusation, Perez delivered a shock to Carter and his Wall Street backers. In response to Washington's insulting reception of Mexican President Lopez Portillo last week, Perez suddenly announced the cancellation of his visit to the U.S. planned for next month, due to "unforeseen" circumstances. Adding to the impact of the cancellation, Perez reported that in April he will travel to Saudi Arabia, Qatar, and Iran.

As soon as the *Times* "revelation" as published, Perez held an emergency cabinet meeting and immediately authorized U.N. Ambassador Simon Consalvi in New York to identify the accusation as "connected to the stupid campaign which is being carried out from the United States against the countries of OPEC." Referring to a similar charge last October aimed at preventing Perez from cooperating with the Cuban government in uncovering CIA connections to Cuban exile terrorists operating out of Caracas, Consalvi noted, "For the second time in a few months the *New York Times* has

Carter's Apology

The accusations against the Venezuelan chief of state have disturbed me deeply.

I want to express to you that I as well as my administration regret the problems that these press reports may have caused you, your government or the people of Venezuela.

I might add that as you know, I do not exercise control over the news media of our country and I cannot prevent these unfounded allegations concerning you. You will appreciate the concern that they have caused to this administration, which has

proposed with those nations in the world today that share our democratic values.

You, Mr. President, as a vigorous and independent defender of the interests of Venezuela, the countries of Latin America, the OPEC and of the Third World, are one of the most respected and formidable leaders of today's world. That you were elected President and that you govern an open society adds enormously to our respect for you and for your government.

I hope and trust that these malicious stories — which should not be dignified with a direct comment on them — will not cast a shadow over the future goals ((importe)) we will share.

CAP's Answer

It is with sincere satisfaction that I receive the reply, and I extend to you, in the name of Venezuela, of my government and myself, appreciation for the clear explanations and ideas contained in your letter. I find fully satisfactory the express and unequivocal recognition of respect and consideration for Venezuela, which I, as its President, merit, afforded by the United States.

Neither my country, nor I personally, expected any less than this frank and cordial reply, which you have offered. And, to use your words, in due time the authors of this twisted infamy will be left to the disgrace of their unspeakable falsehood.

This country and the United States share democratic values in way of living and in politics.

This is the powerful connection, more important than all material or purely economic considerations. And it must be above whatever differences of perspective that may arise between us at different moments over questions of an international political or economic nature.

As you know, Mr. President, Venezuela identifies with fundamental innovative goals, both domestically and in its view of universal problems. And we think that the efforts you make in your country, in the area of political democratic values, as well as those of international justice, will be seriously and vigorously stimulated by the dialogue and communication with Latin America and with the nations of the Third World in general.

I express to you my confidence that the incident to which we have just put an end with the expressive letter you have sent me will not mar our future.

maliciously mentioned the Venezuelan President, connecting him to false incidents, and this seriously attracts our attention."

In Caracas, Interior Minister Octavio Lepage issued a similar statement. "I doubt this is a product of the tactlessness nor the irresponsibility of a correspondent anxious to produce sensational information," he said. "It is directly related to the firm and resolute nationalist position that the Venezuelan government and in particular the President has assumed. It is a reaction to the position of President Perez in demanding a new world economic order."

On Feb. 21, Perez issued the demand for a retraction. "The government of the United States is obligated before the Venezuelan nation," said Perez, "to refute this indignant and mendacious charge. It cannot be believed that the lying accusation published by one of the most important dailies in the United States, and the mention of the CIA as the source of information, was not done without adhering to plans that involve very high circles of the government." The ambassador to Washington was recalled indefinitely, while Escovar, referring to relations between the countries as "difficult," called Vaky into the Foreign Ministry office to demand a "categorical" explanation of "these slanderous deeds." Reporters, meanwhile, spoke of a possible breaking of relations.

The following day, the Venezuelan ambassador to the Organization of American States, Machin, labeled the incident part of a "conspiracy" carried out by "certain economic groups" — a thinly veiled reference to the Trilateral Commission and Rockefeller-connected

banking and oil interests. The Venezuelan Peasant Federation backed up Machin's indictment by declaring that the CIA slander against Perez was planted by "the same scum" who were behind the Jan. 5 article by syndicated columnist Eliot Janeway, who suggested Brazil "overrun" Venezuela the way "Hitler overran Alsace and Lorraine." Janeway is a former editor of *Time* magazine, whose publisher, Hedley Donovan, is a member of the Trilateral Commission.

Despite Carter's letter, the issue is far from settled. Perez has promised to investigate the maneuvers behind the accusation to its "ultimate consequences." In accepting the letter from Vaky, Escovar emphasized that the Venezuelan government intends to press legal charges against the "authors" of the attack — a move which, if followed through to precisely its "ultimate consequences," would lead back to the National Security Council and the Trilateral Commission.

A unanimous wave of support for Perez and denunciation of the CIA from all political parties has swept Venezuela. Most importantly, Defense Minister General Alvarez Torres, in a highly unusual political statement, pledged the full support of the armed forces, adding that "all Venezuelans" rightfully react with repugnance to the CIA allegations. Even Luis Pinerua Ordaz, the Rockefeller-linked chairman of Perez' Accion Democratica party and the figure who has led the insurrection against the government within the party's own ranks, has been forced to concede. Although openly contradicting the President by stating, "there is no reason to believe the U.S. government is implicated," Pinerua grudgingly admitted that the whole country must reject the accusation.

New Entebbe Next Step In Brzezinski Confrontation Policy?

Jimmy Carter's cabinet officials are deliberately encouraging the wild-eyed actions of Idi Amin, the unstable dictator of Uganda, in the hope that this affair will afford Zbigniew Brzezinski's National Security Council the opportunity for a second "Entebbe" raid, imparting a fuller "aura of power" to the administration. With Amin engaged in pogroms against Uganda's Christian population and indecent provocations of neighboring Tanzania in the service of one of his frequent paranoid episodes, Brzezinski trotted the President out before the Washington press corps this week for a calculated personal attack on Uganda's dictator, who reacted as expected, forbidding 240 Americans from leaving this country.

What is now shaping up is a dangerous "international incident" giving Brzezinski pretext for a pre-planned act of military aggression against Uganda. No threat to the Soviet Union in itself, the implied doctrine of "limited sovereignty" for the nations of the developing sector infringes directly on those Soviet strategic defense capabilities which depend on the Third World's continuing sove-

reign neutrality. Amin's antics do not endanger U.S. national security; Brzezinski's policy of provocation does.

Most relevant, Idi Amin has never had any resemblance to legitimate African or Third World regimes. Mr. Carter's makers-of-policy have a full psychological profile of the easily manipulated dictator, who was installed in power through an original collaborative effort of U.S. and Israeli intelligence agencies, with his personal instability profiled and marked for its perennial usefulness in discrediting both African unity efforts and European initiatives in support of Third World goals generally.

Brzezinski's Uganda "crisis" not coincidentally occurs just before the important Afro-Arab summit meeting Mar. 7 in Cairo, and at a time when both southern Africa and the Middle East are suffering from the effects of war tensions introduced to the regions by Carter cabinet emissaries. Should a *causis belli* now be made of Amin's antics, it will be an exercise of the National Security Council's pre-conceived policy of confrontation with the Third World and Soviet bloc.

The Carter policy-makers themselves explain the ulti-

matum to Amin as part of Carter's accelerated campaign for "human rights."

It is of one fabric with Mr. Carter's outrageous personal communication with Soviet subversive Sakharov. The New York Times' James Reston interviewed Brzezinski himself on the unprecedented letter Feb. 20: "There was nothing inadvertent... It was thought through and discussed with the responsible officials at the NSC and State Department before the president made his 'prudent response'." Brzezinski's policy is to challenge Soviet hegemony in Eastern Europe under "human rights" auspices, the surest way to shorten the lives of 160-180 million Americans.

Brzezinski left these implications of his "human rights" campaign to C.L. Sulzberger, who developed them adequately in the same day's *New York Times*. "Finally, suppose the flame of liberty we now so proudly fan flares into another Eastern European crisis? Do not think such a possibility excluded... Are we prepared to have the liberty tree be refreshed by blood?"

It is Brzezinski's firm belief that James R. Schlesinger's "doctrine" of *military bluff* will suffice for a Soviet

"roll back" in Eastern Europe. In two detailed feature articles complete with maps and arrows showing the Soviet Union entirely "contained," the Washington Post expresses the National Security Council's profile of Soviet "oblomovism" — "the Russian view of the world — suspicious, insecure, and cautious."

Under a headline "Moscow Saber Rattling Only a Memory," Post Peter Osnos declares that "no authoritative Soviet spokesman now rattles a saber publicly the way Joseph Stalin and Nikita Khrushchev did regularly. Even rhetorical calls for Soviet strategic superiority that used to be a staple of Soviet military journals have largely disappeared."

The delusion is that Brzezinski's "gamesmanship" can be expected to succeed — the Soviet Union will give the U.S. "free play" in the world. In the Soviet press, says the Post, "the Middle East and southern Africa are presented as serious but residual, while scores of recent agreements with the U.S. and other western states are endlessly praised as contributions to the relaxation of tensions..." No matter what Brzezinski has Carter do, it is imagined the Soviets will not go to war.

Rabin Victory, European Pressure Counters Vance 'War Shuttle'

Israeli Premier Yitzhak Rabin this week turned back a major challenge from his hawkish Defense Minister, Shimon Peres, and won the ruling Labour Party's nomination for the premiership for the country's May 17 elections. In an extremely close vote — hardly more than 40 of over 2000 votes cast separated the two candidates — Rabin defied the last-minute predictions of observers who had calculated that weeks of devastating Watergate-type scandals had thoroughly undercut the traditional Labour Party machine's base, upon which Rabin depended for support.

Two related factors explain the Rabin win. First, making a last-minute appeal for an Israeli peace initiative in positive response to months of Arab peace overtures, Rabin on the first day of the Party convention drew out fears of the "Masada" consequences of having such a notorious warhawk as Peres represent Israel in dealings with the Arab states. Second, this was made possible by a decisive intervention in recent days by European Socialist International leaders, acting as spokesmen for governments now progressing toward a break with the Carter administration and the U.S. dollar.

On the first day of the convention Second International President Willy Brandt appealed to the delegates to "strike out a war policy, war solves nothing." Brandt stressed the recent signs of moderation from Israel's Arab neighbors and the necessity of recognizing the rights of Palestinian Arabs. He insisted on a theme repeatedly stated in this week's West German press, that Israel can and must end its sense of isolation from the rest of the world. After other Socialist leaders spoke,

Rabin echoed the sentiments, striking a "responsive chord" and winning marginally important delegate support, according to the Feb. 23 *Baltimore Sun*.

The Rabin victory can thus legitimately be regarded as a signal to the Europeans and Arabs that there are significant forces in Israel who have not bought the "peace is impossible" theme of Peres and U.S. Secretary of State Cyrus Vance. Initial post-convention signs from Israel would tend to bear this out, including Feb. 23 BBC reports that Rabin made an optimistic post-victory peace appeal. He is strongly backed by the electoral alliance of the Labour Party and the pro-socialist Mapam Party — an alliance that had been threatened by the potential for a Peres victory — and, according to BBC, has decided to remove Peres as Defense Minister if re-elected. The Feb. 24 *Baltimore Sun* reported that a substantial minority in Israel's cabinet now feels that the extreme anti-Palestinian public line expressed by Israel during and immediately after the Vance visit was wrong and will now "backfire."

These first optimistic signs to emerge from Israel in weeks will be short-term, unless Rabin correctly regards his victory as a *mandate* to go for an overall Arab-Israeli peace settlement, including recognition of both Palestinian Arab national rights and Israel's necessary contributions to regional economic development. Failure to drive Israel's policies in that direction could be catastrophic, as the Carter administration remains fully committed to regional instability and conflict to prevent the consolidation of a European-Arab development axis. The Carter team has numerous in-place destabilization

capabilities regarding Israel, using Peres, "Masada" archaeologist and social fascist Gen. Yigal Yadin, his Democratic Movement for Change, and warhawk crazy Gen. Ariel Sharon. Carter's policy-makers may also rely on extreme instability in Egypt and the U.S. National Security Council's capability for maintaining "Palestinian terrorism" to keep the Mideast off-balance and leaning toward war.

But at the same time, the Europeans have not only renewed but intensified their political and economic intervention into the Mideast region, largely in response to the provocative tour of Secretary Vance.

The Vance Trip: An Unbalance Sheet

The Vance trip as a whole was planned to induce confusion of the type which, in the Middle East, is favorable to war. No sooner had the grinning Secretary arrived in Israel than he had totally upended his recent "balanced" statements on possible U.S. recognition of Palestinian rights and support for "moderate" factions within the Palestine Liberation Organization. At a Tel Aviv press conference, he announced that the U.S. would be against any PLO presence at a Geneva conference, until that group recognized Israel — exactly the Israeli position.

At the weekend Cabinet meeting following the Vance mission, Israeli Foreign Minister Yigal Allon claimed that Vance had promised "absolute U.S. opposition" to a Palestinian state between Israel and Jordan. Peres announced on Israeli radio Feb. 20 that "Kissinger had always advised us to avoid anything that could contribute to the creation of a Palestinian state, or anything that could define, at this stage of negotiations, our eventual frontiers. After our meetings with Vance, we have the strong impression that there is a continuity in American policy." Even Rabin the next day proclaimed that Israel would "forever" maintain control over much of the occupied territories, as they constituted a part of Israeli territory.

This Vance work in Israel could only have a devastating effect on Egyptian President Anwar Sadat, desperately needing a peace settlement in order to stabilize a virtually unmanageable internal political and economic situation. But upon arriving in Cairo, Vance grinned and nodded as Sadat called for the formation of a PLO-Jordan "confederation" before any Geneva conference takes place. Back in Washington, National Security Council head, Zbigniew Brzezinski, was simultaneously leaking through notorious Washington Post Watergate conduit Bob Woodward a patchwork story "revealing" that King Hussein of Jordan was on the payroll of the CIA. The revelations were timed precisely to discredit Sadat's plan and plan prepare for the unleashing of "radical Palestinian terrorism" against the unpopular King. In addition, Vance's public support for the Sadat plan, which was unacceptable to the Israelis because it upheld the PLO's existence as an independent entity, worked to the advantage of the Peres "breakaway ally" faction in Israel, dependent for its growth on signs that the U.S. would "isolate" Israel.

In Lebanon Vance refused to publicly support the nation's territorial integrity, thereby giving a green light to provocative Israeli incursions into the highly unstable

southern Lebanese area. In Saudi Arabia, Vance was reminded that Saudi moderation on the oil price issue depended on U.S. recognition of the PLO; Vance replied by quibbling over whether the Palestinian issue was "at the core" of the Mideast conflict.

In his final press conference before returning to Washington, Vance gleefully proclaimed that the Mideast remained "deeply divided," with a "very hard and difficult road ahead." Vance announced that he would probably return to the Mideast for a new shuttle in June. According to Beirut's leading daily, *An Nahar*, Vance also thought that a Geneva conference this year would be "unlikely," since the Palestinian movement remained "divided and confused." In short, Vance considered his mission a complete success.

A source who has met with Vance since the Secretary's return was "not optimistic about anything at all. This administration will try to put off any motion until the second half of the year, if then. They will do everything in their power to circumvent the PLO."

The initial reaction of the Trilateral Commission's U.S. press to the Rabin victory has been to emphasize instability and social problems in Israel. A source at the American-Israel Public Affairs Committee in Washington, which has ties into Brzezinski's National Security Council, commented on the eve of the Labour Party nominating convention that "even if Rabin wins, Yadin is coming on fast and well." Their favorite, Gen. Sharon, has been shipped to the U.S. to win support of his fascist "Shlomzion" movement in Israel.

Europeans React With New Peace Moves

Hardly had Vance left the Middle East than the British and Italian press blasted him for perpetuating and worsening the Mideast crisis by having refused to meet the PLO while in Lebanon. The *London Times* Feb. 21 commented that Vance had failed to "really grasp the attitudes and feelings of the Palestinians." The *Times* angrily quoted a journalist in Beirut: Vance could have saved "days of work and misunderstanding" if he hadn't tried to avoid the Palestinians, especially as "precedents" existed for such a meeting. The article concluded by quoting PLO leader Yasser Arafat that "Vance should realize that the crux of the problem is the Palestinian people."

Both the British and Italian governments stepped up their active intervention into the region. British Prime Minister James Callaghan held meetings Feb. 21 in London with Saudi Foreign Minister Prince Saud on the re-convening of the Geneva conference. Also in London this week were the Kuwaiti Prime Minister and the U.S.-maligned King Hussein, both ostensibly to see Saudi King Khalid in a British hospital. Veteran British Middle East envoy Lord Caradon, in an interview with Beirut's *Safir* newspaper Feb. 22, charged that developments in Egypt could "endanger and impede progress toward a settlement." He informed Carter that a peace settlement without the Soviets and without PLO participation at a Geneva conference was out of the question.

Throughout last weekend, both Italian Minister of Foreign Trade Renato Ossola and the head of the state-owned ENI group Sette were in Saudi Arabi offering a deal involving Saudi petrodollars for Italy's banking

system in return for a major Italian peace initiative in the Mideast. The two envoys of Italian Premier Giulio Andreotti stressed that they had come to discuss "not just economics, but politics." The Feb. 23 London Financial Times identifies these moves as part of an escalating Italian "Mideast strategy," involving the exchange of technology and industrial development for energy resources, modelled after the policies of ex-ENI head Enrico Mattei.

The British and Italian efforts are being closely followed by the West Germans. When the Egyptian

government Feb. 22 released the original text of the January, 1977 West German-authored European foreign ministers' statement on the Mideast — calling for the recognition of a Palestinian national entity and European security guarantees for the Mideast, squelched under U.S. State Department pressure one month ago — sources at the West German Foreign Ministry were reportedly "delighted." An editorialist for West Germany's Die Welt newspaper proclaimed that the release of the text demonstrated that "Europe was independent from the U.S." in its Mideast policy formulations.

The Statement of the EEC On A Middle East Peace

The Cairo daily Al Ahram of February 21 first published the full text of the January 31 declaration of the Nine countries of the EEC on the Arab-Israeli conflict originally suppressed under U.S. State Department pressure. The following is a translation:

1) Recent developments in the Middle East present serious possibilities for negotiations. The EEC countries express their direct interest in rapid progress toward a global solution to the conflict. They are aware that a "neither war nor peace" situation seriously harms the security of the region and the world;

2) The Nine affirm the necessity for a peace accord based on resolutions 242 and 388 of the United Nations Security Council and on the points of their communique of November 6, 1973, which are:

- the rejection of the occupation of territory through force;
- the necessity for Israel to cease the occupation which has been going on since 1967;
- the respect for sovereignty, the safeguarding of territories and the independence of each country of the region as well as its right to live in peace behind secure and recognized borders;
- the recognition of the legitimate rights of the Palestinians when a just and durable peace is established;

3) We want to reaffirm that all these points must form a whole and that Israel, in the framework of a settlement, must be ready to recognize the rights of the Palestinian people. We also deem it necessary that the Arab side must be ready to recognize Israel's right to live behind secure and recognized borders;

4) As for the rights of the Palestinians, the Nine believe that a solution to the Middle East conflict will only be possible if the right of the Palestinian people to express its national identity is concretized;

5) The Nine deem it necessary that peace negotiations aiming at a global, just and durable settlement be re-started immediately. They appreciate the efforts deployed to this effect by the General Secretary of the United Nations, in conformity with the U.N. General Assembly resolution of December 9, 1976. They deem it

necessary that the interested parties, including the Palestinian people, undertake discussions in an appropriate form. They insist that all parties begin realistic and constructive negotiations as soon as possible;

6) The EEC countries are disposed towards participating in a Middle East settlement in a concrete fashion. They remain equally disposed to examining the possibility of participating in guarantees which would be necessary to ensure the security of all the interested parties.

Financial Times:

Vance "Misleading" on Mideast Peace Prospects

The following are excerpts from the Feb. 21 lead editorial of the Financial Times of London, entitled, "The Change in the Arabs":

Mr. Cyrus Vance, the U.S. Secretary of State, has reported after his initial fact-finding trip to the Middle East that while both the Arabs and Israelis expressed a strong desire for peace, they remain deeply divided on the key issues. He is also said to have discovered that the Arabs themselves are still divided on what is probably the key issue of all, namely the Palestinian question.

That statement is undoubtedly true, but it is also superficial and potentially misleading. For while it is clear that the divisions still exist, and indeed it is possible to argue that on fundamentals they are still as deep as ever, this is to ignore the extent to which the atmosphere has changed. On the Arab side at least, it is already the period of pre-negotiation. Scarcely a week has passed in the past few months without an Arab leader putting forward new proposals related to a settlement.

It is true that these are sometimes contradictory....The contradictions abound. They can be exploited by anybody who wishes to exploit them. What they should not obscure, however, is the fact that the great majority of Arabs and Palestinians have begun to talk about the same thing, and that is a negotiated solution. Some of their differences cannot, by their nature, be resolved until negotiations get under way. None of them are fundamental in the sense that they prevent the negotiations from doing so, at least so far as the Arabs are concerned.

There is, for instance, by now a pretty clear readiness on the part of the Palestinians to accept a Palestinian 'mini-state' on territory evacuated by Israel — mainly the West Bank and the Gaza Strip....By being ready to negotiate the PLO has at least temporarily rejected its belief that the armed struggle is the only way. To put it crudely, it is not credible today to present the PLO as simply a bunch of terrorists....

Neither the Palestinians in particular, nor the Arabs in general, however, can be expected to make all their concessions in advance even before negotiations begin. In the meantime, it would be useful if the Israelis, despite their internal problems and forthcoming elections, could give some indication that they have noticed the change in the Arab mood. It seems unlikely that the Arabs will go on offering concessions indefinitely without some more positive response.

“Dr. Kreisky Reminds Israel Of Palestinian Rights”

The following are excerpts from a front-page London Times article Feb. 24 on Austrian Chancellor Bruno Kreisky's speech before the Israeli Labour Party congress.

Dr. Kreisky...appeared before 3,000 delegates to the Israeli Labour Party's convention and told them boldly that the Palestinian people had as much right as Israelis to demand recognition of their national entity.

Referring to Israel's insistence that Jordan should represent the Palestinians in peace negotiations, the Chancellor said: "I want to tell you, dear friends, that you will not be able to choose who shall represent those people..."

He said sharply that it was not for Israel to say whether the area where the Palestinians want their homeland was viable. "When you established your state," he asked, "could it have been foreseen you would develop in such a fashion?"

Brandt:

Exclude War As Political Instrument

The following are extracts from the speech by Willy Brandt, Chairman of the West German Social Democratic Party (SPD), before the Israeli Labour Party in Jerusalem, February 23:

...Israel is not alone. Israel has not become isolated in its difficult position. It cannot and does not desire to be isolated in its battle for peace....In my part of the world we have achieved some results in ensuring peace. From this position, I am directing the following call to the responsible politicians of the Middle East: Exclude war as a political instrument! Take recognition of the fact that war solves nothing. Follow the sign which points out the only path towards solving the political conflicts in this region: negotiations for a fair balancing of differences....

The time has come to organize actively for peace....Israel has a right to exist and have safe and recognized borders. This certainly includes the Palestinians being allowed to realize their own national identity in a way acceptable to them. This means secure prospects for a secure existence within secure borders for all relevant elements in the region....We must make possible developing relations between Jews and Arabs, between Israel and her neighbors, just as we already have in Europe....

The Mideast and Europe have become close neighbors. Here I am speaking neither for my government, for the EEC Council of Ministers, nor for the Brussels Commission. But I believe that the economic cooperation which the EEC and Israel and the Arab nations have begun in the context of a thoughtfully balanced policy, represents Europe's contribution....

The principle of co-responsibility for world war or world peace has become universal....Perhaps we have arrived at this point extremely late, but we cannot without emotion look at the alarming growth of the chasm between the industrialized countries of the Northern Hemisphere and the poor nations of the Southern Hemisphere....

Carter's Budget Unveiled

Jimmy Carter's revised budget, which he sent to Congress Monday, proposes 20 percent across-the-board cuts in fusion research programs and a drastic scaling back of expenditures for the key fast breeder reactor fission program. This confirms New Solidarity International Press Service predictions of Feb. 18, made before the budget was released.

On top of all but eliminating nuclear energy research and development, Carter's budget calls for crippling reductions in water and dam projects, education and health care. In addition, Carter's meager 4 percent reduction in proposed defense spending — actually an 11.4 percent increase from this fiscal year's outlay — has already heightened tensions between the U.S. and the Soviet Union. The day after the budget was released, Soviet Defense Minister Ustinov criticized Carter's "higher than ever" proposed military spending and warned of the "permanent military threat stemming from the hostile circles of the imperialist states."

The general thrust of Carter's revised budget, an amended version of the budget proposed last month by former President Ford, is to propose elimination of all "long-term investments" in technological development. Not only nuclear but all high-technology energy development has been drastically curtailed. What are called "soft energies" — solar power conversion, wind power, "biomass conversion" (the wood stove), etc. — are earmarked for greatly increased funding in this section of the budget, which was drafted by Energy Czar James Schlesinger, the New York Times reports.

Research and development programs, especially those programs attached to the military's advanced weapon systems development, are also slated to receive drastically reduced funding while in no way changing the Carter regime's adherence to Schlesinger's doctrine of thermonuclear bluffing. These cutbacks could quickly bankrupt the entire aerospace industry — the nation's most technologically advanced sector — which currently depends upon military contracts for its research and development programs. The companies particularly affected by the cutbacks include Rockwell International Corp., Boeing Co., McDonnell-Douglas, and the Hughes Aircraft Co.

Carter's attack on high-technology energy and scientific research and development is the sine qua non of his effort to turn this nation into what Laurence Rockefeller calls a "Conservator Society." Carter's budget, in fact, has come close to adopting the entire Rockefeller program spelled out in the "Unfinished Agenda" — a study sponsored by the Rockefeller Brothers Fund which calls for a total phasing out of nuclear and fossil fuel energy production, to be replaced by "conservation" and solar power. Jimmy Carter is expected to round the Rockefeller program out by high energy taxes — another recom-

mendation of the Rockefeller report — at his April 20 address to Congress, where he will announce his "comprehensive, long-range national energy policy."

Carter's entire budgetary package, which is already under attack by Congress, includes many other proposed cutbacks which are specifically designed to erode the technological infrastructure of the economy and the labor-power needed to run it. Particularly high on the list is Carter's proposal to totally eliminate 19 major irrigation projects, a cut which will destroy nearly two million acres of now-irrigated land.

While energy development, agriculture and other key areas (to be announced shortly) get the axe, Carter has proposed that "interest on debt" for the 1978 budget be raised by five percent. Debt service would then rise to \$42 billion annually — a figure which is usefully compared to the slightly more than one billion allotted in the budget for both fission and fusion energy development. The government, forced to drain the money markets of enough money to cover the \$68 billion deficit, will push interest rate out of reach of industrial borrowers, compounding the inflationary spiral into hyperinflation in short order.

As disastrous for economic development as it is, Carter sees his revised budget as being less than he had hoped for. Put together quickly, Carter's message to Congress accompanying his budget revisions called them "essentially still President Ford's budget." "Although it has not been possible in these revisions... future budgets will reflect detailed, zero-based reviews of Federal spending programs," he warned. In the same breath he outlined the need for a "fundamental reorganization of the Government."

The budget taken as a whole is strikingly similar to the Brookings Institution's "model budget" spelled out in its "Changing National Priorities" publication. Carter's revised budget, like its Brookings Institution counterpart, advocates "zero growth," which in practice means a "negative growth" perspective. A detailed description of the most important cutbacks follows:

Energy

The Carter administration's budget revisions for 1977 proposed drastic cutbacks in nuclear energy. Carter has proposed that \$80 million be cut from President Ford's allocation. This will force a 20 percent across-the-board cutback in fusion research and development.

Carter has also proposed that the liquid-metal fast breeder fission reactor budget be cut \$199 million, which is significantly lower than the level for the current fiscal year.

The President also directed the Energy Research and Development Administration (ERDA) to decide whether the program should continue at all, citing "safety ques-

tions" regarding plutonium and "nuclear proliferation" concerns. Pending the decision of this inquiry, Carter has ordered ERDA to halt construction on the fast breeder reactor demonstration plant being built on the Clinch River in Oak Ridge, Tenn.

The biggest single proposed boost in the Carter energy budget was \$160 million for energy "conservation," double the Ford request. In addition \$2 billion in loan guarantees will be allocated for businesses investing in "energy-saving equipment."

Other monies are earmarked for converting coal to gas for industrial use and expansion of solar energy demonstration projects.

Carter proposed that the 1978 budget authorization request for the nation's oil stockpiling program be boosted to \$3 billion from the Ford proposal of \$1.69 billion "as a cushion against future foreign oil embargoes or other national emergencies." The intention is to store 250 million barrels of oil by December 1978, and a total of 500 million barrels by December 1980.

Defense

Under Carter's budget, defense spending for fiscal year 1978 would be \$109.7 billion, down about \$400 million (0.4 percent) from the \$110.1 billion Ford proposed spending, but an 11.4 percent increase from this fiscal year's outlays of \$98.3 billion. Besides increased personnel costs, the increased spending is slated for domestic military construction and NATO "force readiness" in Europe.

The Carter administration is proposing large cuts in a number of advanced weapons systems — most of which are contracted out to the aerospace industry. Carter proposes to:

- * Cut to five from eight the number of Rockwell International Corp. B-1 bombers, reducing the \$2.2 billion initially requested for the Air Force plane by \$280 million.

- * Delay full-scale development of a new intercontinental ballistic missile, called the MX, until fiscal year 1979 by cutting fiscal 1978 spending on this project to \$134.4 million from \$294.4 million.

- * Drop Ford Administration plans to purchase 60 new Minuteman III missiles from Boeing Co.

- * Cut to 78 from 108 the number of McDonnell-Douglas Corp. F15 fighters it will purchase in fiscal 1978, cutting \$334 million from the \$1.8 billion initially proposed.

- * Deferring for one year the \$277 million requested for six wide-bodied jets to be purchased from either Boeing or McDonnell-Douglas.

- * Reducing to three from six the number of Boeing AWACS radar planes the Air Force will buy next year, paring the \$528.9 million program by \$150 million.

- * Halving to \$100 million development funds for the Army's advanced attack helicopter from Hughes Aircraft Co.

In addition, Navy shipbuilding costs are to be reduced

by \$512 million by buying one rather than two nuclear attack submarines next year. This is purportedly in recognition of a "construction backlog" at General Dynamics Corp. and Tenneco, Inc.'s Newport News Shipbuilding and Drydock Corp. unit.

Water and Dam Projects

Carter's budget proposes the total elimination of 19 major irrigation projects that may be "environmentally or economically unsound or potentially hazardous." At the same time, all 320 projects in the U.S. are declared "under review." The water resources projects cost \$5.1 billion and will save the government \$289 million in the next fiscal year.

Education

Carter hopes to phase out the \$340 million National Defense Education Student Loan Program and cut \$400 million from the "impact aid" program which goes to school districts with large numbers of federal employees.

Health Care and Nutrition

The Carter budget will reduce Medicare and Medicaid payments to hospitals by imposing on them a 9 percent ceiling (compared with 15 percent inflation).

Carter also proposes that a special milk program for school children be cut from \$180 million in fiscal year 1977 to \$49.8 million in the year beginning Oct. 1.

Labor Power

The Carter budget will double the money allocated for "public works" jobs to \$8 billion. Carter also proposes that unemployment compensation benefits be reduced from 65 weeks to 39 weeks effective March 31, 1978. Several Social Security benefits will be eliminated including retroactive lump-sum payments to retirees.

Just about the only groups benefiting from the Carter plan are the monetarist bankers and their "environmentalists." The Carter budget will put Ralph Nader and his "environmentalists" directly on the government's payroll. The budget authorizes the government's Nuclear Regulatory Commission to "find qualified public interveners" who will be directly engaged in "the pending rule making proceedings regarding the use of plutonium to fuel nuclear reactors." This will allow the Rockefeller-funded environmentalists to vastly expand their current strategy of preventing the construction of new energy-producing facilities through lengthy, Justice Department and Supreme Court-sanctioned legal actions.

Carter Reply To Drought: Stop Dam Construction

by Eric Lerner

President Jimmy Carter announced Sunday his answer to the drought emergency in the Western states—a \$268 million dollar budget cut to *eliminate* 18 major water projects including irrigation and power throughout the drought region. Speaking for the President, Environmental Protection Agency head Buzerros stated explicitly that the goal of the cancellation of irrigation construction in the midst of the worst drought in decades was to “convince people that more water is not the answer — we must simply cut back consumption.”

The budget cuts were announced immediately before a Denver meeting of Interior Secretary Cecil Andrus and the governors of the 17 drought-stricken states. Enraged and astonished governors, who found out about the cuts only hours before the meeting, confronted Andrus, who lamely replied, “The timing of the cuts was most unfortunate” and proceeded to enunciate the Carter drought program — water rationing and conservation.

Carter’s stated reasons for cutting the long authorized projects is that times have changed and the projects are declined as “unnecessary and environmentally unsound.” The Administration’s tactic is to box the opposition into a fragmented, case-by-case fight by requiring individual review of each project over the next 60 days by a special study group headed by Andrus. But Congressional opposition has already begun. (See below)

The cuts are only the first installment of a general review of all 320 ongoing irrigation projects in the U.S. They constitute the first step in carrying out the plans laid out in the Rockefeller funded program The Unfinished Agenda, which calls for the abolition of the Bureau of Reclamation and the end to *all dam construction* and irrigation works. By themselves, the already announced cuts would be devastating, stopping projects already partially completed in six water short states.

Bureau of Reclamation

Projected Cuts in Western Drought Areas

*** The Central Arizona Project, now 30 percent complete, has been forty years in the making from conception to development. It will provide water and power to the already constrained municipal and industrial supplied of Tucson and Phoenix and will irrigate 250,000 acres and provide 1.2 million acre feet per year. Wes Steiner, State Water Commissioner, explained that without it there will be no further development of the area, now the fastest growing state. “The legal battles have already been fought, contracts made with the Department of Interior, and authorization by a previous Democratic administration. Now with one stroke of a pen it is jeopardized.” Ed Essertier, an Andrus aide when contacted about the cuts explained, “as the C.B.S. Special Tuesday showed, there are serious environ-

mental problems in the area particularly the loss of wildlife habitation. This is an area for nesting of eagles...” Governor Castro was stunned and angry by the cuts. Alliances are being made with similarly affected states for the upcoming governors conference.

*** The Central Utah Project consists of five units of which the Bonneville Unit will provide massive water production for six counties. It has been redlined by Carter. Thirty percent of the total \$775 million has already been invested. The project has been ongoing for ten years, tested in court and approved by six presidents. Bob Hillbert, president of one of the water districts of CUP, reported if the project is stopped for any length of time, it would cause irreparable damage. Utah is suffering the worst drought since 1934 and water rationing is already in effect in many municipalities. The state legislature held a special joint session on Monday to protest the cuts.

*** The Auburn Dam, now slated to be cut, is the key element in the massive Auburn-Folsom South Project in California with \$200 million already spent on the dam and \$700 million needed to complete it. The project will provide water and hydroelectric power to the highly productive San Joaquin Valley, an area severely hit by the drought and facing cutbacks of 75 percent in water from existing sources this season. The entire project would irrigate 418,000 acres and provide large amounts of water and power to the Sacramento and East Bay areas, which are undergoing mandatory rationing now. (The Central Valley provides 25 percent of the nation’s food and 40 percent of the country’s fresh fruit and vegetables.)

*** The Garrison Diversion project in North Dakota would irrigate an additional 250,000 acres in the driest areas of central North Dakota and South Dakota which could become highly productive wheatland. According to the State’s Water Commission, over 90 percent of the canal system is complete. But Carter evidently is siding with the Audubon Society which has been attacking the project since late fall, and demanding additional environmental impact statements. The Garrison Dam, part of the Pic-Sloane Missouri River project irrigating 10 states, was built 20 years ago with the state’s stipulation that these additional acreages would be developed.

