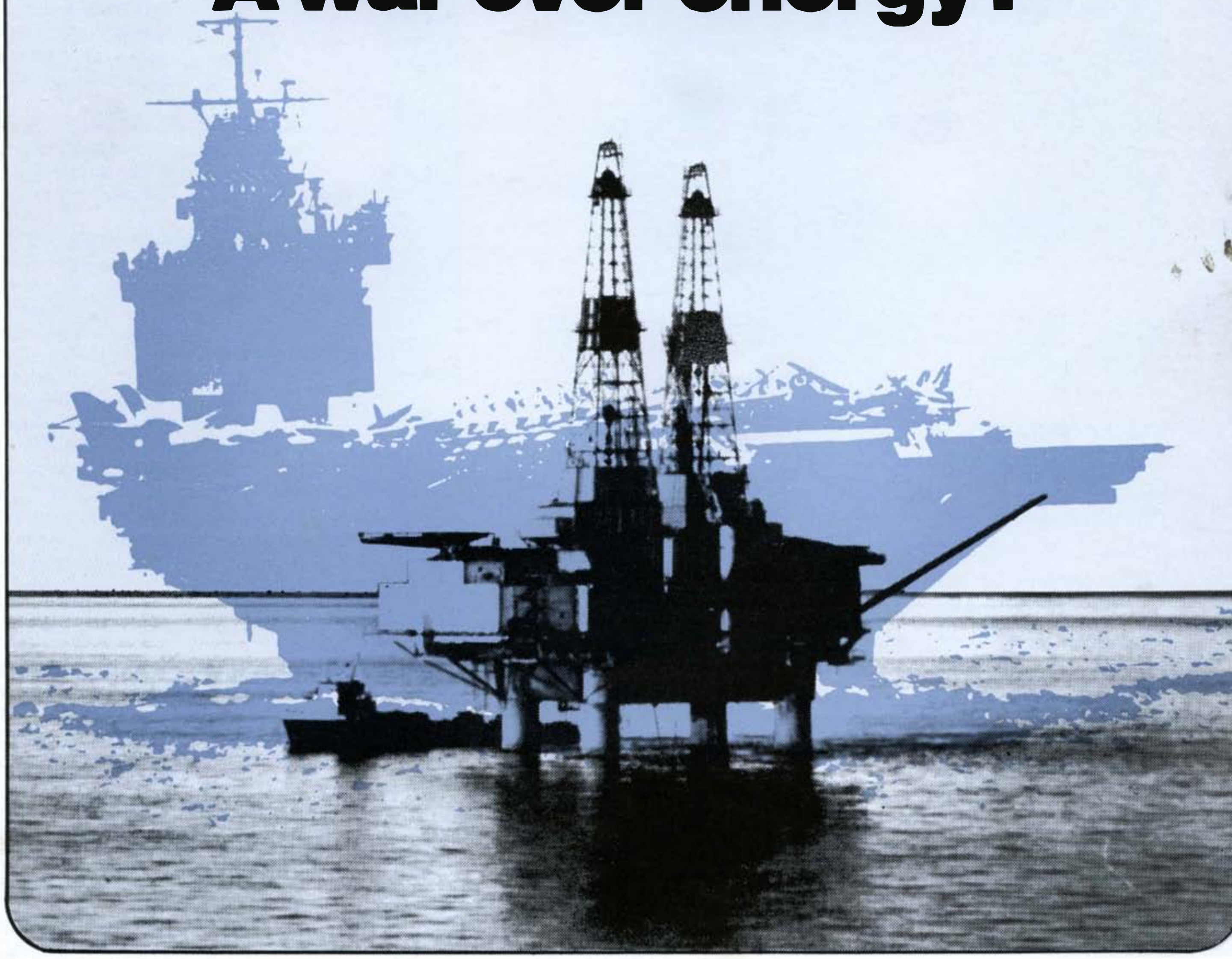
EXECUTIVE INTELLIGENCE REVIEW

July 3-9, 1979

TOKYO SUMMIT:

A war over energy?



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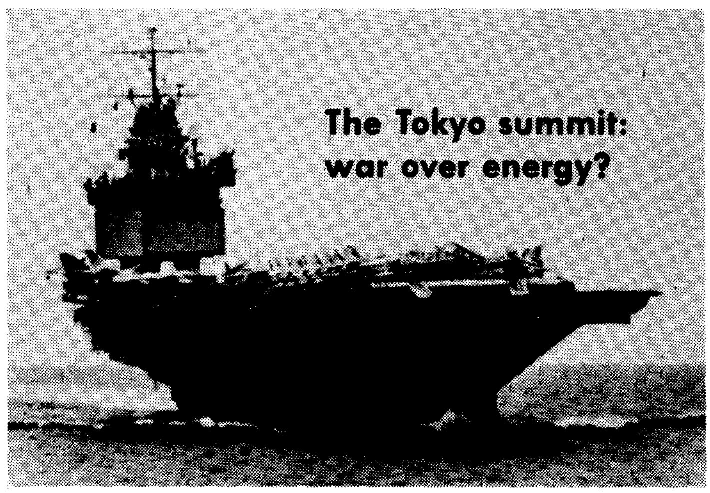

U.S. defense Secretary Harold Brown declared last weekend that the United States was prepared to send as many as 110,000 U.S. troops to seize the Arab oil fields—if such a step should be the only means available to head off growing cooperation between Western Europe, the Arabs, and the Soviets to secure world energy supplies. What the Carter administration's options are likely to be defined at the Tokyo economic summit now underway, where French President Giscard d'Estaing, leading a bloc of European nations including West Germany and Italy, has declared he will accept no less than an endorsement of the Europeans' Strasbourg communiqué calling for a vast western commitment to nuclear energy use, while the United States delegation has branded the Strasbourg formula absolutely unacceptable. Meanwhile, European coordination with the Soviets, and with some OPEC nations, appears greater than before. Full coverage on this vital summit in our INTERNATIONAL REPORT. **Page 14**

IN THIS ISSUE

What IMF policy will do to the world economy

The first in a series of groundbreaking reports based on computer studies employing U.S. Labor Party chairman Lyndon H. LaRouche's Riemannian economic model, this week's *EIR* projects the impact on the world economy of the International Monetary Fund's proposal for global energy austerity—a proposal that would be implemented under the rubric of the plan endorsed by David Rockefeller and others to have the IMF function as the clearing house for the newly created supply of petrodollar surpluses. For the shocking results, if the IMF policy is successfully imposed, see this week's ECONOMIC SURVEY. **Page 22**

A crisis government for the U.S.?

Under cover of manipulated gasoline and fuel shortages and related food shortages and disturbances, a crisis government is being prepared for the United States—which will function to move the U.S. from Carter rule to Haig rule. In this week's U.S. REPORT: the counterinsurgency specialists behind such operations as Mike Parkhurst's Independent Truckers, government plans to militarize transportation and other key aspects of the U.S. economy, and the alarming parallel between today's events in the United States and the Chilean coup that installed military dictator Augusto Pinochet. **Page 32**

EXECUTIVE INTELLIGENCE REVIEW

THIS WEEK

ECONOMICS

INTERNATIONAL

ECONOMIC SURVEY

U.S. REPORT

Vol. VI No. 26
July 3-July 9, 1979

U.S. lays groundwork for invasion in Nicaragua

Humiliated at the special OAS meeting called by the U.S. to endorse its plan for a multinational crisis intervention force in Nicaragua, the United States is moving rapidly to create a pretext for unilateral intervention in the strife-torn nation similar to the 1965 Dominican Republic intervention. From Cyrus Vance on down, many of the personnel are the same, and the goal remains: preserve the organized-crime linked Somoza machine even though dictator Somoza is forced to go. Included in our LATIN AMERICA package, a shocking report on United Brands, the drug-runners behind the Somoza machine. **Page 42**

Coming next week:

A full analysis of the SALT II treaty and why the U.S. should support it, by strategic analyst Robert Cohen, studies prepared by Lyndon H. LaRouche's Riemannian computer model projecting what the world economy will gain if petrodollar surpluses are recycled for triangular industrial development projects, and feature coverage on the explosive antiterror investigation in Italy that has now swept up prominent leaders of the Italian Socialist Party in its dragnet.

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Third World Fund is urgent

Two important summits—the Tokyo heads of government meeting of the seven most advanced industrial capitalist nations, and the Geneva ministerial meeting of the Organization of Petroleum Exporting Nations—have placed one issue in the forefront this last week of June: what will be done with the "petrodollar" surplus accumulating from rising oil prices?

The final communiqué of the Geneva meeting recommends to OPEC member countries that they approve an $800 million replenishment of OPEC's own special fund for aid to the developing sector. It then takes note of "another proposal for a long-term fund to be set up jointly by the industrialized countries and OPEC member countries to compensate developing countries for imported inflation, on the one hand, and any increase in crude oil prices on the other."

The latter proposal holds the key to the "dialogue" between the oil producers and the industrialized consuming countries that was ratified, on European insistence, by the Tokyo summit. U.S. presidential candidate Lyndon H. LaRouche, Jr. has proposed the establishment of a multibillion dollar fund out of the surplus oil "tax" to finance rapid, worldwide industrial development, focusing on high-technology projects in the Third World.

This plan for "Phase Two" of the European Monetary System would reverse the spiraling collapse of the world economy under the stranglehold of the International Monetary Fund and World Bank. It would guarantee peace.

LaRouche's program coheres with the thrust of recent diplomatic initiatives undertaken by President Giscard d'Estaing of France, especially after his late-April Moscow summit with President Brezhnev. Giscard has been organizing for a "trialogue" to bring OPEC investment and European technology together in developing Africa. The implementation of that concept and its extension to other equally critical Third World "hot spots" requires the shutdown of the speculative swindle known as the Rotterdam oil spot market, and a crash nuclear energy plant-construction program—two planks in the platform the European Community brought to Tokyo which won formal ratification by the summit.

The Europeans' platform for Tokyo—and, it appears, a thick series of European leaders' pilgrimages to Moscow that has resulted in a public proposal for an East-West European energy grid—was drafted as a war-avoidance policy. The Europeans are horrified at the spectre of the Carter Administration plunging the United States under the fascist jackboot to preserve the Rotterdam swindle and the 100,000-man international strike force readied for intervention in the Third World. A parallel concern was expressed in French President Giscard's Newsweek interview just before the summit, where he accused the Carter Administration of sabotaging relations with the Soviets.

Given that impetus, the inclusion of two stipulations in the Tokyo communiqué has to be counted as a piece of suicidal stupidity. The seven heads of government formally endorsed International Monetary Fund-World Bank "surveillance" (i.e., genocidal austerity conditions) over all Third World loans. Second, the communiqué authorized the creation of a huge fund for "synthetic fuels" production on the model of Hitler's Nazi economy. These two clauses are a recipe for nuclear war.

The first step Giscard and his European partners should take when they get home is to junk these concessions to the London-Washington war axis and open a real dialogue with OPEC, on the basis of the LaRouche proposal. Giscard's blunt attacks on Carter indicated Europeans are prepared to take a new attitude toward Washington. If they fail to impose a positive alternative on the United States, that gesture will go down in history's tragic chronicles of impotence.

—Nora Hamerman

The Week in Brief

Soviet Foreign Minister Andrei Gromyko, in a rare press conference in Moscow last week, blamed Washington for a serious deterioration in U.S.-Soviet relations. He predicted that if the U.S. Senate fails to ratify SALT II or tries to kill it with amendments, "the situation will be bad ... and no disarmament or arms limitation talks will help anymore."

Gromyko pointed out that while President Carter and Brezhnev discussed economic and trade relations during their summit meeting in Vienna, the U.S. side has nothing concrete to propose. "We were struck by the fact that it still has nothing like a clear and definite plan. Of course such a plan may exist; but if it does, nothing was said about it." The Soviet Foreign Minister stated that he is certain that improved economic ties would do a great deal to improve the general relations between the two countries.

Gromyko indicated Moscow's exasperation with the Carter Administration's now-you-see-'em-now-you-don't negotiating techniques. "I do not wish to say that the United States did not conduct itself seriously. The American side is better situated to describe how it behaved."

But on many key topics requiring U.S.-Soviet deliberation "forward motion has been either insignificant or completely lacking. The following has also occurred: our partner sits at the negotiating table, and tomorrow he vanishes and cannot explain why he received the order not to continue the negotiations."

* * *

Israel's post-Camp David "war on nerves" against its eastern Arab neighbors escalated sharply this week, as the Israeli Air Force, for the first time in over five years, directly confronted Syrian aircraft in a dogfight over southern Lebanon June 27. Radio commentators for the British Broadcasting Corporation and the Armed Forces Network on that day emphasized that previous Middle East wars had been preceded by exactly these kinds of air battles between the two countries.

The fight evolved out of a Syrian response to Israel's stated policy of carrying out continual "preemptive" raids into southern Lebanon to "hit the terrorists wherever they may be." Israeli jets moved close to Syrian positions near the coastal city of Sidon despite prior intelligence reports that Syria would not hold back from defending the airspace of that region.

Israel's willingness to challenge Syria derives from the Israeli perception that the Syrian regime is increasingly unstable because of the recent Muslim Brotherhood atrocities inside Syria (see MIDDLE EAST), and that, in this condition, the Syrians are ripe for, in the words of the June 29 London Financial Times, a "military humiliation" by Israel.

In a June 28 statement, Chief of Staff Rafael Eytan emphasized: "Whoever tries to interrupt us in this activity against the terrorists faces two alternatives. One is to confront us, with all that this implies, and the second is to either stop the terrorist activity from Lebanon or to leave them alone in their struggle with us."

* * *

Part of the "national emergency" preparations detailed in this week's U.S. REPORT entails the creation of a food shortage as a consequence of the independent truckers' actions and fuel cutbacks.

Reports from California, Florida and other food growing regions say that melons, lettuce and other perishables are being plowed under. Broiler and egg industry spokesmen report that baby chick kills will begin this week unless orderly transport flows can be reestablished.

Mississippi River barge traffic for grain transport is down 20-30 percent due to uncertain fuel supplies.

President Carter has exacerbated the problem by revoking Special Rule No. 9 on June 22. The rule provided normal supplies of fuel to farmers for "essential uses." According to the New York Times, the cancellation was recommended by Agriculture Secretary Bergland, who claimed that "planting is completed in all but a few scattered areas and field work will be finished in those areas in the next few days."