*** The South Dakota project begun in 1968 would ultimately irrigate almost a half a million acres. Along with California, this state has been the worst hit by drought. Most livestock has been sold off and small towns are hauling overland water for drinking. The state’s future depends on the development of infrastructure of the Missouri.

*** Three projects in Colorado: Fruitland, Savery, and Dolores which would irrigate a total of 110,000 additional acres of fertile fruit producing areas are threatened.

*** The Army Corps of Engineers has 10 projects slated for cuts. One is a 22 million dollar Louisiana river channel

project. Long under attack by environmentalists, this project would permit huge offshore rigs constructed inland (near Morgan City) to be floated into the Gulf of Mexico. Senator Bennett Johnston (D-La) has called the cut "unwise and unjustified." Sen. Russell Long's (D-La) administrative assistant, James Guirard, called the project critical to the nation's offshore drilling program. The project is already underway. \$5.1 million is slated for cuts earmarked for dredging the Atchafalaya River.

In all, more than 2 million acres of irrigated land scheduled to come into use over the next few years as the projects are completed will be eliminated if these cuts are allowed to stand. This land would produce more than 6 million tons of food. By comparison, total U.S. wheat

production is about 60 million tons. This \$250,000 cut will waste the more than \$5 billion dollars already invested in the projects and cause losses in food production of more than \$1 billion a year.

The policy initiated by Carter means the destruction of U.S. agriculture. More than 15 percent of all U.S. crop land is currently irrigated and yields on irrigated land are typically three times higher than on adjacent unirrigated areas: more than a third of all U.S. food production is directly attributable to the effect of irrigation. To allow the destruction of this productive capacity is to ensure mass starvation in every country now dependent on the U.S. for grain exports.

EXCLUSIVE

The Next Ten Years As Seen By Brookings

The Brookings Institution, a self-styled Washington, D.C.-based think tank founded in 1927 to define foreign and domestic policy for the U.S. government and dictate public opinion, has recently released a so-called "policy" blueprint for the Carter Administration entitled "Setting National Priorities, The Next Ten Years." The Brookings' perspective for the next decade celebrates the "aura of power" doctrine expoused by former Defense Secretary and current Carter energy czar James Rodney Schlesinger. The 600-odd pages of ponderous pronouncements by Brookings braintrusts all boil down to the following formula: the United States will maintain its leading position in the world by conducting a Schlesingerian global chicken game whose outcome will be determined by whether the U.S. or Soviet Union flinches first.

The Institution subsumes all discussion of the U.S. role in the world economy, the organization of government, and U.S. domestic policies in the decade ahead under the umbrella of America's military posture. In the opening sections, "Peace or War," and "Toward a New Consensus in U.S. Defense Policy," authors Henry Owen, Brookings director, and Barry Blechman, Brookings military expert, contend that all foreign policy should be predicated on step-function escalation of superpower confrontation in which traditional military strategy is supplanted by psychological warfare. Direct military action is to be undertaken by the U.S. at critical junctures to "convince" the Soviet Union that the United States "means business." Such military confrontations are to be strategically staged within an overall context of U.S. destabilizations against friend and foe alike.

This said, the authors identify the Middle East, southern Africa, and Europe as the immediate targets for disruptions leading to war — a road Carter and his associates have faithfully followed since taking office January 20. Aside from covert interventions in the political life of these areas by the National Security Council, State Department, and Central Intelligence Agency, Blechman proposes a sweeping redeployment of American troops from the Pacific Command theatre and

elsewhere to Europe, the Mediterranean, and the Persian Gulf. Direct American military intervention in southern Africa is not possible, the author argues, because the American population would not sit still for it. Therefore, Carter must wage war in the region through surrogates like Rhodesia's Ian Smith and South Africa's John Vorster.

Key excerpts from the Brookings national security and military posture statement follow:

"In recent years, discussion of U.S. defense policy has tended to focus more on the political role of the armed forces than on their military functions. The military establishment helps to set the image of the United States as a great power. The mere existence of large military forces is evidence of the nation's ability to play an important part in international affairs. That the United States has chosen to allocate a significant portion of its resources to the military demonstrates its ability and its willingness to underwrite its announced role in the world. Thus by their existence alone, the armed forces serve important purposes.

"By their location, military forces can be directed to specific ends as well....Consequently, overseas deployments make it more likely that the United States will live up to its announced policies. Moreover, during crises or at critical times in negotiations, changes can be made in the location, activity, or readiness of military units to buttress specific demands, to reinforce protests, and to make threats or promises more plausible.

"Obviously, accomplishment of these purposes is not automatic — the credibility of the announced aims of military deployments sometimes must be tested by confrontation, if not violence. The point is that the main purposes of the military are political or psychological. A large military establishment is maintained not so much to provide for the direct defense of the United States as to affect the perception of leaders in foreign nations, prompting them to see things in such a way that they will make decisions that will help avoid the necessity for direct offense." (emphasis added-ed)

The Middle East

First, Blechman proposes "a one-fourth reduction in the U.S. Pacific force posture" to be redeployed into the Mediterranean and Persian Gulf "in order to protect more important and more threatened U.S. interests in Europe and the Middle East effectively."

"The most dangerous international dispute now is that between Israel and its Arab neighbors...Arab-Israeli tensions...will create a continuing risk of conflict...(which) will intensify in the coming decade. The credibility of the U.S. commitment to defend Israel depends on U.S. ability to defeat, if necessary, any Soviet military intervention in a new Arab-Israeli war. If Soviet leaders believe the United States has such a capability and that it will be used if needed, they are likely to be deterred from assuming any overt role in the fighting. Moreover, if the local actors share that belief and doubt Soviet threats (or promises) to intervene, U.S. influence in the region in peacetime is likely to be enhanced and U.S. attempts to bring the Arab-Israeli conflict to a peaceful settlement.

"U.S. forces must be able to create a secure environment in the eastern Mediterranean, in which the United States could undertake whatever military operations it deemed necessary but the Soviet Union could carry out only those operations that the United States did not try to prevent...

"The Sixth Fleet is certainly capable of prohibiting Soviet military use of the Mediterranean. If the United States chooses to oppose it, effective Soviet intervention in an Arab-Israeli conflict is not likely to be militarily feasible.

"Opinions differ on the feasibility and desirability of U.S. military action to restore a flow of oil if it were interrupted for political reasons. But one thing is clear: it is useful to sustain a healthy uncertainty in the Arab oil-exporting countries about whether military action might be taken. This requires maintaining a U.S. military capability for effective action."

Owen seconds Blechman on this point enthusiastically in "Peace or War." "We should not go out of our way to allay any fears of the oil-exporting countries about U.S. military action. The threat of that action cannot be ruled out by them, if only because of our deployments in the Middle East and neighboring areas."

Overall, the Brookings assessment on the Middle East: "In short, a long period of turbulence is ahead." Not content with the dangers of the Arab-Israeli conflict, U.S. threats to invade the oil fields, Brookings also moots an intensifying Iranian-Indian "rivalry" which will provide "opportunities for introducing nuclear threats into local disputes."

The Third World

"Generalization about the Third World is difficult because of its diversity, but one thing that can safely be said is that the prospects for conflict are substantial."

Asia

"The record suggests that there are likely to be periodic upheavals within Southeast Asian countries and occasional clashes between them."

Africa

"Africa's future will be shadowed by racial struggles south of the Sahara. The Soviet Union and other communist countries are likely to provide weapons to black guerrilla groups and governments that wage war on the white government of Rhodesia...The communist countries will also offer help to militant groups and governments willing to challenge white rule in South Africa...But the white majority is large, well-organized, and well read; it will continue to hold power in the Republic of South Africa for at least the next decade.

"The racial conflict in Africa will have a powerful and somber effect on U.S. domestic opinion...Some will be alarmed by the prospect of growing Soviet influence and will feel empathy for beleaguered whites; others will resent white domination and be anxious to promote majority rule...Any U.S. policy will be attended by violent internal debate and dissension; it is highly doubtful a consensus could be secured for a policy that involved either use of U.S. armed forces or provision of military assistance to any of the warring parties."

While implicitly acknowledging that the U.S. will act through surrogates in the region, Brookings runs through the now-familiar scenario in which racial conflict in Africa can be utilized to fan the flames of racial tensions at home.

Latin America

"Large-scale wars have not occurred in Latin America for many years..., although major tensions will persist—notably between Argentina and Brazil in the east and between Peru and its neighbors in the west."

In summing up Henry Owen remarks: "In the third world we will also face novel threats that do not arise solely, or even largely, out of interstate relations. Terrorism is likely to grow. Even if it does not involve nuclear theft, it could powerfully influence events — if, for example, it led to the assassination of major political figures or to increasingly large scale terrorist raids and Israeli retaliation against Arab countries that aid terrorists."

Europe

"The potential for conflict in Europe results from the interaction of two possible trends: toward weakness in Western Europe and toward upheaval in Eastern Europe."

Because of the economic difficulties and a political lack of will on the part of most Western European nations, e.g. France, Italy, and Britain, NATO and "the defense of the central front will increasingly devolve on the United States and Germany." Admitting that the prospects for the Atlantic Alliance are hardly bright, Brookings takes comfort in self-serving fantasies such as: "The Soviet Union has been unable to reconcile most East European peoples to its hegemony" and "Nationalist pressures in Eastern Europe have overthrown two empires, Turkey and Austro-Hungary, in this century; and the death throes of each of these empires triggered major wars. Nationalist pressures will continue to threaten the Soviet empire in Eastern Europe; and this process, too, could be marked by substantial violence."

To bolster the flagging European enthusiasm and

commitment to NATO, Blechman proposes a major U.S. military buildup to prepare the Europeans for a "short war." The rationale presented is that "The Russians are doing it."

"Soviet forces in Europe (and those of its Warsaw Pact allies) are organized primarily to fight a very short; intense conflict, one that might involve the use of tactical nuclear weapons from the outset."

To ready NATO forces for battle, Blechman advises:

1) "A further shift of U.S. army personnel in Europe from support to combat units," with the logistical slack picked up by West Germany and other NATO members — "it might promote military integration in the alliance."

2) "Commonality in NATO weapon acquisition programs and interchangeability among NATO equipment should be emphasized."

3) "Shift some U.S. forces now in southern Germany to the north," or force German military forces to beef up "the defense of the likely northern invasion route...added expenditures and political costs in Germany will have to be incurred if this potential vulnerability is to be reduced."

4) "Better use of reserves in planning for a war of short duration."

5) "A shift in U.S. aircraft procurement away from large, long-range, multipurpose, and hence very expensive aircraft...toward less expensive aircraft."

6) "A shift in Navy planning away from the defense of peacetime civilian shipping levels in the Atlantic and Pacific...the Navy's main mission should be to gain control of restricted seas, notably the Mediterranean and the Norwegian Sea, to enable it to project U.S. power on the flanks of NATO and to deny the Soviet Union access to these now vulnerable regions..."

The overwhelming concern in Europe reflected by the Brookings report is how the U.S. can manipulate its West European allies into supporting and participating in a NATO war against the Warsaw Pact which would inevitably destroy America's European allies. In order to suitably terrify the United States' reluctant partners, the Brookings report repeatedly emphasizes "Soviet military doctrine, which stresses rapid advance into enemy territory; and Soviet military exercises, which usually feature nuclear strikes in conjunction with rapidly advancing armored offensives."

Soviet Union

"Having surveyed possible U.S. policies toward sources of conflict in specific regions, we now turn to our relations with the one power that could transform any one of these conflicts into another world war: the USSR." Clearly concerned about the growing Soviet military capability, Brookings advises Carter et al. to wage a vigorous psychological warfare campaign against the Soviet leadership to keep the Kremlin off-balance. The dangers of such warfare are minimized by the self-serving assessment that "Soviet leaders can be expected to proceed with caution, constrained by the fear that large-scale war would destroy everything they have built up since the revolution...so that they will be anxious to avoid direct confrontations with the United States."

"It is too early to tell whether the recent shift in U.S. public opinion in favor of more defense and less détente

has registered in the Kremlin and if so, with what effect.

"It is probably U.S. determination that is most in question in the Soviet leaders' minds. The debate in the United States about our alleged defense weakness must be of interest to them. If they believe that Americans doubt U.S. military strength, they may expect that perception to moderate U.S. responses in future crises. On the other hand, if American statements and actions reflect self-confidence, aggressive Soviet action may seem less attractive to them."

Despite such posturing, the Brookings report betrays considerable fear about actual Soviet military capabilities. The technological innovations in Soviet defense systems prompts Henry Owen to write:

"The more important risk is that it (the arms race) will trigger the deployment or introduction of weapons that threaten stable deterrence, such as weapons whose vulnerability might invite attack in a first strike, whose accuracy might make a first strike appear feasible, or whose defensive power might persuade leaders in one country that it could launch such a strike and survive the other's retaliation...There is no advantage in returning to a situation in which one side or the other might believe that it could build up sufficient defensive capabilities to make a first strike rewarding."

"If one fears that the American people are unwilling to pay the price necessary to match Soviet conventional military capabilities, it may be possible to secure deterrence cheaply by making it clear that any super-power confrontation could result in nuclear war. If one fears that small states, like North Korea, no longer find U.S. threats credible, perhaps raising the stakes will make them unwilling to challenge the United States...And if one fears that allies are beginning to doubt the commitment of the United States, perhaps demonstrating its ability to look squarely at the possibility of nuclear war will reassure them."

Once the Brookings report leaves the realm of national security and defense policy, the flight from reality is total. All so-called discussion of America's international economic policy, nuclear non-proliferation, the organization of government, and domestic policy boils down to setting up Trilateral Commission supranational bodies through which the U.S. would rule the world through its top-down control over critical resources, strategic stockpiles, credit, and so on. A few samples should suffice.

Nuclear Proliferation

Brookings advocates what has become Carter policy: no export of nuclear power plant facilities to non-nuclear nations because of the danger of nuclear terrorism and the use of such facilities to manufacture nuclear weapons. Instead: "The alternative suggested by the United States to a proliferation of sensitive national facilities is the establishment of multinational centers for reprocessing and perhaps other fuel cycle operations..."

"Nonproliferation commitments would be more definitive if non-nuclear-weapon states did not have independent national capabilities of this kind but had instead to rely on external (perhaps multinational) facilities."

Economic Policy

The overriding concern expressed on both the international and domestic fronts is how to reduce consumption, particularly of energy. Again, supranational structures are invoked as the most effective way of reducing the worldwide standard of living.

Charles Schultze, Carter's Council of Economic Advisors director, targets federal spending for maintaining standards of living in the U.S. "Developments in three major types of program explain almost nine-tenths of the growth in the ratio of domestic federal expenditures to

GNP between 1955 and 1977. (1) The rapid expansion of retirement, disability, and unemployment compensation was responsible for slightly more than half of the growth. (2) The introduction of new low-income assistance programs providing food, medical, and housing benefits to the poor, and the subsequent increase in both those benefits and the older cash welfare payments, accounted for 14 percent of the growth. (3) The introduction and the rapid expansion, especially between 1965 and 1970, of new social service and social investment programs contributed about 18 percent of the growth."

EXCLUSIVE

Blackmail Campaign Against Potential Carter Opposition In Congress

From its controlling position in the Carter administration the Trilateral Commission has already launched an extensive blackmail operation against a nascent grouping of conservative Congressmen from the South and Southwest who constitute its potential opposition. The campaign is being conducted through the Trilateral Commission's agencies in the Justice Department and Federal Elections Commission, and by self-styled "public interest" groups led by Common Cause with the aid of an experienced crew of Watergaters in the national press corps.

Under the rubric of a debate on the phony issue of "ethics", centering on the Obey Commission recommendations, such leading figures and key committee chairmen as House Majority leader Jim Wright (D-Tex.), conservative leader Sen. Barry Goldwater (R-Ariz.) (current minority leader in the Senate Intelligence Committee) and Sen. Russell Long (D-La.), (chairman of the Senate Finance Committee) have been targeted for political blackmail. Already during this session, Rep. Robert L.F. Sikes was successfully ousted from his post as chairman of the House Appropriations subcommittee on Military Construction, through the efforts of Common Cause.

The Congressmen under attack represent a grouping of constitutional forces representing industries such as oil and aerospace who could pose a serious threat to Carter were they to form as an organized bloc against de-industrialization. Evidence of their potential to wield power as a bloc is clear in the recent outcome of bi-partisan moves from conservatives in the Senate to "pack" key committees including Armed Services, Appropriations, Intelligence, Finance, Commerce and Judiciary, leaving only the Foreign Relations, Interior, and Banking committees to the control of known Carter backers.

Last week, the Justice Department signalled the new phase of attacks by leaking a story to the Washington Post detailing a meeting between Attorney General Bell and President Carter, where Bell allegedly assured Carter that "at least four to six indictments of past and cur-

rent Congressmen" would result from the Justice Department's investigation into Congressional dealings with the South Korean lobby. Bell's office subsequently issued a denunciation of the Post article, yet refused to deny its specific charges.

This method follows precisely the modus operandi of blackmail and innuendo used by the Justice Department since the investigation started; no fewer than 90 names of Congressmen under investigation have found their way into the press, yet the Justice Department denies releasing the information and refuses to clarify the situation. The objects of the mud-slinging campaign in this case include Rep. Edward Derwinski (R-Ill.), Rep. Clement Zablocki (D-Wis.) and Rep. William Broomfield (R-Mich.), as well as members of the Mississippi and New York delegations.

The House Ethics Committee, recently authorized to begin a similar investigation of Congressional ties to South Korean lobbyists, is itself under pressure to become an official watergating tool. After a raucous fight last session, the Pike Committee singled out House Ethics Committee chairman John Flynt (D-Fla.) for not having secured indictments against any Congressmen in the entire history of the committee. Flynt has since succumbed to pressure by hiring former Special Watergate prosecutor Locovara as chief counsel for the South Korean investigation. The Ethics Committee submitted an extraordinarily large budget for the current session — \$535,000 — which staff members predict will be used for several additional investigations.

The campaign launched against House Majority leader Jim Wright is the clearest attempt to bribe and blackmail Congressmen into accepting Trilateral control of its activities. As the Dallas Press points out in an article entitled "Might Makes Wright Target of Reporters," the Texan, who represents industrial interests including oil, was virtually unknown by the press until his surprise election to the top leadership post in the House. Almost immediately, the Washington Post and other Watergate

experts ran a series of articles terming Wright's "mixing of campaign and personal finances" "murky". The Post articles were an inflation of an interview Wright gave to the Fort Worth Press, and contained no substantive information regarding Wright's bookkeeping. According to an aide to Wright, the Congressman was "harassed by reporters" for two weeks until he refused further discussion to devote time to his job as House leader.

The so-called "issue" underlying the bulk of Watergating operations against Congress, that of a "code of ethics," was fully contrived and implemented through the efforts of John Gardner's lobbying group, Common Cause. In an interview with a Common Cause spokesman, the group both claimed credit for having "initiated the Sikes issue three years ago" and for introducing the Obey Commission recommendations. The recommendations, which include limiting Congressmen's "outside income" to 15 percent of their federal pay, place such stringent regulations on campaigning and other activity that virtually any Congressmen could be accused of breaking the regulations. The first Commission recommendation to pass in committee last week would create a \$5000 private office fund for each Congressman while making current usage of "unofficial" office funds illegal. The recommendation passed the committee vote at the same time that the full House voted up President Carter's pay raise "bribe." The full meaning of the recent call for "linking a pay raise to a code of ethics" was spelled out in an editorial appearing in the Feb. 3 New York Post; it stated that any Congressman who votes against the Obey recommendations will be "remembered" as a prime target for future investigations into Congressional corruption!

Common Cause, the self-described "grass roots organization" founded by John Gardner, is not only funded heavily by both John D. and Nelson Rockefeller, but actually serves as their personal watergaters on Capitol Hill. A staffer at Common Cause recently emphasized this function by reporting that former Watergate prosecutor Archibald Cox is the most likely candidate to replace John Gardner as chairman of the group.

Ann McBride, top Washington lobbyist for Common Cause stated that while the Congressional debate continues over the Obey Commission regulations, "the real battle — regulation of public financing of federal election campaigns" will begin. In preparation for this battle, the group intends to re-mold the Senate Finance Committee to expedite passage of stringent campaign legislation.

Their first plan of "attacking Russell Long (chairman of the committee — ed.) personally" was "unsuccessful" due to Long's willingness to fight back. This necessitated an alternate plan "to have the Democrats, especially freshman, reform the committee." Hence the well-publicized scramble to place Daniel P. Moynihan on the committee!

The campaign financing psywar began in the press early in the 95th session, with both the Jim Wright concoction and American Airlines' release of the names of 70 past and present Congressmen who were given contributions illegally in 1972. Under current law the figures named including leading Republicans and conservatives Gerald Ford, Rep. Barry Goldwater, Jr. (R-Cal.), Sen. John Tower (R-Tex.), Rep. Dan Rostenkowski (D-Ill.), and the late Rep. Hale Boggs (D-La.) did nothing illegal. However under the Obey Commission regulations, their receipt of the gifts would be made illegal. The continual press coverage of this dead story is only significant as blackmail material to hold over the heads of Carter's political opponents.

Sen. Barry Goldwater, the traditional spokesman for conservative Congressmen in the Southwest, is the object of a special attack. The Fund for Investigative Journalism, a project in psychological warfare created in 1969 by the Council on Foreign Relations, the Democratic Party, and the Institute for Policy Studies, has funded a team of 40 reporters to "investigate" links between Arizona politics and organized crime." For several weeks, the New York Times and other press conduits have "leaked" unspecified, so-called connections between Goldwater, his family, friends and business associates, and the Arizona mafia which vaguely involves "real estate." On Feb. 20, the New York Times Magazine featured a report on the status of the investigation, which targetted Goldwater and a close associate, Harry Rosenzweig, former Arizona chairman of the Republican Party. According to a spokesman for the Investigative Reporters and Editors, the group sponsoring the Arizona investigation, their official reports will be released in early March. They too predict indictments while refusing further comment.

The campaign to intimidate Congress and its leaders with outright blackmail and bribery is itself grounds for investigation and criminal prosecution. Members of Congress and their constituencies have the authority to demand an investigation into the Trilateral Commission's use of coercive measures to prevent Congress from doing its job.

Congress Punts On Warnke Nomination

Responsible Congressional forces refused this week to confront Jimmy Carter on the nominations of Paul Warnke and Admiral Stansfield Turner for the posts of chief disarmament negotiator and CIA director. In hesitating, they have given Carter more ammunition to use in the Trilateral Commission's drive for a dictatorship in the U.S. and war with the Soviet Union.

While the realization by the pro-industrial congressional opposition forces that Warnke and Turner

could now be taken on competently in the context of the controlled debate orchestrated by Senators Henry Jackson (D-Wash.), Sam Nunn (D-Ga.) and a host of Rockefeller right-wingers is a significant step forward in Congressional education, the failure to seriously contest the nominations represents an important tactical loss. The installation of Trilateral Commission member Warnke and Council on Foreign Relations member Turner completes Carter's Trilateral

slate and gives him added leverage in cleaning out his opposition in Congress and the government bureaucracy.

Warnke and Turner both sailed through their Senate hearings. The phoney debate surrounding Warnke's nomination was acted out superbly by Sen. Jackson who before the debate claimed that he would give Warnke a hard time. On cue, Jackson asked vague questions on the theme, "Are you going to negotiate away everything we have to the Soviets?" Warnke answered with a simple "no" and "Scoop" politely did not pursue the point, essentially giving the nominee a forum for his views on disarmament. Even the Washington Post complimented the way in which the hearings helped, not hurt, Warnke's chances for Senate confirmation.

An additional lightning rod for conservative opposition to the Trilateral Commission member was provided by the hastily put-together Emergency Coalition Against Unilateral Disarmament which circulated murky statements about Warnke "selling the U.S. out to the Soviet Union" in an effort to keep conservatives' minds off their worries that Warnke's—and the Trilateral Commission's—stated policy would mean the end of American research and development and the destruction of the country's high-technology defense-oriented industries.

Although the conservatives did not, by and large, get sucked into the "Emergency Coalition" fiasco, they were unable to do much positive. "They just didn't get themselves together," said one leading Republican. Most probably, this disarray was directly contributed to by the lobbying of the "Emergency Coalition" personnel—most of them "right cover" stringers for Rockefeller's Trilateral Commission including Morton Blackwell and Richard Viguerrie of the Buckley family's National Review circle and some of the more rabid members of the American Security Council like Jack Fisher.

There are, however, indications from several sources within Congress that the tactical losses represented by the successful nominations have begun to galvanize a fight around the real issues that stand behind Carter's proffering of his two nominees. A number of Washington figures are reportedly showing a heightened awareness of the U.S. Labor Party's analysis that Warnke's ap-

parently "soft" line on arms control is both a psychological warfare feature of the Trilateral Commission's plans to engage in a thermonuclear confrontation with the Soviet Union, and a cover for Wall Street's deindustrialization of the advanced sector.

The latter point was recently underscored for these political forces by recent Carter statements on defense posture — statements mirrored by Warnke — that would wipe out huge sections of the country's research and development capabilities and bankrupt several aerospace companies — companies now devoted to wasteful production but nonetheless representing the most advanced technological applications in U.S. industry.

Central to the elimination and scaling down of companies such as Hughes Aircraft, LTV Aerospace, Rockwell International and so forth, is the targeting of Carter opposition in the Congress and industry represented by southern and western politicians whose backbone is provided by these and other high-technology corporations.

Turner to Intelligence

Significantly, the U.S. Labor Party was the only organization to testify against the nomination of Stanfield Turner for director of the CIA. As with the case of Warnke, Turner's nomination is part of the opening salvo in Carter's war on his opposition—the U.S.L.P. and its trade union and conservative industrialist allies. One of Turner's supporters, John Marks — the "former" intelligence operative who has helped the terrorists of the Institute for Policy Studies arranged slander campaigns and covert operations against the U.S.L.P. — testified that the areas which Turner would immediately investigate are: 1) the Hughes Aircraft Company; 2) the China Lobby, which includes E-Systems, Inc., a giant electronics firm from Texas and, 3) the connections of the Shah of Iran to Rockwell International, another defense contractor.

The Marks testimony, coupled with Turner's already stated promise to allow "dissenters" from the Vietnam era to criticize CIA policy, are proof positive that Turner will attempt to go ahead with a policy to wreck the traditional alliance between the conservative sections of the CIA and high technology-oriented industrial layers.

Carter's Budget-Cutting Spree: Will He Cut His Own Throat Too?

Carter's unveiling of his Domesday budget early this week has evoked such bitter opposition among all but the administration's most ardent Congressional supporters that the possibility of a Carter Watergating is being openly mooted on Capitol Hill.

Carter's newest bout with Congress erupted in earnest over the weekend. As soon as news of his proposal to axe federal funds for eighteen water projects became known, Congressmen, Senators, governors, and other state officials representing the affected areas began publicly

venting their "outrage" and "shock" over the proposed cuts. Symptomatic of the reaction were Arizona Republican Rep. Bob Stump's statements that the cuts were "shocking, incomprehensible." Senator Milton Young (R-ND) bluntly told reporters that "If the work is stopped on these projects, they will have little or no value. This is one of the most shocking things that has ever happened to North Dakota in my memory."

The wave of outrage reached an initial peak on Tuesday, when the House Interior Committee hauled

Interior Secretary Cecil Andrus before it to present an accounting. Led by chairman Rep. Moe Udall — a liberal Democrat from Arizona (whose Central Arizona Project is on Carter's hit list) who has thus far been a loyal Carter backer — angry committee members raked a shaken Andrus over the coals, demanding to know exactly who over in the White House had dreamed up the dam cutbacks.

Udall opened the committee's interrogation of Andrus by asking "Who the hell did you consult with on these cuts?" "I certainly wasn't consulted and neither were any of my colleagues....I'm holding you personally responsible." An equally angry Rep. Kazen (D-Tex.) then queried Andrus on how the administration would respond if Congress refused to deauthorize funds already appropriated for the water programs. "Would you impound the funds?" When Andrus sat dumbly in his chair, Kazen said, "Well, let me rephrase my question a little. Would the President impound the funds?", pointedly noting, "The Nixon Administration tried that, and you know what happened to *them!*"

The round of questioning concluded with Rep. Rudd (R-Ariz.) calling the Carter administration the "Imperial Presidency" — the epithet used widely against Nixon — and accusing it of proposing a budget that shows "a callous disregard for human beings." At this point, informed sources are predicting that the Congress will block the proposed cuts, although there is evidence that Carter is trying to fracture the opposition by promising to save a few of the projects in a "case-by-case" review.

A similar fight is shaping up around Carter's proposed energy budget, particularly the cuts in nuclear research. Aides to all but one member of the House Appropriations subcommittee on Public Works — which will begin hearings on the nuclear budget early next month —

expressed adamant opposition to any reductions in federal funds to nuclear R and D when polled by the U.S. Labor Party this week. An aide to chairman Rep. Tom Bevill (D-Ala) summed up the subcommittee consensus that "nuclear energy is necessary to the development of our country." The administrative assistant to another subcommittee member was far more outspoken. "The country needs capital investment and jobs," the aide said, "not these environmentalist creeps, these devotees of zero-growth who want to flush the country down the sewer for the sake of a few fish."

The battle against Carter's assault on nuclear energy intensified Thursday when three members of the Energy Research and Development Administration (ERDA) transformed House Science and Technology committee hearings on the administration's energy program into a promotional session for fusion power. Testifying one after the other, ERDA's overall fusion program director John Kintner, Laser fusion program head Stickney and Robert Hirsch of the Solar, Geothermal and Advanced Systems department all testified that rather than be cut back, funds for fusion R and D must be greatly expanded. Pointing to the recent major breakthroughs at MIT's Alcator Tokamak, the ERDA officials stressed that with proper levels of funding, commercially-applicable fusion could be developed by the 1980s. (See *Science and Technology*.)

It was reported late Thursday that the House Public Works subcommittee had already voted to reject an initial \$10 million of Carter's proposed cuts in the fusion program. The question now is whether the rest of the population — from industry through the trade unions — will shape the battle against the budget cutbacks into an open fight for an energy policy befitting the greatest industrial power in the world."

The Federal Reserve's Role In The Breakdown Of The United States Economy, 1971-76

BANKING

Between the collapse of the dollar on August 15, 1971, and now, the Board of Governors of the Federal Reserve acted as the agent of a handful of New York-based financial institutions, and supported them in a policy which has ruined the U.S. economy. The policy of the nine leading New York clearinghouse commercial banks, and a handful of other institutions outside New York, consisted of channeling the monetary capital of the U.S. into speculative adventures principally in the Eurodollar market.

To the extent the banks' policy prevailed, new monetary investment potential ignored productive investment opportunities both in the U.S. and abroad, and was wasted mainly on short-term international loans. In parallel, U.S. living standards plummeted, the rate of capital formation collapsed, the health of the nation's plant and equipment and real rates of profit deteriorated, and the taxation base of the U.S. Treasury stagnated.

When the speculative cycle unwound after the onset of industrial depression in 1974, the Federal Reserve employed the then-record deficit in Federal government expenditures to establish a feeding-trough for the New York clearinghouse banks and their allies, at the expense of U.S. taxpayers and industry.

Table 1

Constant Dollar Net Stocks Of Manufacturing Fixed Business Capital

(BILLIONS OF DOLLARS)

	TOTAL	EQUIPMENT	STRUCTURES
1971	\$187.9	\$106.3	\$81.6
1972	190.0	108.8	81.2
1973	195.3	113.9	81.4
1974	201.6	119.4	82.2
1975	204.1	120.9	83.2

SOURCE: SURVEY OF CURRENT BUSINESS, APRIL, 1976

The statistical evidence on the public record, summarized here, demonstrates that the regulation of the currency, which the Constitution entrusts to Congress, has been for the past five years the province of a handful of private institutions, the major New York banks, whose chief concerns are detrimental to the U.S. economy. Far from being in control of policy, the Federal Reserve has merely supported and, on occasion, picked up the pieces of a policy dictated by these institutions.

Effects on U.S. Economy

In 1971 total manufacturing fixed capital was about \$188 billion. In 1975 this figure rose to \$204 billion (Table 1), showing an annual rate of growth over the four-year period of less than 2.1 percent. The quality of U.S. plant and equipment, especially in such key industries as aerospace, iron and steel, deteriorated to a dangerously poor level (Table 2). Over the same period, total credit

Table 2

Industrial Capacity, Obsolescence And Replacement Cost

	DEC 1976	DEC 1974	DEC 1972
% OF CAPACITY TECHNOLOGICALLY OUTMODED:			
ALL MANUFACTURING	16%	14%	12%
AEROSPACE	24	17	9
IRON AND STEEL	30	20	15
% 10 YEARS OLD AND YOUNGER:			
MACHINERY	54	61	NA
COST TO REPLACE ALL TECHNOLOGICALLY OUTMODED CAPACITY:			
(BILLIONS OF DOLLARS)			
ALL MANUFACTURING	\$141.6	\$115.6	\$ 78.6
ALL BUSINESS	235.7	196.7	149.0

SOURCE: HOW MODERN IS AMERICAN INDUSTRY, 1976 AND 1974, MCGRAW HILL ECONOMICS DEPARTMENT

market debt rose at a 10.7 percent annual rate (Table 3), while U.S. government debt outstanding rose at the same rate (Tables 3 and 4).