It is not known yet whether the Administration will try to blame the contrived food crisis on the "red menace." However, that line is already circulating: an article in the June 26 Journal of Commerce arguing for a world "food bank" says that Soviet grain purchases will account for major shortages elsewhere in the world. The authorities cited for this view are the two zero-growth think tanks, Worldwatch Institute and the Ford Foundation.

* * *

Colombia peasant federation leader Fausto Charris reports that the "pot lobby" in that South American country is saying that marijuana is on the verge of being legalized throughout the United States.

Charris spoke on June 24 at a rally called by the New York-New Jersey Anti-Drug Coalition at Norman Thomas High School in New York City, after a popular mobilization forced the State Department to grant the antidrug fighter a visa. He is secretary-general of the FANAL, a 120,000-member peasant union in Colombia, and reports that Colombians want to grow food—not dope.

"The solution to marijuana is the same as the solution to nuclear war," said Charris. "It is the development of the Third World."

* * *

The State Department is being urged to make marijuana grown in Mexico safe for American consumption by ending U.S. support for Mexico's marijuana eradication program, in a letter now being circulated by HEW Secretary Joseph Califano.

Mexico sprays marijuana fields with the herbicide paraquat, to kill the illegal crop. Califano claims that paraquat, if inhaled by U.S. smokers purchasing damaged goods from Mexico, causes "a severe form of lung damage called fibrosis."

As for the State Department, it has a slightly different approach. To avoid risk of respiratory injury, State advises use of a water pipe or making marijuana brownies. This is recorded in court papers, part of Foggy Bottom's response to a suit by the National Organization for Reform of Marijuana Laws (NORML).

In Illinois, the Federal Drug Administration will soon pass out government-inspected joints, prerolled and packaged, to doctors. Fed heads say the dope is intended for cancer patients.

* * *

EMS dollar policy put to the test

As the dollar continued to sink the week ending June 28, Britain and its networks within West Germany positioned themselves to reshape the European Monetary System (EMS) over the next five months. A deutschemark revaluation is being urged by the London press and battled over among EMS members; what this "internal realignment" of EMS parities would essentially involve is extending the Thatcher government's policies to the continent and turning a new Anglo-European bloc against the U.S. and the dollar.

FOREIGN EXCHANGE

At week's start, the dollar had already lost 3 percent of its value vis-à-vis all currencies compared with end-of-May rates, and 4.5 percent vis-à-vis the mark. The news of a worsened May U.S. trade deficit pushed the dollar further June 27; it lost two West German pfennigs, two Swiss centimes, and one yen.

Reports persist that "Far East and Middle East" dollar sales have precipitated the dollar slide, and that European authorities are not unhappy about it, since it will cheapen the dollars they have to buy to meet their oil bills. The situation is more complicated.

British-advised Arabs, along with British satellites in Hong Kong and Singapore who traditionally fuel offensives against the dollar, are indeed moving extra funds into sterling and other nondollar assets. But New York traders said June 27 that, with the outcomes of the OPEC and Tokyo conferences still pending, there was "not a selling wave but a lack of buyers" for the dollar in a "very hesitant market." The West German and Swiss central banks, along with the Federal Reserve, have intervened substantially—$1 billion was reportedly bought by the Swiss National Bank alone in little more than a week—but their action has been perceived as a smoothing and braking move. The Fed will "really be tested in July," traders say, after Treasury Secretary Blumenthal's June 26 pledge not to 1 dollar return to its pre-November lows and his forecast of large U.S. import cuts failed to halt the dollar's slide.

The line that Europe and Japan want a weaker dollar to offset oil-price increases undoubtedly expresses a widespread sentiment. The question is what policymakers will do. Bankers and treasury officials are fed up with supporting the dollar, given the New York banks' role since 1977 in helping depreciate the dollar for trade-war purposes, and the U.S.-based oil majors' efforts to shut down their economies. Many highly-placed West Germans say they intend to win the nuclear-energy campaign for themselves and let the U.S. spin into hyperinflation, depression, or both.

Yet the understanding that animated the creation of the European Monetary System one year ago has not disappeared. The EMS was officially established to stabilize European and Japanese parities vis-à-vis the dollar as a first step. The second step, soft pedaled because of U.S. and International Monetary Fund threats that it would "breach the Atlantic Alliance," was designed to fulfill that alliance, by absorbing dollars from the Euromarkets, Arab sources, and so forth into the European Monetary Fund, and reissuing them, backed by the pooled gold reserves of the EMS members, as long-term, low-interest credits to developing nations.

In good part the dollars would flow back to the U.S. in the form of export orders, reversing the trade deficit, and putting the U.S. economy onto an unprecedented peacetime growth track.

With EMS founders Giscard of France and Schmidt of West Germany refraining from any direct, public recommendation that the U.S. embark on such a high-technology export policy, there is nevertheless evidence that the EMF approach is being accelerated to deal with the new dollar turmoil.

"Support the Third World"

First are the Strasbourg European Community conference insistence on launching the "producer-consumer energy dialogue" that would focus on recycling petrodollars into Third World development, and the insistence by Arab bankers reported in this review last week that Mideast OPEC members will work with European banks to "support the Third World" with their dollars instead of dumping them. Beyond this, the evidence comes from the anti-EMF side: the London opinion-makers who blacked out the EMS initiative until it succeeded, are now trying to torpedo it and take over its remains.

This week the London *Financial Times* and London *Economist* fell into a depth of hysteria not witnessed since Schmidt and Giscard's initial success. They insisted on (1) the impossibility of currency interventions to aid the dollar or the weaker European currencies, and (2) the necessity of a deutschemark revaluation.

"The experience of recent years gives no grounds for supposing that official intervention guided simply by supposedly superior guesswork is any cure for the [exchange-rate] disease," intoned the *Financial Times* lead editorial June 27. "It can easily make it worse ... better co-ordination of domestic policies is essential." The June 23 *Economist*, claiming that intervention within the EMS on behalf of the Belgian and Danish currencies simply "increases pressure" against them, signaled its real concern: "All the pre-EMS talk of coordinated dollar policy has been found to be so much hogwash. Now, EMS central bankers are talking busily about it again; but with so many individual volte-faces over the past year it is not easy to see a stable dollar policy emerging."

The June 23 business lead was titled "Realism now: European monetary parities are not sacred." It also calls for "sufficient coordination of economic policies," smirks about the "competitive interest rate scramble" triggered by the Bundesbank's tight-money policies. It ends with a dramatic prediction that the French franc will be in serious trouble if the mark is not revalued. Two other articles foresee strong revaluation of the mark against the dollar as well "before the end of the year," and sterling entry into the EMS currency grid at close to the pound's present exchange rate—which combined with a mark upvaluation would mean an upward adjustment of the grid's European Currency Unit metric, and something like 15 percent devaluation for the weaker currencies.

What all this adds up to is the British plan for joining the EMS in the fall—Margaret Thatcher pledged $4 billion of U.K. gold and dollar reserves to the EMS at the Strasbourg summit meeting as a step toward membership—in the expectation that Britain, with its North Sea revenue and sterling renaissance, will introduce the "two-tiered" EMS the British advocated last year before they were excluded. A Thatcherized Britain and an anglicized West Germany would run the show; an economically humiliated France would be in the "lower tier." If it were all so easy, however, the British would sound shrill on the EMS subject.

—Susan Johnson

INTERNATIONAL CREDIT

British: hand OPEC's 'big potato' to IMF

In a June 27 editorial entitled "Capital on the Move," the *Financial Times* of London spelled out more explicitly than ever the monetary program which the British financial elite hope will emerge from the Tokyo summit. According to the *Financial Times*, the recent turmoil on world currency markets, which has sent the dollar tumbling against the West German mark and the British pound sterling, is an anticipation of even greater upheavals which are likely to occur in "the next stage of the oil crisis."

The solution? The *Financial Times* states that the Tokyo summit must find a way to persuade the OPEC countries to place their expanding petrodollar surpluses directly with the International Monetary Fund (IMF). The IMF will have control over the petrodollar-recycling process and will impose harsh austerity conditions on all deficit countries. The so-called "dollar overhang program will be solved, because the oil-producing countries will place the bulk of their "excess" dollars with the IMF, which will simply take them out of circulation and replace them with the IMF's own IOU—the Special Drawing Right.

Sterling "regaining old status"?
World capital markets, unfortunately, are behaving somewhat as if this retire-the-dollar scenario were in effect. During the past week, for example, there has been a sudden surge of interest in deutschemark-denominated Eurobonds at the expense of the dollar sector of the market. Market analysts attribute this shift not only to tight primary-market D-mark offerings compared with a large new Eurodollar bond supply, but to widespread belief among investors that the deutschemark will soon be revalued against both the dollar and the other members of the European Monetary System. The attractiveness of D-mark bonds has been enhanced by the tight money policies of anglophile Bundesbank chief Otmar Emminger.

Bank of England statistics show that foreign official and private holdings of sterling now stand at 8.5 billion pounds, or $18 billion, the highest level in 10 years. "Sterling has regained much of its old status as an important medium for foreign and governmental investment," crows the *Financial Times*.

—Alice Roth

HongShang opts out of New York

The HongKong and Shanghai Bank is in a greatly weakened position in its bid for Marine Midland Banks of New York following the June 28 announcement that HongShang has withdrawn its acquisition application from New York Banking Superintendent Muriel Siebert, and intends to have Marine seek a national banking charter. "Siebert said she would rule on the New York application by June 30, and it's clear that at their last meeting June 25 she told the HongShang she intended to turn them down, and this is a quick move to save face," a knowledgeable Albany source said.

"The other question is, will Marine win the national charter?" said the same source. "Their whole management is in question, the way they've handled this."

The level of national pressure building for bringing the HongShang's motivations to light is indicated by the surprising simultaneous move June 27 by Senator John Heinz (R-Pa.) introducing a Senate Resolution for a six-month "moratorium" on foreign takeovers of U.S. banks. Heinz, whose Pennsylvania backers are led by the Mellon family, is among the most anglophilic free-enterprisers of the Haig wing of the Republican Party. Until this week, this prominent member of the Senate Banking Committee had shown total uninterest in foreign bank acquisitions, although a host of British and related Israeli banks are invading his own state over the protests of local citizens.

Speculation is that the State Bank Supervisors such as Siebert and regional bankers around the nation are beginning to realize that the HongShang takeover epitomizes the national trend toward deregulation of the entire U.S. banking system, which stands in danger of becoming another Eurodollar market free-for-all. They apparently have made their voice heard in Congress. Heinz's resolution, S.R. 92, would have the moratorium cover all applications after June 1; it would not "grandfather" the new HongShang application, which will be made to the Comptroller of the Currency in the fall, providing Marine is granted a national charter. Heinz would also have the Fed produce a study and recommendations for preventing "hostile and anti-competitive" takeovers.

Meanwhile, the major British banks continue to announce new targets for takeover in the U.S. The Midland Bank of London has announced a "friendly" agreement with Walter E. Heller International, a U.S. bank holding company, to pay $530 million in cash to acquire the concern. Heller is one of the U.S.'s largest financial concerns with assets of $4.8 billion. The takeover would give the British ownership of Heller's American National Bank & Trust, Chicago's fifth largest bank, the 70th largest in the nation. Heller, with 55 offices in 37 cities, would also deliver into British hands major commercial finance, factoring, leasing and other secured lending operations.

Another major U.S. finance company is also being handed over to London in phases. The C.I.T. Financial Corp. sold the National Bank of North America to London's National Westminster Bank earlier this year. In a recent interview C.I.T. chairman Walter S. Holmes said that he was quite prepared to sell the rest of C.I.T. to a "foreign" bank.

Senate Banking Committee Chairman William Proxmire will hold full committee hearings July 16-20 on foreign bank acquisitions.

The sweetener and the shareholders

While awaiting word on Marine's new national charter, HongShang announced it is making a new, sweeter acquisition offer of $25 a share, 25 percent over its original $20 offer which was dubbed a "fire sale" price earlier this year by observers noting Marine's book value of almost $40 per share. "That doesn't say a hell of a lot about a management which last week was ready to go down for $20," said one bank analyst.

Marine's shareholders, who months ago were reported close to revolt over this bargain hunting, will now have to reapprove the new investment agreement at a post-Labor Day shareholders' meeting. Management could face a stiff shareholder revolt.

Meanwhile, state bank supervisors from Georgia to Oregon are reported ready to protest to Comptroller of the Currency John Heimann on his "raiding" of state banks, banking sources said. Heimann's May letter to New York Commissioner Siebert charged her with "overstepping the bounds of State regulatory powers" for her opposition to the HongShang, and has state regulators across the nation infuriated—especially if they are going to begin losing banks.

—*Kathy Burdman*

DOMESTIC CREDIT

T-bill forwards show market deregulation

The U.S. credit markets are undergoing their own version of deregulation—and experiencing the same unpredictable and disorderly effects that the airlines industry, trucking, and banking are suffering under "dereg." The "liberalization" of the credit markets underway was epitomized by the opening of Treasury bill futures trading in New York last week, after a two years' experiment at the Mercantile Exchange in Chicago, home of the "free market" Chicago School of economics. Now speculators in New York and Chicago can buy and sell futures contracts on the prime credit instrument of the United States government—just as they make a market in Ghanaian cocoa and pork belly futures.

According to one futures market observer, Treasury bill futures have introduced an element of extreme unpredictability into the overall T-bill market, and have recently driven up prices and driven down yields in the cash market to an extent beyond everyone's expectations. Encouraged by the extremely thin margin requirements in the market—for $800 one can buy an option to take or make delivery on $1 million in Treasury bills six months hence—speculators who are betting that U.S. interest rates have peaked because the recession has arrived have been buying Treasury bill futures in amounts far in excess of actual deliverable bills. Open interest (outstanding futures positions in the September contract, for example, currently amounts to $13 billion on only $5.5 billion in deliberable bills! As the delivery date on T-bill futures approached this past month, speculators entered the cash market en masse to cover their short positions, driving up prices and depressing yields in the cash T-bill market.

"We haven't been able to discern any undue effects," Vernon Pherson, chief economist for the Commodity Futures Trading Commission in Washington, which just approved the trading of T-bill futures on two exchanges in New York, said in an interview. However, the fact remains that in the face of all sorts of developments which the market usually

COMMODITIES

Chevron platinum project: Test case for caterlization

Chevron Resources Co.'s recent purchase of an 18,000-acre tract of land in Montana reported to bear platinum reserves now stands as one of the test cases which may force major changes in U.S. mining and raw materials regulations.

Chevron purchased the tract in a joint venture with Johns-Manville, following a heavy battle with another leading U.S. minerals firm which lost out because it couldn't match the oil-backed financial resources Chevron was willing to throw behind the bid.

However, Chevron will now have to get final approval from the Interior Department to start up mining and exploration—since the tract lies under a national forest. If the platinum venture goes through, this will set an important precedent for shifting the Carter administration's long-term pro-environmentalist mining policy in favor of a new, equally dangerous policy: massive mining development by oil companies striving to make the U.S. more "raw materials independent," or autarkic. Chevron itself is known to be playing a key role in the Seven Sisters oil and minerals hoax which is plunging the U.S. into deep recession (see U.S. REPORT).

The crunch hits metals

The latest *Business Week* fed U.S. industry's fear that the 1979 fuel crisis is about to become a full-scale raw materials crisis. *BW* reports that under the impact of the post-1974 decline in mining industry profitability, U.S. mining is losing ground to foreign firms. Over the last year, U.S. zinc imports rose 30 percent and copper imports upped 20 percent, while since 1976, the debt-to-capitalization ratio of 10 major U.S. mining firms rose from an average 11 percent to 33 percent.

The cartel push

Companies like Chevron, as well as Asarco, the leading U.S. copper smelter, are pushing hard for a complete turnaround in U.S. legislation governing mining development. Their chief forum is the House Sub-

takes as signals of higher interest rates—the 1.1 percent spurt in the May consumer price index, alarming m
heavy corporate credit demand—yields on short-term Treasury bills have dropped precipitously over the last few weeks to their lowest level since last November.

When overall interest rates begin to move upwards again—as is widely expected because of the effects of soaring energy prices on business operating costs and credit demand among other factors, the existence of a highly-leveraged T-bill futures market could easily exaggerate interest rate movements in the opposite—upward—direction.

—*Lydia Schulman*

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committee on Mining and Minerals, chaired by Nevada Democrat Santini. In the same way that the oil companies are pushing for creation of a federally financed resources bank to subsidize
fuels" production, modeled on the War Production Board of World War II, Santini's committee would like to get the federal government to subsidize mining through exploration guarantees and subsidies on a substantial scale. Simon B. Strauss, vice-chairman of Asarco, justified this switch from "free enterprise" to state-aided cartelization with the accurate statement that "should supply shortages occur through the end of this century, they are far more likely to be due to governmental policies or disputes than to physical shortages or internal inabilities."

—*Renée Sigerson*

WORLD TRADE

U.S. trade picture gets worse

This week's Egg-On-The-Face award goes to Treasury Undersecretary Tony Solomon. When the Commerce Department released figures on June 21 showing the U.S. in balance-of-payments surplus for the first quarter of 1979—the first such quarterly surplus in two years—Solomon, perhaps imagining himself possessed of the wisdom of his Biblical namesake, hailed the figures as "greatly encouraging" and "concrete evidence of the substantial improvement in our fundamental position."

Before one week had passed, the Commerce Department issued another set of figures, in this case the trade figures for May. The figures show the U.S. running a balance-of-trade deficit of $2.48 billion for that month. On an annual basis, this works out to a trade deficit of almost $30 billion, worse than the $28.5 billion deficit of 1978.

How did Mr. Solomon get that egg on his face so soon? Mainly because he was treating modest payments surplus as though it were a fundamental improvement on the trade account. In actuality, trade in real goods (as opposed to transfer payments from "services") remained in deficit by a whopping $6.1 billion during the first quarter, almost the same as last year's dismal figure. For technical reasons, however, this massive trade deficit was covered over by a surplus in the "invisibles" or "services" account, actually the dollar reflow to the U.S. in response to (1) the November 1978 dollar support measure and (2) sharply higher U.S. interest rates.

The dollar-support action was a useful antispeculative monetary measure. But monetary measures merely establish necessary conditions for expanded industrial growth and exports, and are not sufficient by themselves. The second measure, the policy of higher interest rates under Federal Reserve chairman Miller, by contrast, has had a more than sufficiently negative impact. It has helped put the brake on investment in new plant and capacity and R&D—both essential for a sustained export boom.

This is unintentionally underlined by a recently issued OECD report on what effect the "Newly Industrialized Countries" (NICs)—Brazil, Taiwan, Spain, Mexico, and Korea, etc.—have had on advanced sector economies. The report notes that Japan, Germany, and Italy—countries which all have seen significant capital formation in the past fifteen years—enjoy positive trade balances with the NICs. The U.S. and Canada, by contrast, are in deficit with the NICs. So much for much of the howling about "unfair competition" in the U.S.

Treasury Undersecretary Soloman, for his part, doubtless wishes there was less competition between the Commerce Department quarterly figures and the monthly ones, since he evidently has difficulty reading either.

—*Richard Schulman*

Deregulation has already crimped

Shippers who are angered over the dramatic rate increases and service cuts that have resulted from deregulation of air freight have been overlooking the more ominous effects of deregulation that augur even higher rates and further service cuts. Deregulation has scrambled routes and services in a manner that reduces the flow of containerized freight, undercutting efficient "intermodal" transportation.

Civil Aeronautics Board Chairman Alfred Kahn, the high priest of deregulation, had convinced Congress in the fall of 1977 amid plenty of "free enterprise" ballyhoo that deregulation would allow anyone with a plane, some freight contracts, and a little working capital to enter the airfreight business and bring down rates by increasing competition. In fact, 22 new cargo carriers have entered or will enter the air freight business.

But the shippers are learning what the U.S. Post Office did in the 1920s: a bunch of independent flyers with small planes and small wallets do not provide the reliable long term service required by the economic life of the country.

Since November 1977, the larger carriers—a group comprising mostly the passenger carriers—have dropped what they consider unprofitable routes. One major carrier, TWA, dumped its cargo-only operations altogether—for reasons totally unrelated to profits or free enterprise. (See CORPORATE PROFILE).

When the cargo lines scrambled to take over these routes, and created a number of new ones, shippers found that the smaller carriers had few, if any, planes that could handle containers—the safest and usually the cheapest mode for large shippers, especially if the container will also be handled by rail or water for part of its trip. Most smaller cargo carriers can't handle any container of any size.

There is not much chance that the smaller airlines will suddenly buy any significant number of jumbo jets—such as Boeing 747s—that can carry containers. A passenger jumbo costs about $30 million new, perhaps $10 million used, and requires adequate maintenance. Cargo carriers cost up to $40 million new, and there are few used ones on the market.

The June 25 *Journal of Commerce* concluded unhappily, "Progress in airborne containerization is being slowed rather than speeded up by airline deregulation. ..." This blow to air and intermodal transportation efficiency will have a much greater impact on future economic growth of the nation than even the dramatic rate hikes and service cuts in air freight since deregulation.

That is not to disparage the very real complaints of the shippers, especially those in the electronics and medical supplies industries.

Since deregulation, air cargo rates have climbed 19%—faster than any mode of regulated transportation. Every carrier slapped on a 10% across-the-board hike in March-April 1978, came back again in '79 with a 6-15% rise, and now threatens another round. But that alone doesn't give the true picture: Minimum charges zoomed 46%, rates for "undesirable" cargo like household pets and live animals jumped 82%, and supplementary charges like COD and assembly and distribution went up as much as 100%.

Even so, many shippers are less disturbed by the rate hikes than by the cutting of liability for loss and damage. Just before deregulation the CAB promulgated, as the result of several years' investigation, an increase in carrier liability from fifty cents a pound to $9.06 per pound. With deregulation the carriers were relieved of this burden, a fact that figured heavily in convincing the hesitant cargo carriers to go with Kahn's "experiment."

Richard B. Mallard, transportation manager for the E.R. Squibb & Sons pharmaceutical house complained to the CAB that service cutbacks were jeopardizing shipment of lifesaving drugs to smaller communities. According to Mallard, "many parts of the country are hundreds of miles from a large airport. . . . Combine this with the fact that many types of diagnostic sera have a very short shelf life and you create a situation where you either deny needed health care to patients or cause it to be delivered at a heavy premium."

Most smaller runs are abandoned when undercapitalized carriers dart from one route to another picking up crumbs but fail to build up a market. Larger carriers can of course sustain losses on air freight if they can make it up in passenger revenue either on the same or other routes.

According to *Distribution Worldwide* in its April 1979 issue, "It is probable that the ultimate result of deregulation—with its removal of protection for the markets of marginal carriers—will be to reduce the number of active competitors through mergers, consolidations, bankruptcies, etc."

And the technological growth of the industry, just now poised on the brink of containerization and full computerization, will collapse.

—*Leif Johnson*

How the U.S. went off the gold standard

Last week, I reported that the Bank for International Settlements' decision to revalue members' gold holdings had left the United States and Britain virtually the only Western industrial nations still resisting a return to a world gold standard. The potential advantages of a gold standard are obvious—so obvious, in fact, that, apart from the British and New York financial communities, practically everyone would like to see the dollar rehitched to gold. The question is then raised, just how did the U.S. get off the gold standard, anyway?

This column has no great regard for John Connally, but the fact is that, as in so many of his decisions, "Big John" was not acting as his own man on Aug. 15, 1971, when the U.S. abandoned gold. In fact, Aug. 15 was the culmination of a campaign initiated by the Bank of England and allied London financial interests to wreck the dollar, a campaign that began as early as 1959-60 with the run on America's gold reserves. Britain's assault against the dollar was motivated, as it is now, by a desire to replace the Bretton Woods system with a full-fledged version of John Maynard Keynes's "world central bank." This supranational institution would issue its own "stateless" currency and regulate world credit flows in such a way as to suppress industrial growth and "disequilibrating" technological progress.

Regular readers of the London *Economist* have often remarked that the magazine has an uncanny ability to "predict" events before they happen. Few, however, would suspect that the *Economist* might accurately portray events *ten years* in advance. An article in the Christmas 1960 issue of the *Economist* (dated Dec. 24, 1960) entitled "Where the Rainbow Ended" comes very close to meeting the above criteria.

Written in the *Economist*'s characteristically cynical, tongue-in-cheek style, the 1960 article, which purports to be an excerpt from the memoirs of Dr. Per Jacobsson (the then-managing director of the IMF) anticipates: 1) the August 15, 1971 termination of U.S. dollar convertibility into gold, and 2) the IMF's current gold sales policy and campaign to reduce gold to the status of a mere "commodity."

"Where the Rainbow Ended" provides a fictional account of a run out of the dollar into gold which begins early in 1961 shortly after the Kennedy inauguration. The immediate cause of the crisis is a General Motors' bid to buy British Motor Corporation. The outflow of dollars to finance the deal causes such a drain on U.S. gold reserves that investors panic and begin pushing up the price of gold on the London market. Soon gold is being quoted at $49 an ounce against an official price of $35.

Stunned, international monetary officials and economists debate the issue for months but are unable to come up with any solutions. Finally, in early July, the son of a senior British Treasury official writes an "ingenious" college term paper on the subject and shows it to his father, who in turn passes it on to his assistant secretary. The assistant secretary mails a copy to his old teacher Professor J.K. Galbraith, who happens to be the chairman of the U.S. Federal Reserve Board (in the fictional account only, thank God).

What happens next in the narrative should give the reader a distinct feeling of déjà vu:

"Who will ever forget the Monday that followed? It came as a thunderbolt not only to the public at large but to the whole financial community, from Treasury officials to central bankers. It came in the form of a short statement by the Federal Reserve Bank of New York, acting as agent for the U.S. Treasury.

" 'In recent months doubts have been thrown on the continuance of the policy of the Federal Reserve in buying and selling gold at the parity of $35 an ounce, on the ground that market forces are inexorably pressing towards a higher price. The Federal Reserve has no wish to hold back the forces of the market. Forthwith, therefore, its undertaking to buy and sell gold at $35 an ounce, or at any other price, lapses.'

"In three sentences, the Fed had demonetised gold. The financial markets were knocked dizzy. The event was too large for men to take in. As they began working it out, they fastened on another statement which on my [Per Jacobsson's—Ed.] own initiative I put out for the International Monetary Fund:

" '... As an interim arrangement, until December 31, 1961, the Fund is taking over the commitments of the Federal Reserve, with certain differences. It will buy gold, at $35 less commission, only from central banks of its member countries, who will receive in return deposits with the Fund which can be used for all international payments; and it will be happy to sell gold at $35 plus commission to anyone. It assumes no obligation to buy gold after December 31st.'...

"... From the new year on, gold would be just a commodity, and busy calls went round to try to establish just what, as a commodity, gold would be worth....

"This revolution in international finance of course transformed at one stroke the status of the International Monetary Fund. 'The Fund,' one commentator wrote, 'now stands to the central banks of its member countries as does the Federal Reserve Board to its member banks.'..."

Next installment: "1959-60, London Starts the Gold Rush."

—*Alice Roth*

Tokyo summit: a war over energy?

Events on the opening day of the Tokyo summit of OECD advanced sector nations presage confrontation in the days to come between the United States and Great Britain on the one side and France and most of continental Europe on the other.

The joint British-American position for the summit, which is focussed on the issue of energy, is typified by the announcement made by Secretary of Defense Harold Brown on the June 24 "Issues and Answers" television program reporting that the U.S. would create a 110,000-man military strike force for intervention into the Mideast to "secure the oil fields" if necessary. The British have not only applauded this move—absurdly predicting that it would not meet with any Soviet resistance—but have made their own complementary proposals for various forms of economic boycott of the Arab oil producers as part of a "hard line" approach. One such proposal, published in the June 27 London *Daily Telegraph*, called for the U.S. and Canada to use the "grain weapon" against the Arab "oil weapon."

The West Europeans, on the other hand, led by French President Giscard d'Estaing, represent a diametrically opposite policy stance. On the first day of the Tokyo summit Giscard said at a press conference that Europe would brook no compromise with the proposals adopted at the earlier European Community Strasbourg summit that called for: 1) transparency of the Rotterdam oil spot market to curb the speculative maneuvers of the British and American oil multinationals; 2) development of nuclear energy, 3) consumer-producer dialogue, and 4) temporary energy conservation. Telling the gathered press corps that the Tokyo summit would succeed or fail on the basis of the positions reached on these four proposals, Giscard once again took President Carter sharply to task over his handling of the international oil emergency, putting aside diplomatic language to accuse him of willful "negligence." This latest rebuke followed even sharper statements given to *Newsweek* in the course of an interview last week (see below).