Through most of this period, gross internal funds of non-financial corporations fell short of capital expenditures (Graph 1), even though capital expenditures barely maintained the existing level of fixed capital stocks, and profits of non-financial corporations, adjusted for capital replacement and inflation, never rose above 1967 levels (Graph 2). Even when, after 1974, gross internal funds rose above capital expenditures, this occurred only at the expense of a drastic cut in capital spending levels (Table 5), at a time when capital spending undershot replacement costs for the economy. The Eurodollar banks also forced major corporations to slightly improve their liquidity by tapping insurance and

Table 3

**Total Credit Market Debt
And U.S. Government Securities**

	CREDIT MARKET DEBT			US GOV'T SECURITIES*	
	TOTAL I	ANNUAL INCREASE II	IV/II	TOTAL III	ANNUAL INCREASE IV
1971	\$1751.3	\$154.0	19.9%	\$373.7	\$30.7
1972	1949.9	193.6	12.2	397.4	23.7
1973	2190.1	245.2	11.5	425.7	28.3
1974	2414.2	224.1	15.4	460.1	34.4
1975	2630.0	215.8	45.6	558.6	98.5
1976(EST)				650.8	92.2

SOURCE: FLOW OF FUNDS ACCOUNTS, 2ND QUARTER AND 3RD QUARTER, 1976, FEDERAL RESERVE SYSTEM

* INCLUDES SPONSORED AGENCY ISSUES AND MORTGAGE POOL SECURITIES

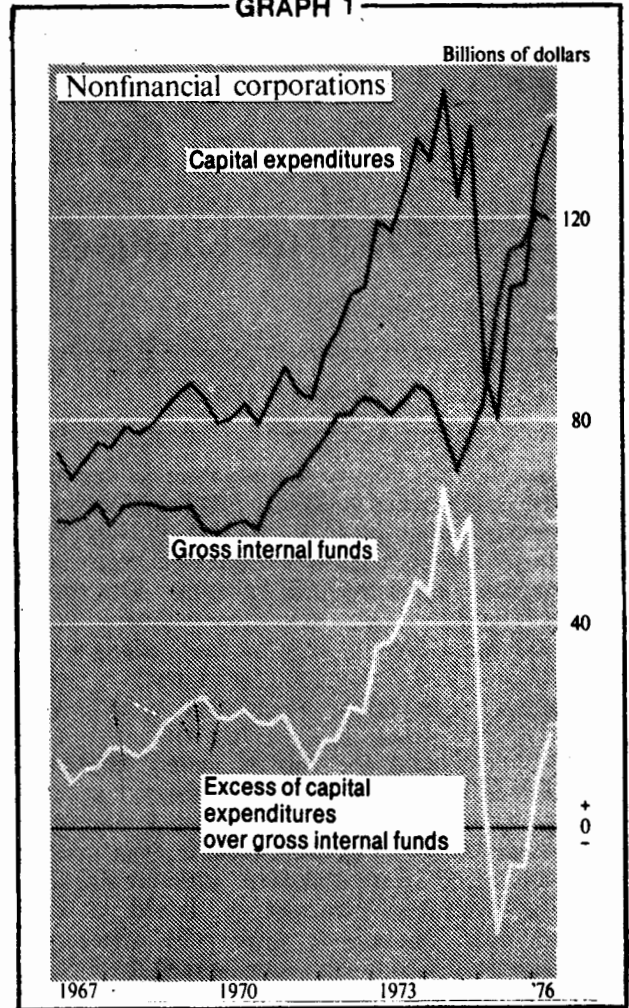
Table 4

**Total Federal Debt
(MILLIONS OF DOLLARS)**

FISCAL YEAR	AMOUNT	CALENDAR YEAR	AMOUNT
1971	\$409,467		
1972	437,329		
1973	468,426		
1974	486,247	1974	\$503,987
1975	544,131	1975	587,553
1976	631,285	1976	656,282 (NOV)

SOURCE: TREASURY BULLETIN, DEC, 1976
JAN. 1977

GRAPH 1



GRAPH 2

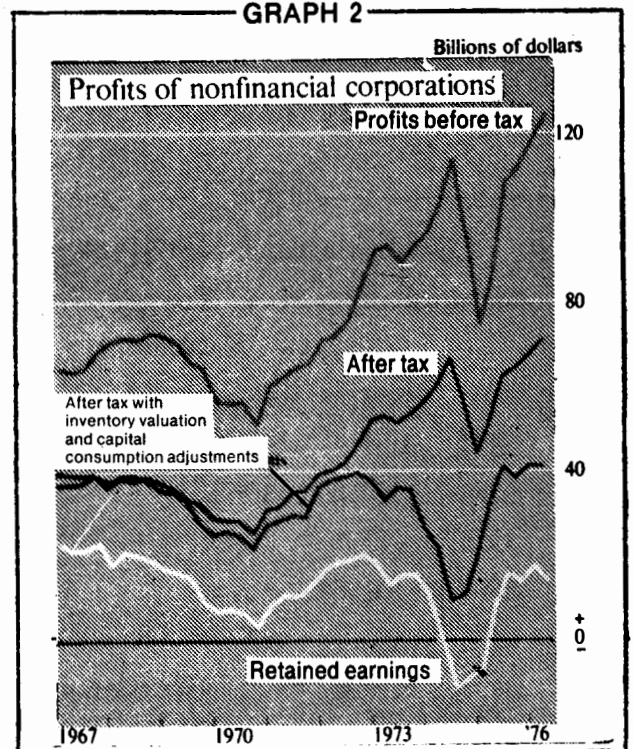


Table 5

Constant Dollar
Expenditures For Plant And
Equipment (1972 Dollars)

(BILLIONS OF DOLLARS)

1971	\$84.2
1972	88.4
1973	96.1
1974	96.8
1975	85.4
1976	87.7

SOURCE: ECONOMIC INDICATORS,
JOINT ECONOMIC COMMITTEE AND
US DEPARTMENT OF COMMERCE

Table 6

Federal Receipts,
Outlays And Deficits

(MILLIONS OF DOLLARS)

FY	RECEIPTS	OUTLAYS	DEFICIT
1971	\$188,392	\$211,425	\$23,033
1972	208,649	232,021	23,372
1973	232,225	247,134	14,909
1974	264,932	271,067	6,135
1975	280,997	334,146	53,149
1976	300,005	373,662	73,657

SOURCE: BUDGET OF THE US GOV'T 1978,
OFFICE OF MANAGEMENT AND BUDGET

Table 7

Consumer Price Index -
All Items

(1967=100)

1971 - 121.3	1974 - 147.7
1972 - 125.3	1975 - 161.2
1973 - 133.1	1976 - 170.5
	(JAN77)- 175.3

SOURCE: ECONOMIC INDICATORS, JOINT
ECONOMIC COMMITTEE AND US DEPART-
MENT OF COMMERCE

pension funds, and then held down further corporate credit demands for inventory financing by enforcing a continual decline in real spendable earnings and drastically increasing speed-up rates.

In sum, the U.S. economy ran at a net loss between 1971 and 1976, measured by the cost of replacing the nation's plant and equipment and maintaining the population's living standards.

U.S. government outlays rose by 77 percent between 1971 and 1976, but consumer prices rose by 41 percent, leaving a constant-dollar rise in government outlays over the five-year period of 36 percent (Tables 6 and 7). Any attempt to explain the inflation of the 1970s as the outcome of federal government profligacy to welfare "cheats" must be dismissed out of hand as ill-informed or a malicious effort to further cut back vital social services, and thus, the productive potential of the labor force. What is most definitely true is that U.S. corporations and employed workers have been made to foot the bill for the financial policies which have thrown increasingly large numbers of people on the human scrapheap at the expense of maintaining debt service (Table 8). Furthermore, Federal Reserve monetary policy to finance the huge government deficits breeds further inflation, eroding the environment for capital investment, and siphoning off increasing amounts of funds available for capital investment into U.S. government securities, creating a self-feeding spiral.

The Policy of the Clearinghouse Banks

What set these self-destructive economic effects into motion was the deliberate policy of the banking group concentrated in the New York clearinghouse. Table 9 shows that the nine leading clearinghouse banks of New York hold more deposits now in their foreign branches than in their domestic branches. Further, over the past year, foreign branch deposits rose by nearly \$13 billion,

Table 8

Effective Tax Rates On The Pre-Tax
Profits Of Non-Financial Corporations

	ON PROFITS AS REPORTED (%)	ON PROFITS AS ADJUSTED* (%)	ADJUSTED RE- TAINED EARNINGS (1972 DOLLARS)
1971	47.2 %	55.2 %	\$ 4.5BILLION
1972	44.1	49.6	12.4
1973	42.7	55.9	7.0
1974	41.6	79.8	-13.5
1975	41.6	60.2	- 2.1
1976 (1ST HALF)	42.9	60.3	3.4

*ADJUSTED FOR CURRENT REPLACEMENT COSTS OF FIXED ASSETS AND INVENTORY.

SOURCE: INFLATION AND PROFITS BY GEORGE TERBORGH,
OCT., 1976, MACHINERY AND ALLIED PRODUCTS INSTITUTE

while domestic deposits dropped by over \$7 billion, a net swing in favor of foreign operations of over \$20 billion. The deposits of the foreign branches of this group of banks account for over 40 percent of the reported \$200 billion (Table 10) in deposits of all U.S. bank foreign branches reported by the Federal Reserve (the reported figure is dubious, for reasons noted below). Three of these banks, Citibank, Chase Manhattan and Morgan

Guarantee Trust, account for a stupendous near-30 percent of all foreign-branch deposits. Of the reported \$200 billion in foreign branch assets, \$155 billion, or more than three-fourths, are U.S. dollars; these represent at bare minimum, the volume of funds drained from the U.S. economy. From a level of \$42 billion when the dollar went off gold in 1971, these Eurodollar assets have risen at an annual rate of over 30 percent over the five-year period. Apart from the deficit increase of the federal government, this flow is the largest, in absolute terms, of the entire U.S. credit structure. More inclusively, the flow into the entire Eurodollar market, which has grown from a gross size of \$110 billion at the end of 1971 to \$500 billion now, far outstrips all other domestic credit flows.

With declining domestic profits, more than the entire growth of profits for the New York bank group came from foreign operations between 1971 and 1976 (Table 11). Thus, the cancerous Eurodollar expansion represented a planned, deliberate deployment of U.S. capital. It simultaneously represented the planned destruction of the U.S. productive base.

The Eurodollar expansion proceeded in continuous increments, but in two separate stages. The first centered in commodity speculation using short-term Eurodollar funds, and lasted from 1971 until early 1974. During this first phase, money market rates and commodity prices both doubled (Graph 3). The effects on the U.S. economy, in terms of price-inflation and the cost of money, were disastrous, and are acknowledged to be the immediate causes of the 1974 industrial collapse.

Graph 3 shows that until Jan. 1974, when the Treasury removed the Interest Equalization Tax (IET), short-term Eurodollars commanded a premium over Federal funds (interbank loans of excess reserves), their nearest equivalent in the U.S. money market. Under the IET, direct loans to foreigners from the U.S. suffered an 11 percent interest surcharge. The higher Eurodollar rates

Table 9
New York Clearing House Report
(MILLIONS OF DOLLARS)

	TOTAL NET DOMESTIC DEPOSITS		DEPOSITS IN FOREIGN BRANCHES (ACTUAL)	
	1/19/77	1/7/76	1/19/77	1/7/76
CITIBANK	\$12,781	\$15,804	\$28,452	\$22,866
CHASE MANHATTAN	14,527	14,919	19,100	16,289
MORGAN GUARANTY	5,772	6,831	11,707	10,283
MANUFACTURERS HANOVER	11,174	10,426	8,061	7,417
CHEMICAL	9,643	11,154	7,517	6,696
BANKERS TRUST	5,841	6,945	7,148	5,606
IRVING TRUST	2,741	3,826	2,335	2,404
MARINE MIDLAND	5,383	5,899	2,453	2,548
BANK OF NY	2,848	2,659	798	684
TOTAL	73,504	80,945	87,838	75,118

Table 10

Liabilities Of Foreign Branches Of U.S. Banks
(BILLIONS OF DOLLARS)

	ALL CURRENCIES			PAYABLE IN DOLLARS		
	TOTAL	U. K.	BAHAMAS & CAYMANS	TOTAL	TO U.S. PARENT BANK	TO BRANCHES OF PARENT BANK
DEC 1969	\$ 36.5	\$24.1	\$ 3.0	\$ 29.8	\$ 0.6	\$ 2.1
DEC 1970	47.7	28.5	4.7	36.0	0.7	4.0
AUG 1971	54.8	32.1	5.9	39.5	0.6	5.7
DEC 1971	61.3	34.6	8.5	42.0	0.5	6.6
DEC 1972	80.0	43.7	13.1	56.4	0.8	8.2
DEC 1973	121.9	61.7	23.8	80.4	1.5	12.6
DEC 1974	151.9	69.8	31.7	107.9	5.6	19.3
DEC 1975	176.5	74.9	45.2	135.9	11.9	28.2
OCT 1976	206.2	76.9	63.5	160.3	17.7	33.8

Table 11

International Vs. Domestic Earnings Of N.Y. Banks

	REPORTED 1970	INTERNATIONAL 1971	EARNINGS AS 1972	% OF TOTAL 1973	REPORTED 1974	EARNINGS 1975
CITICORP	40.0%	43.0%	54.0%	60.0%	62.0%	70.0%
CHASE MANHATTAN	22.0	29.0	34.0	39.0	47.0	56.0
J.P. MORGAN & CO.	25.0	28.9	35.0	45.9	45.0	60.0
BANKERS TRUST	14.5	19.1	31.0	40.0	52.0	62.0
MANUFACTURERS HANOVER TRUST	13.0	24.0	29.0	36.0	47.2	49.5
CHEMICAL	10.0	17.0	14.2	18.5	34.0	45.0
TOTAL- 6 NY BANKS	23.3	29.8	38.7	44.8	50.4	60.0
REPORTED INTERNATIONAL EARNINGS OF 6 NY BANKS	\$141.1B	\$189.4	\$254.0	\$363.3	\$490.2	\$611.2
REPORTED DOMESTIC EARNINGS OF 6 NY BANKS	\$465.3B	\$446.1	\$402.7	\$447.7	\$481.5	\$407.7

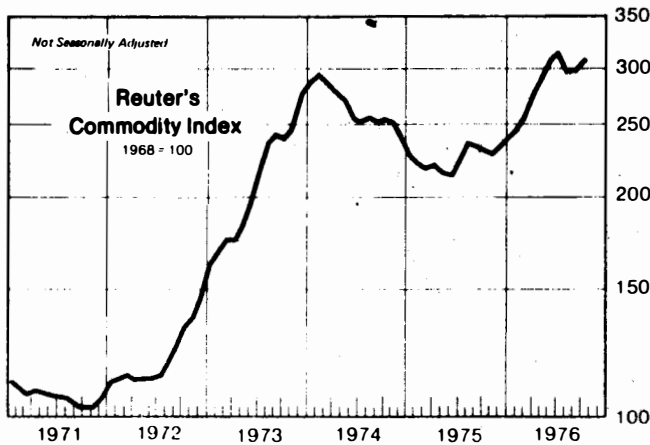
% GROWTH OF REPORTED INTERNATIONAL EARNINGS OF 6 NY BANKS, 1970-75: 333.2%

% GROWTH OF REPORTED DOMESTIC EARNINGS OF 6 NY BANKS, 1970-75: - 12.4%

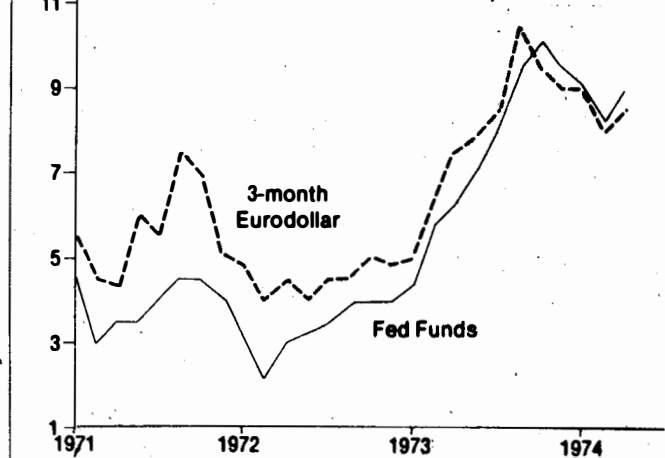
SOURCE: UNITED STATES MULTINATIONAL BANKING:
CURRENT AND PROSPECTIVE STRATEGIES,
JUNE, 1976. SALOMON BROTHERS

GRAPH 3

RAW MATERIALS PRICES



SHORT-TERM INTEREST RATES, 1971-1974



Source: *Current Economic Trends* Sept., 1976
The Conference Board

forced U.S. bankers and other corporations to follow the New York banks into Eurodollar speculation.

Between 1971 and 1974, the growth of Eurodollar activity was nearly as great as net new financing of Treasury debt. There is no question that this area of financial activity was the single main determinant of over-all credit-market developments (Table 12). In the U.S., the commodity speculation cycle and related inflation panicked industry into massive inventory accumulation (Graph 4), with devastating consequences during late 1974.

Three internal features of the Eurodollar operation indicate what a destructive swindle it is with respect to the requirements of the U.S. and world productive economies:

1) The maturity distribution of the market (Table 13) is overwhelmingly short-term, such that 89 percent of U.S. banks' liabilities in London are of less than six months' duration, and 45 percent are shorter than 1 month.

2) What seem to be medium-term loans to Third World countries (which account for half of total Eurodollar loans of \$500 billion reported by the Bank for International Settlements) are in fact adjuncts to commodity speculation. Up until 1974 loans to and deposits of Third World countries in the Eurodollar market grew at the same rate. As commodity prices rose, the credit rating of primary producing countries rose as well. Most of the proceeds of loans to these countries were re-deposited on the Eurodollar market, providing funds for a new round of commodity speculation, and so on.

3) The massive growth in the Cayman Islands-Bahamas banks is the "Bermuda Triangle" of offshore banking. In 1971 deposits in these offshore havens were officially listed at 10 percent of total foreign deposits in dollars of U.S. foreign branches; by 1976, at over \$60 billion, they had climbed to 40 percent of the total (Table 10). The actual size of this sector of the market, according to knowledgeable banking sources, could range up to several hundred billion dollars. The Treasury's chief banking regulator, the Controller of the Currency, lacks authority to perform checks of bank reporting.

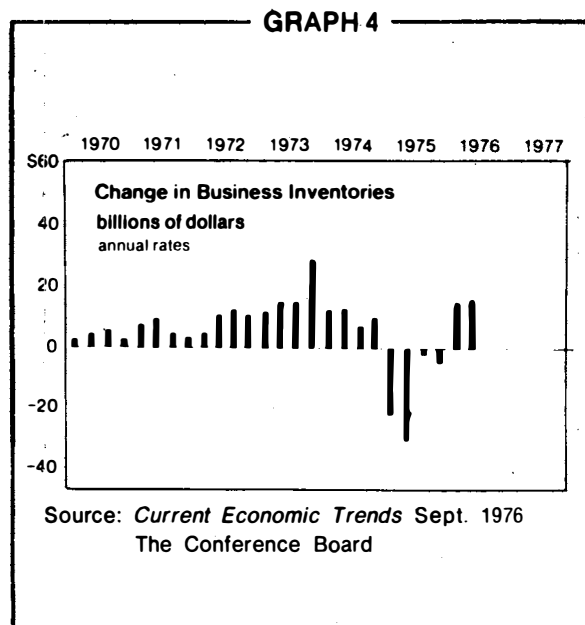


Table 12

IMF Countries Reserve Growth

	EUROCURRENCY MARKET (\$ BILLIONS)		WORLD RESERVES OF IMF MEMBERS (BILLIONS OF SDRS)	
	GROSS	NET	FOREIGN EXCHANGE*	TOTAL
1970	110	65	45	93
1971	145	80	75	123
1972	195	105	96	147
1973	295	155	102	152
1974	350	187	127	180

* PRIMARILY DOLLARS

SOURCE:
MORGAN GUARANTY WORLD FINANCIAL MARKETS
AND INTERNATIONAL FINANCIAL STATISTICS, IMF

Large amounts of illegal funds are channelled into Cayman's "shell" branches, and deposits are multiplied through interbank lending and re-lending by a factor of up to 20. During 1976, U.S. bank loans abroad rose by \$20 billion, according to figures just released by the U.S. Department of Commerce. Of these, \$18.5 billion were loans to Cayman Islands and Bahamas branches of the same banks.

After the quadrupling of oil prices in December 1973, the collapse of commodity prices and the jump in the non-oil producing Third World's balance-of-payments deficit to between \$30 and \$40 billion annually put the Eurodollar market into virtual bankruptcy. In this context, the spurt of growth in Cayman Islands banking activity, given legal status by the ending of the "balance-of-payments" program in early 1974, represented short-term refinancing of the New York Banks' defaulted loan

Table 13

Maturity Of Liabilities Of U.S. Banks
In The London Eurodollar Market Aug. 18, 1976

	% OF LIABILITIES MATURING IN	LIABILITIES AS % OF CLAIMS OF GIVEN MATURITY
LESS THAN 8 DAYS	26.0%	125%
8 DAYS TO LESS THAN 1 MTH	19.4	130
1 MTH TO LESS THAN 3 MTHS	26.4	115
3 MTHS TO LESS THAN 6 MTHS	17.0	100
6 MTHS TO LESS THAN 1 YR	6.2	93
1 YR TO LESS THAN 3 YRS	3.9	56
3 YRS AND OVER	1.0	10

SOURCE: BANK OF ENGLAND QUARTERLY BULLETIN

positions in the Third World. Without the deposit turnover incident to commodity speculation, funds drawn out of the U.S. economy (liabilities of foreign branches to U.S. parent banks, plus branches of the parent bank in Table 10) rose from 23 percent to 32 percent of all foreign dollar liabilities of U.S. branch banks between 1974 and 1976. The \$18.5 billion drain to the Cayman Islands during 1976, more than nine-tenths of all foreign lending, shows an intensification of the problem.

No accurate figures exist on the actual status of Third World loans, but useful examples are contained in table 14.

Principal responsibility for disguising the bankruptcy-in-fact of the New York clearinghouse banks and a handful of their collaborators, must go to the Federal Reserve's Board of Governors. In early 1974, the reverse spread between rates for long and short-term money reversed sharply. The Fed depressed short-term interest rates to extremely low levels, and instructed the commercial banks to let their prime domestic lending rates drop more slowly than the rates they paid for funds (Graph 5).

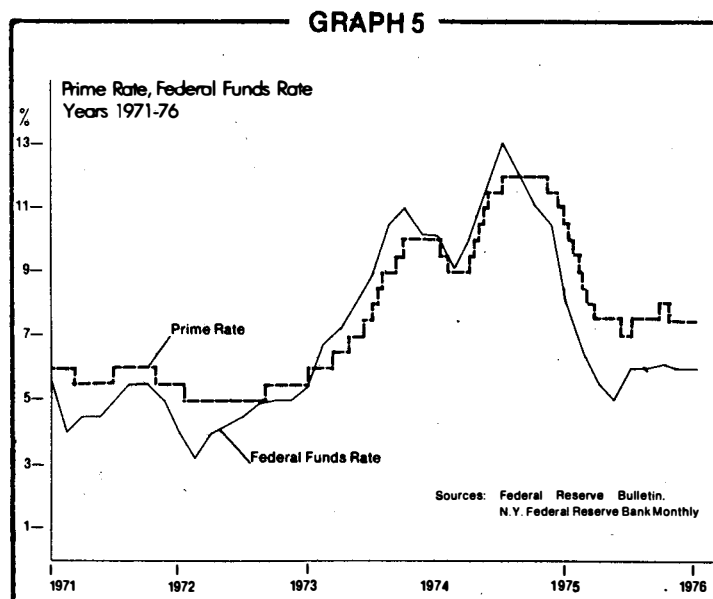


Table 14
Third World Debt

COUNTRY	TOTAL DEBT		U.S. BANKS AS PERCENTAGE OF TOTAL BANK DEBT JUNE, 1976
	1975	1976	
BRAZIL*	\$21.2B	\$28B	63.6%
MEXICO	20.3	35	72.9
INDONESIA*	8.7	16	66.4
ARGENTINA	9.2	10	69.8
PERU	3.7	4	50.0
SOUTH KOREA	7.9	12	81.1
ZAIRE*	2.5	6-8	N.A.
CHILE*	5.0	4.5	N.A.

SOURCES: MORGAN GUARANTY WORLD FINANCIAL MKTS.,
PRIVATE BANKING SOURCES
OFFICIAL GOVERNMENT STATISTICS

The following notes provide sketch of parameters bearing on actual Third World debt burdens.

* Brazil, with the largest external debt of any Third World country — at \$29 billion outstanding currently, has been bluntly characterized by Wall Street investment banks as "the biggest timebomb of disaster for the Euromarket." Monetarist indexation and other measures has reduced real wages by 80 percent and seriously destroyed labor skills and industry. By May, 1976, 25 percent of Brazil's small and medium-sized industrial firms had been bankrupted. As of

late 1976 bankers considered fully *half* of Brazil's foreign debt unpayable and technically in default. The country's current account deficit is \$6 billion.

* Indonesia's \$16 billion external debt is conservatively estimated: while it includes, at least in part, the \$6-10 billion in direct credits to the state-owned oil company Pertamina, it takes no account of short-term debt acquired for balance of payments financing, nor does it include the private foreign debt of the sizeable local Chinese business community. As of late summer, Indonesia was in default on at least \$1 billion in debt service payments to the Eurodollar banks, and according to New York bank sources had not made any payments to its Western creditors since the beginning of the year.

* Zaire's public default last year on \$700 million is acknowledged to be but the tip of the iceberg. Numerous private banking sources insist that no one knows what the country's total external indebtedness amounts to — variously placing it at \$6-8 billion. In chronic default on more payments and interest coming due, Zaire has been virtually prohibited the use of trade credits and barred from importing vital necessities.

* Chile's default problems are notorious. In technical default on several billions since 1974, Chile's ruling fascist junta has applied economic policies acknowledged to be the monetarist paradigm remedy for such difficulties. In 1969 less than 30 percent of the population had incomes insufficient to meet minimum caloric and protein requirements while today this is the case for fully 85 percent of the population — 60 percent of all households, that is, the bulk of the workforce, are presently living in conditions of extreme poverty and malnutrition. The Chilean economy has in effect been liquidated to sustain a "healthy" cash flow to foreign creditors, officially reported to have been \$900 million, or fully 45 percent of export earnings, in 1976.

This maneuver by the Fed resulted in the biggest financial swindle in history. With the high prime rate, domestic commercial and industrial loans at New York banks continued to fall throughout 1975-76, with the resulting free funds being shipped directly into the Eurodollar market (Graph 6). As dollar short-term rates plummeted in 1975, the spreads received on this money pumped into the Eurodollar market reached outrageous proportions (Table 15). Meanwhile, the Federal Reserve sent word to the New York banks that they should (illegally) keep defaulted Third World loans on their books, rolling them over at ever higher margins. According to the Wall Street firm, Salomon Brothers, as a result, "Euro-portfolios in 1975 registered their highest degree of profitability since the inception of the market." This process was continued throughout 1976 — when the spreads began to decline, the New York banks deliberately mismatched even further the maturity distribution of their liabilities and loans (Table 13), creating the pre-conditions for a collapse of the tottering structure at any moment.

During the same period (1975-76), despite the collapse of short-term rates, long-term rates, which had been established at historic highs under conditions of double-digit inflation during 1974, dropped only marginally. By 1976, long-term securities bore interest rates comparable to the prime lending rate, enabling banks to make profitable loans in the form of securities purchases, at a

Table 15

Eurodollar Yield Curve

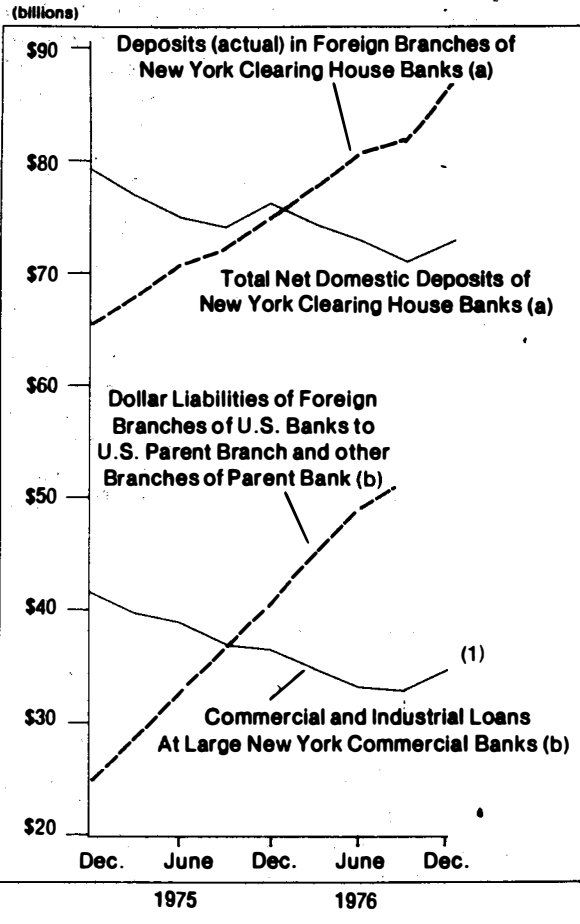
SPREAD BETWEEN EURODOLLAR RATES

	3 MOS. VS 7 DAY	6 MOS. VS 1 MONTH	6 MOS. VS 3 MONTHS
1974			
JAN.	+ .31	- .06	- .06
MARCH	+ .56	+ .12	+ .06
JUNE	+ .80	- .62	0
SEPT.	+1.06	+ .38	0
DEC.	+ .81	+ .44	0
1975			
MARCH	+ .82	+1.00	+ .62
JUNE	+ .44	+1.06	+ .68
SEPT.	+1.33	+1.75	+ .81
DEC.	+ .62	+1.25	+ .82
1976			
MARCH	+ .56	+1.31	+ .69
MAY	+1.00	+1.00	+ .69

SOURCE: UNITED STATES MULTINATIONAL BANKING: CURRENT AND PROSPECTIVE STRATEGIES, SALOMAN BROTHERS

GRAPH 6

COMMERCIAL AND INDUSTRIAL LOANS AND DOMESTIC DEPOSITS vs. FOREIGN BRANCH LIABILITIES OF NEW YORK BANKS



(1) Late 1976 rise in Commercial and industrial loans mainly due to "window dressing" purchases of bankers' acceptances, which should properly be classified as money market instruments.

Source:

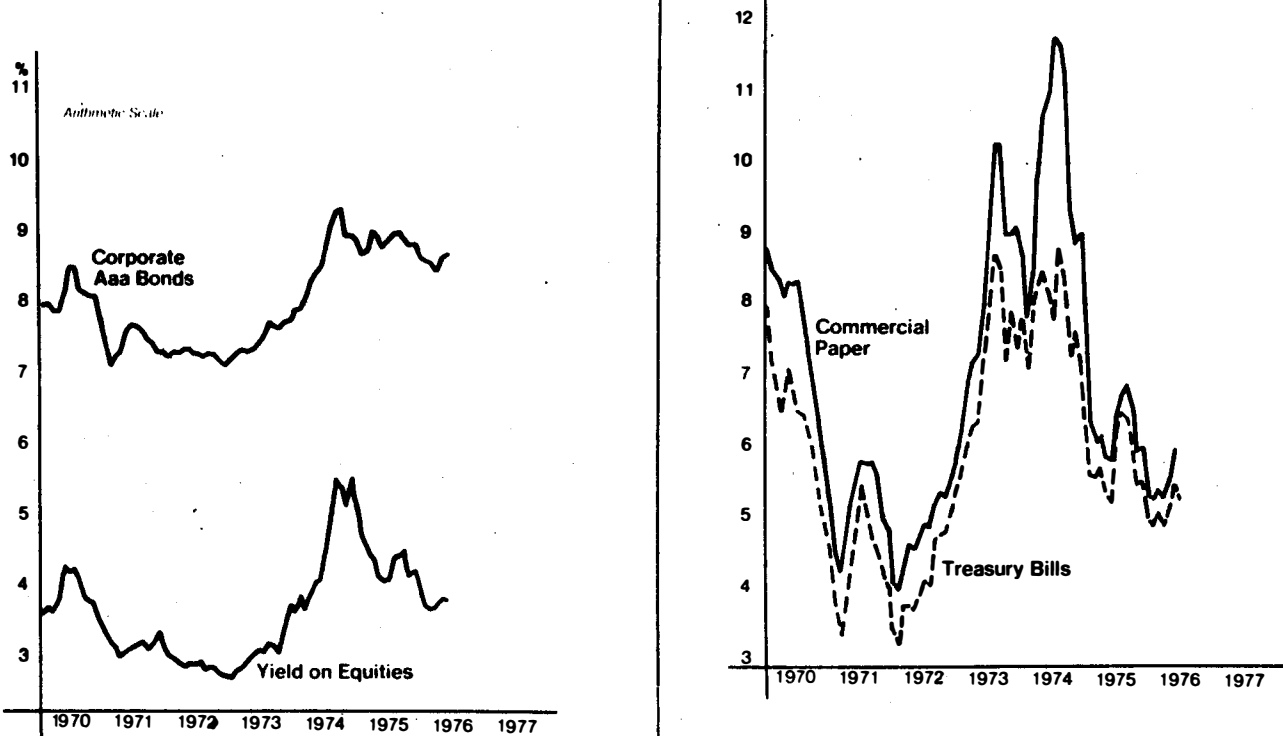
- a) New York Clearing House Association Statements
- b) Federal Reserve Bulletin, various issues

time when few other profitable lending areas existed (Graph 7). By the fourth quarter of 1976, virtually the entire domestic profit of the New York clearinghouse banks was on the account of securities trading. The massive increase in the federal deficit proposed in Carter's new budget, combined with the budget's deliberate destruction of scientific and other productive expenditures, is designed to feed this process further.

Therefore the Federal Reserve has given the U.S. economy the worst of both sides of the interest rate structure: relatively cheap short-term money, where the only demand for short-term funds is the Cayman Islands and related re-financing sinkholes; and prohibitively high long-term interest rates. Under these circumstances, the collapse of capital formation is inevitable.

GRAPH 7

INTEREST RATES AND YIELDS
(percent per annum)



Source: *Current Economic Trends* Sept., 1976 The Conference Board

EXCLUSIVE

Carter Energy Program Would Bankrupt Public Utilities

SPECIAL REPORT

The U.S. electrical utilities industry is headed for rapid bankruptcy if the Carter administration succeeds in its stated goal of energy use cutbacks and, particularly, elimination of nuclear power as a major energy source.

This is the conclusion that emerges from a detailed survey of the electrical utilities industry's capital structure conducted over the past several weeks by New Solidarity International Press Service.

The crux of the situation is that throughout its history, the electrical power industry has built up a growth-oriented capital structure based on rapid bringing on-line of new technologies that generate more electricity more cheaply. Using the expanded revenues generated by increased consumption of cheaper units of energy, the utilities have been able to easily retire old capital funding debts and at the same time generate new financing

for new, still-more economical technologies.

For the 1970s, the electrical power industry had projected a growing transition to nuclear power-generated electricity, cheaper by any standard than the use of fossil fuels. The revenues generated by an expanding, nuclear-energy based economy would have been more than enough to cover the industry's capital funding needs, according to industry figures.

But, under the Carter-Schlesinger scenario for zero energy growth and an end to the development of nuclear power, it is being proposed that the utilities industry instead triple or quadruple present rates to meet debt obligations. Such an increase would have a catastrophic effect on an economy where electricity costs are already severely distorted by the effects of the Rockefellers' 1973 oil hoax.

The criminal stupidity of the Carter zero-growth policy contrasts glaringly with the success of the U.S. electrical utilities as a result of growth policies.

Throughout the first 70 years of its existence, the U.S. electrical utilities industry increased its generating

capacity at twice the rate of growth of energy usage in the U.S. As a result of these policies, the U.S. electrical utilities industry is, in assets, the largest industrial group in the world, in 1975 its output was 2 trillion kilowatt hours, equivalent to 31.5 percent of the electricity generated in the world.

Seventy-eight percent of the U.S. industry's generating capacity is held by investor-owned electric utilities, tax-paying businesses financed by the sale of securities which plough investments back into the economy at the rate of \$3 million per day.

Historically, the industry's investments have been put to good use, generating technological advances that have steadily cheapened the unit cost of energy.

Advances in metallurgy — producing material that could withstand higher temperatures — coupled with rising economies of scale achieved through larger generators and increased usage have increased the thermal efficiency of electrical generation from 6 lbs of coal per kilowatt-hour in 1905 to .85 lbs. of coal per kilowatt-hour in 1965. Significantly, the heat rate has crept back up to .95 pounds of coal per kilowatt-hour under the impact of the inflation and austerity policies of the past decade. (see Fig. 1).

Despite inflation, the cost of electricity to the consumer was cut in half from 1925 to 1970, and halved in constant dollar terms from 1945 to 1970 with increased costs of fuel. Since 1970, prices have been rising sharply due to increased fuel costs and decreased generating efficiency. (see Fig. 2).

The recent price increases have not affected the market for electrical power in the short term. The market is elastic, with a 1 percent price rise causing a .001 percent decrease in usage.

However, the basis for growth in a regulated monopoly is not quantitative changes within existing consumption patterns, but the horizontal growth of usage throughout the economy. This is the pattern which sustained the electrical utilities industry through the mid-1960s. When Edison opened the first power plant on Pearl Street in New York City, the only consumer use of electricity was the light bulb. Electricity usage leapt ahead of industrial growth as street cars, industrial motors, household appliances, and heavy industry became major users. The trend continued through the early 1960s, as electrical heating and cooling of residences became commonplace.

Thus, increased revenues resulted from broader usage and cheaper prices. There is no other price-market structure that could finance both directly and by making securities salable, the rate of growth that the regulated monopoly needs to meet growing consumption demands.

The electric rate structure, moreover, encouraged this growth by charging less per kilowatt for bigger customers. The increased output was more than paid for by the economies of scale gained from plant expansion. A utilities executive estimates that an investment that doubles plant space, coupled with included modernization, quadruples generating capacity.

With electricity prices relatively low to encourage new forms of usage, new capacity was financed largely on the basis of the sale of securities in the private capital markets. The rate structure itself encouraged this, including operating costs as a factor in the rate formula, but not expansion of fixed capital. Utilities therefore sought to keep operating costs and rates down, while increasing their total assets for the purpose of borrowing against them.

Such a financial structure, in which a rapidly growing

FIGURE 1

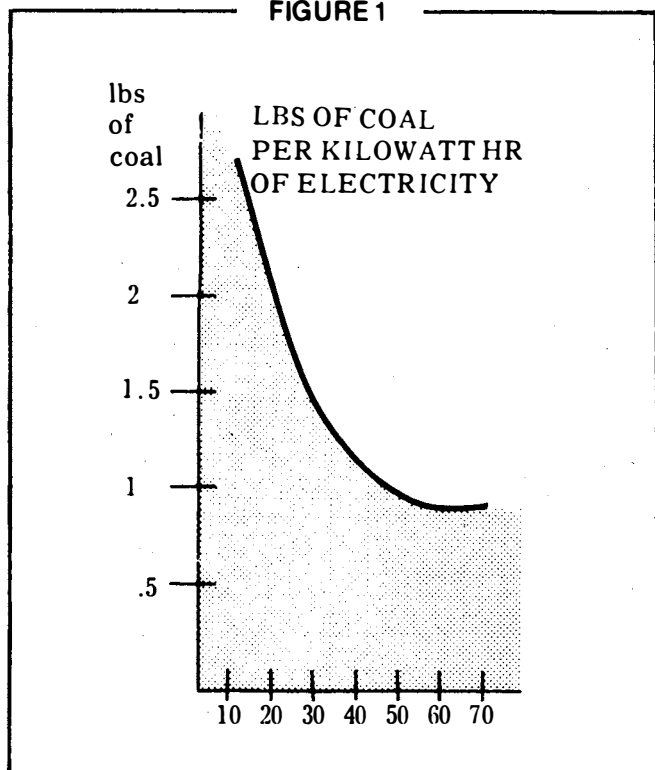
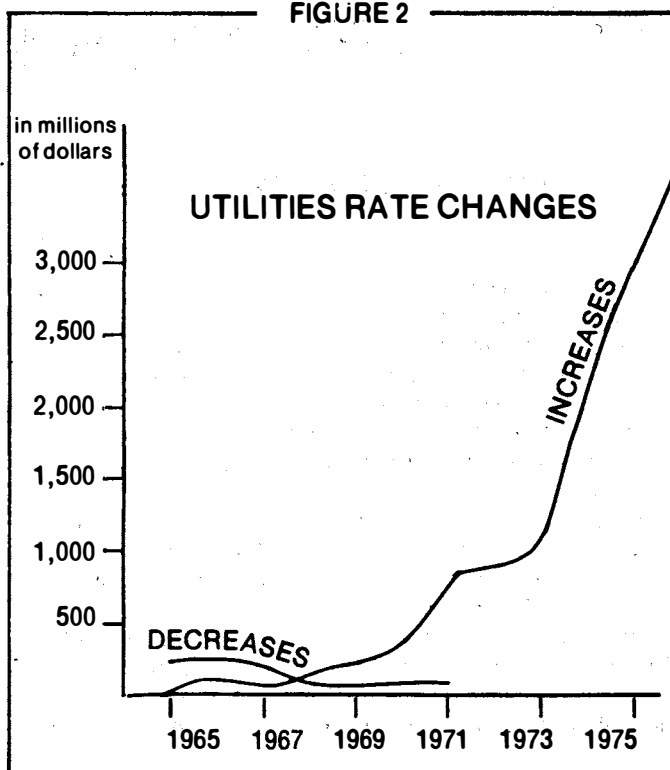


FIGURE 2



industry finances expansion by mortgaging expansion against anticipated revenues from a market which is being systematically expanded on the basis of technological advances and economies of scale, quickly generates a debt overhang that makes zero growth financially impossible.

Based on their awareness of growing U.S. electricity needs and of the relation between expanded output and their own financial stability, utilities continued their high rate of investment in new generating capacity in the early 1970s. They did this despite the fact that accelerating increases in the cost of fuel — the price per kilowatt hour has tripled since 1970 — caused rate increases which have reduced electrical usage for the first time since the 1930s Great Depression.

As a result, the total long-term debt for the industry increased from \$25.5 billion in 1965 to \$70.8 billion in 1975. More ominously, the percentage of total debt that is refunded has jumped ten-fold, from 1.8 percent in 1966 to 18 percent in 1975. Reflecting the downturn in usage, the debt-to-operating-revenues ratio leapt from 36 percent in 1969 to 51 percent in 1975. Contributing to the worsening situation, interest yields on utilities bonds, which had remained in the 2.5 to 5 percent range from 1945 to 1965, jumped to 8.8 percent by 1970 and reached around 9.5 percent in 1976. (see Fig. 3).

Thus, although increases in revenues resulting from rate increases have kept pace with increases in operating costs (see Fig. 4), the decrease in usage makes the financing of the industry's large debt overhang a dubious proposition (see Table 1).

Nuclear Energy Key to Expansion
As Floyd W. Lewis, chairman of the Edison Electrical

Institute, emphasized in a recent speech, the heart of the threat lies in the cancellations and deferrals of new generating capacity.

From 1965 onward, nuclear energy has been the key to the industry's expansion plans. While "environmental protection" legislation has increased the equipment costs for a fossil fuel-powered plant to the same level as that of a nuclear-powered plant, nuclear power costs 60 percent less to operate over a 10 year period. In 1972, industry analysts projected that 15 percent of the nation's electrical generating capacity would be nuclear-

Table 1
Utilities Industry Bonds

(BILLIONS \$\$)

AMOUNT	YEAR
1.672	1977
1.566	1978
2.818	1979
2.171	1980
2.548	1981
4.519	1982
3.521	1983
2.745	1984
2.782	1985

FIGURE 3

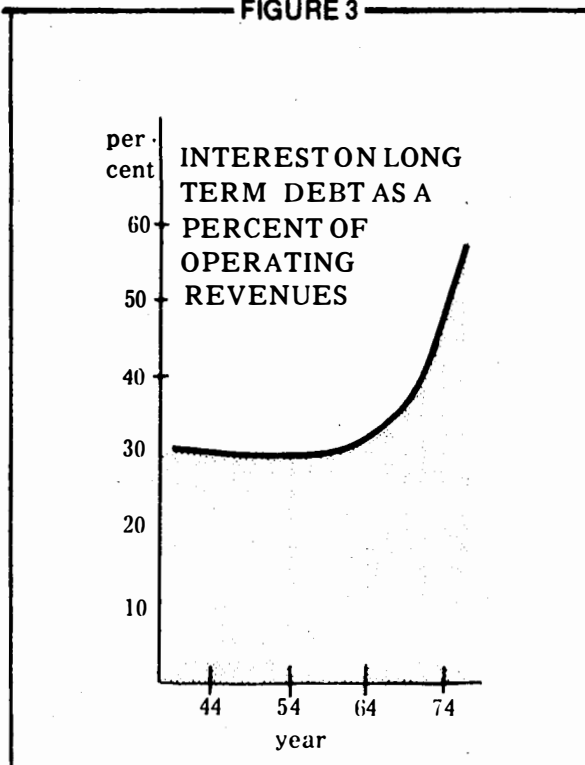
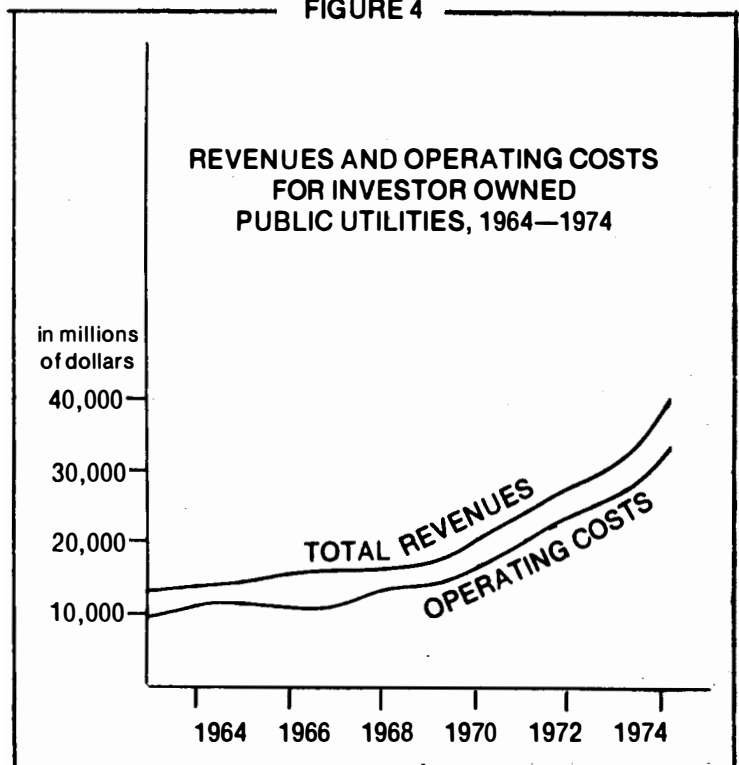


FIGURE 4



powered by 1975, and that the trend toward greater use of cheap nuclear energy would provide the utilities an ample profit margin to meet their capital obligations.

To date, only 9.0 percent has become operational. Much capacity has been delayed or cancelled because of opposition from Rockefeller-linked environmentalist groups.

Moreover, new facilities coming on-line this year have not kept up with the 1974 growth projection, with capacity growing only 2 percent from 1973 to 1975 instead of the 12 percent planned. And in 1975, overall industry construction expenditures decreased, reversing a long trend of accelerating increases in plant expansion, and in 1976, although construction expenditures did increase, again they were 6 percent below the target set by the industry.

But growth for the industry at at least the historic rate of 6 to 7 percent a year in new generating capacity is the only context in which the large debt overhang from the 1965 to 1975 period can possibly be handled. Industry executives are planning, as they must, to continue this historical growth rate, forecasting an 85 percent increase in capacity by 1985 — by which time they hope 32 percent of the nation's capacity will be in nuclear energy — requiring \$122 billion in financing. Even with that rate of growth it is not at all clear that rate reduction and other new market incentives could produce the necessary revenues.

The severity of even these relatively small construction cutbacks was highlighted in a report issued by

the Federal Power Commission last week. The report predicted that the next "great shortage" would be a shortage of electricity.

But the Carter proposals are much worse. Although specific projections based on Carter's proposed 30 percent energy use reduction have not been made, a 1974 Ford Foundation study proposing a 12 percent energy consumption cutback by 1985 called for slashing growth in nuclear generating capacity by 60 percent and in coal generating capacity by 40 percent.

The implications of the Carter proposals have caused shudders throughout utilities industry analysts. In an effort to stem growing panic, a recent Moody's publication babbled that "...with due respect to debt ratios and interest coverage multiples, Moody's has repeatedly stated that many factors other than merely statistical ones have a bearing on the determination and judgement of utilities' debt quality. But as much as we emphasize this point, there are those outside the rating profession who persist in attempts to categorize and evaluate debt quality simply on the basis of comparison and interpretation of essentially short-term statistical ratios....In Moody's opinion, barring corporate mismanagement or a national financial calamity, the bonds of virtually all electric utilities companies are assured payout obligations.

Unfortunately for Moody's, the Carter energy use cutback program will mean just such a national financial calamity.

Preparations For New Monetary System Spark Gold Price Rise

GOLD

The price of gold hit \$141.25 an ounce on Thursday, Feb. 24, in London — up \$5 from a week ago and the highest level in over 13 months. The sudden gold price jump is predicated largely on widely circulating reports that European financial interests, the Soviet Union and Arab oil-producing countries are in the process of negotiating an alternative gold-backed monetary system, in which the gold-backed Comecon transfer ruble will play a central role.

An article in the February issue of the Gaullist journal *L'Appel*, entitled "The Gold War," makes the connection between the transfer ruble discussions and the gold price rise most explicit: The article blames the U.S. government's unpegging of the dollar from gold in 1971 for creating "the greatest wave of international inflation the world has ever known" and unleashing a huge pile-up of world debt. *L'Appel* then lays out a scenario for a run on the dollar, which could occur in either of two ways: 1) Foreign holders of \$120 billion in short-term U.S. government debt could decide to flee from the dollar, or 2) A sufficient number of other debtor countries could become insolvent at the same time. "There will then only remain the gold solution," *L'Appel* concludes.

Significantly, the *London Economist* leaked word last week that the European Economic Community's Commission is considering an official proposal to establish a gold clearing system among member nations. At the same time, the Swiss bank Lombard Odier issued its predictions that European central banks will buy heavily into gold this year as part of an effort to make the metal their primary reserve asset.

Adding fuel to the speculations concerning gold, French Prime Minister Barre and Italian Treasury Minister Stammati, meeting in Paris last week, announced that European monetary union and the creation of a gold-backed common Euro-currency was their "first objective."

Subsequently, the release of the London-based Moscow Narodny Bank's quarterly report on Feb. 23 characterizing the demand for gold as "quite encouraging" sent the market up to still greater peaks.

The new gold fever is extending to less sophisticated investors as well who are not yet apprised of the political "coup" being planned against the dollar. This category of investor is simply diving for cover before a new round of international inflation and currency instability begins. European banks point to the inflationary danger in the U.S., in particular, citing the 0.8 percent jump in U.S. consumer prices in January and Carter's upping of the Ford budget deficit for 1978 by over \$10 billion.

Trilateral Commission Revives Failed Baruch Plan

by William Engdahl

Committee on the Present Danger member Eugene V. Rostow recently cited the Baruch Plan of 1946 as the model for the current Carter Administration call for an international ban on all nuclear weapons systems. Just as they did 30 years ago, Rockefeller strategists are now making a major move to sabotage international development of the most advanced nuclear technology and related raw materials.

The noble-sounding Carter-Trilateral call for a nuclear weapons ban is the cover for the current all-out international attack on the most advanced scientific and industrial nuclear developments — fast breeder reactors, laser fusion research, nuclear enrichment and reprocessing technologies — all essential to solution of the world's critical energy needs. Manipulated fear of nuclear destruction, fed by a proliferation of Rockefeller-financed studies on dangers of "nuclear terrorism" and related RAND-contrived scenarios, is the psychological battering-ram being used to sabotage crucial technological advances. Only this time, the Wall Street script necessarily calls for self-destruction of U.S. technological capability in the process.

The fundamental flaw of the Rockefeller strategy is that the Carter Administration is engaged in a desperate global "aura of power" bluff to gain what Rockefeller was unable to gain in 1946, when the U.S. had an absolute monopoly on development of atomic weapons. This time around, however, the administration wants to "re-enact" the Baruch plan from a position of fundamental industrial, scientific, and economic weakness.

The Baruch proposal for maintaining strategic monopoly over advanced nuclear technology was the basis for all subsequent U.S. financier faction attempts to keep the rest of the world in relative satrapy status in the development of crucial atomic weapons and energy resources. This approach is the basis of the 1950s "Atoms for Peace" proposal advocated under Eisenhower by then-White House aide Nelson Rockefeller, the formation of the European Atomic Energy Commission, Euratom; and current Trilateral Commission call for a total ban on nuclear weapons and a moratorium on world exports of nuclear reprocessing technology; and the Carter blackmail efforts against Brazil, Pakistan, West Germany, France, Canada, and a host of other countries in recent weeks to cease nuclear development.

The Original

Bernard M. Baruch was a Wall Street financier who played a special role under Woodrow Wilson in exacting the draconian Versailles reparations negotiations against Germany; Baruch went so far as to call for the

dismantling of German industrial plant. During World War II, Baruch tried to persuade FDR to appoint him to head the War Production Board to "do what Hitler did to mobilize the German war economy — total control over prices, labor, production, and raw materials." He became the U.S. representative to the new United Nations Atomic Energy Commission in 1946 from which position he announced the plan which came to bear his name.

The proposal, which grew out of earlier discussions with top national security advisors to President Harry Truman, proposed creation of an International Atomic Development Authority (IADA) which would be entrusted with "all phases of the development and use of atomic energy, starting with the raw material. The IADA would be given: (1) managerial control of all atomic energy activities potentially dangerous to world security; (2) power to control, inspect, and license all other atomic activities; (3) duty to foster the beneficial uses of atomic energy; and (4) research and development responsibility ... intended to enable it to comprehend and detect misuse of atomic energy."

The kicker to this otherwise high-sounding proposal was the provision that only when an adequate system of control of atomic energy — including renunciation of the bomb as a weapon — had been agreed to, would international manufacture of atomic bombs stop and existent bombs be disposed of. In 1946 the U.S. had a monopoly on the atomic bomb; a fact it underscored with the A-bombing of Hiroshima and Nagasaki Japan months earlier. The Baruch proposal was a mere ploy to insure the continued U.S. monopoly of this decisive strategic advantage as Lower Manhattan ruthlessly established its "American Century" domination.

At this time, Baruch was also advocating the Morgenthau plan for Allied deindustrialization of Germany. He was also advocating the cutoff of U.S. loans to war-ravaged Britain and halting of surplus wheat shipments to a starving Italy as economic warfare to take over strategic British and European raw materials resources worldwide. This was how, along with the IADA, Baruch proposed to enforce "world peace."

Not surprisingly, the intent of the Baruch plan did not go unnoticed by the Soviet Union.

Baruch's plan called for complete freedom of access for a U.S.-controlled supranational Atomic Development Authority (ADA), "in short, no iron curtain (or domestic security — ed.) would be possible if these provisions became law." The ADA was to make worldwide geological surveys, carry out inspections, and seize control of all uranium sources. As Nikita Khrushchev bluntly described the plan, it was designed "not to ban

nuclear weapons or destroy them," but through an international agency, "interfere in the economic life of nations...The U.S. wanted to prevent the development of the atomic industry in other countries, leaving the monopoly of nuclear arms with the United States."

A Baruch aide commented that in fact "the Soviets understood the plan a damn sight better than did the British or the French." However, these latter too were not deceived for long. As early as 1945, U.S. military scientists had illegally seized French stockpiles of uranium and the British began howling that their joint agreement with the U.S. to develop the Manhattan Project had turned into total American control; Britain was cut off from any scientific information regarding atomic research.

In France, Baruch personally and unsuccessfully tried to buy off the chief of DeGaulle's atomic energy program, Frederic Joliot in 1947 if he would sever all ties to France. In the same year, the Truman Administration issued an Executive Order stating that "the United States cannot allow uranium deposits to fall into anybody's hands but ours and those of the British," who by then had been reduced to "junior partner" status in the postwar Atlanticist world.

*"Atoms For Peace ...
Baruch Redressed*

The Baruch Plan itself died of overexposure. In 1949, the Soviet breakthrough in a successful atomic bomb test gave Europe justification for pursuing independent nuclear development and research policies into the 1950s, particularly in France and Britain. In the U.S., even though atomic power had been placed under a civilian Atomic Energy Agency in 1946, peaceful energy applications, most of which had been theoretically developed during the Manhattan Project, including commercial fast breeder designs, were ignored. All attention was focused on military development with the only power applications given to develop nuclear powered submarines. By contrast, Britain, France, and the Soviet Union were integrating civilian and military development by using civilian power reactors to produce weapons grade plutonium in development of so-called dual-purpose reactors.

With its international strategic monopoly of nuclear development and weaponry rapidly eroding, in December 1953 the U.S. government attempted to recoup the initiative with a grand propaganda gesture. In a United Nations address issued on the advice of Nelson Rockefeller and other advisors, President Eisenhower called for development of "Atomic Power for Peace" or "Atoms for Peace" as it became known. As one advisor bragged, the U.S. had executed a coup against the Soviet Union at the expense of giving Europe a "few tiny reactors to play with." As the next step, the U.S. encouraged the creation of the European Atomic Energy Commission (Euratom) two years later. Euratom was initially no more than a continuation of the essential thread of the Baruch Plan for U.S. control under changing strategic circumstances: integration with Europe would be favorable to continued U.S. domination of nuclear policy. Initial U.S. plans to subjugate national development to a supranational nuclear authority with

powers like the right to tax production, has to be diluted after strong European industrial opposition.

Rockefeller was particularly interested in forestalling the independent French nuclear developments which had the potential to shape a militarily and technologically independent Europe. When the U.S. failed in this, Euratom was transformed into a "harmless regional effort to develop nuclear power reactors."

A Euratom committee was set up in 1956 in the aftermath of the Suez crisis, which had caused major European fossil fuel shortages. Euratom was closely tied to U.S. negotiations to form a European Common Market. The committee, headed by Louis Armand, relied on advice from a three-man technical advisory team sent by the Atomic Energy Commission. The Armand report issued in 1957 recommended against European construction of its own uranium enrichment capability since it would allegedly increase the "risk of nuclear weapon proliferation." With the Rockefeller hand played, France decided to go ahead and build its own enrichment plant at Pierrelatte. As the six-country Euratom, including France, West Germany, Italy, Belgium, Luxembourg, and the Netherlands, moved to sign deals to import U.S. reactor technology, then quite experimental, Gaullist official Michel Debré sharply warned in 1958: "If the (Euratom) Commission fails to base its first effort on a scientific, intellectual, and industrial competition with the U.S., the dependence of the Euratom nations (on the U.S.) will only increase at the great expense of the political independence of the science and future of the west."

Euratom reliance on U.S. reactor technology did act to undermine real and crucial European industrial cooperation. When in 1958 the West Germans and the Dutch decided to opt for long-range collaboration on development of new and potentially far less costly enrichment technology — centrifuge and "jet nozzle" — the U.S. in 1960 forced Bonn to put the research under military classification. A U.S. government official at this time declared, "Whatever the future development and in whatever direction atomic power moves, our position will be an absolutely commanding one from the point of view of raw materials alone."

An attempt by DeGaulle in 1962 to make joint development of a French-West German gas graphite power reactor a part of the 1963 Franco-German Treaty agreements resulted in maneuvers by the Kennedy Administration to draw Bonn back into direct dependence on Washington.

With Euratom acting as the "broker of all nuclear ores and fissionable materials produced or received in the EEC," European nuclear development was substantially held back in any significant degree until the late 1960s and early 1970s. Euratom projections in 1957-58 of 15,000 MegaWatt electric (MWe) installed nuclear capacity by 1967 had been scaled down to 2,000 MWe by 1960.

With DeGaulle's return to power in France in the late 1950s, that country moved for full independence from the U.S. in terms of the entire nuclear fuel cycle and the Gaullist government went all out to develop independent nuclear capability; the famous "*force de frappe*." By 1967 France had developed independence in the entire nuclear fuel cycle with uranium enrichment, mining and

reprocessing facilities, permitting it to develop its own military program. By 1971, France signed a deal with the Soviet Union to supply additional enriched uranium for the developing commercial light water reactor program, as the existing Pierrelatte enrichment plant was providing solely military fuel.

That same year, the French government took the initiative to develop a European-wide gas diffusion enrichment capability, Eurodif, which would have broken the U.S. stranglehold on European enriched uranium supplies. Rockefeller hurriedly offered to "share" U.S. enrichment technology and develop a single European facility which could ostensibly be easily monitored for "nonproliferation" purposes. Europeans spurned the offer, regarding it as an attempt to perpetuate dependence on U.S. technology. Instead, a joint agreement was signed in 1972 between France, West Germany, Britain, Italy, and the Benelux countries for development of joint gas diffusion enrichment technology.

In 1973, Rockefeller through the agent Brandt government in West Germany succeeded in getting Britain, West Germany, and the Netherlands to pull out in favor of the far less ambitious Urenco centrifuge enrichment project, leaving the French, Italy, Belgium and Spain with later Iranian participation to proceed. Eurodif began construction in 1973 despite the setback.

U.S. Uranium Blackmail

In the wake of Chase Manhattan's 1973 oil crisis, Europeans acted quickly to expand all aspects of commercial nuclear power and fuel cycle development to gain greater independence from U.S. energy blackmail. Rockefeller only tightened the pressure valve. In 1974 the Atomic Energy Commission announced that it would no

longer guarantee deliveries of enriched uranium for any future export contracts.

No Ace-in-the-Hole

Eugene Rostow's call for a renewed Baruch Plan approach to ban nuclear weapons and related advanced technology is a bluff against nations which have substantially developed nuclear energy beyond existing U.S. nuclear technology capability. Rockefeller's clamp-down can work only under conditions of total economic warfare against Western Europe, Japan, and the developing sector. That's only possible — as the recent European and Brazilian refusal to back down on committed nuclear technology transfer underlines — with the active collaboration of the Soviet Union in economic attacks on Europe and the developing sector. Indeed, published Trilateral Commission reports say that their strategy for nuclear sabotage relies on Soviet willingness to actively enforce the nuclear proliferation hoax on other countries.

Such a Soviet turn is highly unlikely. The Soviet leadership has recently invited Italy to participate in construction of fast breeder reactors in the Soviet Union. Along with the French, the Soviets currently lead the world in this advanced technology, the same program which the Carter Administration has just slashed to the point of destruction. Carter's short-term attempt to stop European technology export in the last weeks has not proved successful. The de facto withholding of deliveries of enriched uranium to Euratom to blackmail West Germany into breaking its 5 billion D-mark reactor-fuel cycle deal with Brazil has already blown up in Mr. Carter's face. Earlier this week the conservative West German daily *Die Welt* announced that in 1976 Euratom bought 55 percent of its enriched uranium from the Soviet Union.

ERDA: 'Fusion Possible In Five To Ten Years'

Three officials of the U.S. Energy Research and Development Administration (ERDA) turned the first Congressional hearings on the Carter administration's energy budget into a major promotional session for fusion power Feb. 24. Testifying one after the other, Edwin E. Kintner, director of ERDA's Division of Magnetic Fusion Energy, Dr. C. Martin Stickley, Director of Laser Fusion, and Dr. Robert L. Hirsch, Assistant Administrator of Solar, Geothermal and Advanced Energy Systems, all told a House Science and Technology Subcommittee that fusion power programs must be greatly expanded. They detailed every fusion program in the world, and declared that if the U.S. program was supported, fusion could be developed by the late 1980s. They stressed that the breakthroughs on the Alcator at the Massachusetts Institute of Technology have confirmed the possibilities of developing fusion power.

Carter ally and "environmentalist" Congressman Richard Ottinger (D-NY) tried to protest that fusion development was so expensive that solar power should be developed instead. But the ERDA officials replied that solar energy entails enormous expense to yield only a slight increase in energy.

The mood of congressmen indicates there is strong possibility of restoring all the cuts, and that the adverse reaction to the Carter budget proposal may grow into an all-out fight for a vastly expanded fusion and fission budget.

Also on Feb. 24, the House Appropriations subcommittee overseeing the fusion budget rejected \$10 million in fusion cuts requested by Carter, while numbers of congressional offices have declared agreement with the U.S. Labor Party proposals for a crash fusion-fission development program. Representatives from North Carolina, Virginia and Michigan report that power companies in their districts who have spoken with USLP representatives on the energy issue recently are now putting pressure on Congress to back the U.S. fusion-fission effort.

At a follow-up hearing of the Science and Technology subcommittee, the subcommittee on Fossil and Nuclear Research, Development and Demonstration, on Feb. 25, ERDA officials met a sympathetic response as they told the subcommittee that the administration's proposed cuts in the fission program will definitively sabotage further nuclear development.

One ERDA official declared bluntly, "If we do not commit ourselves to more enrichment facilities (for nuclear fuel), foreign nations will take the lead."

ERDA representatives were carefully prompted by pro-nuclear power advocates on the subcommittee, led

by the Chairman, Rep! Walter Flowers (D-Ala.). In addition to Flowers, Reps. Barry Goldwater, Jr. (R-Calif.), Manuel Lujan (R-N.M.), and Gary Myers (R-Penn.), all asked questions designed to elicit the ERDA officials' estimates of the devastating consequences of Carter's zero-growth policies.

Rep. Goldwater led off the questioning by demanding to know the effects of the administration's proposed \$200 million budget cut in the U.S. fast breeder reactor program. "We would eliminate the demonstration project for the light water breeder reactor under the program of the new administration?" Goldwater asked. When an ERDA official replied that the administration wanted "a detailed study of the breeder program," Rep. Lujan pressed, "You have been saying that this administration's position on fission programs is that they want ERDA to do a study on all these things. Is this just a delaying tactic? Can't you just sit down and write the administration a study? Replied an ERDA spokesman: "There are sincere concerns about chemical reprocessing (of nuclear fuel-ed). ERDA's position is that chemical reprocessing is necessary and can be controlled, but there are other opinions. ERDA's view is that we need reprocessing."

Goldwater continued: "If they (Carter) establish a national policy for a throwaway (non-breeder-ed.) fuel cycle, that would put the breeder back into the Research and Development phase?" An ERDA spokesman confirmed that it would. "Do you feel that if we eliminate the breeder and go to throwaway fuel cycle, well, what influence will this have on the international community?" asked Goldwater. "Our information," one of the ERDA officials testifying replied, "is that all major industrial countries see the breeder as the solution to their immediate energy problems."

Picking up Lujan's line of questioning, Democrat Flowers stated: "I agree with my colleague from New Mexico, and understand that ERDA is under obvious restraints, but I think we cannot stick our heads back in the sand and delay our nuclear energy programs any longer."

Rep. Goldwater then developed a line of questions designed to bring out the effects of the \$200 million in cuts made by Carter in the Ford administration's proposed breeder reactor budget. Responding to Goldwater's request to detail the cuts, an ERDA spokesman replied: "Cuts in the Clinch River (demonstration breeder-ed) project construction. And the base technology program and supporting facilities." "So," Goldwater replied, "we are doing more than just stopping groundbreaking for Clinch River, we are cutting into Research and Development, wouldn't you say?" "Yes sir," the ERDA

official answered. "We have attempted to maintain those critical item efforts on the program that we can."

"But," continued Goldwater, "if you make the cuts, are you not jeopardizing the next step past Clinch River?" "Any delays in these specific programs will delay the total completion of the breeder program," responded an ERDA spokesman, agreeing with Goldwater that "there are programs that really are in jeopardy here."

Rep. Lujan asked: "You say the Germans and French have working plants (the Germans have a gas centrifuge and the French have a breeder-ed); why do we have to reinvent them?" ERDA spokesmen replied: "As far as we know, our technology far exceeds theirs. We all look to the gas centrifuge as the immediate program to enrich our technologies, that is by the late 1980s. If we do not commit ourselves to more enrichment facilities, foreign nations will take the lead." Laughter erupted when

Lujan continued: "Are we doing this, or merely *studying* it?"

Rep. Myers asked: "Is the overview of the light metal fast breeder reactor going to make these available close enough to the time frame when we can move to a fusion-based economy?" "ERDA is doing a study of the comparative time frames for the three methods that have non-depleteable fuels: LMBFR, solar and fusion. But this study will only be done by late summer," ERDA spokesmen answered. "How can we make a good assessment without this study, and we do not want to wait for late summer," responded Myers. "We do not need this full study to make decisions," ERDA agreed.

At the conclusion of the hearings, Flowers privately acknowledged that the purpose of the hearings was to get a broad discussion of Carter's cuts and their effects into the public domain. Informed by NSIPS that a number of journalists are asking who in Congress is fighting for fusion, Flowers said, "Refer them to me."

New Developments On MIT's Tokamak Portend Fusion Breakthrough

The small, high-density Tokamak at the Massachusetts Institute of Technology, the Alcator, has come close to achieving "scientific breakeven" in fusion energy production, scientists at the laboratory announced this past week. The new and striking success reported by the scientists at one of the smaller U.S. government-funded experiments is an embarrassingly strong rebuff to the contention of the Carter administration that fusion research is lagging — the justification for a 20 percent cutback in the fusion program intended by Carter.

Researchers at the MIT laboratory have designed and perfected a small, high magnetic field Tokamak (a doughnut shaped plasma container) which has not only generated plasmas which have come within a factor of three of the required "density-time" product which is conventionally used to measure progress towards energy breakeven conditions, but has done this in terms of the best-understood plasma behavior found in any device. The results from the Alcator machine are most important because they were the predicted results of a long series of experiments, for which an adequate theoretical understanding exists.

The U.S. assistant administrator for advanced energy systems described the Alcator results: "The significance of this world record event is its demonstration that researchers can control a plasma very close to the conditions required for fusion energy breakeven, getting as much energy from plasma fusion as was required to originally create the plasma." Experts at the Fusion Energy Foundation estimate that a \$30 million investment

could build a "throw-away" machine which would reach "breakeven" within a matter of two years, merely by scaling up presently well-understood plasma behavior in the Alcator.

In spite of these successful results, the Carter administration intends to go ahead with its announcement of a "budget revision" for fusion development, which amounts to a 20 percent cut. According to sources inside the administration, this is the beginning phase of a five year plan to cut out the fusion research program entirely. These sources have called fusion "too technological, too speculative."

The impact of such a cut was clarified in recent testimony before the U.S. Congress by administrators of the U.S. Energy Research and Development Administration (ERDA), who noted that fusion research is at a stage where even a five year hiatus would result in complete destruction of the program. Scientists associated with the Fusion Energy Foundation concur with this estimate and stress that the research and development program associated with fusion development is critical for the social and economic health of the country.

Dr. Morris Levitt, Executive Director of the FEF, stated the position of the Foundation: "Carter's program for energy development will be disastrous for the United States. The commitment to progress, new technology and rising living standards, which built this country, is being thrown away by the Carter administration. Industrialists, trade unionists and scientists especially, must rally to stop the budget cuts in energy development which Carter is proposing. Our lives depend on it."

ERDA: Go For An Operating Demonstration Fusion Plant In The Late 1980s

Following are excerpts from the statement of Dr. Robert L. Hirsch, ERDA Assistant Administrator for Solar, Geothermal and Advanced Energy, to the House Science and Technology subcommittee on Fossil and Nuclear Energy Research, Development and Demonstration, Feb. 25.

Recent Accomplishments

The year 1976 produced a number of fundamental advances in tokamak research. Improved plasma confinement and heating was obtained in the Princeton Large Torus (PLT) and the Oak Ridge Tokamak (ORMAK). In PLT operation at higher electrical currents produced better results that agreed with theoretical predictions. Both the density-confinement time product and impurity effects were found to be improved in the larger diameter plasmas produced in these machines. This is important because theory tells us that larger sizes are the key to practical systems...

In ORMAK the Oak Ridge research team produced a major advance by raising ion temperatures to 2 kilovolts (20,000,000 degrees C) by a technique known as neutral beam heating. While this temperature is below what is needed, this result unambiguously demonstrates that the required temperatures will be achieved when we finally invest in the necessary heater power.

But the most exciting event in tokamak confinement research happened only two weeks ago. The fusion

research group at MIT reported that the Alcator machine produced a world record confinement value of $2 \times 10^{13} \text{ cm}^{-3} \text{ sec}$. This result, in higher magnetic fields (85 kilogauss) than any other tokamak, is double the previous achievement, and clearly carries us above the breakeven threshold. An important aspect of this result is that theory and experimental results remain in agreement as our machines are pushed to higher levels of performance.

The major alternate to the tokamak is the mirror, a straight system in which magnetic lines are squeezed at the ends so as to "mirror" reflect plasma particles that want to leak out the ends. As a consequence of important results in the 2X-IIB mirror at the Lawrence Livermore Laboratory, the mirror program has recently undergone a revolution in concept and direction. Temperatures of 230,000,000 degrees C were created while some bothersome small-scale instabilities in the plasma were simultaneously suppressed. Many of the major physics questions in the mirror program were resolved this past year so that we can begin to see a major new path to an efficient mirror reactor. With our present program we expect to have a sound technical basis for comparing tokamaks and mirrors as power reactors by 1981 or 1982.

These results and many others that did not make headlines have given fusion physicists and engineers worldwide increased confidence. Progress has been continuous, and we have found no law of nature that can prevent the achievement of practical fusion power....

'Fusion Could Be Considered The Enduring Solution To Energy Problems'

Following are excerpts from the statement on the Carter administration's proposed Fiscal Year 1978 budget authorization for the ERDA magnetic fusion program by Edwin E. Kintner, Director of ERDA's Division of Magnetic Fusion Energy.

I am especially pleased to make this initial presentation on the Magnetic Fusion Energy Program to this Committee as it commences its new responsibilities for the program. We believe fusion is an important and exciting challenge with great potential benefit for this nation, and I hope I can convey some of that belief to you....