BRD lines up with France

Just as the summit was about to begin, reports from the West European press confirmed that the remaining disagreements between France and West Germany had been dropped. West German Chancellor Helmut Schmidt, according to the French daily *Le Matin*, announced on the plane between Moscow and Tokyo that he had dropped his reservations on the issue of control over the Rotterdam spot market, therby putting an end to rumors of a split between the two leading European allies. The position paper circulated in Tokyo by the West German delegation was thus identical to the Strasbourg resolutions, proposing fast development and implementation of nuclear energy, control of the spot market, and a world-wide energy dialogue.

As for the Japanese, the congruence of views first pretended by the Carter delegation was denied by Japanese spokesmen, and later again by Schmidt's press spokesman Klaus Boelling. The West German press reports statements from Boelling in Tokyo saying there was "no substance" to earlier reports of an across-the-board agreement reached between President Carter and Prime Minister Ohira prior to the summit. Rather, he said, Schmidt and Ohira had held a "good" preliminary meeting where some level of informal agreements had been reached.

The Carter delegation, as *Executive Intelligence Review* reported last week, left for Tokyo armed with a position paper jointly authored by the International Monetary Fund staff under North American Division Director Joaquin Ferran, Treasury Secretary Blumenthal's office, the National Security Council and others.

The paper's major proposals indicate the extraordinarily dangerous course of American policy at this time which is premised on inducing a direct confrontation between the advanced sector and the oil producers to ensure the success of plans for putting the world economy firmly under International Monetary Fund control, freezing economic and industrial development, and inevitably leading to a potentially deadly East-West confrontation. The American position paper thus calls for: 1) voluntary deflation of the advanced sector, 2) a moratorium on nuclear energy development and plant construction, 3) the denial of Third World access to private Euromarket financing outside of IMF conditionalities, and 4) a "consumer boycott" stance vis-à-vis the OPEC oil producers. The full import of policy toward the Mideast if of course inherent in Harold Brown's announcement of the new American strike force readied for military intervention into that area.

Not surprisingly, the authoritative West German financial daily *Handelsblatt* reported on June 27 that the Saudis and Kuwaitis were urging, at the OPEC producer conference, that OPEC adopt the European Strasbourg resolution as its policy, particularly the abolishing of the oil spot markets and the pro-

Europeans' bottom line

The following are excerpts of the communiqué adopted by the heads of state of the EEC at the Strasbourg European Council meeting June 22. The French government has indicated it will accept no less than endorsement of the Strasbourg principles at Tokyo. The United States is flatly opposed.

The European Council considers it indispensible that a world energy strategy between consumer countries and consuming countries be defined, aimed at:

- ensuring a more moderate and more rational use of oil as a non-renewable natural resource;
- permitting the continuation of economic growth, no longer based on increasing oil consumption but based on the development of other energy resources;
- ensuring that the developing countries also have the energy necessary for their development.

If such a strategy cannot be developed, the world will rapidly be brought to an economic and social crisis of great scope.

The European Council affirms the will of the Community to play an exemplary role in these actions. It recalls the decisions already made during its March 1979 session, and in particular the decision to limit oil consumption in 1979.

...An effort of this scope can only be carried out if a simultaneous effort, of similar scope, is made by the other industrialized consumers who must also limit their oil imports....

This effort will be accompanied by action towards the free markets where the prices practiced have no relation to the prices practiced by the producer countries.

The Council is pleased with the measures taken in this respect by the Energy Council [of the EEC], to improve surveillance of the market. As far as registering international transactions, the Council invites the Energy Council to put these measures, whose principles have been laid out, into effect if the other industrialized states are ready to adopt analogous measures....

For these measures to remain compatible with the growth of their economy, the Community and its member States will pursue and amplify the energy redeployment they have already started. This redeployment will be based on a reinforcement of the actions already started for energy savings and will put nuclear energy, coal, and as soon as possible, other renewable energy sources, into effect....

Without the development of nuclear energy in the coming decades, economic growth would not be possible. The nuclear programs must thus be vigorously relaunched. Recourse to nuclear energy must be carried out under conditions ensuring the security of the populations....

The decisions made today demonstrate that Europe is ready to assume its responsibilities. The Council invites the other industrialized consumer countries to undertake an effort of the same scope and develop their national energy resources, without which the contribution of the Community towards world energy equilibrium will not have its full effect.

In conjunction with the other industrialized consumer countries, the Community and its member States are ready to establish contacts with the producer countries in order to jointly define the perspectives for supply and demand on the world oil markets....

posal for a producer-consumer dialogue.

Only the British are in full agreement with the U.S. When Blumenthal laid out the American position at a June 13 International Monetary Conference in London, the *Financial Times* of London noted correctly that everything he said was an echo of the policies laid out a week earlier by Sir Geoffrey Howe, British Chancellor of the Exchequer. The British have also strongly endorsed the special intervention task force, whether or not it leads to a confrontation with the Soviets, as the London *Daily Telegraph* pointed out June 27.

A Moscow 'summit'

Anglo-American insistance on what Energy Secretary Schlesinger identified as a "Malthusian" policy of crushing austerity internationally managed by the IMF has in fact had the effect of pushing the West Europeans—who have shown little propensity for committing suicide—into ever closer cooperation with Moscow. A remarkable spate of sudden visits to the Soviet Union by West European heads of state in this period is making Moscow the center of a summit nearly parallel to that taking place in Tokyo.

West German Chancellor Schmidt flew to Tokyo directly from Moscow where he held broad ranging discussions with Soviet Premier Kosygin and Foreign Minister Gromyko on "the urgency of continuing detente." A series of preliminary proposals were made during these talks, including West German construction of nuclear plants on Soviet territory and other broad-ranging economic and political plans. President Giscard of France then announced at the cited press conference June 28 that he too would be flying to Moscow after the conclusion of the Tokyo summit, and he was echoed later by Italian Prime Minister Giulio Andreotti who issued a similar announcement.

For their part, the Soviets have followed up their talks with Schmidt with a series of major proposals. First, the Warsaw Pact delegation at the Vienna MBFR (European conventional arms and troop reduction) talks announced that they were willing to accept the NATO proposal for collective ceilings. Until now, the Warsaw Pact had insisted on ceilings for each individual country—the major reason being Moscow's fear that under a collective ceiling arrangement troops would be reduced everywhere but West Germany. The Soviet concession is thus a clear vote of confidence in the Schmidt government.

Secondly, Soviet Energy Minister Neprorozhinyi has reiterated the proposal first made during Schmidt's

France organizes a counter strikeforce

The following are excerpts of an article published in Le Monde *June 26 concerning the reorganization of the French military begun three years ago. Authored by military analyst Jacques Isnard, the article places these French plans in the context of the now confirmed reports from Washington on the creation of a 110,000-man American intervention force. Further below, the response of French government officials, seeking to dispel the impression created by the* Le Monde *article that the French are planning* parallel *deployment of their military with the U.S.*

While the United States is putting into place a force for intervention in the Third World, France is drawing the conclusions from its recent expeditions in Africa to reorganize its military machine for outside action, in order to permanently have available inter-army detachments, composed essentially of professionals, trained to participate in these kinds of operations outside of Europe.

These "intervention cells," set up in advance in the three armies, will be trained to be ready to respond to the most diverse crisis situations, including the case in which France's oil supplies would be threatened....

The traditional [French military] action on the North/Northeast border of the country and the conventional defense of its other borders are now considered on an equal level [of importance] with the security of certain sensitive areas of the national territory against a parachuted, infiltrated or shore-landed adversary and with the protection of the vital interests of France outside of the central European theater, which require, according to the General Staff, light, limited, well-equipped and immediately available forces....

It is not a simple coincidence if, after its 1977 and 1978 interventions in Africa, the General Staff continues to this day to stress the necessity of training, on a permanent basis, French forces in outside actions under the most diverse conditions, and [the necessity] of the lessons to be drawn from previous engagements in order to improve the organization of the present military machine.

Intervention of paratroopers or navy commandos in the sands of the oil fields, control "at the source" visit for the creation of a unified East-West European energy grid. Stating that the question of West Berlin was no longer a significant issue, Neprorozhinyi called for the building of a high-tension electricity conduit connecting Poland, East Germany and West Germany with the Comecon electricity grid. Through West Germany, the rest of Western Europe could then be integrated into the grid.

For his part, Chancellor Schmidt called for an international energy conference to include the USSR. The Soviets would thus be brought into the consumer-producer talks urged by French President Giscard.

Military umbrella over Mideast

A startling announcement has now been issued by the French press, notably *Le Monde*, indicating the far-reaching response which France is prepared to make to stop Anglo-American plans aimed toward forcing an international confrontation over the Mideast. As reprinted in this issue of *EIR*, *Le Monde* published some of the details of a French plan to create its own intervention force and broad-ranging military capability for the protection of not only the Arab countries, but also the Mediterranean African countries which Giscard has included in his call for a "trialogue" of European, Arab and Third World nations. Unlike the provocatory use to which the U.S. would put its huge strike force, the French plan would be carried out in accordance with Arab need to seek protection against dangerous American military interference. It was the Iraqi government earlier this months who proposed such a plan to the French ambassador, after news of the U.S. strike force had become known.

While the French government has of course issued a formal denial to the announcement in *Le Monde* and *Les Echos*, it is most likely that, based on a knowledgeable evaluation of French policy at this time, these reports were correct. Needless to say, the U.S. would find itself in a highly awkward position with respect to its own nominal ally, France, if it attempted to implement plans for use of its military capability in the Mideast. And this represents only one of the dangerous absurdities which America's adoption of British policy has led this country thus far. Far more dangerous would be for France and West Germany to allow the U.S. and Britain to dictate terms at Tokyo and elsewhere, allowing the creation of Secretary Schlesinger's Malthusian nightmare under International Monetary Fund dictatorship.

—*Vivian Zoakos*

of the supplies of the consumer countries, and the protection of their off-shore oil wells as well as their maritime supply lines, are so many of the scenarios which the General Staff ... is being assigned to study in the list of overseas expeditions which they could be called on to carry out if the political opportunity was felt.

There is much talk, within the General Staff, of the recent creation within the "outside action forces" of detachments trained to participate in these kinds of interventions....

For the navy, the problem is very complex,... Surveillance of France's energy traffic poses the greatest difficulties. The supply could be interrupted at the source, by the closing of the oil wells themselves, or during the travel course of the tankers, beginning with the "required passage" of the vulnerable Straits of Hormuz between the Persian Gulf and the Indian Ocean....

The merchant marine ... could become the target of a single navy equipped with numerous submarines or surface to surface missile-launching ships, taking advantage of the surprise effect.

The General Staff does not exclude the possibility of returning—in the case of a grave crisis, as during the Second World War—to the organization of maritime convoys, escorted by warships....

The French government reaction to this article was quoted the next day in Le Monde, *June 27.*

Official circles in Paris indicate, according to Agence France Presse, that "the reorganization of the French armed forces, which began three years ago, ... does not signify that France has the intention of intervening in any part of the world whatsoever." The Elysee spokesman denied that "any new machinery is currently being put into place, nor even being studied, to intervene in any place in the world whatsoever."

They add that Frence defense policy is not linked to a particular political conjuncture. It is not, they add, because the United States is organizing a force of 110,000 men ... to intervene in the Middle East or in other zones outside of NATO's zone of influence, that France would necessarily adopt the same policy.

Government circles have, according to AFP, qualified as "political fiction" any interpretation tending to make the contrary be believed.

Energy policy: what they are saying

The following are excerpts of the statement made by Foreign Affairs Minister Jean François-Poncet to the Ministerial meeting of the Organization for Economic Cooperation and Development in Paris, June 13:

... We must not try and escape the [energy] problem by searching for palliatives, applying stopgap measures to inducing deflation.... What we have to do is to find a voluntary response—and thereby a political one, in the highest sense of the word—enabling us to arrive at a lasting solution to a lasting phenomenon....

... It is up to the industrialized countries to take the initiative by adopting three series of measures:

1) To act so that on the oil spot markets free trading does not lead to economically absurd prices which might then be adopted as terms of reference for normal trading in a market that is worldwide due to its nature and dimensions.

2) To agree to binding energy-saving restrictions and oil import controls....

3) To organize the redeployment of energy. This might be anything from better use of traditional sources, the very necessary development of nuclear energy ... to accelerated research into new sources of energy.

The implementation of these measures should give new meaning, credibility and thereby a decent chance to the necessary dialogue with the producing countries, which is to the advantage of both sides....

The triangular relationship between the industrialized countries, the oil producers and the other developing countries ... must ultimately provide the foundation for the peace and dignity of the world. Therefore it must be organized....

Oil: France and the producing countries

Paul Marie de la Gorce, in Le Figaro June 20, 1979, wrote:

... [The French authorities] are going back to the idea

Britain: Confrontation and "austerity decade"

British press coverage has focused on the need for energy austerity. The Financial Times *highlighted the issue June 20:*

European economies face a decade of massive, brutal structural change, during which governments will be condemned to policies of austerity. In addition, personal consumption will take second place to increased investment, if the EEC is to weather the difficulties posed by diminished oil supply.

This is the gloomy prognosis offered by M. Francois Ortoli, the EEC Economics Commissioner, in a paper which seeks to chart the development of economic policies in the EEC over the next ten years....

Central to M. Ortoli's argument is the assumption that energy supplies will remain scarce for years to come. ... It is unlikely that needed oil supplies will be forthcoming. Europe must therefore seek new ways of promoting growth—stable economic growth—which are less energy dependent....

Prices will have to go up

Michael Pocock, chairman of Shell Transport and Trading, told the American Chamber of Commerce in London, June 21, that high oil prices were necessary to cut consumption, the June 22 Financial Times *reported.*

Oil consuming countries would "have no alternative but to accept increased oil prices.... Ideas are now being floated thick and fast for imposing consumer discipline—country volume quotas, maximum import prices, control of the spot market and so on. Some of these measures might work within a single country with an array of regulations, but internationally they cannot work unless they are imposed by all the major importing countries together with an efficient policing system and we see absolutely no chance of that.... So price is going to have to do its regulating job—acting on both consumer demand and on the general level of economic activity....

"From now and forever we must expect either real stringency in oil or the constant threat of stringency. We can lessen the impact by getting demand down and keeping it down."

It is time the West stood up

Lionel Bloch wrote in an op-ed in the June 27 Daily Telegraph:

We can only hope that the Western Summit in Tokyo will not limit itself to the recommendation of measures of cooperation with the oil producers that France had put forward in 1973-74. The government had then undertaken to bring about a convergence of interest between itself and its suppliers: long term oil deals at stable prices were one of its instruments while all possibilities for equipment deals with the producing countries where examined.

The President of the Republic wishes to go back to that idea. But the circumstances have changed and he is thinking, it seems, about a new approach. For him it must first of all be political.... President Giscard d'Estaing has chosen to concretize his new political design by launching the idea of cooperation between Europe and Arab—African countries ... It is doubtful that the United States will be favorable to it, and hence France's European partners.... For surely, organized cooperation with the oil producers is the most rational way to get out of the present crisis. But it won't be easy.

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designed to mitigate the effects of further price increases in the price of oil. What is needed is a radical reversal of its oil policies and an adoption of a harder stance vis à vis OPEC.

On the political plane, this involves a condemnation of OPEC'd price rises and a clear demand for their stabilization and even eventual reduction.... These political pressures will make a deeper impact on OPEC if the West is prepared to implement economic counter measures, should reason not prevail. Thus, the United States, Canada and some of the principal grain producers of the free world could increase the price of all food and grain exported to OPEC by fixing quotas....

Finally there remains the military option which, according to the United States Defense Secretary has been under consideration in the event of America's vital interest being threatened. It is doubtful that the West will have to go so far.... However, in extremis, the direct seizure of the oil fields cannot be ruled out.

As for the danger of Soviet intervention in such circumstances, it is tacitly recognized that most OPEC oil fields are well within the Western sphere of interest and Russia is not expected to risk nuclear war unless the Western move would jeopardize its own security. On the other hand, should Russia decide to force our hand, whether we like it or not, safeguarding the Gulf's oil fields would become a strategic inevitability.

OPEC: support Strasbourg

The moderate leaders of the Organization of Petroleum Exporting Countries (OPEC) have gone on record as supporting the European Community heads of states' recommendations on energy worked out last week in Strasbourg.

Kuwaiti Oil Minister Ali al Khalifa al Sabah speaking from this week's OPEC price setting meeting told the press that the European Community's position on energy to be taken to the Tokyo summit had his support. At the same time, Saudi Crown Prince Fahd, in an unprecedented statement endorsed nuclear energy as the best alternative on a global scale to petroleum—also a key feature of the EC energy proposal.

Such statements from two leading nations within OPEC reflect growing Europe-Arab consensus on how to solve current petroleum supply shortage and skyrocketing oil prices, and the first priority of that consensus is to impose discipline on international oil spot markets, most notably Rotterdam, to hold prices down.

The statements furthermore underscore the agreement reached between European and oil producing governments that Giscard d'Estaing's proposed dialogue between OPEC, the Third World, and Europe, known as the Trialogue, is the best means of achieving producer-consumer cooperation. The Kuwaiti oil minister this week publicly endorsed the Trialogue proposal.

OPEC members on the need for pricing moderation

Venezuela's Oil Minister Humberto Calderon-Berti told the press during the OPEC meeting:
We have to end speculation on oil and the surcharges, because OPEC must be able to control the market ... We will try to sell more and more of our oil directly to clients.

A founding member of OPEC, Abdullah Tariki, current advisor to many OPEC nations told OP on May 25:
Further oil price hikes will only cause a disintegration of the cartel—since continued increases would not benefit the producers and will only create fears among the consumers. I call for a producer-consumer meeting before deciding on a new increase.... The current shortage of oil is virtually artificially created.

Dr. Fadelal-Chalabi, Deputy Secretary General of OPEC and a member of OPEC's long range planning committee, told the press on June 25:
The petroleum producing countries do not benefit from the high prices which are currently being paid on the free [spot—ed.] market. OPEC wants to use its petroleum revenues only for economic and social development....

Europe, Soviets concur on detente, A-power

On the way to and from the Tokyo summit, top West European leaders stopped in Moscow for ugent consultations with the Soviet leadership on how to prevent U.S.-British energy policies from plunging the world into war. Even the fact of these extraordinary meetings has been blacked out of virtually the entire U.S. press.

The leaders of West Germany, France, Italy, and the Soviet Union are all agreed that if the Tokyo summit fails to counter the Anglo-American bloc, fails to restrict the speculative explosion on the Rotterdam oil spot market, fails to develop nuclear energy alternatives—then the stage will be set for U.S. military action against the Arab oil-producing countries, or other "crisis" measures that could quickly lead to World War III.

As the cornerstone of their war avoidance strategy, the leaders of continental Europe have committed themselves to an East-West program for the massive development of nuclear energy.

What is remarkable in this is the high degree of coordination between the Western Europeans and the Soviets. The Soviet Union is also committed to a massive East-West energy development program, which was endorsed by the annual heads of government meeting in Moscow June 27 of the Council for Mutual Economic Assistance (CMEA), the socialist sector economic alliance. Energy development was one of the principal topics on the meeting's agenda, and Soviet Premier Aleksei Kosygin in his report to the Council emphasized that special attention should be devoted to the development of nuclear power engineering.

The same day, the Soviet Energy Minister gave a press conference where he called for linking the electricity grids of Eastern and Western Europe, a measure which he said could help to save energy through better distribution of electricity during peak period.

West German Chancellor Schmidt, in a three-hour meeting June 25 with Soviet Premier Kosygin and

Giscard hits Carter on relations with Soviets

The following are portions of an interview with French President Giscard d'Estaing in Newsweek *July 2.*

Q: *The Tokyo summit will be the latest in a series.... Yet it is hard to discern any real convergence among European, American and Japanese policies....*

Giscard: The results have been uneven.... [At] Rambouillet summit ... we made a start on coordinating our actions on the currency exchanges with the aim of achieving the greatest possible stability; at the Bonn summit, last year ... we set additional growth targets. Neither of these results was applied in a really rigorous way.... The Tokyo summit, unmistakably, will be the energy summit. It will be judged a success or failure depending on what we decide on that subject.

Q: *Do you sense any improvement in Soviet-American or Soviet-European relations as a result of SALT II...?*

Giscard: During my recent trip to the Soviet Union, I formed a favorable impression. So far as we are concerned, the policy of detente continues in the same spirit as in preceding years. I was able to discuss with Mr. Brezhnev certain hot spots around the world, and I determined that, in several cases, our analyses were similar or, ... could be made compatible. On the other hand, when you speak of the general evolution of detente, I have not observed, in global terms and especially in terms of U.S.-Soviet relations, any favorable evolution.

...I think the U.S. and Soviet Union need to deal frankly with each other on a whole series of world problems. In the recent period, we have not had the feeling that there has been the opening of such a dialogue between the two of them.

Q: *On the Soviet side?*

Giscard: No, on the American side.

Q: *You have proposed a summit-level "trialogue" among European, Arab and African leaders, a forum from which the U.S. and Canada are excluded.... Doesn't this approach prefigure new models of decision-making. Do you foresee the day when subjects as important as the energy crisis may be treated, in large part, in the absence of the United States?*

Giscard: I think we are heading toward an organization of the world that will be appreciably different from the organization we have known. For my part, I'm delighted to see it.... We are heading toward a different sort of organization, because we are seeing the emergence of new, more numerous power centers.... There is a Mediterranean zone, in the broad sense, which has always existed through human history.... It includes part of Western

Foreign Minister Andrei Gromyko, stressed the urgency of continuing detente. The leaders discussed "all issues of world politics," according to radio reports—including energy and raw materials cooperation. Schmidt endorsed the new strategic arms limitation treaty (SALT II), and called for "speeding up" the Vienna talks on arms reduction in Central Europe.

The West German leader urged the speedy implementation of one of the key features of his war-avoidance policy: the 25-year trade and development agreement concluded with Soviet President Brezhnev in May 1978, which paved the way for the formation of the European Monetary System.

Following his meetings with the Soviet leaders, Schmidt underlined to the press the importance of his proposal for an international energy conference which would include the USSR, and also of the Soviets' own development of nuclear power: "I don't believe that it is appropriate for me to publish the final ideas of the Soviet in this field," Schmidt said. "It is crystal clear that the Soviet Union, if it had to plan only for itself, would be relatively independent, with its own energy resources—coal, gas and nuclear power plants. But there are other countries in the CMEA, other communist countries in Eastern Europe, which the Soviet Union has to take into account, and which have to secure their entire energy supply.

"I have no doubt that the communist countries also suffer from the energy crisis, that they are working on common plans for the future, ways to solve their supply problems. The problem posed to the Soviet Union is basically the same as that posed to us: Coal is important, but without nuclear energy it is impossible." The Soviets are anxious for West German companies to help construct nuclear plants in the U.S.S.R. in exchange for raw materials, Schmidt said.

Andreotti: more nuclear reactors

Italian Acting Premier Giulio Andreotti announced on television before leaving for Tokyo that he will go to Moscow on his way home, and discuss there energy cooperation with the Soviets. This will include, he said, the construction of a joint Soviet-Italian nuclear reactor, to be located in a country midway between Italy and the Soviet Union.

Europe, part of the Middle East, essentially the Arab countries, and Africa. These are groupings that ought to come to know one another and to work together.

Q: *Do you share the concern that some people have expressed about Chancellor Helmut Schmidt's apparent reluctance to offend Moscow?*

Giscard: No, I believe that, fundamentally, the orientation of the Federal Republic remains the same as before. On the other hand, there is an understandable attitude on the part of Gemany and of her Chancellor. Germany does not wish to appear as the spearhead of military preparations directed at the Soviet Union.

Helmut Schmidt on energy and war

What West German Chancellor Helmut Schmidt thinks of the politics of the Carter administration and its ally Israel, he spelled out in an interview to the *Jerusalem Post*, printed on June 22. "I have no understanding at all of the settlements policy of Mr. Begin," Schmidt said. "Israel is on a very dangerous path.... If Israel goes on with its present political course, it will be difficult to remain a friend. Israel will be further isolated and will lose its friends," he warned.

On oil policy he warned the U.S. again: "Getting oil by using military force, as was suggested by some American politicians, is completely unrealistic.... And as far as Israel is concerned, I regret its total dependence on the U.S., for since the Johnson era, the U.S. is very unpredictable."

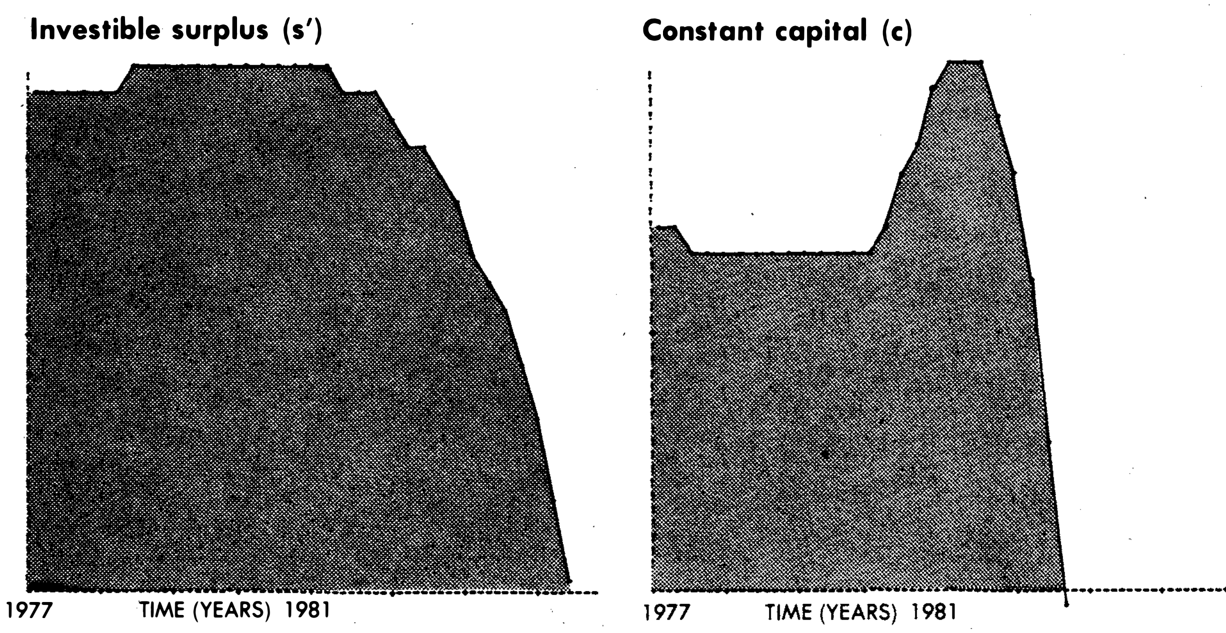
He also attacked Israel's policy toward Germany: "I agree with Mr. Begin that the Germans should have a bad conscience about Hitler and the Nazi past. Contrary to Mr. Begin, though, I think that bad conscience should not be the reason for West Germany's support of Israel."

West German Foreign Minister Hans-Dietrich Genscher, flanked by the Iraqi ambassador to Bonn, was asked in a TV interview if the BRD Mideast diplomacy is designed to secure oil supplies. He answered, "absolutely not. The basis of the BRD's political efforts are fundamentally to secure peace, and that means a comprehensive and lasting peace." West German policy is supported by France "and other EEC nations," he added. "Solving the oil problem is fundamentally achieving a lasting peace, and nothing less."

What the IMF program will do to world economy

LaRouche model quantifies the effect of London's oil hoax on world production

Advanced sector: effects of a 48% oil price increase
(average $20 per barrel in 1979)



The following survey, prepared by EIR economics editor David Goldman, is based on a larger study on the world energy situation, "The Impact of Energy Prices on the World Economy," which is available from Executive Intelligence Review *by special order for $100. The full study includes, in addition to the material presented in this issue, a more complete discussion of the inputs used in the study, as well as data for a larger number of national sectors, and the results of alternate scenarios predicated on the recycling of the world's petrodollars for economic development.*

What will be the cost to the world economy if Britain, the Carter administration, the International Monetary Fund, the World Bank, and the Organization for Economic Cooperation and Development succeed in imposing the global regimen of high energy prices and consumption cutbacks they are taking to this week's economic summit in Tokyo?