As Dr. Hirsch has pointed out in discussing the Program Plan, the program could have a range of schedule objectives, since the rate of progress of

development programs of this kind can be influenced, within limits, by the application of increased or reduced resources, or by acceptance of greater risks in making program decisions....

IX. Accomplishments in 1976

1976 was another year of important new advances in fusion. The effects of plasma size and current were measured at higher values in the PLT. The data obtained confirmed theoretical predictions of scaling as the square of the linear dimension of the plasma. These results were duplicated in the T-10 device in Moscow. Ion temperatures were raised to 2 keV (a factor of approximately three from minimum temperatures needed for ignition). For the first time, electron temperatures were raised with the ion temperatures, as predicted but not

observed previously. The production of density times confinement time, was increased by 100 percent to a new world record high in Alcator at MIT to within a factor of three of the Lawson Criterion for "breakeven." Predicted advantages of elliptical and boublet plasmas were confirmed by direct experiment in Doublet IIA. Perhaps most important for the implications of tokamaks as practical power reactors, a general consensus developed during 1976, that on a theoretical basis, betas — the ratio of plasma to magnetic pressure — of up to 10 percent are achievable. Experiments to confirm these theoretical predictions are planned for the next two years. This prediction has great implication for reduced size, and therefore cost, of Tokamak power reactors.

There were also major forward steps in the Mirror concept. Ion temperatures were doubled to 23 keV, more than twice the values needed for ignition. Peak values of beta were doubled more than 200 percent resulting in densities up to 2×10^{14} . Two new ways were proposed to reduce end losses in mirrors, which if confirmed by future theory and experiment, would make this concept far more attractive as a power reactor.

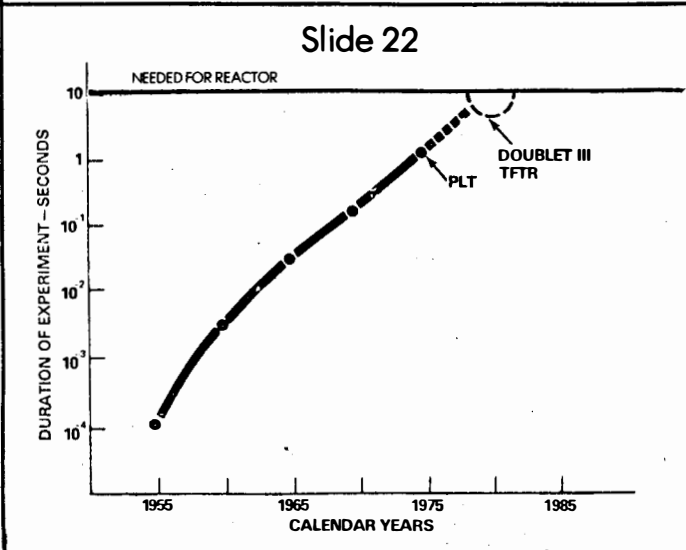
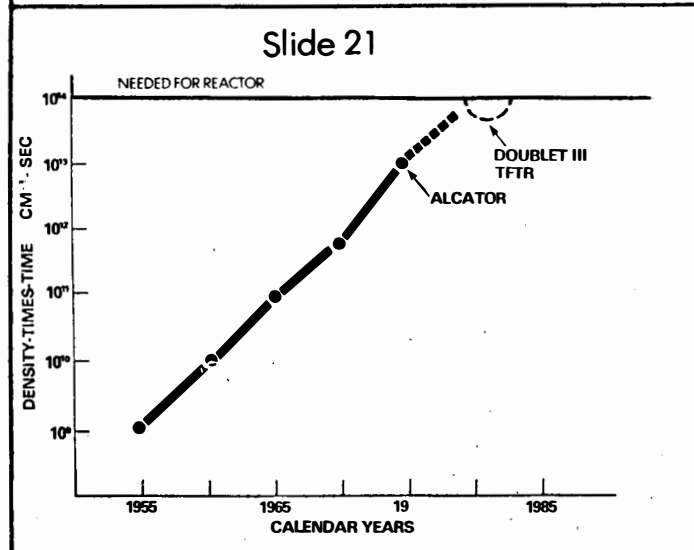
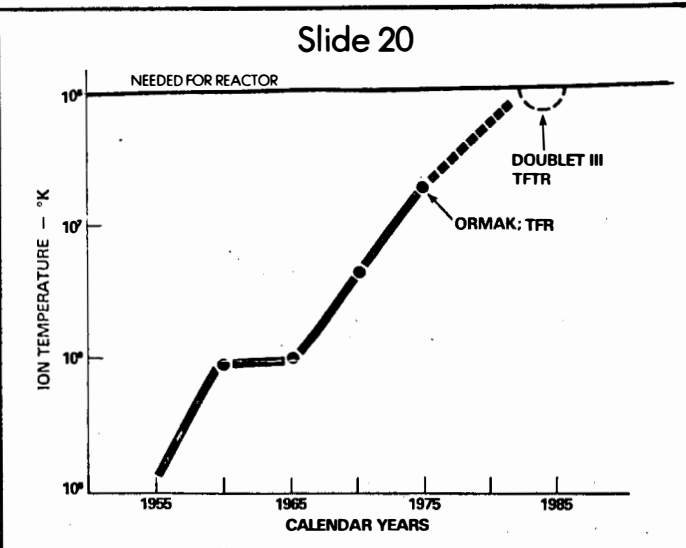
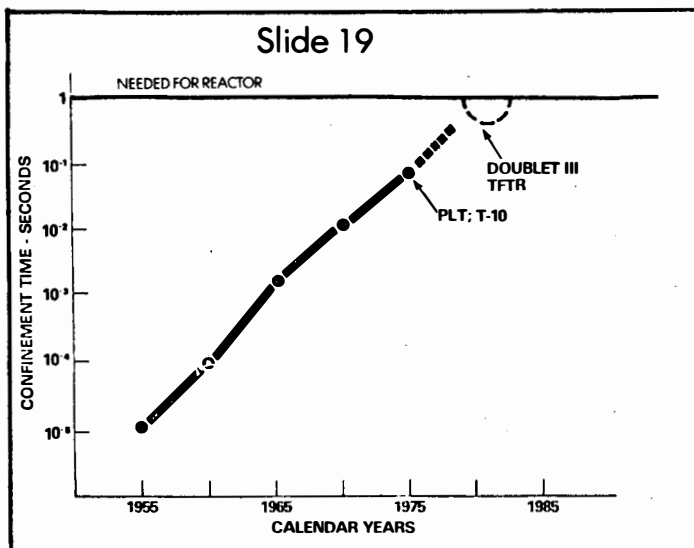
1976 was also a year of important advances in the technologies which are needed to support further experi-

mentation in fusion plasma physics, and allow useful commercial application of the physics when developed. More powerful neutral beam heating sources were developed at ORNL, and the design of the neutral beam heaters for TFTR completed.

A national program plan for development of the critical materials for fusion was worked out, and steps taken to build a tritium systems test facility to study this important systems aspect of fusion. Three conceptual designs for superconducting magnets for the Large Coil Project were completed by industrial subcontractors. Perhaps most important, two laboratory-industry teams began conceptual studies of the next reasonable facility step in fusion development beyond the TFTR.

Because there is considerable controversy about the "feasibility" of fusion, I would like to take a moment to show you the steady, continued progress which has been made in world fusion research since its inception in the early 1950's.

These next four illustrations show the steady progress in our ability to generate, control and heat fusion plasmas since the earliest fusion research in the early 1950's, and they also show how near to the conditions needed to design power reactors we are today. (Slides 19, 20, 21, and 22.)



I believe these charts should cause those outside the fusion community to conclude, as those in the community already have, that success is no longer a question of whether, but of when, where and by whom... Now let me show progress in the U.S. on the earlier plot of quality of confinement versus temperature, (Slide 23). First, you will see where we stood in early tokamaks, theta pinches and mirrors as of the end of 1974. Then the solidly bounded areas indicate the significant progress which has been made in just slightly over two years. The areas bounded by dotted lines indicate the design characteristics of devices already designed, under construction or approved. Finally, the Prototype Experimental Power Reactor, now being conceptualized by two competing laboratory-industry teams, and shown in the upper right, and is intended to operate into the ignition region....

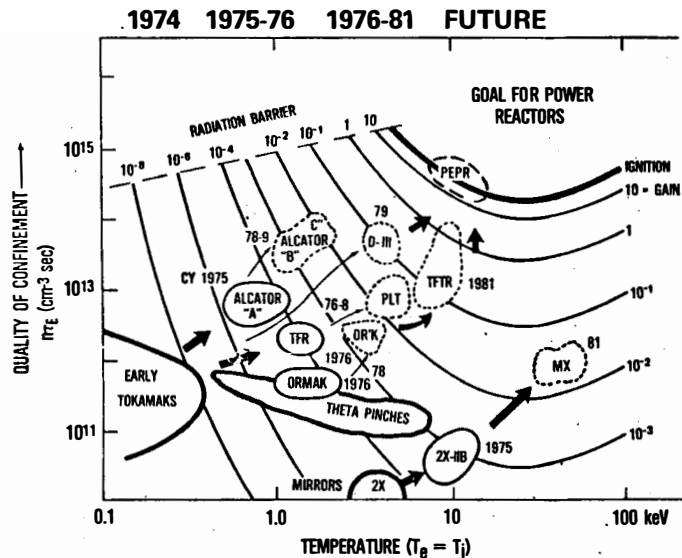
While the results of the hybrid studies must be regarded as preliminary, some broad conclusions may be drawn. One hybrid is neutronically capable of breeding sufficient fissile fuel to supply the needs of five to ten Light Water Reactors of a similar thermal rating while producing significant amounts of net electric power.

Physics requirements for successful hybrid operation are reduced by about a factor of four from those of pure fusion, particularly in the gain or plasma power amplification requirements. The reduced physics requirements may allow the physics conditions to be demonstrated by the early 1980's; they also allow confinement concepts to be considered for hybrids which would not be adaptable to pure fusion power production....

There are other alternative benefits from fusion research which could be pointed to in the technological spinoffs which will surely occur just as they have from fission and space research. For example, we have had to develop high voltage neutral beam power supplies and switch tubes which should have immediate usefulness in other high voltage applications. We are today developing for radiofrequency heating of plasmas, vacuum tubes of higher power and frequency than have previously been developed in the U.S. The work we are supporting on superconductors and magnets will push these technologies further than ever before in the U.S. with important implications for energy conservation in the electrical industry, as well as in new processes such as magneto forming of metals. Plasma research, itself, could well lead to applications not foreseen. We are exploring the frontiers of new science and new technology and it is to be expected that the insights gained will provide information and ideas useful beyond the primary objectives of the program....

XI. Pace of the Program

In recent years expenditures for fusion research have increased dramatically from \$34.3M in 1970, to \$56.3M in 1974. In FY 1978 \$272.M in budget outlays is being requested. This rapid increase has raised the question in some minds as to what the proper pace for fusion should be. The program is projecting a need for continued support at the FY 1978 or higher levels for many years before practical results can be demonstrated. In fact, I know of no previous non-military development



program in which support at this level has been proposed for such a long time before payoff. This fact requires that the question of the proper pace for fusion development, given its great implications both in terms of benefits and costs, be examined carefully and with a special vision. Therefore, we in the program have tried to define the factors which we believe should be considered in reaching a conclusion as to proper pace in the fusion effort.

The Nation is faced by difficult decisions about the future prospects of long-range energy technologies. Decisions made now about future options can be irretrievable. Correct and wise decisions buy time and increased chances for success in a context where rewards and penalties can hardly be overstated. Resources applied now lessen the uncertainty of decisions which are unavoidable five or ten years from now. Unfortunately, decisionmakers receive no immediate rewards for wisdom and farsightedness in making difficult decisions whose results can not be assessed until decades in the future..

Decisions will have to be taken between competing technologies for power sources of the next century. These political decisions may be taken before many persons in the scientific community think they should be taken, and without the sound technical basis for them that further research and development could have produced. These choices will foreclose options, divert scientific talent to other problems and increase our dependency on the concept selected for further development and demonstration. Success of any one avenue is not assured. Recovery from failure at the latter stages of experimentation before demonstration will be more difficult and costly.

So the question of proper pace for the Magnetic Fusion Energy program is a complex and important question — too important to be decided by default.

The decision as to pace in fusion is a decision between proceeding aggressively toward a series of stated goals

to a payoff twenty to thirty years in the future, or proceeding slowly in the direction of a more distant, less distinct goal with fewer options in a program of narrowed scope. There is also, of course, the possibility of moving with greater speed to reach an earlier decision point, as in Logics III or IV of the Fusion Program Plan.

The value of fusion's development is not susceptible to precise cost-benefit analyses. It is, therefore, difficult to argue in an absolute sense the rightness of one pace versus another. The penalty for moving slowly, like the rewards for proceeding aggressively, will be felt much later by others, not by the people who make the decisions now. But there are a number of factors which can be identified now and should be a part of any evaluation to determine what pace — i.e., national commitment — is appropriate:

1. *The need for an inexhaustible, non-fossil, base energy source is clear.* Fossil fuels are becoming scarce and more expensive. It is vital to the U.S., especially in view of its advanced industrialization and resultant dependency upon copious supplies of energy, to assure itself of major new energy resources. The choices for such new energy resources are limited. None is an obvious solution. All seem today to have significant problems of one form or another.

2. *Fusion has an excellent potential to satisfy that need.* Worldwide, fusion has been recognized as a vital objective for technological development. In the Soviet Union, in Western Europe and in Japan, the great potential for fusion energy has been recognized in major development programs. Fusion could be considered the enduring solution to energy problems. Its potential for satisfying the need for energy can be sensed if one imagines the effect on world economic and military affairs if fusion were now developed and available on a competitive economic basis.

3. *Major advances in fusion have been made despite a modest expenditure to this time.* As described above, major new and encouraging advances continue to be made in fusion research. These successes have established technical bases and opened new opportunities for accelerating the fusion program with reduced risk. Within the fusion community, fusion is no longer looked on as a question of scientific feasibility, but only one of practicality and economics. Major problems and long, expensive development programs remain but it should be recognized that the total expenditure on fusion in this country through FY 1976 was only \$800 million, all

the results described above have been bought for that cost.

4. *Organization and plans are in place to proceed effectively.* Four national laboratories and one industrial laboratory have strong, experienced organizations working on fusion. The successes mentioned above demonstrate the capabilities of these organizations. In addition, a detailed technical program for magnetic fusion has been worked out and iterated over a span of several years to reflect a consensus of the best minds in the fusion community as to program logic and scope. We know what needs to be done next.

5. *Profound national and international effects will follow successes in fusion — even interim successes.* Fusion is one of the leading measures of national technological capability and achievement. The world looks to both the United States and the Soviet Union for leadership in the field. The Soviet effort is larger than our own. The implications of success in this field on both the economic and diplomatic strengths of the U.S. are great.

6. *It is important to determine the probabilities of fusion practicality at an early date.* A reasonable assurance that fusion can be made practical and economic, or an understanding that such a result is not likely, will have fundamental effects on energy-related policies, both in the Nation and abroad. Our own priorities with regard to conservation of fossil resources, and the urgency of development of alternate, long-range energy sources — solar and the breeder — would be significantly changed if an understanding of the probabilities of fusion success was in hand now. In this sense accelerated research in fusion could be looked on as providing the technical basis for sounder energy policy decisions.

7. *Development of any new energy source to large-scale economic use requires decades after the base technology is available.* Technological development of fusion to demonstration will take a long time — approximately a quarter of century — even on an aggressive schedule. But even after demonstration, years will be required to develop and deploy fusion commercially to a point where it provides significant economic benefit.

Based on consideration of these factors, we believe the pace of fusion development should be decided on the basis of the great social, political and economic implications of success or failure.

Eastern Europe Hard - Liners Push T - Ruble, Warn Brezhnev On Phony Detente

The same factions in the leadership of Eastern Europe and the Soviet Union who this week substantially increased their negotiations with Western Europe and the Third World for a new world economic order have now come out with open attacks on Jimmy Carter. They are vehemently rejecting the policy — associated with Soviet General Secretary Leonid Brezhnev — of appeasing Carter in hopes of averting or at least delaying war. Recent issues of the Czechoslovak daily *Rude Pravo* dramatize the intersection of these two policy debates: in the first public ministerial level statement from the comecon sector on international use of the transfer ruble, Czechoslovak Deputy Finance Minister Mirko Svoboda called for expanded use of the transfer ruble, particularly with the Third World, in an article Feb. 21. *Rude Pravo* also attacked Carter for following a “new provocative doctrine” towards the socialist countries and seeking to “erase the signature of President Ford” from the Helsinki document on security and cooperation.

If an “appeasement” policy is followed instead, the war danger will increase, warned articles in the press of especially the German Democratic Republic (DDR). An article in the current issue of the theoretical journal *Einheit* by Peter Alfons Steiniger, of the World Peace Council, cautioned the Oblomov faction in the Kremlin not to be taken in by Jimmy Carter’s honeyed words and verbal promises of disarmament. “There are infallible distinctive marks to tell whether a government is only talking about peace in order to camouflage its war preparations, or if its stance for a lasting peace is meant seriously.” The litmus test, says *Einheit*, is “above all the longterm investment in the expansion of a peace-time economy and the initiation of longterm scientific research for the satisfaction of the material and cultural needs of the population.”

Leading DDR writers advocate a new gold-backed monetary system as the way to achieve this kind of real international economic expansion. The latest issue of the economic monthly *IPW* wrote that only a gold standard is a true reflection of the real economic basis of capitalist credit. The article, which is part of an on-going series devoted to monetary questions, analyzed the fundamental factional division in the West between finance capital and those industrially-based capitalists who oppose monetarist policies — and who should thus be supported by the socialist countries. Finance capital, with its “fictitious money,” constantly undermines the economy’s basis in real production, said *IPW*. Thus the U.S. dollar in the post war period — like Hitler’s “Mefo-Bills” — weakened the capitalist economic system itself. Fictitious capital mushroomed, augmenting the political power of

the financiers, who then “dictated their will” to the rest of the capitalist class, forcing the system to operate within their own limited interests.

Carter Under Fire

Einheit also ripped the Carter-Brzezinski campaign for “erosion” of Eastern Europe through activation of “disident” agents and Carter’s “human rights” operation. *Einheit* quoted last year’s Bucharest Declaration of the Warsaw Pact: “where subversion begins, peaceful coexistence ends.... Attempts at interference (in the internal affairs of the socialist countries — ed.) endanger understanding in those areas where understanding is possible and necessary, in the interests of living and future generations.” The article showed how National Security Council head Zbigniew Brzezinski’s policy increases the danger of war: “all imperialist deformations of peaceful coexistence, whether openly or covertly, serve the confrontation policy of militant anticommunism.... Today it is clear: militant anti-communism is playing with the fire of a third World War, a nuclear war.”

Pravda, by contrast has tended to give Carter the benefit of the doubt, especially as concerns the Strategic Arms Limitation Talks (SALT II) — even going so far as to depict Brzezinski as favorable to a SALT agreement, and Institute for Policy Studies agent Richard Barnet as a friend of détente. But following Carter’s announcement of his new military budget this week, Soviet Defense Minister D.F. Ustinov attacked it as “higher than ever before,” and even *Pravda* took a critical tone, reporting that Carter has reneged on his election promises, succumbing to pressure from the “military-industrial complex and right-wing militaristic circles.” Such budget cuts as were made, *Pravda* reported Feb. 22, were limited to a few controversial strategic armaments programs like the “M-X” ballistic missile.

A Fight in the Military

The “Clausewitzians” in the Soviet military are a principal source of opposition to the “appeasement” line associated with General Secretary Brezhnev. Fully aware that Carter’s “disarmament” is a fraud aimed to blunt Soviet moves for a new world economic order and to restrict Soviet military R and D advances, they are stressing in their public statements that Warsaw Pact military might is the precondition for an effective peace policy. The Soviet Communist Party machine has been fully mobilized over the recent period to keep in check the opposition to Brezhnev’s policies that has surfaced within the armed forces. As in past periods of crisis — like the Cuban Missile Crisis of 1962 — Party spokesmen in the military have set out on a vigorous campaign on

the need for strict Party control over the military and over strategic policy decisions. Contrasting articles by Marshal D.F. Ustinov, the Soviet Defense Minister, and Marshal V.G. Kulikov, Commander-in-Chief of the Warsaw Pact, on the occasion of Soviet Armed Forces Day Feb. 23, reveal the ongoing struggle over policy towards Carter. Ustinov, writing in *Pravda* on behalf of the hitherto dominant Party line, praised Brezhnev personally, and quoted the Party chief that the USSR is not striving for strategic superiority, and has no intention of "raising the sword" against anybody, of launching "either a first or a second strike," since the Soviet Union is committed to putting an end to nuclear war in general. Any step that might be taken to strengthen the defense of the state, Ustinov cautioned, must be determined by "the Party leadership, its Leninist Central Committee... and the remarkable party, state and military figure, Marshal of the Soviet Union, Comrade L. I. Brezhnev."

Kulikov's emphasis was quite different. Writing in the government daily *Izvestia*, he related the history of Soviet military doctrine (the Theory of the Offensive, developed principally by Marshall Tukhachevski before World War II and elaborated further after the war as a commitment to a war-winning nuclear strategy —ed.) calling it a "progressive, advanced doctrine directed against predatory and unjust wars." He stressed the Communist Party's "concern" for the development of the country's military forces, which it has equipped with "modern military technology and terrible weapons." The Party, he wrote, created the preconditions for victory over the aggressors in past wars, and the "retaliatory strikes" delivered by the Red Army to Hitler

"made apparent the high military art of the generals of the Soviet Army..." When Kulikov chose to quote Brezhnev, it was a distinctly "hard-line Brezhnev," emphasizing that the Party before World War II "foresaw the possibility of a military clash with the forces of imperialism and prepared the country and people for the defense."

Carter Turns Back on Helsinki

The following is a translation of a Feb. 23 article in Rude Pravo entitled "Against the History of Helsinki:"

In his first press conference after taking office, President Carter declared that the U.S. cannot use military force to change the internal mechanism of the Soviet state... It does not take great political experience to see that the Soviet Union is not the Dominican Republic or some other Central American republic which American marines can bloodily pacify...

President Carter now has sent a personal letter to the disloyal Sakharov, expressing his "sympathies" for this anti-Soviet element. Carter very cynically refers in his letter to some supposed right of his to act as "world defender of human rights."

We are the direct witnesses of a public attempt by the American government to institute a new tactic in international relations — the tactic of gross interference in the internal affairs of the socialist countries... Does this mean that the new President of the United States is striking the signature of his predecessor from the Final Act of the Helsinki Conference on Security and Cooperation in Europe?....

A Litmus Test

The following are excerpts from an article in the February issue of Einheit entitled "Socialism-Nation and Bastion of Peace":

...Wherever there is subversion, peaceful coexistence ceases to exist. Attempts at interventionism endanger co-existence in those spheres in which there is a potential for peace, and where it is necessary for present and future generations. Let us simply consider the possibilities offered by the scientific-technical revolution — to investigate new sources of energy, to research the universe and the world's oceans, to master modern communications problems and to protect the environment.

...In the past, Ernst Thaelmann once warned: Hitler means war. Today it is demonstrated that militant anti-communism plays with the fire of the third world war, of a nuclear war whose prevention is the major task of our times. Just this point was emphasized by Leonid Illich Brezhnev in an interview with an American journalist in December 1976. No reasonable human being in the world can contradict this as our primary goal.

...There are infallible litmus tests to determine whether a government is only talking about peace in order to camouflage its preparations for war, or whether it is actually seriously intervening for a lasting peace. One such test for example is its rea-

diness to rapidly and mutually reduce its troops and arms on the foundation of undiminished security for all participant nations in the agreement (which is the proposal of the socialist states at the Vienna disarmament negotiations); or whether it is ready to ban first-strike use of nuclear weapons (the proposal of the Warsaw Pact Treaty nations to the signatory states of the Helsinki Accords); or to enter into an obligation to refrain from the use of armed forces, 'applying all forms of weapons, including nuclear and other weapons of mass destruction on the land, sea, in the air or outer space' (proposals for a world treaty on banning use of or threatened use of violence in international relations, presented to the XXXI Congress of the U.N. General Assembly by the USSR at the end of September).

...One clear litmus test for a nation's actual orientation towards lasting peace is above all the provision of long-term investments for the expansion of the non-military economy and the assumption of long-term scientific research tasks for the satisfaction of material and cultural needs of the population. A look at the Comecon plans and the coordinated plans of the member nations provides clear evidence of the will for peace of the Soviet Union and its allies.

French January Trade Figures Portend New Round Of Austerity

FRANCE

Government statistics released Feb. 21 reveal that France's foreign trade deficit for January 1977 amounted to a seasonally adjusted 2.4 billion francs, a 100 percent increase over December 1976, and the seventh consecutive monthly deficit of the balance of trade. Simultaneously, the official price index was reported to have risen by .6 percent, also a 100 percent increase over December. These announcements sparked an immediate new round of speculation against the franc, so far easily thwarted by Bank of France interventions.

French economists and government circles are discounting the significance of these poor results, arguing that the trade deficit is largely due to speculative oil purchases by French industries at the beginning of January in anticipation of the recent five percent increase of fuel prices, and to exceptional food purchases made necessary by the disastrous effects of last summer's drought on agricultural production. *Le Monde's* journalist Alain Vernholes even claimed Feb. 23 that, over a three-month period, there has been a clear trend toward a net decrease of the foreign trade deficit.

Despite these words of appeasement, the French government is gearing up for a new round of austerity. Bank-to-bank and overnight lending rates went up a quarter-point Feb. 23, and industrial firms are expecting new credit difficulties. In order to prevent excessive credit constriction, the government will reportedly lend

three billion francs to small and medium-sized exporting firms at a "preferential rate" of nine percent.

Beyond these stop-gap measures, the French government is preparing to implement Phase II of its austerity plan, named the "Barre Plan" after the current Prime Minister. Barre's intention, according to all press accounts, is now to "cleanses" the steel industry of its unproductive obsolete sections — a move which will result in 20,000 lay-offs in the next five years, as well as reduce production by some 3-4 million tons annually, according to steel industry spokesman Jacques Ferry.

Barre has also committed his government to a similar "cleansing" of the nationalized industry and transport network, such as the railroad firm SNCF, Air France, the electrical utility EDF, etc. According to preliminary reports, Barre wants to make state subsidies to the nationalized sector dependent on its ability to "rationalize operations" and "make profits." Such drastic conditions will inevitably result in new lay-offs.

The third major government project is to streamline the national Social Security (pensions and health insurance) system so as to alleviate the several billion francs deficit it incurred last year. Various proposals discussed at the last Council of Ministers' meeting Feb. 22 stressed the need to "fiscalize" Social Security payments, i.e. abolish or reduce the employers' premium share while raising income tax yields.

On the energy front, the government will try to prevent an increase of the national oil bill (51 billion francs in 1976) by slapping a ceiling on gas and electricity consumption by industries, starting next October. Beyond a certain quota, industries will have to pay a stiff "over-consumption" tax.

Giscard Tries For A Brokdorf In France

An anti-nuclear energy 'ecology' movement is building up in France with the encouragement of President Giscard d'Estaing, and there is talk of a more open Carter-Nader type alliance against industry. Giscard's cousin and *Le Figaro's* regular columnist Fabre Luce has suggested that it would be good policy to associate the eco-freaks with government studies and planning since their hatred of the pro-economic-growth Gaullists and Communists makes them the perfect allies to implement the kind of zero-growth society the president would like to bring into being.

Over the past week the French Naderites expanded their activities into a round of provocative actions to stop the building of nuclear fission plants in the Alsace and Isère departments, accompanied with an extensive propaganda campaign on the alleged danger of fission among the local populations. This past weekend 2500 ecology militants gathered in the town of Morestel, Isère, in what was a strategy planning meeting to expand the organizing, reported *Le Monde*, Feb. 22. The outcome of the meeting was the decision to lead a campaign for "auto-reduction" — the reduction of one's electricity bill

by 15 percent to protest the EDF's (National Electricity Company) nuclear fission plants construction program. The choice of the target was not made at random since the company has a large nuclear fission program, aimed at supplying 25 percent of the country's energy needs by 1980. While Giscard himself launched the nuclear program two years ago, he seems to be having second thoughts since the election of Jimmy Carter, as was otherwise indicated by his brake on export of nuclear technologies. This ecology movement is remarkably well-organized, boasting a newspaper, "Super-Pholix", a pun on the name of the French fast breeder reactor "Super-Phoenix," and even a clandestine radio station. It consists of various extreme left grouplets under the same leadership team of Atlanticist agents who direct the newspapers "Libération" and "Le Sauvage" (the ecology supplement to *Le Nouvel Observateur*). Both publications are closely tied in with the terrorist-running U.S. Institute for Policy Studies.

As the municipal elections approach, both the pro-Carter Socialist Party and the Giscardian *Républicains Indépendants* (RI) have associated themselves with the

anti-nuclear campaign. For example, two well-known zero-growthers are running for municipal councillor on the Paris electoral lists of RI mayoral candidate and Industry Minister Michel D'Ornano: Jean Pierre Colli, a foremost advocate of solar power and windmills, and Phillipe de St Marc, an aristocratic fellow traveller of the agents who launched the Maoist grouplets in the early 1970's.

As for the Socialist Party, following the endorsement of the Schlesinger energy rationing program for France by SP executive member Michel Rocard, local SP elected bodies are voting against nuclear installations in the Drôme Valley, while the Socialist wing of the CFDT Union is engaged in an array of provocative strikes in the key centers of the French nuclear industry including the La Hague recycling plant. While the possibility of a Socialist Party-RI government has been mooted repeatedly in the past, the strange alliance is proceeding rather cautiously at this point for fear of a backlash of business and labor into the Gaullist and Communist camps.

British Cabinet Reshuffle Strengthens Callaghan's Hand

BRITAIN

British Prime Minister James Callaghan sprang a major political surprise this week by naming a young and relatively unknown cabinet minister, Dr. David Owen, to the pivotal cabinet position of Foreign and Commonwealth Secretary. Seizing the opportunity provided by the sudden death of former Foreign Secretary Anthony Crosland, Callaghan announced a number of other minor but critical changes in the composition of his cabinet command structure. Callaghan will now command a greater amount of personal authority over both economic and foreign policy decisions, and can curtail the maneuvering room of ranking party officials who still stand in the way of a with Atlanticist control.

Callaghan's emphasis that Owen's appointment is intended to be permanent was a slap in the face for Chancellor of the Exchequer Denis Healey; during the negotiations for the IMF loan, Healey was most vociferous in his support for the IMF's tough austerity measures, which were ultimately rejected by a cabinet majority. Healey has made it known that his ambition is to be named foreign secretary, an ambition now likely to go unfulfilled.

Healey's standing in the cabinet was further undermined by the appointment of his assistant, Joel Barnett, to cabinet rank, supposedly to ease the pressure on the overtaxed chancellor. Following recent

revelations on how the Bank of England and Treasury Civil Service — the areas for which Barnett is immediately responsible — have connived to undercut the economic policies of elected Labour governments, Barnett's appointment will give Callaghan the ability to directly control their potentially disruptive activities.

Barnett's advancement has also split the Treasury's power down the middle, separating its straight financial policy-making role from its economic policy responsibilities. Such a split, the rule in most other European governments, has received strong support in the last two weeks from such knowledgeable sources as former Conservative Prime Minister Edward Heath and Cabinet Secretary Sir John Hunt.

To compensate for Owen's youth and relative inexperience, Callaghan will reportedly be taking direct control of foreign affairs, especially in the upcoming high-level economic summit of western nations, the Helsinki talks, and the meeting of Commonwealth nations in June. Callaghan has decided to strengthen further Britain's international role by designating a vocal supporter of the new world economic order, former Overseas Development Minister Frank Judd, as Owen's number two man at the Foreign Office. The appointment of pro-Third Worldist and African specialist Judd, plus reports that the new Foreign Minister Owen will visit Africa, indicate that the British are ready to make fresh moves to resolve the Rhodesian crisis.

Despite reports that Owen is close to pro-U.S. elements within the Labour Party's right wing, the tightly controlled set-up at the Foreign Office will make it difficult

for Owen to contradict Callaghan's foreign policy strategy. In fact, one of Owen's first international successes was the recent negotiation of the widely heralded fishing rights agreement between the European Economic Commission and the Comecon, which established relations between the two trading blocs for the first time.

According to Whitehall sources, Callaghan has shrewdly appointed left-wing Labour MP Judith Hart to

be Judd's replacement as Development Minister. By giving her ministerial responsibilities, Callaghan will effectively muffle one of his most outspoken critics, and ringleader of the left-wing opposition within the Labour Party to key aspects of the government's policy. Hart's most recent attack on the government has been over the deportation of ex-CIA agent Philip Agee and journalist Mark Hosenball, on whose behalf Hart testified during their hearings.

Brokdorf Peace Improves Outlook For West Germany's Nuclear Generating Program

WEST GERMANY

The absence of violent incidents at the Feb. 19 demonstration of environmentalist groups at the nuclear power plant site in Brokdorf, Schleswig-Holstein, may represent the turning point in West Germany's battle to realize its domestic nuclear program. A mere 8,000 radicals appeared at the site itself, while another 30,000 demonstrated peacefully in the nearby town of Itzehoe.

Two days previously, Chancellor Helmut Schmidt delivered a special televised address calling upon the nation to boycott the demonstrations as "almost an act of terrorism." Schmidt accused the "Citizens Initiative" and other environmental groups of creating a climate of hysteria in which discussion was "virtually impossible," and stressed his conviction that "Nuclear power means job security and high living standards for all households."

The major question now facing those government officials, industrialists and politicians from every party who support fission power development, is how to create the political atmosphere necessary for tying the environmentalists' hands and reversing the court decisions currently blocking a large proportion of domestic nuclear plant construction. This will include the neutralization of influential anti-growth factions within the Federal ministries of justice, interior, and science and technology. Gerhard Stoltenberg, Prime Minister of Schleswig-Holstein, has already made some moves in this direction by hauling two leading environmentalists into court on charges of advocating violence.

However, the main immediate point of access to cleaning out this nest of Naderite worms is the so-called "left wing" of the Social Democratic Party (SPD). Günther Jansen, chairman of the Schleswig-Holstein SPD, has presented the most convenient public target to date. Interviewed in this week's *Der Spiegel* magazine, he directly accused Chancellor and SPD Vice-Chairman Schmidt of "going around a few too many times with foreign

industrialists and bankers" instead of following the zero-growth clauses incorporated in the party's official program. Five prominent regional trade unionists thereupon issued an official protest against Jansen and apologized to Schmidt that their party "did not have the courage to bear responsibility" for the government's program. One week previously, Stoltenberg — a Christian Democrat — had called upon such SPD members to make themselves heard. This week, Stoltenberg went further to recommend that the SPD find a suitable replacement for Jansen.

The federal government has also made some progress in terminating the Lower Saxony government's capricious balking on approving a site for the projected West German nuclear fuel reprocessing center. Lower Saxony Prime Minister Albrecht has finally given conditional approval to the least favorable site at Gorleben, only 5 kilometers away from the East German border. The federal government has nevertheless used this to give the go-ahead for preliminary drillings at all five possible sites.

An editorial in the conservative *Frankfurter Allgemeine Zeitung* Feb. 22 has attempted to define more clearly the broader political goals of the nation's pro-development groupings. Rational people, it says, must realize that what is occurring is an "uproar against progress... not merely against nuclear energy, but against a technological revolution." What is needed now is a "grand coalition as a way out of the blind fear of nuclear energy," and not merely a party coalition. "Instead of fissioning the population," it says, "what we need is a political fusion of the population around its core." It concludes with a call upon parliamentarians to actively represent their constituencies in order to stop the growing influence of the "non-elected citizens' initiative lobby."

Schmidt expects that one month more progress on all these fronts will be able to create wide acceptance of his new energy program, to be presented March 23.