In the following report, the first of a series, *Executive Intelligence Review*, using Lyndon H. LaRouche's computerized Riemannian economic model, makes the first quantitative evaluation of the program of the IMF et al. The scenario they propose, and which is the basis for our computer study is this:

1) Oil prices will reach a new plateau;

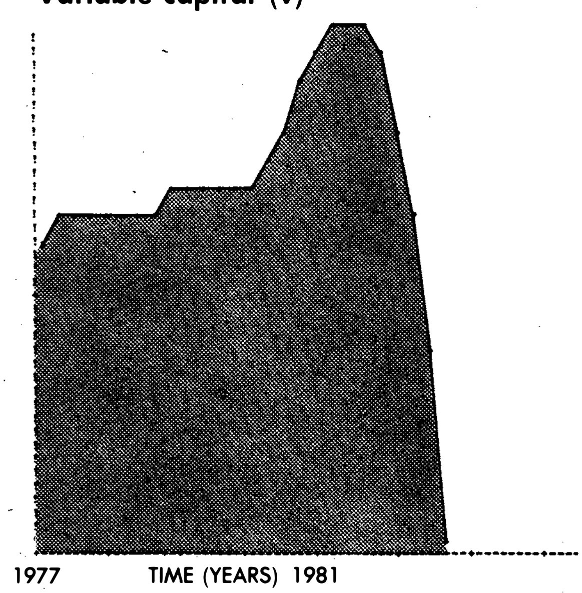
2) The means of recycling the additional oil earnings of the producing countries back to deficit countries will not be available as in 1974-75;

3) Those developing countries who have chosen capital-intensive development on the basis of borrowing to import Western industrial goods will be effectively prevented from doing so, through the virtual centralization of spare world credit resources in the International Monetary Fund or the Bank for International Settlements.

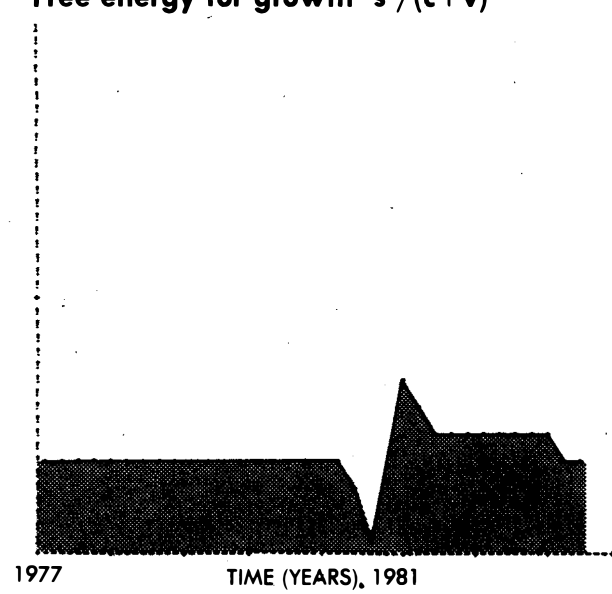
We emphasize that our results are not an "econometric projection" in the sense that the Wharton School or Data Resources economists would offer. The IMF-World Bank scenario may or may not occur. In future issues, we will present similar, hypothetical quantifications of opposing "scenarios"—notably LaRouche's proposal that the newly created supply of petrodollars be recycled into development lending of the type proposed for the European Monetary System. But the indisputable conclusion, based on our computer study, is that the IMF policies will produce an international breakdown crisis, including a reduction of the population of the developing sector on the scale of Cambodia, by the early 1980s. Simultaneously, the advanced sector will cease to function as an economic entity in the sense we know it.

In principle, the contents of the report are contained

Variable capital (v)



Free energy for growth s'/(c+v)



in the accompanying graphs, which measure 1) the production of surplus in the studied sectors, 2) the production of means of consumption for the productive population, 3) the production of capital goods and raw materials, and 4) the rate of surplus production (surplus divided by (2) plus (3). The graphs illustrate a reduction of these measures during 1980, followed by an exponential rate of decline at different intervals afterwards. The intervals range from one year in the case of the countries least able to sustain the scenario, to three years in the case of the economy with the highest productivity, Japan.

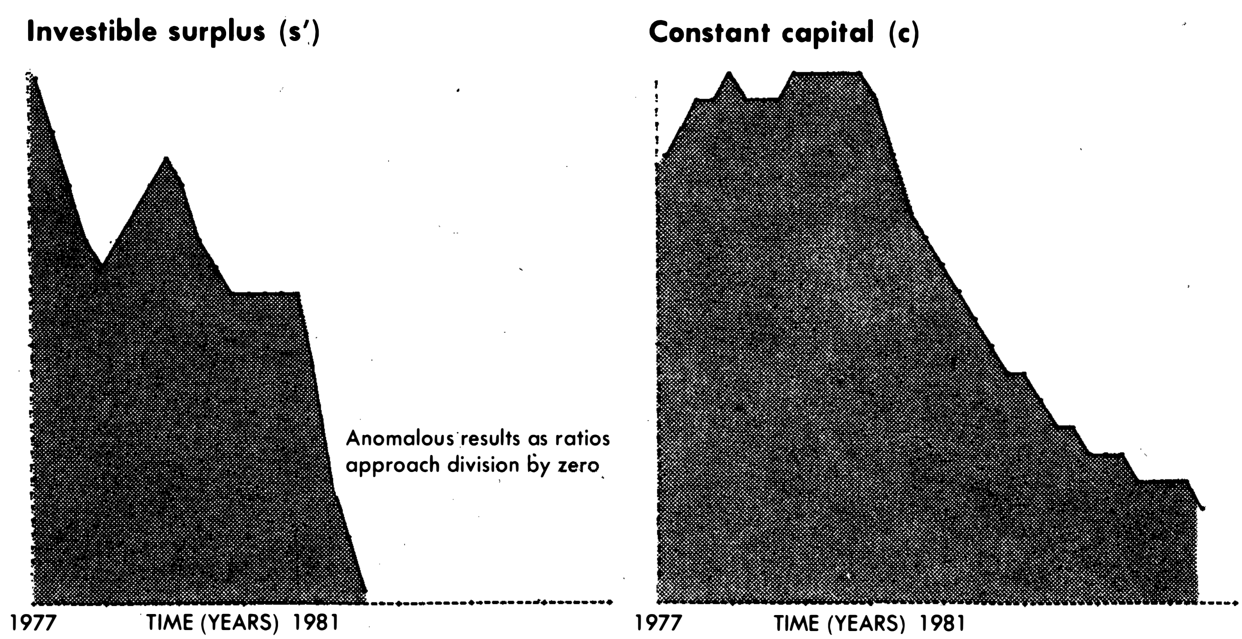
This is emphatically not a measure of gross national product for either the aggregates or the individual economies studied, but a physical measure of those economies' ability to reproduce themselves. The unique feature of the computer-based LaRouche model employed is that it discards the standard method of valuation of economic activity in favor of distinguishing between the productive and non-productive *uses* to which the tangible output of an economy is put. The principles of the new model, which center on the application of Bernhard Rienmann's mathematical discoveries to the "classical" economics of Alexander Hamilton, Henry Carey, and Friedrich List, were published by the Executive Intelligence Review in October 1978 ("The Theory of the European Monetary Fund," by Lyndon H. LaRouche, Jr.).

All of the standard Gross National Product models are based on paired equations, often totaling well into the thousands, which measure the correlation over time of various data series. Most of these series of data come from the data base of the National Bureau of Economic Research (now marketed by Citibank). All of them are in the form of rate of inflation, rate of credit extension, profit to inventory ratios, inventory to sales ratios, and so forth. Not one of the data series in the National Bureau's archive relates to the physical side of the economy and the real production of tangible wealth. The models use computers to project the most likely correlations, including a large number of "dummy" factors to paper over cases where correlations are not apparent. In the case of every such model, the variance of the model's predictions from reality over even the short term exceeds the allowable limits. The difference is made up arbitrarily. The technical term for this is "the fudge factor."

However, in the case of either major improvements in productivity or major economic dislocations, the entire series of thousands of paired correlative equations goes down like a set of dominos. Any basic change in the economy invalidates them, as the econometricians will admit under pressure. Any attempt to employ such models to describe the impact of a major oil price increase is astrology or plain lying.

The LaRouche model, by contrasts, starts from the

LDC sector: effects of a 48% oil price increase
(average $20 per barrel in 1979)



physical productivity of the economy. The tangible output of each of the economies and aggregates studied in this report, as derived from industrial, population, and Gross National Product statistics published by the Statistical Office of the United Nations Secretariat, is divided into

c maintenance of the economy's productive facilities, including replacement of machinery or improvements in land, and purchases of raw materials; "constant capital."

v the tangible output of goods required to maintain the productive labor force at its current living standard, productive labor force defined by goods-producing workers plus agricultural labor force; "variable capital."

d the economy's overhead cost, including the volume of tangible goods required to maintain non-goods-producing workers, as well as production that cannot be reinvested in any productive way, e.g., military production and office buildings.

Any output of goods above and beyond maintenance levels is defined as *surplus*, or *s*. s−d, or surplus minus unproductively employed surplus, yields the productively reinvestible surplus, or s′.

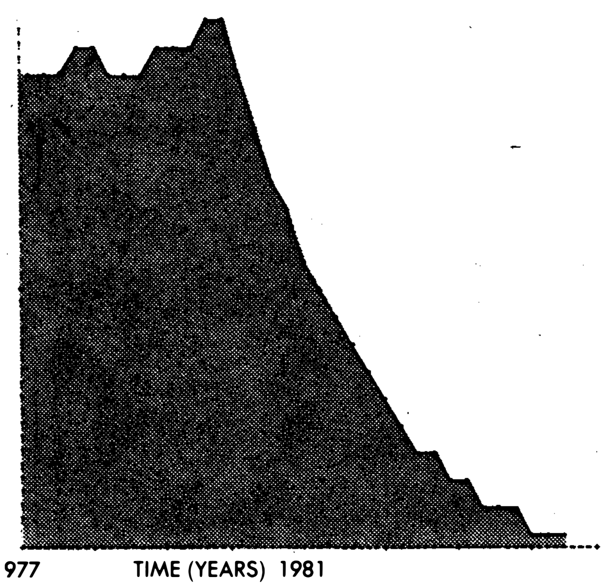
These are *causal* categories within a physical system. A certain amount of v, reflecting a quantity of labor-power, applied through a medium of productive facilities, yields a certain volume of output. Part of that output, d, is deducted from the system as overhead, yielding s′, the economic equivalent of "net free energy."

At each stage in the process of reproduction, the reinvestment of the output into c, v, and d follows *political decisions*. Through empirical studies, each of these political decisions may be translated into different values for c, v, and d in the following productive cycle.

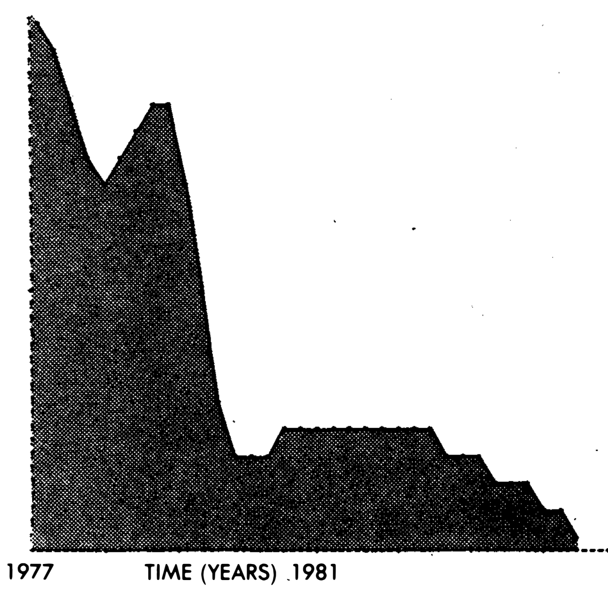
Of course, government statistical agencies, on whom we are for the moment dependent, do not consider how the output of their economies is consumed, but only measure it as an indifferentiated aggregate of different arbitrary categories of goods. To estimate the value of c, v, and d for the economies studied, the industrial and other figures provided by the United Nations were re-aggregated one by one into an *approximation* of c, v, and d. To arrive at a precise estimate, much more detailed studies of national economic statistics—and in the case of developing countries, field-work—would be required.

For example, simple capital investment numbers do not show whether the capital investment is mere maintenance of capacity, or whether it reflects a real addition to capacity. Normal measures of depreciation, such as the American Capital Consumption Allowance, are meaningless in such cases. For example, although American and Japanese steel companies invested the same amount during the past 25 years, the Japanese

Variable capital (v)



Free energy for growth s′/(c+v)



added 900 percent to their capacity, and the Americans added only 20 percent. A certain portion of American capital investment in steel must be considered unproductive expenditure, or d, rather than either constant capital (maintenance) or reinvestible surplus (expansion).

The numbers employed in the world aggregate model are only an approximation on this count alone. Furthermore, other types of approximation were employed. First, in the case of several of the developing countries, up-to-date data were not available. In these cases, the projective features of the model were employed to approximate the year 1978 and in some cases the year 1977. Secondly, all the major world sectors could not be studied in order to prepare this survey. Instead, this method of estimating was employed: the four largest Western economies, namely the United States, Japan, West Germany, and France, were studied in detail. The results of these studies were projected, on the basis of a proportionality to total output, for the entire industrialized sector. In the case of the developing sector, the economies of six developing countries ranging from newly industrialized to backward were profiled, and the results of the study used to project, on a pro rated basis, the behavior of the entire developing sector.

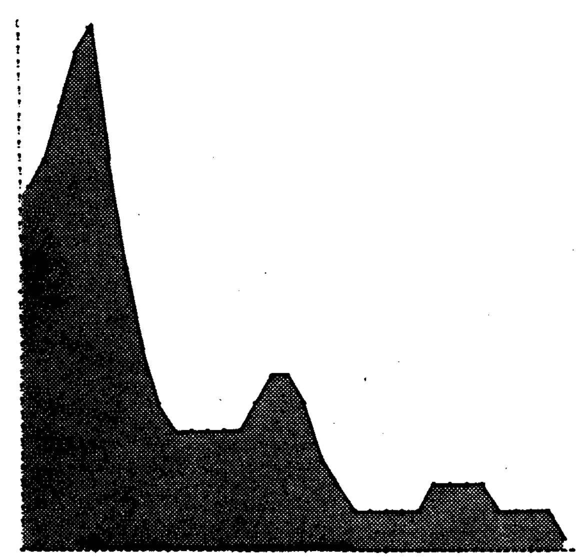
This method is more than adequate to determine the behavior of the aggregates. What was required for the study was not absolute numbers, but typical rates of reinvestment into c, v, and d; typical productivity; and typical exchange between the advanced and developing sector. The range of variance of the absolute numbers is extremely small compared to the size of the oil price increase, so that the trend lines remain within an acceptable range of accuracy.