In the face of this, the noises from the environmentalist camp has become decidedly more shrill. National Ci-

tizens Initiative chairman Hans-Helmuth Wüstenhagen stated that his major goal now is to make the German population atone for the crimes of the Nazi period. Even more outrageous, Prof. Robert Jung, a leader of the Brokdorf demonstration, warned that the implementa-

tion of fission power will lead to a "totalitarian nuclear state... a continuation of the SS state by other means." The *Kieler Nachrichten*, a Stoltenberg daily paper, rightly excoriated this friend of animals for "daring to slander our democracy."

LaRouche Hosts Nuclear Energy Conference In Milan

ITALY

Despite personal visits from representatives of the U.S. Embassy attempting to discourage them from attending, a hundred business leaders, scientists, workers and students turned out in Milan Feb. 23 for discussions on *Energy: Perspectives of Fusion and Fission*. The conference was hosted by U.S. Labor Party Chairman Lyndon H. LaRouche and was widely publicized by the Italian press.

LaRouche began his keynote address, which was simultaneously translated into Italian, by declaring: "If the human species survives — if we stop a nuclear war that we are not totally sure we can prevent, we will be on the verge of a much more important breakthrough than that of the Renaissance." LaRouche spoke before the group assembled in the Museum of Science and Technology. Present were representatives of the giant semi-public industrial conglomerate, Montedison's foreign trade and R and D divisions; ENEL, the national power industry; the presidents of the nuclear technology firm ElettroNucleare Italiana and the professional organization Italian Electrotechnical Association (AEI); an entire high school class from the nearby city of Varese; and reporters.

After outlining Jimmy Carter's program to reduce the U.S. industrial sector by 20-40 percent, LaRouche explained that "the fight for scientific and technological progress is a political fight. An industrialist who is not a politician, a trade unionist who is not also a scientist can not exist. We are in a war against those who want to stop scientific progress. It is not a new struggle.

"It is the same struggle for which many people fought and died during the Renaissance. It is the struggle of the city of Florence against the house of Bardi; it is the struggle of the Renaissance thinkers to distinguish man from the lower beasts was not merely philosophical. In fact as we have demonstrated, the approach we have to use towards fusion is exactly the same that Ficino has towards knowledge." LaRouche referred to Marsilio Ficino, the Florentine philosopher of the late 15th century who developed the scientific conception of humanism.

LaRouche continued by discussing the progress of man from an ape like existence during the early Pleistocene

Era — a million years ago: progress centered on the technological improvements in the method by which man produces the material preconditions for an expanding population. "How is it possible that man can accomplish such a thing?" LaRouche said. "One might say because of experience. But why are mice so stupid since they have had the same experience? There is another activity other than learning mechanistically, like a circus animal or a sociologist."

Fusion Investment

In explaining how to justify to the population the massive investments which will be needed in fusion research, LaRouche outlined the avenues which general scientific research must take. He said that nothing less than a revolution in science was necessary to make the population understand the 10-15 years of so-called unproductive research in fusion energy.

This, LaRouche emphasized, is why it is necessary to fight all the "rubbish spread by sociologists and psychologists, — the main manipulators on the Italian left, especially, of resistance to progress.

LaRouche posed the responsibility that we have to future generations: "If we accomplish fusion power, future generations will look to us in the same way that we look today at the Renaissance." He concluded, "How do you make a scientific revolution? You make it by explaining to people their importance to humanity and teaching them not to waste their lives."

Solar Energy

Discussion centered on the questions of alternative energy sources, and the necessity of fusion. A director of the AEI Review suggested that LaRouche had only spoken of fusion as a solution 10-15 years away, and that we should be looking at geothermal and solar energy for now.

The head of the energy research department at Montedison, Mr. Biondi, answered the questions in part by saying that the uranium reserves are still so large that fission energy can be considered an unlimited energy source. What then, he asked, is the urgency of developing fusion? A reporter from *Energia Nucleare* expressed disbelief that Carter could really want to cut the funding for fusion and general scientific research.

Il Sole, the official newspaper of the Italian industrialists association, covered the event.

Vance Visit Leaves Sadat On Even Shakier Ground

The government of Egyptian President Anwar Sadat has been left in a weaker position than ever before, possibly facing complete collapse, as a result of U.S. Secretary of State Cyrus Vance's efforts to torpedo an overall peace settlement in the Middle East. Peace is key to Sadat's belief that he can attract enough foreign investment in the Egyptian economy to turn around the economic crisis that last month provoked nationwide riots that almost toppled his regime. But in the wake of the Vance visit — in which the Secretary of State collaborated closely with the Israelis to spurn Sadat's proposal to link the proposed Palestine Liberation Organization state with Jordan — Sadat's shaky credibility in Egypt has plunged even further.

The *New York Times* this week expressed concern over Sadat's growing vulnerability, while the British *Daily Telegraph* openly warned of the possibility of "a French-style revolution" with Nasserist officers in the forefront (see excerpts below).

Vance and the Wall Street policymakers around him are counting on International Monetary Fund-backed pro-austerity forces in Egypt to take the upper hand in the situation and implement the across-the-board budget cutbacks and other belt-tightening measures that Sadat has so far been unable to carry out. World Bank President Robert McNamara, as well as a delegation from the IMF are currently in Egypt to exert maximum pressure on Egyptian leaders to cut back consumption levels of the already impoverished Egyptian population.

Such pressure, which last month led to mass demonstrations throughout Egypt, now threatens to lead directly to civil war. According to the *Baltimore Sun*, a "shadowy power struggle" has developed between nationalist, Europe-oriented Gen. Mohammed Abdel-Ghany Gamassy, the Defense Minister, and Prime Minister Mamdouh Salem, the leading proponent of IMF policies in the Egyptian government bureaucracy. Gamassy is known to maintain close relations with Vice President Husni Mubarak, a powerful, Soviet-trained nationalist with extensive influence in the military. The French-language weekly *Afrique-Asie* reported that unrest is continuing to mount in the ranks of the armed forces.

On the right, the Soviet news agency Tass reported this week that the reactionary muslim Brotherhood has become active once more for the first time since their roundup during the Nasser era.

Soviet Pressure

Following Sadat's effort to please the Carter Administration with his PLO-Jordan confederation

proposal, and Vance's summary rejection of the Sadat offer as "not enough," the Soviet Communist Party daily *Pravda* issued its most scathing attack to date on Sadat. Using the occasion of the publication in Egypt of Sadat's memoirs, *Pravda* criticized the Egyptian president for his "lies, slanders, and falsifications" regarding the Soviet role in Egypt and the Middle East.

The *Pravda* article served both to warn Sadat that there are limits to how far he can bend to satisfy the Carter Administration, while at the same time providing needed support for the nationalist layers in the military and government who are resisting the IMF pressure for austerity.

In commenting on the *Pravda* attack, the leftist Egyptian weekly *Rose el-Youssef* tacitly recognized the possibility of Sadat's overthrow by the rightist forces allied to Salem and the Muslim Brotherhood, and called upon the Soviets to attack not Sadat but the rightist "billionaires." *Rose el-Youssef* also quoted a year-old speech by former U.S. Undersecretary of the Treasury Edwin Yeo which suggested that Sadat be overthrown by a pro-austerity government.

Sadat himself, meanwhile, may be moving towards closer collaboration with the old Nasserist forces. Last week he appointed Hafez Ismail, a prominent veteran diplomat from the Nasser era and former head of Egyptian intelligence to be his ambassador to France.

Europe, Saudis Back Sadat

The French financial daily *Les Echos* this week called for a multi-billion dollar aid program to Egypt as the only alternative to social chaos and a possible coup. Last week, the Saudi-led consortium of Arab oil-producing states reportedly extended a long-promised \$2 billion aid package to Egypt, fearful that if they withheld the aid any longer, the Sadat regime would collapse.

According to a Washington Mideast specialist (see below), the Saudis sent a message to Carter last month warning him that if aid wasn't forthcoming, Sadat would be toppled and replaced by a Nasserist Revolutionary Command Council. For months, the Saudis themselves withheld the aid from Egypt, demanding that Sadat implement austerity as a precondition for extending credit. After last month's riots, according to the Washington source, the Saudis have dropped their austerity demands. The decision by the Saudis bucks recommendations put out by the U.S. Federal Reserve to hold back aid to Egypt until the IMF creditors' meeting, scheduled to convene on April 12 to discuss the Egyptian situation.

Daily Telegraph:

How Long Before Fresh Riots Break Out?

The following are excerpts from an article in the Feb. 23 British Daily Telegraph entitled "After Sadat, the deluge?"

...The real question (in Egypt) now is how long it will be before fresh riots break out to show President Sadat that his palliatives can work only for a very limited period, for it is the President himself who is held responsible for Egypt's ills....

Egypt, according to some economists, is in a Bangladesh situation — a totally hopeless state with little prospect of improvement. Sadat ... has promised that though there will be another four "lean" years, each one will be better than the one before. There is no evidence at all to support this....

Unless Sadat can achieve in the next year what he has failed to do in the past three, some change of regime in Cairo, perhaps violent, perhaps peaceful, seems certain....

In Cairo, the well-to-do openly express their fears of a French-style revolution.... Others talk of Nasser, remembering his personal austerity and incorruptibility.

There may be some Divisional Commander who might fill the bill, for it would have to be someone very senior now to carry out a Nasser-style revolution. What is more likely, if things go on as they are, is that a deputation from the party, the Government and the arms is going to

tell President Sadat that his way doesn't work. Something else must take his place, probably austere socialism....

Saudis to Carter:

Do You Want Sadat Or Another Revolutionary Command Council?

The following is an interview this week with a Washington-based Middle East specialist:

Q: How do you see the situation in Egypt unfolding?

A: The situation in Egypt is very bad. Official figures say inflation is 35 percent. But the reality is that inflation is 50 percent or more. Last month or so, the Saudis sent a message to Carter that said outright, "Do you want Sadat or another Revolutionary Command Council?" After the riots last month, the Saudis eased off on their demands that Egypt tighten its belt. But the situation is still bad. Debt repayments and servicing take up 35 percent of Egypt's export earnings.

Q: What is the likelihood of a progressive, Nasserist coup in that country?

A: There is a very real possibility of a coup by the left wing of the military, which is still very strongly Nasserist. I don't have any details or names on the people involved....

Carter To Inject Middle East War Threat Into SALT?

The Carter Administration may be contemplating an insertion of the touchy Middle East issue into the already delicate SALT negotiations with the Soviets. This is the possibility that emerged from an exchange on the relationship of Israel's nuclear weapons to the overall world strategic balance at the Feb. 22 convention of Brierly, a Jewish-Zionist organization of doves and "hawks in doves' clothing." Participants in the exchange were Marcus Raskin, the founder of the Washington-based Institute for Policy Studies who is a National Security Council-linked nuclear strategist close to the Carter Administration, and Professor Shlomo Aronson of Hebrew University, who is currently at the Brookings Institution, also in Washington.

Aronson, who spoke first, tried to develop an analysis of the Middle East situation that justifies an Israeli reliance on its nuclear arsenal as a basic line of defense, citing former Defense Minister Moshe Dayan as his authority on this issue. In reply, Raskin suggested that the U.S. and the Soviets include the threat of nuclear war in the Middle East as a "bargaining point" in the overall SALT negotiations, a proposal which would link the

threat of a Middle East "limited" nuclear war to the U.S.-Soviet relationship.

The following unofficial transcripts of their remarks were compiled by observers at the conference, and are in lieu of the official transcript which is not yet available.

Prof. Aronson: "The Bankruptcy of Israel's Conventional War Strategy"

The problem with the Arabs is not Arab ideology, but the actual structure of the society of the Arab world. By the inherent, built-in competitiveness of the Arab world, the Arabs can be dragged into an escalatory process leading toward war, because of powerful internal pressures on Arab elites and Arab leaders. President Sadat and Yasser Arafat may be moderates now, with the best of intentions — but developing pressures can force them to enter into war. And this can happen even if there is no intent on the part of the Arab leader to go to war, as happened to Nasser in 1967.

The political logic of the Arab world is conflict-oriented. Peace arrangements can be acceptable on a

temporary basis. The PLO, under the iron fist of General Assad, thus now looks toward the West Bank as a place for gaining a respite, rebuilding political autonomy. But because of the unstable nature of Arab politics, Israel's strategy cannot rest on the reliability of peace. Sadat? Who will be his successor? Vice-President Mubarak? All we know about him is that he was trained at a Soviet military academy....

So Israel's problem is the following: Israel is therefore not ready to concede the 1967 borders. Israel will do everything to keep the occupied territory that it can. The question then is: How to secure Israel's borders since the 1973 war, which — contrary to speculation — made the territories even *more* important as a security guarantee?

After 1973, Israel embarked on an effort to maintain the existing arms balance with the Arabs, a 1:3 ratio. But the Arabs have vast resources, and Israel cannot hope to maintain even that unfavorable ratio. As Dayan says, correctly, you cannot both get conventional weapons from the U.S. and keep the territories. The U.S. will use its leverage to force an Israeli withdrawal. Another convincing point in Dayan's argument is that the arms race is crippling Israel's economy. "We are destroying ourselves," says Dayan, and the Americans will demand a price.

So, what Dayan says is to use nuclear deterrent to retain the territories. There will be no peace, because the conflict is a basic conflict of nationalisms, and cannot be resolved. Concessions and demilitarization are impossible. So Israel can get out of most of Sinai, some of the Golan Heights, none of the West Bank, and make the cost — to the Arabs — of changing the status quo too high to pay.

This is not the government's strategy, that of Rabin and Allon. But the question is how to survive, to grow as a Jewish state? The answer is that Israel must make an all out offensive too costly for the Arabs: One atom bomb on the Aswan Dam would kill over 90 percent of Egypt's population. And thermonuclear weapons would destroy Arab oil fields, permanently. So that's the issue.

Marcus Raskin: The Middle East Link to SALT

I am not a believer in deterrence. Even between the U.S. and the USSR, other factors are more important in preventing war than the nuclear deterrent. In the Middle East, it is therefore wrong to think that nuclear weapons will allow Israel to keep the territories because that threat cannot prevent war. In an area where there have been four wars in 25 years, the danger is that one uses the weapons one has. If there is another war in the Middle East, atomic, biological and chemical will be employed. An armaments system is not a guarantee of a settlement.

Thus, there is little to trade off.

What about the great powers? Well, Dayan is absolutely right when he says that the U.S. would like to get our from under the Israeli noose. And the Soviets would like to get out of *their* locked dance in the Middle East, and their foreign commitments there. Therefore, the U.S., for instance, must not honor its arms sales commitments to Saudi Arabia, Iran, and Israel. Under the shadow of the threat of nuclear war, the U.S. and Soviets must confront the issue of armaments into the area. A Middle East settlement is ultimately linked to U.S.-Soviet disarmament, and SALT.

All Sides Denounce Carter's 'Mediator' In Cyprus

Clark Clifford, Jimmy Carter's emissary to the Eastern Mediterranean, was dispatched to Greece, Turkey and Cyprus last week on a trip to restore U.S.-NATO control over the Greece-Turkey-Cyprus axis and block out Soviet influence in the region. He was not greeted with a hearty welcome.

First, the Clifford "mediating mission" was preempted when Greek Cypriot leader Archbishop Makarios and Turkish Cypriot leader Rauf Denktash met for the first time in 11 years and took major steps toward a peaceful settlement of the long-manipulated Cyprus conflict days before Clifford's arrival.

Arriving in Athens Feb. 18, Clifford was received by the Greek Communist press with headlines: "Clifford Is Delivering the New Truman Doctrine to Greece." Remembering his "key role in drafting" the Truman Doctrine, which set up Europe for post-World War II dollar domination, Clifford declared that "it is appropriate now after 30 years that the U.S. reapproach

Greece and Turkey on the same basis as they did at that time."

Serious concern was expressed by Greek officials over Clifford's pressures on the government to reinstate U.S. military bases in Greece and return the nation to the NATO military command from which it withdrew in 1974. Earlier this month, Greece sent a communique to NATO headquarters in Brussels stating that Athens would maintain a "pick and choose" relationship with NATO, similar to that adopted by Gaullist France in 1967.

The strongest denunciations of Clifford's mission, however, came from Turkey, where he arrived Feb. 20. Outraged Turkish officials recognized the trip to be part of a confrontation strategy which could lead to world war, charging that "the Clifford trip has far more significance than Cyprus per se." It marks the beginning of initiatives by the Carter Administration "to make changes in the world balance of power." This, said the officials, involves an "interventionist foreign policy,

such as interfering in the internal affairs of the Soviet Union."

The Turkish press accused the United States of meddling in Turkey's affairs, attempting to buy Turkish cooperation by promising to lift the U.S. arms embargo. The Turkish Foreign Ministry dismissed Clifford's trip as "untimely and unnecessary;" it could only complicate a Cyprus settlement he stated.

Turkey's attack on Carter foreign policy in general is consistent with the steady growth of its economic and political ties to the Soviet Union, a relationship that the Carter Administration is intent upon breaking by imposing its NATO "solution" on Cyprus. That "solution" involves keeping regional tensions aflame.

This week Makarios declared that Clifford's mission will not make the "slightest contribution" to drawing together the two sides in Cyprus. Rauf Denktash, who earlier denounced Clifford's trip as "indecent," attacked the U.S. government for rushing to name a "mediator" as soon as progress in Cyprus had been achieved.

Clifford was denounced by West Germany, Great Britain, and the Soviet Union. The Soviets called the Clifford trip a NATO provocation charging that his "new plan" for Cyprus involves the transfer of British bases there to the U.S. and Cyprus' renunciation of its non-aligned foreign policy. The West German *Frankfurter Allgemeine Zeitung* newspaper reminded its readership that Clifford's involvement in the Truman Doctrine's anti-communist campaigns cost the Eastern Mediterranean at least 100,000 lives. "The recent spectacular developments in Cyprus," notes the *Times* gleefully, have "restricted the scope of Mr. Clifford's mission."

In an effort to discredit Makarios, to make it impossible for Denktash and the Turks to deal with him, the *Washington Post* invented the idea that the Archbishop

like other heads of state (Venezuela's Perez and Jordan's King Hussein) was maintained for years on the CIA's payroll. Makarios, who is committed to Cyprus' non-alignment reportedly stated that these charges are "even unworthy to be refuted." According to the U.S. press, he is considering legal action against the *Washington Post* and an official protest to the Carter Administration. The British-linked Greek newspaper *Kathimerini* also denounced the *Washington Post* "revelations" as an attempt to sabotage President Makarios' "hardest diplomatic fight for a Cyprus settlement."

Those charges had no impact in Cyprus or Greece and *Kathimerini* exposed the fact that the CIA has been trying to assassinate Makarios, and backed the Turkish invasion of Cyprus in 1974. According to the Greek socialist leader Andreas Papandreou, NATO is preparing a covert operation to get rid of Makarios and replace him with his rival Glafkos Clerides, the former Cypriot Vice President. Clerides visited Washington last month to meet with Cyrus Vance and other administration staffers who are coordinating the operations against Makarios.

In Greece, Prime Minister Constantine Karamanlis is moving away from NATO. He has announced a new government policy to advance relations with the Arab world, in the context of an already established policy of economic and political cooperation with the neighboring Balkan socialist countries. Following a tour of the Arab states by a delegation from the Greek Chamber of Commerce and Industry, the Greek government announced the establishment of a Greek-Arab bank with the participation of Libya, Kuwait, and Bahrain, and a Greek-Arab Mediterranean Studies Center for the development of traditional Arab-Greek cultural ties. Karamanlis himself is expected to visit all the leading Arab countries, possibly in the fall of 1977.

Turkish Press: Carter's "Interventionist Policy"

The following are excerpts from an article which appeared in the Turkish daily Cumhuriyet on Feb. 20, the day of Clark Clifford's arrival in Turkey.

According to the official circles in Ankara, President Carter's personal envoy Clark Clifford's visit to Ankara goes far beyond the Cyprus issue and is the beginning of some initiatives connected to Carter's plans to change the global balance. These circles said that Carter, in order to establish a strong NATO whose backing he will need to implement his 'interventionist foreign policy,' has taken a hard line to force allies into concessions, and Clifford's visit to Athens and Ankara can be given as an example of this....

The general view in the capital regarding Clifford's visit is as follows:

Carter does not want any potential hot spots which would threaten the balance in the areas controlled by the United States.... Carter's concern with Cyprus is rather connected to the elimination of the conflict in the

southern flank of the NATO in order to be freer in his interventionist foreign policy, which has already begun to appear in the form of intervention into the internal affairs of the Soviet Union.

Since obviously it is out of the question that Carter could demand concessions only from Turkey, both Greece and Cyprus too will come under pressure from the U.S.... Carter is not concerned with the interests of either Greeks or Turks, but he rather plans to repair the gap in the southern flank as soon as possible in order to proceed with his interventionist policy.

Knowing that economies of Turkey and Greece can no longer carry the added weight of the arms race, Carter will try to use the arms embargo as a trump card to force Turkey and Greece to stay in NATO.

Pravda "Concerning a Trip"

The following is an article which appeared in Pravda Feb. 19 on Clifford's trip to Athens:
ATHENS; Feb. 18 (TASS). The special emissary of the

President of the U.S., C. Clifford, arrived in Athens for talks with the Greek government.

NICOSIA, Feb. 18 (by Pravda's own correspondent, V. Drobkov). Reports on the beginning of a "fact-finding mission" by C. Clifford have aroused great interest in Cyprus. This is because C. Clifford was appointed by the American Administration to investigate the situation in Cyprus, and also to feel out the possibilities for a compromise between the two quarreling NATO allies — Greece and Turkey.

For this purpose C. Clifford, one-time head of the American Pentagon, and at other times U.S. Administration foreign policy advisor on a number of programs, is to visit Athens, Ankara, and Nicosia.

It must be said that both in Athens and, especially, in Nicosia, the new American initiative has evoked serious concern. The obvious attempt by the U.S. to tie together two independent problems — the question of restoration of peace and justice on Cyprus, and the complex disagreements between Athens and Ankara — causes alarm. This raises the danger of equating the Cyprus crisis to a NATO "domestic squabble." There is a danger that some NATO agreement will be reached behind the back of the Cypriots and against their interests on a whole range of matters from the renewal of American military aid to Turkey to the quarrel between Athens and Ankara on the continental shelf in the Aegean Sea.

The choice of a former U.S. defense minister for the role of mediator only bolsters this apprehension. As the Athens paper "Rizospastis" said, the appointment of C. Clifford once again attests to the constant aspirations of the American administration to carry out a NATO version of a solution of the Cyprus problem.

The Cypriots are also unsettled by numerous reports in the Western press about the existence of some "new plan" to resolve the Cyprus problem. This "plan" somehow envisions the transfer of English bases on Cyprus to NATO or U.S. control; repudiation by Cyprus of its non-aligned policy in favor of a pro-West position, and removal of Archbishop Makarios as President under the pretext of creating a "secular state." It is not difficult to see that all these "ideas" are long term goals of the militarists of the North Atlantic bloc, and have more than once led to imperialist provocations against Cyprus.

C. Clifford's mission has already elicited criticism in wide circles of both Cypriot communities. Representatives of progressive public opinion have come out against the mission. Doubts about its success and necessity have been expressed in official circles. As President Makarios recently told journalists, he does not consider that the arrival of the American mission can, at least now, contribute to a rapprochement of the two sides' positions. The leader of the Turkish community R. Denktash expressed regret, that the U.S. hastened to appoint its "intermediary" just when some progress had been achieved on Cyprus.

Now, when as a result of the two meetings between President Makarios and the leader of the Turkish Cypriot community R. Denktash, certain preconditions have been established for mutually acceptable resolution of the problem, the interference of transoceanic "mediators" is, at the very least, inopportune. Behind the speed with which the C. Clifford mission was sent here there is a suspected attempt to interfere in the process of regulation and force a solution on the Cypriots in interests other than their own.

Smith Tries To Look Liberal But Nobody Is Fooled

Rhodesian Prime Minister Ian Smith this week made known legislation to ease racial discrimination in that country, a hasty move to acquire some credibility for his "internal negotiations" with domestic tribal chiefs. Smith wants to undercut the position of the Rhodesian nationalist Patriotic Front and pre-empt expected new British interventions to bring about a peaceful transition to majority rule in Rhodesia.

Spokesmen for the Patriotic Front contemptuously rejected Smith's maneuver. The Front maintains that the basis for resumed negotiations is the willingness of Britain to take responsibility for enforcing the settlement.

Forward to the 1950s

Smith's anti-discrimination legislation, graciously approved by his Rhodesian Front Parliamentary caucus yesterday, essentially moves Rhodesia forward to the racial policies of pre-1954 Mississippi — optional rather than mandatory racism. Some restaurants, bars and lunch counters will now legally have the privilege of deciding for themselves who they will and will not serve, and some aspects of the Land Tenure Act, which sets racial policy for land ownership, will be set aside, although that act is not fundamentally changed.

Smith also trumpeted his "liberalization" move in an interview broadcast on the Feb. 20 "Issues and Answers" program on ABC-TV. The Rhodesian outlaw prime

minister asked for U.S. support for his internal negotiations in Rhodesia, adding that he "could think of nothing better" than the Carter Administration handling the situation.

Smith has in no way changed the Patriotic Front and front-line states' position, expressed some weeks ago and reiterated in the Feb. 21 issue of *Pravda*: "When Great Britain shows its readiness to take an unambiguously positive and more resolute position in order to achieve the transition of power, to the people of Zimbabwe, we can take a look at the question of initiating preliminary talks *with the British*."

Since that time, Patriotic Front co-chairman Joshua Nkomo has been lining up support for his movement in North Africa and from the Italian government of Giulio Andreotti. Last week Nkomo met with Italian Deputy Foreign Minister Ratti, who issued a communiqué supporting the Patriotic Front. Nkomo returned to Rome from Libya this week for further consultations.

It has been mooted, according to BBC, that new British Foreign Minister Owen may soon visit the front-line states and South Africa. In preparation for this, British representative Sir Anthony Duff had several meetings with State Department Africa Bureau chief William Schaufele. Far from inviting another round of U.S. shuttle-sabotage, Duff's mission was to discern American intentions, or, as a State Department spokesman put it, "the meetings were for *reconnaissance*."

EXCLUSIVE

Ethiopia Struggles To Escape Role As 'Horn Of Africa' Hotspot

by Douglas DeGroot

On Feb. 3 fighting broke out at the headquarters of the ruling Dergue (Provisional Military Coordinating Committee) in Addis Ababa, Ethiopia. It began with an attempt to purge an alliance of nationalists and socialists which was quickly gaining increasing power over the Dergue. Had the purge succeeded, the country would have been plunged back into the disorder from which it has been slowly emerging since the end of 1975 after a period of complete chaos with the downfall of Emperor

Haile Selassie in 1974. But the purge attempt failed, and the ensuing half hour of fighting included among its victims the perpetrators of the intended purge, including its chief conspirator, Gen. Teferi Bante, the head of the Dergue.

The purge attempt occurred one month before the early March Afro-Arab summit meeting is scheduled to take place in Cairo. African and Arab governments have been preparing for this summit for months. It is intended

to establish the basis for Arab cooperation with the development of African countries.

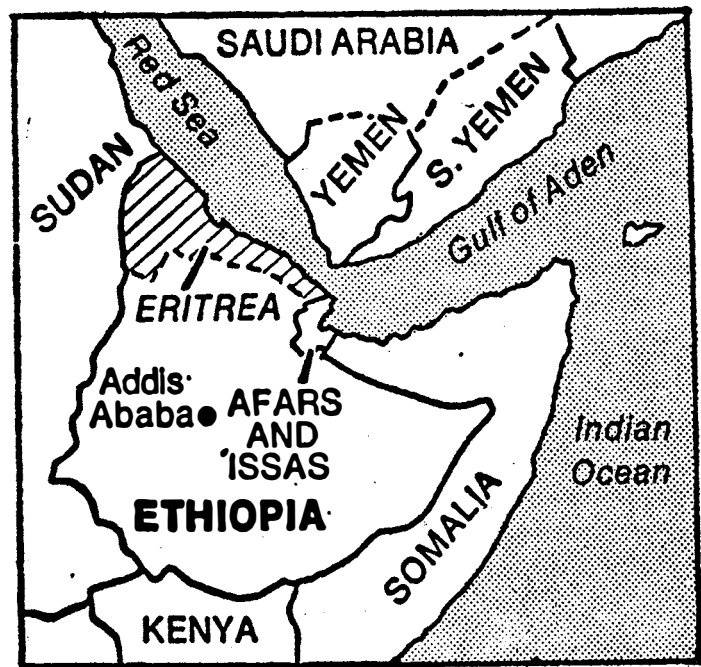
The disruption of this consolidation of Afro-Arab ties has been timed to coincide with a wave of Carter Administration-engineered disruptions stretching from the Mideast throughout Africa, and an escalation of the Rhodesian crisis, all intended to set the stage for a U.S. confrontation with the Soviet Union, as envisaged in Carter advisor James Schlesinger's "aura of power" doctrine of global strategic bluff. The administration's desire to use Ethiopia to disrupt Afro-Arab cooperation prompted the recent attempt to destroy that country's tenuous stability. Carter's hand was tipped by United Nations ambassador Andrew Young who "predicted" last week that East Africa would become the next African hotspot, and raised provocative charges of Soviet "playing around" in the area as a possible pretext for a U.S. intervention.

The takeover by the Dergue in 1974 was a classic CIA "progressive military" operation engineered to guarantee that the eastern Horn of Africa would remain unstable. Ethiopia has long been the cornerstone of Wall Street's policy of maintaining tensions in the area to preclude the consolidation of substantial Afro-Arab ties; tension between Ethiopia and Sudan, Ethiopia and Somalia, as well as Ethiopia and its own province of Eritrea all had served as the basis for keeping the region unstable. When former ruler Selassie showed signs of no longer being willing to cooperate in this process, the CIA chose the "progressive military" option. However, the CIA's ploy backfired when a pro-development military faction became hegemonic in what the agency thought would be a servile and pliant Dergue.

The leadership of the Ethiopian military was trained exclusively by the U.S. and Israel. The CIA planners thought that as a result of these connections, no truly nationalist or development-oriented faction within the military could gain sufficient strength to dominate the country; they envisioned that under the military the policy of continuing chaos in Ethiopia and tension with surrounding countries could be maintained. However, as has often proved the case with the "progressive military" option, a pro-development faction began gaining hegemony in Ethiopia, especially throughout 1976, after the initial period of confusion following the coup. This required stepped-up CIA-Israeli activity to prevent a complete takeover. The unsuccessful Feb. 3 events were designed to destroy the pro-development faction's growing hegemony.

Following the Feb. 3 attempt, the Ethiopian government charged Teferi, one of those killed in the fighting with cooperating with the CIA. An ex-intelligence official, Teferi was Ethiopia's military attaché in the U.S. for five years until 1970, and returned to the U.S. five times, including once to take courses at the U.S. military Staff and Command College at Leavenworth, Kansas.

Lt.-Col. Mengistu Haile Mariam, who played a key role behind the scenes in engineering the downfall of Selassie, was named President of the Dergue following the coup attempt, as well as head of the government as reorganized in December. An ardent nationalist of no particular philosophy, Mengistu has since the end of 1975 become increasingly allied with the pro-Soviet socialist



grouping in the country best typified by Fida Haile, head of the Office of Political and Mass Organizing (OPMO).

The OPMO was set up in December 1975 for the purpose of organizing and educating the population to facilitate the regeneration of the country's collapsed economy, particularly to turn around a disastrous situation in agricultural production. Fida also was instrumental in setting up a political party, the All Ethiopia Socialist Union (AESU), to introduce order into the political vacuum existing since the fall of Selassie. The AESU was founded as a pro-Soviet socialist political party willing to cooperate with the military to set up a viable, stable government which would proceed with the development of the country.

Two opposition movements, both of them directed from outside the country, have been used to keep the government sandwiched in, to prevent it from consolidating control of the country and developing independent policies. The Ethiopian Democratic Union (EDU) groups together former feudal landed interests who have been dispossessed, and other feudal pro-Selassie leftovers. The EDU is based in London, and backs most of the 16 separate guerrilla groups resisting the government in different parts of the country, the remnants of the private armies which were maintained by feudal landowners until the demise of Selassie.

The other opposition force is the clandestine Ethiopia People's Revolutionary Party (EPRP), an extreme-left radical group which opposes any form of cooperation with the Dergue, which the group flatly characterizes as fascist. In an interview with the Cuban press agency Prensa Latina, following the Feb. 3 attempt to destroy the government, Fida reported that EPRP is linked to the CIA; the majority of its members, who have conducted assassination campaigns against those willing to cooperate with the government, were students educated in the U.S., and the group has large sums of U.S. dollars to finance their operations. Notorious left-cover CIA agent Paul Sweezy sponsored the founding conference of

EPRP in the U.S. and was supported in this effort by a gaggle of the CIA's maoist grouplets including the Canadian Communist Party Marxist-Leninist.

Strategic Importance of the Region

The Horn of Africa, the meeting place of Islam and Christianity, as well as Arab and African, is considered strategically important by the U.S. for its dealings with both the Soviet Union and the Arab oil producers. Of primary concern with respect to the Soviets, the U.S. wants to maintain the Indian Ocean as a launching site for nuclear missile bearing submarines, which requires the access to military ports and bases in the area, as well as communications stations. The U.S. has such rights in Kenya, for example, and has constructed a base on the Indian Ocean island of Diego Garcia. In the 1950s the U.S. established Kagnew Station, a huge military-communications and intelligence-monitoring installation, in Eritrea, near Asmara. Missiles aimed at Soviet targets from Indian Ocean launching sites open up another area of the USSR to vulnerability to nuclear attack, making it more difficult — in the view of U.S. defense hardliners — for the Soviets to set up an effective Anti-Ballistic Missile defense system.

With respect to the Arab oil-producers, the Rockefeller oil interests set up the east African Horn after World War II as a zone of tension to destabilize and unbalance the security-conscious Arab nations, who have always been concerned with the security of the Red Sea and consequently the countries bordering it. The Rockefellers saw this as a means to help maintain their control over global energy supplies.

In the late 1940s and early 1950s, the boundaries of the countries located in the Horn of east Africa were delineated in such a way as to maximize the potential for conflict in the area. This was due to efforts by the Rockefeller family, which used the decolonization activity of the United Nations as a key lever.

The border of Islamic Somalia was drawn up to exclude areas in Kenya and Ethiopia which were occupied by Somali-related populations. In addition, the small area called the Territory of Afars and Issas, where the port city of Djibouti is located, was left in French hands. This territory is slated to become independent this summer, and scenarios are being activated by the CIA to provoke Somalia and Ethiopia into conflict over it. The majority of the population of Djibouti is largely the same as a tribal grouping in Somalia. The port serves as Ethiopia's access to the sea for over 60 percent of its exports and imports. It is on the basis of a supposed conflict of interest over control of this territory that the CIA is attempting to prepare a Somali-Ethiopian war later this year.

Eritrea, the Ethiopian province bordering the Red Sea has since the Second World War, been torn between forces outside Ethiopia and Eritrea who either wanted the province to become part of Ethiopia or to become an independent entity. It was formally decided in the early 1950s to incorporate it into Ethiopia, a goal which has never been successfully accomplished.

How Rockefeller Controlled and Used Ethiopia

The political structure of Selassie's Ethiopia was made up of tightly woven and complex networks of interests

and personalities dominated by feudal landowners and the official Ethiopian Coptic Church; Selassie constantly played forces off against each other to maintain his position. Beginning in the early 1950s the Rockefellers moved in, especially penetrating the army and air force, as well as the nation's trade union organization. The U.S. has been the sole supplier of military equipment to Ethiopia, in addition to providing large numbers of military advisers. Even in 1975, with support levels sharply reduced, the U.S. Military Assistance Advisory Group (MAAG) based in Addis Ababa still numbered more than 50 men, amounting to about half of all MAAG personnel in Africa.

In addition, as early as the 1950s, the Israelis began playing a big role in Ethiopia. U.S. and Israeli military personnel together trained the Ethiopian military, and Israeli intelligence has always been heavily involved in Ethiopia. In addition, Israelis have been involved in the areas of agriculture, education, health and public works.