The computer converts these data into the following ratios: *alpha*, the rate of investment into c or v of s′, measured by the change in v divided by the change in v plus c; *delta*, or the economy's productivity, measured by gross surplus divided by v; and *gamma*, the rate of non-productive investment, measured by d divided by v. For projections, these ratios are input into future years, as well as absolute values for the change in either c, v, or d.

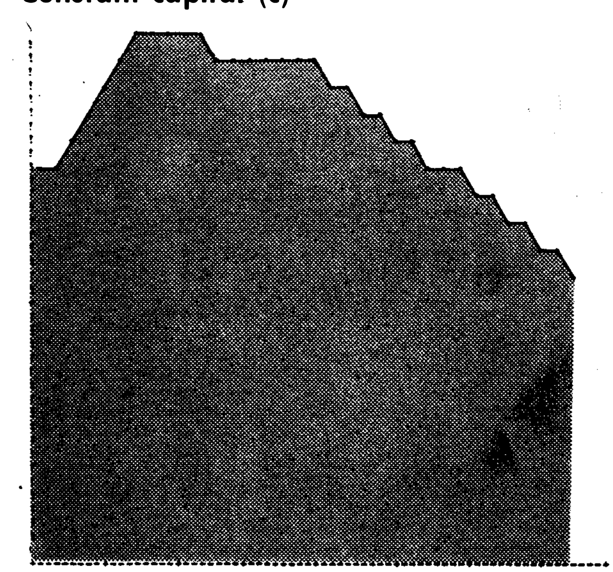
To model the impact of the oil price increase, the method adopted was as follows: the increase in the oil bill of each sector studied was treated as as increase in the non-productive expenditures, or d. This, in the form of an input into the computer's projective program, is an increase of the gamma ratio. In addition, productivity in each case was reduced over time to the level reflected in the drop in productivity following the 1974 oil crisis, prior to the recovery in productivity in 1976 and 1977. (The model's measure of productivity is

West Germany: effects of a 48% oil price increase
(average $20 per barrel in 1979)

Investible surplus (s′)



Constant capital (c)



different from the standard output-per-manhour measurement, although theoretically compatible; it measures the total volume of consumption goods destined for the goods-producing population relative to the production of total surplus.)

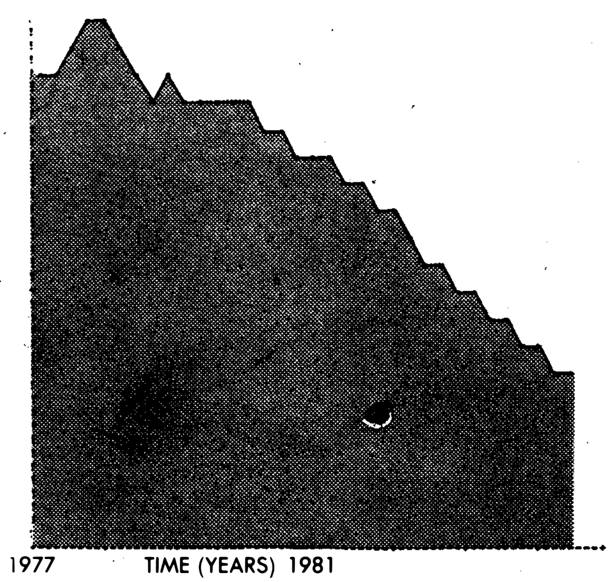
In other words, the basic assumptions programmed into the computer correspond to the political scenario described at the outset. In 1973, even though oil prices quadrupled, international credit was readily available to countries to keep consuming oil. Most of the increased oil price, in other words, was "recycled" back into constant and variable capital. To the extent that this did not occur, and the increased cost was held unproductively, e.g., in the form of money market investments in the Euro-dollar market, the result was a reduction of c and v.

Treating the entire value of the oil price rise as a deduction from surplus into "d" is, therefore, a type of "worst case scenario," resulting in the plunging trend lines registered on almost all the accompanying graphs. However, the modeling of a "worst case scenario" is justified by taking the pronouncements of the International Monetary Fund and senior Carter administration officials at face value. The proposal from these agencies is to compel affected countries to "adjust," rather than to "postpone adjustment" through deficit financing, which was broadly the rule after 1973-1974. For hypothetical reasons, a smaller deduction from surplus in the form of increased "d" could be modeled. It would have the effect of stretching the curve along the x axis. However, the effect would be the same, if over a longer period of time.

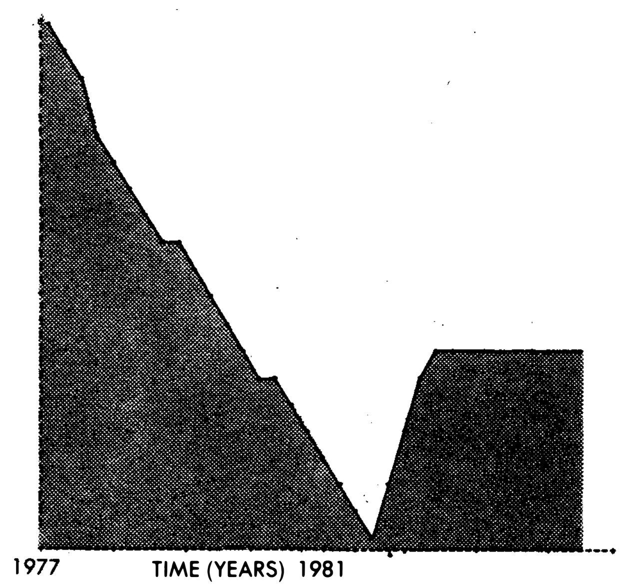
Under an entirely different political scenario, e.g., in which the entire oil surplus was concentrated through the European Monetary System, and reinvested in productive activity in the developing sector, the result would be an increase in economic activity following the oil price increase.

In the profiles of the two aggregated sectors, advanced and developing, a two-sector linked model was employed. The model takes into account *transfer* of surplus between the two sectors in calculating the future behavior of each individual sector. Under the scenario noted above, the transfer of surplus was reduced from a rate based on an historical study of advanced sector exports to the developing sector, to zero in 1980, at the point that the surplus of the advanced sector reached zero. This method of stating the surplus transfer is, again, only an approximation. In international trade, not only surplus, but all the four economic categories, are transferred. However, the underlying relationship is a surplus transfer from the advanced to the developing sector, which is fairly closely reflected in the export numbers. The above procedure reflects the assumption

Variable capital (v)



Free energy for growth s'/(c+v)



that under conditions of depression, the advanced sector will not be in position to maintain its contributions of surplus to the developing sector—assuming, of course, that borrowers are "forced to adjust."

Before examining the results in detail, one central point must be made strongly. In numerical terms, the values projected after 1981 in most cases are meaningless. The collapse of the trend lines cannot show the absolute value of an economy's output under such circumstances, because the economy itself has altered in a fundamental way. It has undergone a breakdown crisis. Under such circumstances economic behavior is chaotic and unpredictable. For all sectors, it means that production, below the breakeven level since 1979, has fallen sharply through a process of auto-cannibalization, to the point that the economy has ceased to function in the previous mode. For developing countries, it clearly means mass starvation, breakdown of essential services, and national disintegration, on the scale of Cambodia. For the advanced sector, it means a breakdown crisis of the type Germany underwent in the post 1937 period. It is important to reiterate that the alpha, delta, and gamma ratios for reinvestment of surplus reflect political decisions, which least of all, may be predicted under such circumstances. What the model can do is to demonstrate where the world is headed and over what time period. Past that, there are no predictions.

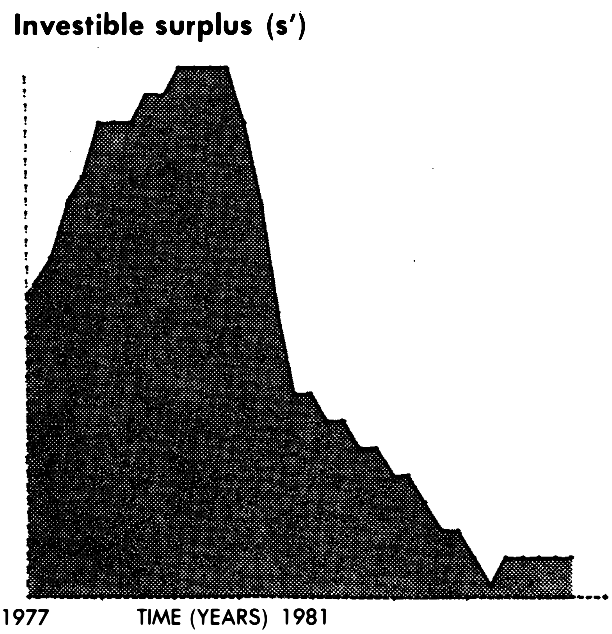
That is the strict sense in which the model is "Riemannian." The model employs a computer to produce a simultaneous solution for six differential equations per sector which measure predicted increments or reductions in the productive categories. As such, it will "flag" a point of major economic dislocation (or takeoff) through a major change in the projected trend lines. What the model tells us at this point is that the mathematical equations describing an economy have reached a point of singularity, or discontinuity, in which the function itself must change in a basic way; in other words, that past such a point, we are viewing a different economy. That is the precise, scientific meaning of the post-1981 or post-1982 collapse of the projected trend lines. The conclusion, well within the range of accuracy of the data, is that the economy will enter a breakdown crisis after two years of the policies programmed into the model.

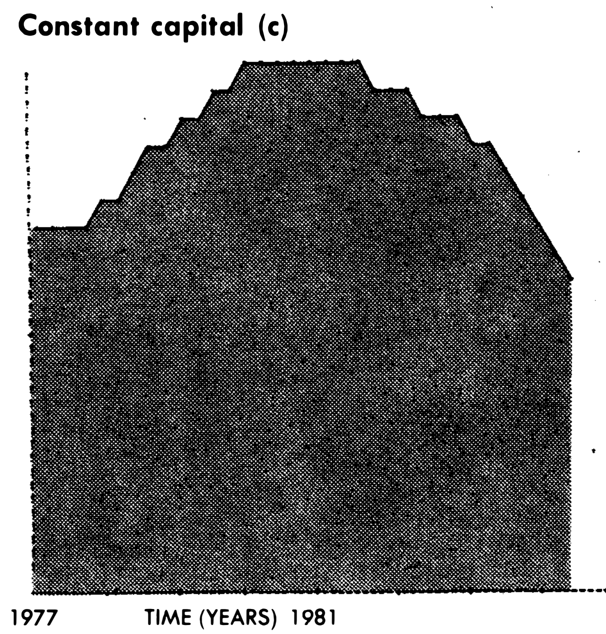
Sector analysis

Each sector shown below includes the following data:
1) a graph for S′
2) a graph for v
3) a graph for c
4) a graph for S′/(c+v).

In each case, the uniform assumption is a 48 percent rise in the price of oil from 1978 to 1979, affecting each

Japan: effects of a 48% oil price increase
(average $20 per barrel in 1979)





economy or aggregate of economies in proportion to the imported oil bill

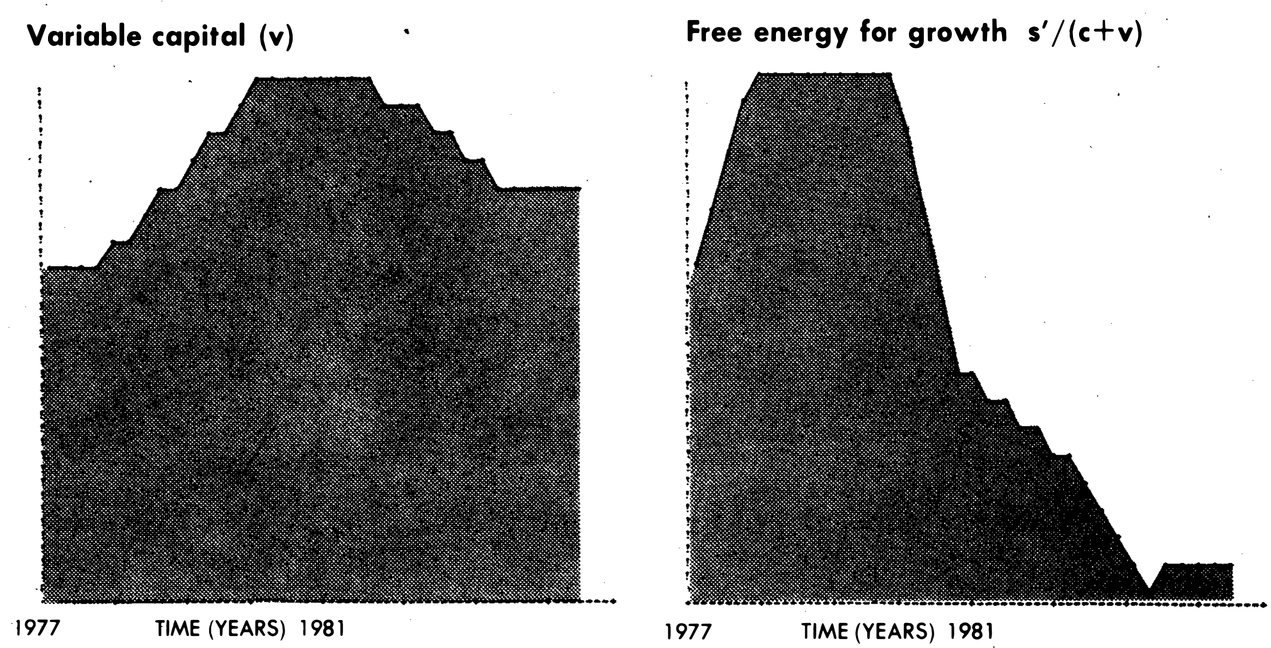
Leser developed countries. The first graph, showing investible surplus in the LDC sector, shows the fallout and then correction upwards of surplus during 1977 and 1978, as the LDC's begin to recover from the 1973-74 oil crisis. In 1979, they are hit by the combined effect of the oil crisis and International Monetary Fund policies. Since the total amount of surplus was marginal—its revival during 1978 mainly reflects surplus transfers from the advanced countries due to the 1977-1978 revival of world trade—it plunges sharply into the negative, plateaus into 1980, and then collapses during 1981. The level of negative surplus shown for 1981 means a reduction of productive activity to Cambodia levels.