The Feb. 14 issue of the French news magazine *Le Point* reported the existence, moreover, of a secret Israeli airbase in Ethiopia for the purpose of surveying the straits of Bab el-Mandeb, the entrance to the Red Sea. Israeli Chief of Staff General Bar-Lev was also involved in Israeli operations in Ethiopia and made a public visit to Selassie in the early 1970s.

Ethiopia was used by the Israelis as a base for covert operations against neighboring countries. For example the 17-year rebellion in southern Sudan against that nation's central government was instigated and armed by the Israelis. It was fear of just such CIA-Israeli activity that caused varying neighboring Arab governments at different times to support the Eritrean Liberation Front (ELF) in an attempt to deny free use of the Eritrean coast to the CIA-Israeli forces in operations against the various Arab countries.

It is ironic that Eritrea, which has been in a more or less constant state of rebellion for these reasons, holds precisely the key to the future liberation of Ethiopia from its backwardness, because of Eritrea's more developed population.

Eritrea attained a more advanced level of economic and cultural development than did the rest of Ethiopia due to the period of Italian colonization, which produced a certain amount of infrastructural and economic development, along with the accompanying education of sections of the population. Ethiopia itself was never effectively colonized, and thus never subjected to the modernization and development that accompanied European colonization elsewhere in Africa.

So feudal relationships remained, keeping Ethiopia's population at an animal-like level of existence. This is what accounts for the unfortunate Ethiopia being the most backward country in Africa today. Ethiopia still has the lowest per capita consumption of energy of any country in Africa.

The Lion of Judah Outlives His Usefulness

In the 1970s, Selassie became less willing to permit destabilization operations to be run against neighboring countries from Ethiopia. In 1970 Ethiopia began experiencing a severe collapse in agricultural production

due to drought. With 80 percent of the population involved in agricultural activity, the results were disastrous both for the population and for Selassie's methods of rule. With the country confronted by a massive food shortage, the personal, regional and ethnic feuds, as well as other interest groups' differences, could no longer be played off against each other.

Faced with increasing difficulty in holding his feudal kingdom together, Selassie became willing to make deals. In 1972, for example, he agreed to no longer allow aid and arms to get through to the anti-government rebels in southern Sudan, which had been going on for 17 years. In return he got a withdrawal of aid by Sudan for the rebellion in Eritrea. Having begun to take matters into his own hands somewhat in the interests of his own self-preservation, Selassie was no longer a reliable or useful CIA puppet.

In February 1974, the CIA-Israeli networks put into motion the operation that led to Selassie's ignominious downfall in September of that year. In late February a revolt in all divisions of the military surfaced, calling on the government for more pay and better conditions. The spark soon spread to students and organized workers, and the troops began escalating their demands, condemning the government for corruption and failure to alleviate the famine and demanding political reform.

In mid-spring, the troops elected 120 representatives to the Provisional Military Coordinating Committee, called the Dergue. No one above the rank of colonel was eligible. The Dergue began slowly arresting government figures charging them with corruption and criminal negligence in the drought, gradually asserting more and more of its new-found authority. This process was accompanied by events which included workers' and students' strikes and a demonstration by 30,000 Muslims demanding equal rights from the Christian government. A new government was installed which made concessions, but suppressed grievances continued to come to the surface. Tax collectors, the hated government administrators and landlords became objects of the peasants' antagonism.

The Dergue stepped up the rate of arrests, systematically picking apart the networks that Selassie had always used and thus dismantled the monarchy. By September Selassie was totally isolated, and the Dergue merely dispatched a Volkswagen to His Imperial Majesty's palace to pick him up and cart him off to prison.

In November 1974, the first president appointed by the Dergue, Gen. Aman Michael Andom, was assassinated, reportedly at the behest of Mengistu and Lt.-Col. Atnafu Abate, a more traditional member of the Dergue. Widespread calls for reform rapidly arose from students and workers; peasants called for land reform which the landowners resisted. The Dergue itself faced considerable opposition.

The Dergue Makes Some Changes

In December 1975 the Dergue set up the Office of Political and Mass Organizing (OPMO) under Fida Haile. Peasant associations were formed to organize land takeovers, called for in a Dergue proclamation the previous March but largely unimplemented.

The present peasant associations possess up to 800 hectares of land each, which are cultivated as a cooperative. In conjunction with the move to organize the land takeover, the OPMO organized conferences and seminars in cities, towns and throughout the countryside to explain the program of what they called the democratic revolution. In addition, the OPMO conducted political courses for functionaries, peasants, workers and members of the military.

Also in December 1975 the Dergue disbanded the Confederation of Ethiopian Trade Unions, and set up the All Ethiopia Trade Union. The situation has already begun to improve. This past year agricultural production has risen 10 percent, following the land reform, a success which has come largely despite attempts at sabotage by the EDU and EPRP right- and left-counter gangs.

The clandestine ultra-left counter gang EPRP was set up in August 1975 and has been deployed consistently against the OPMO and the All Ethiopia Socialist Union (AESU), the political party set up by the OPMO under the auspices of fida Haile. In addition to organizing demonstrations against the OPMO, EPRP has also been carrying out assassinations of OPMO members and potential members, condemning the OPMO for trying to work with and influence the military government.

This activity stepped up sharply following the arrival in Addis Ababa last September of the new U.S. ambassador, McMurtrie Godley, a notorious CIA operative with numerous "dirty tricks" operations to his credit. Godley worked for the CIA's predecessor, the OSS during the Second World War; he was sent to the former Belgian Congo as ambassador in 1960-61 to help oversee the murder of Premier Patrice Lumumba and the installation of the government of the slavishly pro-U.S. Joseph Mobutu instead; in the late 1960s he was in Laos, where he was responsible for conducting the CIA's secret war; and he was in charge in Lebanon in 1974 at the beginning of the devastating civil war there.

Following Godley's arrival in September, an assassination attempt against Mengistu occurred on Sept. 23, followed by a wave of political violence and assassinations, with the EPRP specifically targeting the OPMO.

EPRP has been singling out for assassination former EPRP members who have decided to leave the EPRP and begin working with the OPMO. One OPMO provincial leader who had formerly been a member of EPRP was assassinated by EPRP in October, and six other leading OPMO members were assassinated in October and November alone. Despite the fact that EPRP constantly condemns the OPMO for working with the military government, however, all those who have been attacked by EPRP have been civilians. Their deployment is designed specifically to make it difficult for the government to organize civilian support for its efforts.

In late 1976, provocations leading to heightened border tension with Sudan also escalated, putting more pressure on the Dergue.

CIA-Israeli-run operations into Sudan have been threatening Sudan President Numiery's government, leading to attacks by Numiery on the Ethiopian government. To prevent the Dergue from taking any decisive

Israel Revs Up Civil War In Sudan

"The birth of a new republic" in southern Sudan was prominently announced in the Jerusalem Post Feb. 20. The Post cited as its source a letter ostensibly sent from Addis Ababa by the "Genuine Movement for the National Independence of Immantong Republic," which said that the Israelis should be "fully informed that they have potentially genuine allies in the very heart of the African continent. With this proclamation, the Israelis are making known a CIA-Israeli move to rev up again their civil war against the Sudan government which lasted 17 years and was finally ended in 1972. The Sudanese civil war scenario from independence in 1956 until 1972 had prevented development of Southern Sudan and the country as a whole. Sudan development projects have sharply increased since the end of the southern rebellion, concentrating especially on capital-intensive agricultural programs based on extensive irrigation projects.

action to stop this activity, the various EDU gangs, as well as the anti-government gangs in northern Eritrea, have been attacking army outposts in the northern border areas near Sudan. This deliberate demoralization of these army outposts has made it impossible for the Dergue to stop the interventions into Sudan from Ethiopia, and also has raised the possibility of the Dergue no longer being able to maintain any influence in Eritrea province, which could lead to rapid independence for Eritrea. Even the Eritrean Liberation Front is apprehensive about this possibility, since Rand-style CIA scenarios are available to immediately turn Eritrea into an Angola-style civil war battleground among the three primary political factions in Eritrea.

Government Reorganization

In December the Dergue reorganized the government, setting up a structure along the lines of the East bloc countries. A permanent committee of 17 was established, and a larger Congress which is to meet every four years to deliberate on the actions of the committees was set up.

Although this kind of reorganization had been sought since the formation of the OPMO a year earlier, because of differences in the Dergue it did not take place until December. At the time of the reorganization, Teferi Bante, Dergue leader, was made president of the Permanent Committee. In addition, the OPMO, which prior to the reorganization had certain autonomy, was put under the control of the Permanent Committee, the real power in the government.

This arrangement appears to have been demanded by those members of the Dergue who are pro-CIA as a

condition for their approval of the reorganization. Extreme tension among the members of the Permanent Committee was reported following the reorganization. The unsuccessful attempt by Teferi and his allies to gain unquestionable hegemony of the Permanent Committee has left the OPMO and Fida in a stronger position.

In his Feb. 14 interview with Prensa Latina, Fida charged that the CIA had a dual policy toward the Dergue. On the one hand, he stated, it wanted to eliminate the Dergue, since the progressive military team wanted a pro-development policy and was moving toward setting up a socialist government to attain that goal. At the same time, Fida said, Teferi and his associates acted as a fifth column within the Dergue to frustrate the revolutionary process. The original 120-member Dergue has been reduced to 50-60 members by assassinations and executions.

Since the Feb. 3 coup attempt, the government has announced its intentions of maintaining and strengthening its pro-development policy orientation. It has called for the formation of a popular militia, an important move for eliminating the disruptive activities of both the EPRP and the EDU. In addition, the government has called for the strengthening of relations with the socialist countries, and announced a foreign policy of non-alignment. To further consolidate the pro-development forces influenced by Fida and the OPMO, Mengistu has called for the formation of a vanguard political party, as well as a further cleaning up of the trade unions.

Lt.-Col. Atnafu, in charge of arming the militias and the military, has announced following the attempted coup that Ethiopia from now on will obtain arms from socialist countries. Until now the U.S. had remained the sole supplier of military equipment to Ethiopia, continuing its flow of supplies after the fall of Selassie as a means of retaining influence on the Dergue. Switching from U.S. arms supplies is the necessary first step to cutting ties with CIA and Israeli intelligence circles.

To support the present government in this effort, the Soviet Union, the German Democratic Republic, Yugoslavia and other East European countries and Cuba have come out publicly since the coup attempt in support of the Mengistu government. Significantly, China, which in the early 1970s had been involved in arming the Eritrean rebels, has also come out in support of the new government. Algeria, Libya and Guinea have also given backing to the new government.

Moving to reduce tensions in the region, the government is attempting to iron out the problems with Eritrea, offering a plan of regional autonomy in the context of Ethiopian unity. The government has also announced that the prospects for resolving whatever differences may exist with neighboring Soviet-allied Somalia through amicable discussions look good. The prospects for resolving problems with Sudan do not look as bright, a government spokesman has stated. The government will first have to put border regions under its control to be able to stop the destabilizing operations being conducted into Sudan from Ethiopia before the Sudan problem can be sorted out.

Carter Applies 'Cuban' Policy To Vietnam: Step-by-Step Warmaking

The Carter Administration has announced that it will send a delegation headed by former Senator Mike Mansfield, to Hanoi in the near future to discuss the issue of U.S. servicemen alleged missing in action (MIAs). Advertised as an overture toward normalized relations between the two countries, the move actually marks the beginning of a scenario for provocations heading toward a Southeast Asian regional war, parallel to those now being carried out against Cuba by the Trilateral Commission's Carter Cabinet.

Although the Vietnamese have not formally replied to the Carter "initiative," the Vietnamese Army Daily, *Quan Doi Nhan Dan*, last week roundly attacked the U.S. for intentionally creating the conditions for a regional war through its client states, the military junta in nearby Thailand. The statement, the first since Carter took office, charged the U.S. with having an "immediate and longterm scheme of subversion and aggression in Southeast Asia" using undercover agents in Thailand and teams of Green Beret troops in Laos to prevent detente efforts from progressing in Indochina.

Congressman Bingham (D-NY) proved the Cuban parallel to be no accidental similarity when he submitted legislation to lift the trade embargo imposed on Vietnam since the Communist victory there just before he undertook his recent trip to Cuba to discuss normalized relations there. Although a spokesman for Bingham's House international relations committee denied that legislation specifies concessions from Vietnam as a precondition for lifting the embargo, he admitted that once normalization discussions begin, "a whole range of issues will become relevant..., human rights, security, and the MIAs."

This precise scenario is outlined in the so-called Linowitz Report on U.S.-Latin American relations, the blueprint for the Carter Administration's Cuban and Latin American policies generally. Sol Linowitz, a Trilateral Commission member and now Panama Canal negotiator, prepared the report under the auspices of the Council on U.S.-Latin American Relations, with Rockefeller financing. The report recommended concessions to Cuba purely on a "reciprocal" basis. The U.S. would normalize relations "step-by-step," as Cuba made successive concessions inimical to its socialist policy and government.

The Carter cabinet's Vietnam initiative is clearly designed to sabotage a lasting detente between the Communist Indochinese states and pro-development factions among the governments of the Association of Southeast Asian Nations (ASEAN). Such detente requires not only the political will, but a basis in concrete economic cooperation. The Feb. 8 issue of the Japanese

Daily *Yomiuri* reports that the leaders of ASEAN countries fear the zero growth economic policies of the Carter Administration and all share a "high growth" perspective.

By the creations of tension within the region, the Carter Administration intends to mobilize to the forefront these governments' anti-Communist, rentier and military-intelligence establishment factions to isolate Vietnam. The same policy sabotages those potential Vietnamese allies' ability to solidify their own non-Asian economic relations, especially growing with the Soviet Union and Eastern Europe.

The Feb. 18 issue of *Far Eastern Economic Review* surprised no one when it reported that octogenarian Wall Street banker Averell Harriman is now playing a determining role in the Administration's Vietnam policy. Harriman is by no means new to the Asian scene. In the 1960s, as John F. Kennedy's ambassador-at-large, he orchestrated the "Secret War in Laos" which served to prepare for full U.S. military intervention, (though it said he attempted to "moderate" the development of the situation). Harriman also conducted peace negotiations with North Vietnam and the National Liberation Front (NLF) under the Johnson Administration while William Colby, later to head the CIA (and now "pro-normalization"), ran the notorious "Operation Phoenix" slaughter of thousands of NLF cadres. As a side operation Harriman advised Kennedy and Johnson on Indonesia during the nationalist Sukarno Regime. Its fall in 1965 led to the slaughter of at least 500,000 Indonesian Communist Party members and supporters under CIA supervision.

Provocation and War

While the Vietnamese properly view Carter's "normalization" as merely a continuation of the Kissinger policy of provocation, their immediate perception of the Administration's intentions is tempered by the increased border clashes aimed at their Cambodian and Laotian allies. Dr. Puey Ungphakhon, the former governor of the Bank of Thailand who has been exiled since the U.S.-backed Oct. 6 coup, warned that the U.S. might use "a second coup" as a threat if Vietnam declines "normalization" overtures. The present Thai government, he said, could be overthrown by an even more anti-Vietnamese clique as a result of "outside interference by the U.S." Dr. Puey revealed that the former Thai dictator, General Praphas, who returned to the country as a "private citizen" after the coup, is now maneuvering for a second coup. "If the Praphas group came to power, it would be worse," he said, rapidly leading to civil war.

India's Election Campaign Enters Homestretch

The parliamentary campaigns of India's major political parties have swung into their final three weeks, and the entire country is now engaged in the liveliest debate ever on the Gandhi government's economic and political policies. With the election set for March 16, all the major contending parties have issued public election manifestos, in all cases attempting to evaluate the gains and losses of the 19-month state of emergency period relaxed only last month.

The electoral manifestos of all major parties, including the non-Communist Opposition Front (Janata), refute the New York Times argument that the election is a battle between the "return of democracy" or continued "totalitarian" rule under Mrs. Gandhi. The Congress platform is solidly pro-economic growth but fails to express the political will to implement its own policies, reflecting the party's uneasy compromise between pro-development planners and the landlord-business alliance which funds the party. The Communist Party of India's (CPI) platform is a strong attack on the World Bank's austerity strategy, with a call for rapid industrialization through stronger relations with the socialist nations and emphasis on the need for the creation of a new world economic order. The CPI platform is basically what the left wing of the Congress Party would implement if it controlled its own party, but what the CPI cannot implement alone because it lacks a national party base to gain electoral majority.

In contrast, the Janata platform calls for the reversal of all pro-growth policies. The Janata glorified Mahatma Gandhi's self reliance programs, calls for decentralization of India's vast economy, and a return to the villages — in a nutshell, a zero growth "democracy."

Pro-growth economic planners, the CPI, and Mrs. Gandhi have all seized on the opportunity to demonstrate the total stupidity of the Janata strategy for India. On behalf of these forces, the *Patriot*, a major Indian daily, has delineated a program for "left and democratic forces" demanding that all parties address the issue of "application of science and technology for Indian development." Simultaneously, Mrs. Gandhi began her campaign rallies charging that the Janata Party is a vehicle for social chaos. Gandhi argued that the "hodgepodge party" aims at "dismantling India's state sector, and destroying the basic principles of socialism, secularism, and non-alignment" — all fundamental commitments of Indian government. Responding to these charges, one Janata spokesman indicated that it would be likely that the Soviet Union would end its friendship treaty with India should his party come to power!

Mrs. Gandhi's problem is that almost regardless of her own commitments to her popular base and campaign, the ruling Congress has continued to vacillate in the middle of an internal party conflict. When the election was announced Jan. 18, many believed the Congress could win handily. This prediction has melted away as the party has undergone rapid, unpredictable internal

changes in the past three weeks.

The Congress Party is funded by big landlord financial group alliance led by the Birla family, which is basically opposed to the strategy proposed by both Mrs. Gandhi and the left Congress. The Birlas have repeatedly voiced their agreement to an austerity drive for "Brazilianization" of India involving cuts in consumption of the working class and peasantry and an export drive that drives industries to maximum output with minimal capitalization. On behalf of this strategy, an agreement has been made to hold back Mrs. Gandhi's 20-point economic program — land reform and peasant debt moratoria — to the advantage of the state landlord backers of the party. But Mrs. Gandhi is campaigning on the 20-point program.

The political backlash to the indecision inside the Congress, and the role of Sanjay Gandhi, Mrs. Gandhi's son, who has served as a tool for the Birla control, has been evidenced in the defection of Jagjivan Ram, former Agriculture Minister and powerful Congress faction leader. Ram has formed his own party, the Congress for Democracy, and has made unprincipled alliances with the Janata Front to bring down the Congress at the polls. Ram's political manifesto is highly critical of the defects of the Congress policies, but offers no alternatives.

Election Prospects

If the Congress is able to resolve its current internal strife to the benefit of Mrs. Gandhi and her pro-growth supporters, there is no question that it will win. Overall slate selections have demonstrated this already. The Congress will contest 492 out of 542 seats from the comfortable position of being able to consolidate a majority in the Lok Sabha (Lower House). The Janata will contest 391 seats, leaving 153 to various local, regionally-allied parties. The CPI will contest 98 seats, and unlike the last election, will not have alliances with the Congress in Orissa, Uttar Pradesh and Bihar. The most solid Congress-CPI alliance is in the heavily industrial West Bengal, where a joint campaign is planned. In the state of Kerala such a joint action is likely. On a state-by-state breakdown, the Janata challenges appear to be strongest in Bihar, Uttar Pradesh, and Gujarat, the first two where the Janata has appealed to India's most illiterate ruralized communities and the latter because of its traditional landlord control of the state government.

Like the Congress, the Janata has put forth the familiar faces it has to the electorate — a policy that could well backfire. Officially it is a melange of four parties: the Hindu revivalist Jan Sangh, the Congress-O, led by former finance minister Morarji Desai; the Communist Party of India-Marxist (CPM); and the "Socialist" parties led by Jayaprakash Narayan, who is funded by the Ford Foundation. Almost all the Janata's major candidates have been part of the "pro-U.S. lobby" and the CPI has charged that Desai and J.P. Narayan are CIA agents.

Congress Party Program

The following are excerpts from the Congress election manifesto...

Through three decades of freedom, the Indian National Congress has stood steadfast by the ideals that inspired the liberation struggle and to the principles that have activated the Indian Revolution. It has squarely faced the latest desperate attack made upon the people. Despite the continuing threat, the Congress with undiminished faith in the people calls upon all citizens to give it a clear and unequivocal mandate to carry the nation forward unitedly to peace, progress and prosperity through democracy, secularism and socialism, safeguarding the integrity of the nation.

In the 1971 elections, the people reiterated their faith in the Congress ideals of democracy, secularism and socialism... The privileges, to provide the basic requirements of the people speedily through dynamic rural programmes, to provide new employment avenues, to enlarge the role and efficiency of the public sector, to give proper scope to the private sector to play a national role without concentration of economic power, to control prices and ensure supplies of essential commodities, to launch a vigorous programme of child welfare, to expand and improve education and, for these purposes, to amend the Constitution suitably.

In 1973 and 1974 these parties, exploiting economic difficulties and the impact of global inflation stirred up discontent to bring about the dissolution of elected legislative assemblies. By resorting to force, duress and brutal violence duly elected governments were not allowed to function.

In this surcharged atmosphere certain opposition leaders went to the length of inciting the armed forces of mutiny and the police and government officials to rebel. Forces of disintegration were unleashed and communal passions were roused threatening the very unity and integrity of the country. No government could have stood by and allowed the country's stability and integrity to be so imperilled....The Constitution-makers, envisaging precisely such internal disorders, had provided for the declaration of an emergency under the Constitution. No option was left but to declare an emergency when such a situation did arise. This timely and necessary measure was ratified by Parliament. It saved the Republic from catastrophe and restored political stability.

...The new economic programme has contained and reversed inflation, and unparalleled achievement in the world...India is the only country where the price level today is lower than it was in October, 1974....

PRICES

We are maintaining closest vigil on prices. We are taking steps to bring them down in essential commodities. The public distribution system is being strengthened. We shall further expand programmes to reinforce the handloom industry and to bring high quality controlled cloth to the people...

The problem in liquidating poverty is mainly linked with population growth. It would be unwise to allow our planned development efforts to be wiped out by a population explosion. But, the Congress categorically states that there cannot and will not be any compulsion in the family planning movements. It will be a voluntary movement and it will be a people's movement.

The Congress will continue to give high priority to the growth and development of industries.... Efficient management in the economy, specially in the last two years, has led to a comfortable balance of payment, an excellent expert performance, a record accumulation of over Rs 2,500 crores in foreign exchange reserves, industrial peace, a large reservoir of technological and scientific man-power and business confidence.... To stimulate industrial production, the Congress will fully utilise existing capacities, create new capacities and improve productivity. It will take steps to bring sick mills which are otherwise viable back to health. It will also try to introduce modern and scientific methods of management in industries.

LAND REFORMS

The Congress is irrevocably committed to land reforms leading to peasant ownership. Such reforms are being put through rapidly in all states. Along with ownership....agricultural and rural credit procedures will be simplified so that farmers can get easier credit, supplies and services without undue difficulty. An Agricultural Development Bank of India will be established to meet credit requirements and to coordinate the work of cooperative institutions, rural banks, commercial banks in rural areas, farmers' service societies and extension agencies....

In the countryside, the Congress will see that benefits of development go down to the grassroots level by creating greater employment opportunities, extensive programmes will be launched for the small and marginal farmers, rural artisans. Scheduled Castes and Scheduled Tribes and the backward communities.... The Congress will endeavour to transfer modern technology to the undeveloped rural sector and to give preference to such technology as will help eradicate poverty and reduce the drudgery to which the rural population, especially women, are subjected...

In the field of foreign relations, the Congress will continue the policy of non-alignment, which has kept India out of military blocs, preserved its independence and integrity and has allowed it to judge international issues on their merits.... The Congress believes in peaceful co-existence, respect for the sovereignty of every nation and non-interference in the internal affairs of other nations. It seeks the friendship of all countries, particularly of India's immediate neighbours, and notes with satisfaction the recent success of India's efforts to normalise relations with its neighbours. The Congress calls for urgent measures to establish a new International Economic Order based on justice and equality. The inter-

national community must ensure the accelerated economic growth of developing countries. The developing countries, on their part, should also promote greater cooperation among themselves and strengthen the spirit of collective self-reliance. Congress rejects the doctrine of spheres of influence and balance of power. It is opposed to all forms of colonialism, imperialism, apartheid and racialism....

The Congress appeals to the people to return its candidates to the Lok Sabha in the 1977 elections with a massive majority so that it can:

i) uphold the ideals of secularism, protect the interests of the minorities and the right of every community to pursue its faith and way of life.

ii) preserve and consolidate democracy and put an end to all forms of violence and disorder so that people can live in peace and harmony.

iii) fight poverty, ignorance, disease and inequality and build a modern, prosperous, egalitarian and socialist party,

iv) abolish all kinds of discrimination between one human being and another and end all forms of exploitation.

v) develop and modernise agriculture and allied activities, expedite an integrated rural development programmes and bring about a total rural regeneration.

vi) promote the interests of the small and marginal farmers, agricultural workers, Scheduled Castes and Scheduled Tribes and backward classes and communities,

vii) strengthen the diversity of the country's industrial base, enlarge the role of the public sector, give scope to the private sector to play its due role within the priorities of the Plan and without bringing about a concentration of economic wealth and power,

viii) take up a massive programme to expand opportunities for productive employment.

ix) protect the interests of the working class and give them their proper share in management and in the fruits of their labour,

x) keep prices in check and ensure essential commodities to the people at reasonable prices,

xi) provide primary education to all children and improve the scope of secondary and higher education, and

xii) expand health and medical facilities and welfare programmes for the people...

CPI Manifesto

Following is the text of the CPI election manifesto:

I MOMENTOUS CHOICE

The coming elections to the Lok Sabha are a crucial battle. Our motherland and our people have to make a momentous choice. At stake are issues which are decisive for national destiny and for our people's advance to fullfledged democracy leading to socialism.

At stake are the progressive objectives and policies of our nation. The inclusion of socialism in the preamble of the Constitution, the secular and democratic system, the anti-imperialist foreign policy of peace, nonalignment, friendship with the Soviet Union and other socialist States — all these have been and are under constant attack from reaction. The people must give a clear mandate of reinforced support for these policies and against their opponents.

At stake are the parliamentary democratic system, the democratic rights of the masses, the cherished democratic norms and values. These face serious danger from reaction. The people must give a clear mandate to defeat this danger, defend democracy and give it stronger mass foundations.

At stake are the direction and content of our nation's economic policy. The people must give a clear mandate for self-reliance, for rapid implementation of the 20-point programme, for anti-monopoly measures, for planning of the economy tied to national needs and internal mass market and for closer ties with the socialist world. The people must give a clear mandate against the Imperialist

World Bank strategy of dependence on aid and export oriented economy, against the wholesale concessions by the Government to the monopolists, against policies and measures helping speculators and hoarders...

II NATION'S TRIALS — OUR RECORD

Six turbulent years have passed since the previous Lok Sabha election. The struggles of the masses have written the history of these years. Countless have been their sacrifices and militant actions for land, bread, jobs and the right to a better life....

The Communist Party of India along with other democratic parties and forces supported the declaration of the Emergency in 1975, which had been made unavoidable by the grave threat internal and external, of destabilisation. It backed the steps against smugglers and speculators, the 20-point programme with its anti-landlord thrust and certain, other declarations and actions which raised high hopes among the masses for a better life and democratic advance of the nation. Some legislations, which were enacted and measures taken by the Government in this direction were fully supported by the Communist Party of India and other democratic forces.

But, after the initial period of some achievements, the Emergency powers came to be more and more misused against the working class, peasantry, the common people and the democratic forces. Even our Parliamentary democratic system and institutions were sought to be weakened and undermined on one pretext or another from inside the ruling party.

Concessions to the vested interests went hand-in-hand with coercive sterilisation, demolition of dwelling houses of the poor, denial of the workers' longstanding right to bonus and impounding of their dearness allowance. Land reforms were shelved and the 20-point programme put in the background.

Authoritarian trends and practices in the conduct of the Government and also otherwise in the affairs of the State began to grow. There were increasing violations of accepted norms of democratic standards and procedures. Persistent efforts were made to encourage extra-constitutional methods and centres of personal power. The machinery and resources of the State were recklessly used to build up a personality who has no official status....

It stood in the forefront of the battle to restore the bonus right of the workers and against the compulsory deposit scheme and the attack on trade union rights. It opposed the heaping of tax burdens on the working peasantry. It opposed the demolition of the houses of the poor. It opposed the drive for compulsory sterilisation. It opposed the bureaucratic abuses.

III THE MANDATE WE SEEK

1. TO SAFEGUARD AND EXTEND DEMOCRACY — Lift the Emergency; Remove press censorship and stop misuse of Samachar, All India Radio and TV in favour of the ruling party; Repeal MISA, Publication of Objectionable Matters (Prevention) Act; restore the "Feroze Gandhi Act"; Repeal the anti-people clauses of the 42nd Constitution Amendment Act; Set up popular committees for implementation of land reform and other democratic measures.

2. FOR HOLDING THE PRICE LINE — Strengthen and expand the public distribution system. Supply essential commodities at reasonable prices; Take over wholesale trade in foodgrains and essential commodities like edible oils; adjust retail traders in the public distribution system; Ban on bank credit for speculative purposes.

3. FOR ECONOMIC INDEPENDENCE AND REVITALISATION OF ECONOMY: Orient planning to development of home market, rapid industrialisation,

creation of employment and democratic structural changes; Resist pressures of the World Bank and neo-colonial offensive of imperialists, Prevent penetration of multi-national companies; Strengthen the public sector and extend it to essential consumer goods production; Democratise the public sector; ensure workers' effective participation in management at all levels in the public sector with real power to go into and check all aspects including balance sheets and pricing policies; Nationalise textile, sugar, jute and foreign drug industries and all banking business; Cancel all concessions given to big business in the last two years; Change taxation policies to reduce burdens on the people; Encourage small and medium units through adequate credit and provision of raw materials and marketing facilities; Promote industries with high employment potential in backward areas; More funds for scientific research; orient research programmes to self-reliance and development; adequate opportunities to scientific and technological intelligentsia for creative work; stop brain drain....

...5. FOR PEASANTS, AGRICULTURAL LABOUR AND TRIBAL PEOPLE — Renumerative prices for produce of peasants; Adequate credit, extended irrigation facilities and cheap inputs for agricultural operations; Graded land tax and water and electricity rates; reduction in tax burden on the working peasantry; Protect interests of tenants and sharecroppers; Abolition of bonded labour; Living wages to agricultural workers; implement the revised minimum wages; Complete land reforms expeditiously; distribute surplus and government wastelands among the landless; Restore alienated tribal lands to their rightful owners.

IV OUR APPEAL

Our country is at a crucial historic juncture. Poised as it is for big advances, it is also faced with terrible danger. The outcome of the fight between the forces of democracy, patriotism and progress on the one hand and that of reaction on the other will be the decisive factor for our country's future. A clear popular mandate for the progressive and democratic forces in the forthcoming Lok Sabha election will be of the utmost importance for the future of the country and its people....

Janata Party Manifesto

The following are excerpts from the Janata Party Manifesto.

The forthcoming Lok Sabha poll constitutes the most crucial election that the country has had since independence. The choice before the electorate is clear. It is a choice between freedom and slavery, between democracy and dictatorship, between abdicating the power of the people or asserting it, between the Gandhian path and the way that has led many nations down the precipice of dictatorship, instability, military adventure, and national ruin...

The emergency has succeeded only in generating an atmosphere of fear and insecurity. The question before the electorate is whether whatever might have been achieved during the past 19 months was achieved because of the emergency or whether the price in freedom, human rights and long-term economic and social destabilisation that the country has had to pay was necessary for, or commensurate with whatever has supposedly been achieved...

It is not a mere alliance of parties but a new national party to which the Congress (O) the Bharatiya Lok Dal,

and Jana Sangh, the Social Party independent Congressmen and many others stand firmly committed...

The Janata Party is dedicated to the values and ideas and ideals of Gandhiji. It is dedicated to the task of building up a democratic and socialist state in India, drawing inspiration from our rich heritage and the noble traditions of our struggle for independence and freedom.

A high degree of centralisation or the concentration of power is inconsistent with democracy. The party, therefore, believes in a policy that ensures decentralisation of economic and political power.

To generate fearlessness and to revive democracy, the Janata Party will:

- (1) lift the emergency;
- (2) restore the fundamental freedoms that have been suspended by presidential order;
- (3) repeal MISA. Release all political detenus, and review all other unjust laws;
- (4) enact laws to ensure that no political or social organisation is banned without independent judicial enquiry;
- (5) seek to rescind the 42nd amendment;
- (6) amend Article 352 of the Constitution to prevent its abuse in the interest of an individual or group;
- (7) move to amend Article 356 to ensure that the power to impose President's rule in the States is not misused to benefit the ruling party or any favoured faction within it;
- (8) introduce electoral reforms after a careful consideration of suggestions made by various committees, including the Tarkunde Committee and, in particular, consider proposals for recall of errant legislators and for reducing election costs as well as the voting age from 21 to 18;
- (9) repeal the amendment to the Representation of the People's Act which redefines corrupt practices and places electoral offences by certain individuals beyond the scrutiny of the courts;
- (10) re-establish the rule of law;
- (11) restore the authority of the judiciary and safeguard the independence and integrity of the bar;
- (12) ensure that all individuals, including those who hold high office, are equal before law;
- (13) assure the right to peaceful and non-violent project;
- (14) abolish censorship and end all harassment to newspapers, journals, publishers, and printing presses.
- (15) safeguard the freedom of the press by repealing the Prevention of Publication of Objectionable Matters Act, and restore the immunity that the press previously enjoyed in reporting legislative proceedings;
- (16) ensure that All-India Radio, Doordarshan, and the Films Division are converted into genuinely autonomous bodies that are politically objective and free from governmental interference;
- (17) ensure that news agencies are completely independent on the Government and are not given the right to monopoly;
- (18) delete property from the list of fundamental rights and, instead, affirm the right to work;
- (19) ensure that Government employees are not

victimised, are freed of political pressure, and are not compelled to execute illegal orders and unlawful actions. Their right to access to courts will be restored...

ECONOMIC PROGRAMME

The Janata Party's economic programme envisages:

1. Deletion of property as a fundamental right;
2. Affirmation of the right to work and full employment strategy;
3. Stress on Gandhian values of austerity, 'Antyodya' and a decentralised economy;
4. An end to destitution within ten years;
5. Appropriate technology for self-reliance;
6. New planning priorities — notably, the primacy of agriculture — agrarian reforms and more favourable terms of trade and higher allocations for the rural sector.
7. Narrowing down of rural-urban disparities and a new rural-urban nexus;
8. Emphasis on wage goods production for mass consumption;
9. Statutory reservation of spheres of production for small-scale and cottage industries;
10. Wages and prices policy— raising the minimum tax exemption limit Rs 10,000 and exemption of land revenue on all holdings below 2.5 hectares.
11. Redistributive taxation and excise in lieu of sales tax;
12. Formulation of a national water policy and a national energy policy;
13. Environmental care.

SOCIAL CHARTER

The Janata Party's social character comprises:

1. Education reform with middle schooling for all within 12 years;
2. Eradication of illiteracy;
3. Safe drinking water for all;
4. Stress on community and preventive health, and measures towards group health insurance;
5. A new village movement;
6. Low-cost building and mass public housing;
7. A policy regarding urbanisation;
8. A comprehensive scheme of social insurance;
9. Family planning as part of a larger population policy package, without coercion;
10. A new deal for the scheduled castes and tribes with special machinery to guarantee their rights and interests.,
11. A civil rights commission.,
12. Automatic machinery for combating corruption.,
13. Women's rights and youth welfare.,
14. Legal aid and inexpensive justice.,
15. Fostering people's initiatives and voluntary action.

The Janata Party's foreign policy will reflect the nation's enlightened interest and its aspirations and priorities at home.

It will oppose all forms of colonialism, neo-colonialism and racialism. It stands for friendship for all. It is committed to genuine non-alignment free from attachment to any power bloc...

Mexican Oil: 'Strategic Reserve' For U.S. Or Mexico's Road To Fusion Power?

It was no accident that the recent revelations that Mexican oil reserves may total 60 billion barrels or more first appeared in the U.S. press the day after President Lopez Portillo finished his official state visit to the United States. During that visit, U.S. National Security Council chief Zbigniew Brzezinski demanded that Mexico hand over control of its oil to U.S. multinationals to serve as a weapon against the Organization of Petroleum Exporting Countries (OPEC). The announcement of the 60 billion barrels — immediately placing Mexico as one of the world's four or five richest countries in oil potential — lends vastly greater weight to the U.S. pressure.

Monetarist forces in both countries have demanded that Mexico's oil export revenues be used to repay Mexico's \$35 billion dollar foreign debt. But Mexico has a very different alternative. As reported in the British Sunday Telegraph Feb. 20, Mexico has sounded out a plan for Mexico to join OPEC and receive a long-term credit line for industrialization of \$20 billion from the Arabs. This kind of plan, in conjunction with a moratorium on the dollar-denominated foreign debt, can free Mexican oil to play a positive role in domestic development and the forging of the new world economic order — instead of scabbing on OPEC for Brzezinski and Rockefeller.

The required Mexican oil policy is the direct continuation of the tradition of President Lazaro Cardenas' historic 1938 oil nationalization decree. In that year, based on the principles of the 1917 Constitution, Cardenas expropriated U.S. and British oil companies in Mexico. Article 27 of the Mexican Constitution declares that Mexico's natural resources constitute a National Patrimony to be defended at all costs against use by foreign or domestic interests for purposes other than development of the country.

Although Brzezinski put extreme pressure on Lopez Portillo to cede substantive control of Mexico's oil during Lopez's Washington trip, there are as yet no indications that Lopez has capitulated. The speed and manner of Mexican oil exploitation is a battle very far from its conclusion.

The opposition to U.S. control has built steadily since the beginning of Lopez' term Dec. 1. Exemplary of a wide strata of nationalist layers, Senator Jorge Cruickshank of the Popular Socialist Party declared at the beginning of February that "U.S. banking circles are attempting to turn Mexico into another Puerto Rico." He warned that renegotiation of Mexico's foreign debt "could be used to gain control of Mexico's oil..." Simultaneously Alfonso

Terrones Benitez, one of the surviving members of the 1917 Constitutional Convention, charged in direct conversation with Lopez that "extremely powerful and ambitious U.S. interests are pressuring so that certain precepts of the Constitution be subordinated to their convenience and purposes."

Four days after Lopez' return, Cardenista Senator Mario Carballo Pazos of Chihuahua demanded that Mexico not "hand over (its oil) to the United States for foreign debt payment." The oil instead must be used to "strengthen our economy," he said, adding that if customers in Europe lacked cash to pay for imports, they could pay with "heavy machinery such as tractors." His statements came in the midst of demands for diversified markets and jealous defense of national resources. Typical of such statements, the Mexico City daily *Diario de Mexico* labelled Pemex' decision to call in a U.S. firm to survey Mexico's oil reserves "malinchismo" — one of Mexico's strongest terms for "traitor," deriving from the Indian Malinche's collaboration with Cortes to defeat Moctezuma. The same paper emphasized that the battle is continuing. If the oil had been ceded, it noted ironically, "Nelson Rockefeller would already be in the National Palace."

But important as these strategic considerations are, the development of Mexican oil — all Mexico's energy — must be guided by a more fundamental principle. The next basic world energy mode, controlled thermonuclear fusion and technologies of plasma processing, will come on stream in the advanced sector economies by 1990 at the latest. For Mexico to adopt such technologies, as it must to survive, the skill levels of its work force will have to be enormously upgraded. This increase in labor power can only proceed on the basis of enormous increases in living standards — to be fueled by an estimated necessary 15-fold increase in energy use in Third World areas such as Mexico.

This battle has taken on particular intensity in the wake of Lopez' response to the heavy-handed treatment he received in Washington. Speaking to the House in the last hours of his trip, he delivered a spirited defense of the continuing traditions of the Mexican Revolution, declaring that those who believed he would "denationalize" Mexico's resources or "take orders from the empire" were wrong.

"Strategic Reserves"

The Rockefeller-Carter policy of confrontation with OPEC, and the role of Western Hemisphere "strategic

reserves," was laid out in mid-January to the U.S. Defense Department and U.S. Congress by national security specialist formerly with Rockefeller's Exxon Corporation, Melvin A. Conant. After presenting an array of scenarios to break up OPEC, many converging on a U.S.-instigated renewed Mideast war, Conant turned to the strategic role of the Western Hemisphere. "The U.S. can embark on an unprecedented effort to expand supply sources outside the Persian Gulf, to three highly prospective areas in this hemisphere... Canada, Mexico (and the Caribbean basins) and the Orinoco Belt of Venezuela. Success in developing oil resources in these three...should give solid assurance that the U.S. can withstand contrived supply shortages."

Sen. Lloyd Bentsen, Democrat of Texas, spelled out the specific role of Mexico's oil in this scheme Jan. 24. "Mr. Chairman," Bentsen said to Joint Economic Committee hearings of the U.S. Congress, "there are a number of disparate areas where trade-offs can be made between our two countries which will entail scant sacrifice by each government, but which can reap important mutual

benefits... Mexico should agree to provide the U.S. with an assured supply of Mexican oil at competitive prices to allow us to reduce our dependence on politically unstable Arab oil." Two days later a crony of Mexico's new director of Petroleos Mexicanos, an ex-oil union leader named Enrique Lopez Naranjo, was even more blunt. The Carter administration is coordinating investment from U.S. multinationals in Mexico's oil in order to "decapitate OPEC," he stated approvingly.

As for internal development of Mexico, Rockefeller's policy is one of de-industrialization. He is demanding the slashing of domestic consumption to increase exports, paraded as "conservation" or rationalization" of use. As Redvers Opie, former head of the American Chambers of Commerce in Mexico, reported to U.S. Congressional hearings last month, "the growth of domestic consumption of petroleum products" is a "difficulty" standing in the way of "foreign exchange earning prospects." His recommendation is "conservation-oriented measures to reduce the rate of growth in domestic production... for which rationing through higher prices would seem to offer the best hope of success."

The Mexican Labor Party Energy Program

The following are extracts from an energy program for Mexico recently elaborated by the Research and Development staff of the Mexican Labor Party (PLM). The PLM program is noteworthy for being the only concise overview of policy recommendations for expanded energy production available in the country. It is now being circulated widely in the Northwest, Monterrey, the Bajic, the states surrounding Mexico City, and Mexico City itself.

The Mexican Labor Party program for the development of Mexico's energy calls for the following steps:

- 1) Mexico must join OPEC.
- 2) Moratorium on the foreign debt.
- 3) Massive development of oil as the primary domestic energy source to set the basis for moving to fusion economy by 1990.
- 4) Priority commitment to expand existing fission reactor construction, both for direct electricity generation and the training of skilled nuclear workers.
- 5) Auxiliary development of hydroelectric power and coal.

Without debt moratorium, there is no oil or energy policy worth discussing. The mass of Wall Street's paper can only be part of an energy policy as a marginal fuel source.

OIL Mexico's enormous oil reserves put it in tremendous position to forge rapidly rising living standards throughout the country. No other densely populated Third World country has such advantages. And Mexico starts with a substantial inheritance from its previous nationalist policies: production levels of 1 million barrels per day (BPD) and refining capacity close to 850,000 BPD — both figures doubled during the administration of former president Luis Echeverria. Even more important, the famed 1938 oil expropriations have led to the creation of a large cadre of Mexican oil technicians and engineers — expertise which is now being exported to such countries as Venezuela.

The existing plans of Petroleos Mexicanos (PEMEX) and Wall Street for expansion over the next six years — essentially paper projections to back up paper debt obligations with little chance of being fully implemented — call for raising pumping capacity to 2.2 million bpd and refining capacity to 1.67 million bpd, through investments of roughly \$15 billion.

These are absolute minimum plans. They are predicated on expanding exports to 1.2 million bpd — and letting domestic consumption stagnate. Instead, almost the

entirety of this expansion must be slated for domestic consumption, which if maintained on line to meet the 1990 fusion deadline, must increase at least two and a half times over the next five years.

However there is no reason for crash development of Mexico's oil to stop there. Additional investment should allow for exports to fuel rapid industrial expansion in other, less-oil rich areas. Ironically, one of the prime importers should be the United States. Not the United States of Carter, Brzezinski and Rockefeller, who are trying to drastically *reduce* U.S. energy consumption under "conservation" programs; who only want Mexican oil as a chip to break OPEC. Rather the U.S. of alliances between pro-growth industrialists and labor sectors who recognize that for the U.S. to take its necessary role in providing huge quantities of capital goods and technology to the Third World, and at the same time gear up a crash fusion energy program, interim fuels such as oil must be expended at greatly increased rates.

In the context of a debt moratorium, these exports can largely finance the \$5 billion and up capital imports needed for expanding the Mexican oil industry. They additionally should help finance the enormous capital goods import bill for the agricultural sector, transport, rebuilding the cities, etc. The remaining shortfall in these capital and technology accounts must be met from International Development Bank-style credits now outlined in European-Arab-Comecon monetary arrangements. Mexico stands in particularly good shape to enter such agreements with both the European Economic Community and the Comecon; Mexico has but to activate them.

Current *electricity* capacity of 12 million kilowatts is generated more than half from oil (about 7 million kw),

and the rest basically from hydroelectric plants (about 5m. kw). Total realizable hydroelectric potential for the country is 20 million. Given this potential, current plans calling for expanding hydroelectric power to 9 million kw by 1982 should be expanded. The additional generation of electricity to meet minimum goals of 30 million kw total capacity by 1982 must come from oil and fission nuclear energy.

It is possible some of this energy could come from coal as well, if current costs can be reduced. The recently announced Federal Electricity Commission program of building an expensive coal-burning plant to save miniscule quantities of oil is simply insane. Equally insane are any plans to use solar or wind energy as anything but museum reminders of the de-industrialization plans of Rockefeller and Ralph Nader.

Mexico's *fission* nuclear energy effort of Laguna Verde on the Veracruz coast, designed to produce 1.3 million kw from two reactors, or approximately 10 percent of current capacity, is extremely important for the country. The Mexican nuclear energy workers trained at Laguna Verde will constitute the core of trained labor able to man fusion reactors at the end of the next decade. Laguna Verde construction is reported to be recommencing soon, after damaging delays; it is imperative that it be immediately brought to completion.

Recent confirmation of 300,000 tons of uranium ore in Chihuahua, substantially raising current reserves, immediately opens the possibility of a large-scale program of expanded fission energy. Fission plants, operating with domestic fuel, can produce electricity at costs fully comparable to those of oil powered plants. An initial target of ten such facilities as Laguna Verde would not only vastly boost electricity generation but free substantial quantities of oil for other domestic use or export.

Colombia: Carter's Vietnam?

Speaking before a crowd of 50,000 demonstrators on Feb. 19 in Bogota, Colombian Communist Party (PCC) executive member Manuel Cepeda committed the PCC to an armed war of resistance against the threat of a fascist military coup and took the unprecedented step of publicly acknowledging the Fuerzas Armadas Revolucionarias Colombianas (FARC). Until now, the Communist Party has maintained strict silence on the FARC the armed guerrilla unit active in five fronts around the country with a broad base of popular support.

Two of the five FARC fronts in the country are located in southeastern Colombia in the province of Caqueta; one is in the central mountain range, one in the northeastern province of Magdalena Medio, and one in the northwestern province of Antioquia. A new front is opening up in Boyaca in the central eastern part of the country. A tightly organized and disciplined political entity, the FARC is the government in the areas of the country it controls. It collects taxes and provides protection to the

peasant population, whose support and loyalty it commands.

Support for the FARC is such that it operates freely in the areas it controls. Last week it raided the town of La Macarena in Meta province to replenish medical and food supplies and funds. The FARC laid siege to the police station, painted slogans on the walls and took with them a known CIA agent, Richard Starr, discovered in the town. During the period of occupation the inhabitants went about their business, ignoring the police chief's cries for help. Incidents like this are a common occurrence.

The FARC is mobilized and recruiting as peasants victimized by Army repression commit themselves to an armed, political defense of the population. FARC commander Marulanda Velez recently explained that "violence forces people to incorporate into the guerrillas to fight in defense of their rights ... if in Colombia there were total respect for human rights, including

democratic liberties ... if tyranny did not exist ... there would be no guerrillas or armed struggle."

The Colombian military and its U.S. "advisors" have responded to this situation by accelerating its war against the urban and rural populations. The statement made last week by a member of the E-2 military intelligence unit makes explicit what is on the agenda. He said the Latin American armed forces should be strengthened because they would inevitably face "new Vietnams" on the continent.

An End to Paternalism?

Colombia will be a key test for the Carter administration's purported "non-paternalistic" Latin American policy and "respect for human rights." Close Carter collaborator Albert Fishlow has effusively praised Colombia's "democracy" and particularly hailed the cornerstone of the government's economic program, the National development Plan (PND) as a "model" for the continent.

The attractiveness of the model from the Carter standpoint is not just its military aspect, but its commitment to economic warfare against the population. The PND is based on deindustrialization, subsistence agriculture and labor-intensive development projects. Colombia has one of the most highly skilled and educated labor forces on the continent and a high degree of industrial infrastructure. The Lopez government has worked for two years to dismantle this, drastically reducing credit to industrialists, providing incentives for the development of small labor-intensive industries and glorifying the potential for achieving a purely 'Colombian' mode of development — without modern technology.

Friedmanite "anti-inflationary" measures have gutted the population's living standards and destroyed the most basic health, education, and sanitation services. Prices of basic items today are soaring out of reach of the working class.

Two weeks ago, Finance Minister Espinosa Valderrama announced the imposition of a "war economy" to allow for accelerated payments of foreign debt. A new series of anti-inflationary measures will dry up the internal credit market and force industrialists to seek credit abroad. Restrictions on contracting foreign private loans are extremely strict however and credits from the World Bank, IMF and BID are conditioned on companies' willingness to promote labor-intensive technology and deindustrialization.

Implementing the War Economy

The only way the Lopez government has managed to impose austerity and proceed to dismantle industry is by stepping up the counterinsurgency operations, terrorism, and death squad activity which have been an integral part of Colombian "democracy" for years. During the 1960s, the U.S.-trained and financed Colombian military bombed, napalmed, and used biological warfare against the FARC and its peasant base. The Marquetalia campaign of 1963-64 equalled in intensity and atrocity the war waged by the CIA against the Vietnamese peasantry.

Over the past six months the government has intensified its assault on the population.

The country is now ruled by an "Occupation Army." Cities and towns are militarized under any pretext, using charges of "terrorist subversion" following deployments of synthetic terrorist creations or Maoist countergangs deployed to provoke the violence. The PCC has named the U.S. embassy and Military Mission to Bogota as the agencies giving direct orders to the Colombian Army and countergang provocateurs. The Drug Enforcement Agency carries out a highly secret operation in Colombia — undoubtedly cashing in on the vast contraband drug trade — under the protection of the U.S. embassy.

The countryside abounds with U.S. "advisors" called Rangers. Elite counter guerrilla units such as the "Lancers," financed, trained and equipped by the U.S., are deployed within the country's designated "war zones" — the areas of greatest PCC-FARC influence and activity — to carry out terror campaigns and death squad activity against the peasantry.

Over the past two years, numerous top leaders of the PCC and its electoral coalition, the National Union of Opposition (UNO), have been assassinated by a systematic death squad deployment. Military officials in the zones where the assassinations occur publicly brag of their knowledge and endorsement of such action. Most recently, UNO councilman in Cimitarra, Josue Cavanzo was assassinated by a death squad with the prior knowledge of the military officer in the town. Peasant witnesses in the areas of heavy military deployment such as the provinces of Huila, Santandar, and Magdalena Medio report on the death squad modus operandi: Individuals are kidnapped and tortured until they "confess" their ties to the FARC. One peasant kidnapped in Yacopi in October 1976 was tortured and thrown alive from a helicopter, a standard practice used in the CIA's "Operation Phoenix" in Vietnam.

Also in October 1976, during the height of the military terror campaign directed at the population of Cimitarra, Colonel Richardson of the U.S. Southern Command's Canal Zone counterinsurgency training school arrived unexpectedly in Colombia. He travelled directly to Cimitarra. At that time the town's pro-PCC citizenry was subjected to a barbaric campaign — hundreds were illegally arrested, herded like animals to a detention camp, tortured and kept there for days. Col. Richardson reported he was in the region to observe the "orchid collection" of a national politician.

UNO councilmen legitimately elected to their posts are prevented from meeting, and jailed on trumped up charges. In Yacopi the entire city council has been prevented from meeting and its UNO councilmen sentenced to death for being "chicken thieves."

Population Mobilized

FARC Commander Marulanda Velez explained in a recent interview that the "program for the Revolution and the platform for immediate struggle in benefit of the population and its liberation are important in the popular struggle for power. In the present revolutionary process, we count on political labor and peasant leaders who complement our revolutionary work."

Those peasant and labor leaders, members of the PCC and the UNO, are mobilizing the population against government military and economic warfare. Tens of thousands of politicized workers, organized or strongly influenced by the PCC linked trade union federation, the CSTC, have stated categorically that they will not accept the imposition of the "war economy" outlined by Espinosa Valderrama. Workers in every important sector of the economy are on alert and preparing to go out on strike in the next two weeks.

The PCC and the UNO are organizing for the creation of a National Liberation Front as a defense against a fascist coup. The PCC is calling for productive in-

vestment of the "coffee bonanza" reserves in expanded industrial development projects. The demonstration of 50,000 addressed by Cepeda last week was one of several held around the country as part of a week-long series of protests against the state of siege and declaration of economic warfare made by the government.

The PCC-FARC decision not to submit to the policies of genocide and deindustrialization and to lead a mobilized working class in an armed war of resistance promises to be a thorn in the side of Carter and the Trilateral Commission and their ability to put their alleged concern for "human rights" and non-paternalism over on any Latin American nation.

Brazil Tells Carter: We're Drawing The Line On Nuclear Power

Brazilian Foreign Minister Azeredo da Silveira informed Washington that his government is drawing the line on just how far it will allow itself to be pushed around by its "special partner." Speaking to the press in response to President Carter's statements last week indicating that he would wield the full force of his administration to halt the Brazil-West Germany nuclear accord, da Silveira retorted: "Well, it's true that the United States is powerful. But we're a sovereign nation, and we're not afraid!" Referring to Secretary of State Vance's announcement that he will go — uninvited — to Brazil, da Silveira told the press "Carter can send his emissary any time, but the (Brazil-BRD) deal is non-negotiable."

Defiant irritation with Carter's presumptuous meddling in the affairs of two sovereign nations who have traditionally been the key U.S. partners in Europe and Latin America has been expressed outside Brazil as well. Chancellor Helmut Schmidt's envoy to the U.S. on the matter, State Secretary Hermes, was reported to have staunchly defended the deal with Brazil. Afterwards, Hermes reported sardonically that Carter administration arm-twisting "was no worse than expected." The German *Frankfurter Allgemeine Zeitung's* correspondent in Brazil reported on the 21st that Carter's "moralistic foreign policy" and economic warfare against other countries has the counterproductive effect of creating "national outrage."

In Argentina, a similar response has been evoked. Over the last few weeks the government has launched a public campaign of support for the Brazilian nuclear energy accord, poohpoohing the "non-proliferation" thesis forwarded by Carter. Admiral Carlos Castro Madero, director of Argentina's nuclear program, declared that his country's "solidarity with Brazil is based on the fact that there are no risks of fabrication of

nuclear weapons...Although this does not seem sufficient to convince leading nuclear energy nations..."

U.S. pressures have continued despite the interests of the economics involved, pushing otherwise cautious spokesmen to take off their gloves. Senator Vargas of the Brazilian government's Arena party urged representatives of all political stripes to unite behind the government's adherence to the nuclear program. The U.S. opposition to the deal on the basis of non-proliferation he continued, is suspect "given that the U.S. is the only country ever to use the bomb over cities, in a situation which was militarily dubious."

Brazilian and Argentine vehemence is based on the fact that both countries are in short supply of vital fuels for industrial use. Carefully calculated austerity measures and rationing have been imposed to allow the countries to pay their debts to New York creditors while maintaining a reduced productive capacity, during the interim period leading to functional nuclear energy plants. The forcefulness of Washington opposition to the deal has thus called into question what the actual objectives of Carter's "new diplomacy" are.

The Argentine daily *Clarín*, noted that Carter "seems to have another, not manifest, interest...to prevent countries like Brazil and Argentina from developing technological independence." The Brazilian press linked to industrial interests dependent on a guaranteed energy source has been more pointed. The industry oriented *Folha de Sao Paulo* questioned in several editorials and op-eds the difference between Carter's Linowitz policies and those of Secretary of State Henry Kissinger. The conclusion drawn by the Sao Paulo daily is that the "Carter-Trilateral Commission approach...is based on the preservation of multinational interests," at the expense of the economic wellbeing of its neighbors. Within that policy the paper warns the "laws of (sovereign)

nations could be dealt with as non-binding...as during Kissinger's period." "Trilateralism," writes Newton Carlos in *Folha*, "...is the invention of the multinationals which created and financed the Trilateral Commission. One of the many Kennedy intellectuals...Arthur Schlesinger, says it was a hard fight during a Paris conference to convince (people) that that commission is 'something decent'."

The "decency" of the Carter team came into further disrepute last week when the prominent Rio daily, *Jornal do Brasil*, ran a full page of Edward Korry's testimony before the U.S. Senate on Cyrus Vance's confirmation as Secretary of State. The damning evidence contained in the testimony printed under the banner headline "Ex-U.S. Ambassador to Chile Denounces Democrats", presages a "warm welcome" for Mr. Vance in Brazil.

Testimony Of Fusion Energy Foundation On Nuclear Regulatory Commission Hearing In The Case Of Midland

To Mr. Frederick Coufal, presiding officer of the Atomic Safety and Licensing Board now hearing the case of *Consumers Power*:

Dear Sir:

On behalf of the Michigan state chapter of the U.S. Labor Party, I request the right to enter a limited appearance in the matter of *Consumers Power*, Docket Nos. 50-329 and 50-330. This request is pursuant to the regulations of the Nuclear Regulatory Commission Sec. 2.715.

The Michigan chapter of the U.S. Labor Party has fielded candidates for public office since 1973. In the general election this past November, the Michigan Labor Party ran a presidential candidate with official ballot status as well as a senatorial candidate, congressional candidates in every district in the state, and candidates for many state offices. We have numerous members and supporters in the Midland area, and Midland, Mich. is the hometown of our 1976 vice presidential candidate R. Wayne Evans. As the official state chairman, I maintain that we have an overwhelming interest in the outcome of this hearing.

Our party has developed an authoritative political and scientific approach to energy policy. Our work in the energy field has included helping to initiate the Fusion Energy Foundation, an organization with a significant following in the international scientific community. Our national party organization is presently engaged in lobbying efforts in the Congress and various state legislatures to pass legislation to facilitate expanded energy production.

It is the Labor Party's contention that a limited appearance by party spokesmen is of crucial importance to the affected population in Michigan and to the United States population generally. We have prepared our testimony in consultation with staff members of the Fusion Energy Foundation. We respectfully submit our testimony to be read into the record of this hearing.

Faternally,

Kenneth Dalto
Michigan State Chairman
U.S. Labor Party

The Fusion Energy Foundation is submitting this testimony as an interested party in the decision on whether to delay the construction on the power and steam generating nuclear power plants at Midland Michigan.

The key issue being argued here is whether the construction of this plant, or for that matter any electrical generating plant, is necessary at this time. The principle argument used in favor of a delay in construction and in fact in favor of a cancellation of the project by the intervenors is that energy conservation policies will eliminate the demand for the power to be produced by the Midland plant. In the July 1976 decision of Washington, D.C. Circuit Court of Appeals Judge David Bazelon in *Aeschliman et. al. vs. NRC*, Judge Bazelon ruled that "the alternative of conservation" must be considered in the construction of the plant, and remanded the matter of the Midland permits to the NRC for the present set of hearings.

As this testimony will demonstrate, there can be absolutely no question that the construction of this plant

without any further delay is vitally necessary. More generally, we will demonstrate the conservation argument to be fundamentally a fraudulent one, whose aim is to maneuver courts and regulatory commissions into the position of enforcers of profoundly destructive energy policies, which endanger the very existence of the United States.

The argument of the intervenors can be simply stated. They argue that the Federal Energy Agency and other regulatory agencies have committed themselves to policies of energy conservation aimed at decreasing the energy utilization per unit of production in industry. In addition, they argue that the price of energy, and electricity in particular, will rise very sharply over the next few years. The combination of these governmental policies and price increasing will therefore lead to a sharply reduced rate of energy utilization in the nation as a whole and in Michigan in particular, or at least a sharply reduced rate of energy growth. Therefore, the in-

tervenors argue, there is no harm in the delay or even cancellation of the Michigan project.

Even in the face of it, this is a highly circular argument. The intervenors are anticipating future governmental policies and economic developments assuming that their advocated policy of energy restriction will be carried out. Their argument amounts to no more than the assertion of the truism that if generation plants are not built, energy consumption will not rise — and this therefore justifies the decision not to build the plants!

They thus argue that if new generating capacity is not added, the price of electricity will rise and the amount consumed will not rise. If the government decides to limit the rate of growth of energy supplies by raising fuel prices, then again the results of such a policy will indeed be the restriction of energy growth. But conversely, if the government does not take the advice of the intervenors and allows the construction of large numbers of new generating plants and does not impose taxes on fuels, it is equally assured that energy consumption will grow.

Arguments based on future government policy predictions, predictions which preempt the legislative powers of Congress, cannot possibly lead to any useful conclusions as the *need* for additional energy. Is it then the case that prediction of energy growth rates are purely subjective and can have no rigorous scientific basis? Absolutely not. The level of energy growth rate necessary for the survival of the U.S. economy and its population can be quite accurately calculated. Likewise, consequences of not achieving such a growth rate can be accurately predicted.

Basic Principles of Energy Use

The principles upon which accurate prediction of energy needs are based are not complex. Any population, in order to survive, requires a definable per capita rate of material consumption — so much food, clothing, housing, and so on. This per capita rate of consumption is not arbitrary, nor is it in general equal or anywhere near the mere physical subsistence level. Instead, it is determined by the average level of productive technology in society at a given time. In other words, for a given level of technology, a definite type and amount of skilled labor is required, and the production of such skilled labor in turn requires a definite level of material culture. For example, it would be foolish to expect a starving Indian peasant to be able to work productively in a modern machinery factory in the U.S., or for that peasant's children to obtain the necessary skills for similar jobs, unless the standard of material consumption of the family as a whole was raised to something comparable to that of the U.S. worker actually employed in such skilled machining and related jobs.

Nor is the level of technology as measured by average labor productivity, arbitrary. The level of productivity of labor, or per capita production, is most directly related to the level of per capita consumption.

If our society is to survive, it must advance. Any given level of technology tends to exhaust the relatively finite resources available to that technology. The exploitation of present-day resources requires the development of new resources, new technologies, higher labor productivities, and thus higher per capita consumption. This

process leads us to exhaust the present day resources still more rapidly, necessitating the development of still higher technologies.

These are the considerations which determine the necessary rate of energy growth. *Energy use per unit production must continually tend to increase as society progresses*, since it is this increase which allows for higher labor productivity and, higher standards of living and the necessary more rapid technological innovations. Energy density is empirically very closely related to labor productivity. Given this relationship, and the foregoing explanation of the necessity to develop new forms of technology, the necessary rate of growth can be calculated.

It can be demonstrated that any attempt to either lower the standard of living, or labor productivity, or the per unit use of energy, will inevitably lead to a self-feeding destruction of our society's ability to survive. Drops in standard of living leading to declining productivity and still further deterioration of consumption, will culminate in a general collapse of the economy and the environment which in our epoch is directly dependent on human intervention for its maintenance.

Calculating Our Energy Needs

We can positively state that the immediate consequence of the implementation of the energy conservation policy proposed by the cited FEA guidelines, would necessarily be a fall in labor productivity and standard of living.

Second, we can apply these general principles in actually calculating the necessary energy growth rate for the United States as a whole and Michigan in particular.

The energy resources problem is extremely well known. The world as a whole and the U.S. in particular now rely predominantly on oil and natural gas as energy resources. These resources are limited. If world consumption for one year is referred to as W, and U.S. energy consumption for one year as U, then world oil and gas reserves amount to only about 60-80 W, and U.S. oil and gas reserves amount to only about 50 U. It is clear that a transition to some new energy source is necessary in the coming decades. The problem posed is to exhaust the current energy resources in such a way as to prepare for that transition before world oil and gas reserves run out.

Over the long term, there is only one alternative energy source that can supply future energy needs — controlled thermonuclear fusion power. Fusion is the only source of energy which can be considered essentially unlimited for the foreseeable future, with world reserves of deuterium, the basic fusion fuel, in ocean water having an energy content of at least 10 billion W.

Solar energy, the only other proposed long-term alternative, cannot be seriously considered because it involves a tremendous *drop* in energy density throughput which involves a similar tremendous drop in labor productivity.

In addition, only fusion power can provide the basis for processing of raw materials by plasma process (process based on the use of extremely high-temperature ionized gases). Only such plasma processing will make possible the exploitation of low-grade mineral ores, ores which

will necessarily be used once current high-grade ore supplies, are exhausted. Such high-grade ore supplies exist in approximately 300 year supply at current rates of depletion.

A fusion-based, plasma-processing economy, which must be achieved at the end of the transition from a predominantly oil-and-gas-using economy, will require a work force much more skilled than even that of the present day America. This is due to the much higher levels of technology which will be involved, and concomitantly higher levels of per capita energy throughput. Very conservatively, it can be estimated that material per-capita consumption levels will have to rise two-fold and per unit of production energy use approximately three-fold once a plasma-fusion economy is achieved. This will occur despite the fact that *efficiency* of energy use will considerably increase at the much higher temperatures involved in a plasma economy means both higher energy consumption per unit consumption and greater thermodynamic efficiency.

If world resources of *all* fossible fuels and conventional fission fuels, including the full-scale utilization of coal (very probably a grossly optimistic assumption) are estimated at about 300 W, then it can be easily calculated what minimal rate of growth of energy use will enable us to arrive at the levels of energy production necessary for a fusion economy before fissile fuels run out?

It is essential to base our calculations on the global energy situation to determine the growth rate of the U.S. This is because the U.S. is fully dependent on the rest of the world for an entire array of vital materials and goods. If the rest of the world were to run out of energy and thus be engulfed in a spiral of collapsing standards of living, famine, and epidemics, the U.S. would not be spared.

Since the overall level of per capita consumption we will need is six times current U.S. levels, or about 30 times current world per capita levels, it is easy to see that a plasma economy must be achieved in approximately 25 years at most. On this basis we can calculate the absolute necessity of annual growth rates in the vicinity of 20 per cent. For the United States, starting from a considerably higher base, the overall rate of growth will be somewhat less, but the rate over the next ten years, during which the rest of the world will be heavily dependent on U.S. capital goods exports will reach at least 20 percent.

In fact, the assumptions used here are undoubtedly too conservative on growth rates and too optimistic on fuel reserves. The problems involved with full utilization of all fossil fuel reserves, especially the use of coal, are substantial, and a more realistic estimate of necessary growth rates would probably be in the vicinity of 25 percent per annum. (The utilization of fission breeder reactors rather than light-water reactors would not substantially change this estimate, because the breeding rate, or rate of expansion of fuel in fission breeders is at maximum only eight to nine percent per year. Thus, large amounts of fuel would not be bred in comparison with the overall rate of growth of the economy.)

Michigan, as one of the nation's leading industrial states, must participate fully in the overall 20 percent rate of growth of U.S. and global energy production. From this perspective, the estimates of a five percent

rate of growth made by consumers Power of Michigan is absurdly conservative. There can be no doubt that not only the Midland nuclear plant, but many more nuclear, oil, gas, and coal-fired plants will have to be built in Michigan in a very short period of time.

To make this point absolutely clear, it is necessary to consider the consequences of pursuing an energy growth policy substantial lower than that required for a transition to fusion. The two obvious alternatives would be a scenario in which a very low rate of growth was maintained (scenario II), similar to the current 3-5 percent per annum, implying a gradual transition to coal as the basic energy source over the intermediate term, as oil and gas are exhausted.

The second is the scenario implied by the intervenors (scenario III), a zero or negative rate of energy growth enforced by conservation and high energy prices, and a transition to some combination of coal and, ultimately, solar energy.

These two scenarios converge on the same intermediate term result: by the mid-1980s, if these policies are put into practice, a long-term solution to the energy problem will have been closed off. The capital labor and scientific resources would not exist to make possible a successful transition to fusion power. The U.S. would be doomed to cease to exist as an industrial nation capable of supporting its population. This would be the case because the low rate of energy growth, even in the case of Scenario II, would be wholly absorbed in the costs of conversion toward coal and coal gassification, and virtually nothing would be available for real economic growth or even maintenance of the present economic potential. The current low rate of energy growth is domestically incapable of maintaining either capital or labor potentials. In the past seven years, during which the rate of growth of electricity production has been 7 percent per year, the total employment in manufacturing has actually dropped by more than 7 percent, and the total proportion of the nation's equipment rated as obsolete has risen by more than 10 percent to more than

Carter Justice System: Feudal Law For A Zero Growth Society

At the American Bar Association Convention in Seattle early this month, Attorney General Griffin Bell and Supreme Court Justice Warren Burger unveiled proposals which — if carried out — would constitute the dismantling of the United States court system. Right after the convention, Bell appointed a team of young men trained in the Institute for Policy Studies to fill key positions in the United States Department of Justice and on Feb. 23 the Burger Court rang the death bells on industrial progress by certifying industrywide application of the Clean Air Act.

Coming Next Issue!

25 percent of all industrial capacity. Another seven years of such slow growth, or a much shorter period of negative energy growth, will bring this proportion to the region of 35-40 percent, threatening the capital goods of the U.S. with total breakdown. The simultaneous decline in standards of living, which would amount to more than two to three percent a year even at current rates of energy growth and 8-10 percent per year at zero energy growth would lead to a general destruction of skilled labor supplies, thus eliminating the possibility of reversing the process.

Proposals for limited or zero growth energy policies that will lead our nation down the path of industrial and economic ruin can be called treasonous in the precise sense of the word. The U.S. Constitution, the bedrock of our nation's system of law, was designed by its framers to ensure national conditions for individual and scientific development.

The closing of the Midland plant on the pro-conservation terms set by Judge Bazelon's court ruling, would signal the beginning of national adoption of an energy policy running directly counter to the fundamental tenets of the Constitution, and would threaten to reverse 200 years of national growth based on our founding fathers' right to provide the United States of

America with the institutions necessary to scientific, industrial, and cultural progress.

Yet even more profound would be the effects of such zero energy growth "conservation" policies on the global environment. The stagnation or continued contraction of the U.S. economy and U.S. export capabilities will lead to much more severe contraction of energy resources and use among developing sector nations dependent mainly on U.S. capital goods exports. Conservation practices carried out in these countries will, and in fact already have, had devastating ecological consequences which are reflected back on the U.S. The most striking example is the case of Brazil, where energy conservation practices have led to the substitution of primitive agriculture for intensive, energy-rich farming, and the substitution of charcoal for coal in steel manufacture. The result of this "conservation" has been the destruction of some 100,000 square miles of Amazon and adjacent forest areas, leading in turn to the creation of a self-feeding drought. The large-scale changes in global weather circulation patterns induced by this drought has led to the creation of drought condition in the U.S. West and this winter's severe and energy-costly cold spell in the East and Mid-West. Such ecological disruption can only be expected to become more severe as energy flows in the economy, and thus in the ecology as a whole, decrease.

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