The second and third graphs, of variable and constant capital, show an immediate collapse of constant capital and a one-year-delayed collapse of variable capital. This means, simply, that the labor-intensive Third World economies would, during the first year after the oil disaster, eliminate energy-dependent raw materials and maintenance of productive facilities. One such year of this would wipe out the future basis for production of means of consumption, or variable capital. Once this transformation occurs, the poulation is subject to mass starvation, and the numbers cease to be meaningful.

The final graph, the "free energy" (s'/[c+v]) ratio for the developing sector, shows an extremely low level of growth potential to start with at 1977 and 1978, and an elimination of growth potential immediately upon the rise in oil prices and related effects.

Advanced sector. The first graph, advanced sector surplus, shows a virtually unchanged level of surplus output, or reinvestable product, for the post-1975 years, indicating that the advanced sector economies never really recovered from the 1973 oil price increase. It is true that v and c rise sharply in those years in absolute terms, as capacity is brought back into use following the 1975-1976 collapse of capacity utilization. However, the fourth graph, the "free energy" ratio, which remains at about zero for those years, indicates how fragile the industrial countries' economies really are. Despite the temporary boom in capacity utilization during the so-called recovery, the economy is not producing *surplus*. In other words, the current production of these economies during 1975-1978 only pays its own costs. The free energy is zero, indicated by the fourth graph.

That conclusion is extremely important, and belies the normal method of Gross National Product accounting employed in standard models. If an economy is barely paying its own costs without adding to its fund for expansion, the mere rise in tangible output, based on the use of spare capacity, has an illusory value. Any major increase in the *costs of production* will force that



economy to contract immediately. A major deduction from investable surplus in the form of a rise in nonproductive expenditures—the rise in "d"—will produce a disaster. Since the total advanced sector oil bill will rise by $90 billion in 1979 based on an average oil price increase to $20 per barrel, and the level of surplus to start with is barely over $100 billion, as shown on the first graph, the economy cannot sustain itself. That is why surplus collapses so quickly after 1979; it is also why variable and constant capital plummet, after a period of seemingly impressive increase.

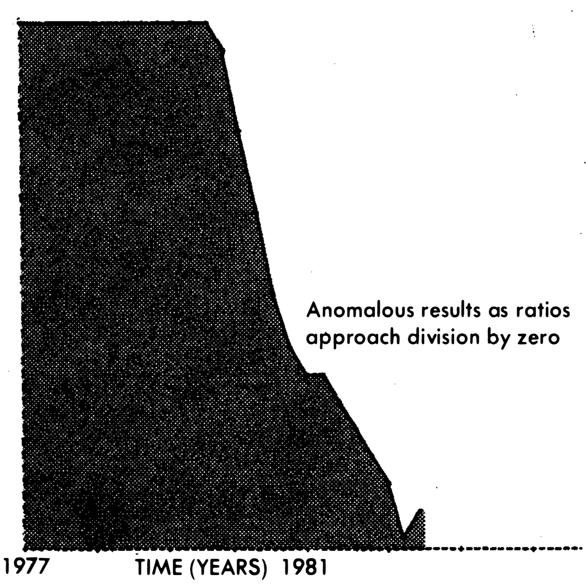
The break in the "free energy" curve during 1981 is a singularity, indicating when the numbers cease to be meaningful.

West Germany. West Germany's graphs behave in a fashion similar to that of the advanced sector as a whole, with several significant exceptions—which indicate the sensitivity of the model. Instead of remaining stagnant during the years prior to the 1979 oil price increase, West Germany's surplus rises sharply into the positive (the top figure on the y-axis represents $46.2 billion). After a sharp drop during 1979, total surplus stabilizes momentarily at roughly zero, before dropping into the negative. These patterns reflect that country's greater productivity and hence greater resiliency. Nonetheless, it is clear from the trend line that much of the 1979 growth in constant and variable capital during 1979 in West Germany occurred at the expense of production of surplus. In other words, five years after the first major oil price increase, West Germany was still unable to sustain a major economic expansion, except by using existing capacity to the maximum. That corresponds closely to the reported data for West Germany available for the current year, even though it is based on projections of 1978 data.

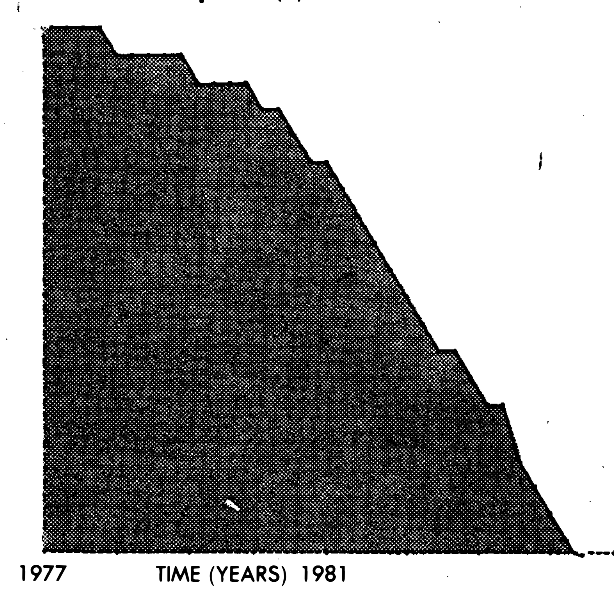
The real vulnerability of the West German economy is shown in the "free energy" ratio, measured by the fourth graph in the series. What is especially significant is the relatively continuous fall of the negentropy ratio from 1977 to 1981-1982. The strong indication is that the pattern of higher current output with less investible surplus prior to the oil price increase represented a totally unacceptable type of economic activity. The result of the oil crisis, shown in the variable and

France: effects of a 48% oil price increase
(average $20 per barrel in 1979)

Investible surplus (s')



Constant capital (c)

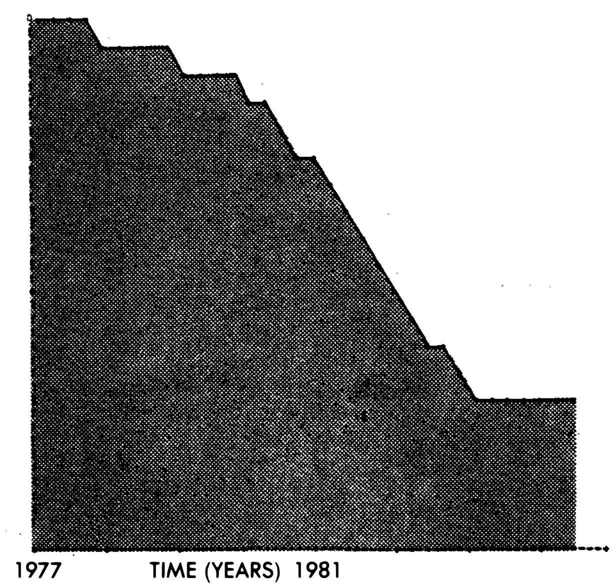


constant capital graphs, is a large net reduction in the total size of the West German economy by the early 1980s, of proportions comparable to the late 1940s.

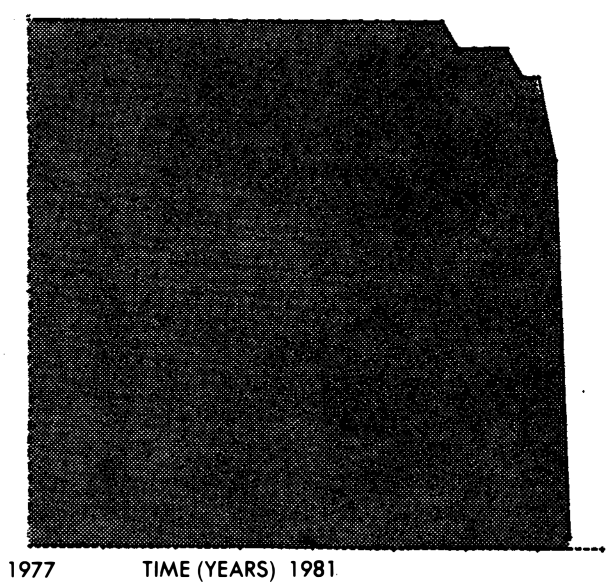
Japan. The first graph in the series, showing investable surplus, shows both how productive and how vulnerable the Japanese economy is. Following the collapse of surplus during the previous oil price increase period, surplus recovers sharply from roughly zero in 1977 to over $60 billion at the outset of 1979. After a stabilization for most of 1979, when the pattern of rising surplus break down, the rate of surplus production collapses to zero during 1980, and deeply into the negative during 1981. Even so, Japan, the most productive of the advanced sector economies, manages to sustain the level of current economic activity much longer than any other sector under these projections. Both constant and variable capital collapse (graphs 2 and 3 in the series), but not until 1982. Japan's "free energy" ratio is the only one among the advanced sector countries that does not break immediately during the 1979 oil price rise and related developments; that is because Japan showed the only authentic growth in economic growth potential during the 1977-1979 period. Nonetheless, the Japanese advantage is not much more than the delay of one or two years in the worst consequences of the oil price rise and IMF policy implementation.

France. As the first graph, reinvestable surplus, indicates, France's pattern is typical of the advanced sector as a whole: stagnating growth during 1977-1979, followed by a plunge after the 1979 oil price increase and related problems. France's economy is clearly in worse shape than either West Germany or Japan's. It has not had sufficient levels of surplus production following the oil price increase even to increase current levels of manufacturing employment, reflected in the variable capital graph. Its surplus has been marginally negative since the 1973 oil price increase. That is why the "free energy" ratio, shown in Graph 4, remains constant during the entire period relevant to this study: it is dead flat at zero. What the charts show is that France, even more than Germany or Japan, faces the virtual shutdown of its economy under the scenario stated at the outset.

Variable capital (v)



Free energy for growth s'/(c+v)



Crisis government prepared for U.S.

Energy hoax, truckers strike the pretext to implement FEMA emergency measures

Using the pretext of the energy hoax and the independent truckers strike, Energy Secretary James Schlesinger, Senator Edward Kennedy, National Security advisor Zbigniew Brzezinski, Vice President Walter Mondale and the oil multinationals are planning to execute what they failed to accomplish in 1974—place the U.S. under wartime-style emergency government and begin to dismantle the U.S. economy.

The facts of the matter are as follows. Overwhelming evidence, some available in the public domain, makes it unmistakably clear that the present energy crisis is not only artificially contrived, but also the result of collusion between the chief executives of the major oil companies and key members of the Carter administration, notably Schlesinger and Mondale.

The energy secretary and the oil companies in fact are presently engaged in an act of deception—all the show of mutual accusations aside—which is aimed at leading the public and Congress to conclude that there is no alternative to the present situation other than the declaration of a state of emergency.

There is no oil shortage—a fact admitted even by official government statistics. World oil production, the numbers show, increased by 5.3 percent during the first quarter of 1979 over the relevant period of the previous year. Oil imports into the U.S.A. also increased by 14 percent during the same period.

These facts remain concealed from the American public as a result of collusion between the oil companies and the Department of Energy.

Crisis management

The conspiracy does not end there. Senator Kennedy, Vice President Mondale, and Stuart Eisenstat are acting in collusion to allow National Security advisor Zbigniew Brzezinski to act as a virtual dictator over the U.S. economy for the purpose of conducting global economic warfare against the American people, the West European economies, and the OPEC nations.

Mondale and Eisenstat have formed a Crisis Interagency Task Force at the White House for the purpose of enabling Brzezinski to carry out his policy dictates.

Senator Kennedy, acting on behalf of the oil companies has been applying enormous pressure since last week for the government to declare a state of national emergency. Schlesinger, in collusion with Kennedy, intends to declare such a state of emergency in order to hand over wide-ranging executive and legislative powers to Brzezinski as head of the Federal Emergency Management Agency (FEMA).

Although FEMA is not a duly constituted agency until July 1, it is known to be fully mobilized at the present time and it is orchestrating the escalation of the current levels of chaos and violence associated with the energy hoax and the independent truckers actions. As of June 25, according to responsible Pentagon officers, FEMA has moved into "level two" of a 1974 civil disorder gameplan authored jointly by James Schlesinger and General Alexander Haig, then, respectively, defense secretary and White House chief of staff.

On June 27, an interagency task force that is formally a part of FEMA met to "oversee various types of shortages," to "manage federal government response to shortages as they occur," and to "predict impending shortages" in order to "inform the population," according to reports.

In the course of the July 4 holiday, FEMA and NSC officials will be reviewing the options to declare a national emergency.

The purpose of such a declaration is to suspend the normal legislative process; suspend the function of constitutional government; pass all economic decision making to Brzezinski via FEMA; place all emergency policy issues under the War Production Act of 1950; invoke the Taft-Hartley Act; summarily suspend the Davis-Bacon Act; immediately impose trucking deregulation by executive fiat; federalize the National Guard; and use military power extensively over the nation's economic machine.

The net effect of these combined measures is the rapid transformation of the U.S. economy. A top-secret memorandum circulated among members of the board of Standard Oil of California calls this the "institutional unraveling of the country."

The Moorehead Amendment to the Defense Production Act is the vehicle by which these emergency powers will be placed in the hands of the administration. Passed by the House this week, the amendment puts forward a coal-based energy program like the one attempted earlier in history by Hitler's Finance Minister Hjalmar Schacht. This program, over $200 billion-plus in size and based exclusively on coal, oil shale, and tar sands, is the centerpiece of the effort to militarize the economy, bust up OPEC, move the country into a posture of confrontation against Western Europe and impose what Schlesinger and Blumenthal call a "Malthusian model" over the U.S.A.

The Moorehead Amendment got a boost this week with the release of a report by the National Transportation Policy Study Commission that recommends, according to its chairman, Rep. Bud Schuster, "a massive federally financed synthetic fuels industry, because that's what our transport system runs on and we can't trust OPEC ... Coal liquefication, oil shale, tar sands ... we need our national sources. We can't let OPEC embargo us."

The commission made these proposals in the context of recommending that U.S. transport regulation be "substantially relaxed ... opened up for improved efficiency ... precisely because otherwise synthetic fuel rates will encourage the carriers to raise their rates," said the commission's executive director, John Wild. The report also recommends collapsing all the federal transport agencies into a new Department of Transportation.

July deadline

The first week of July is critical. During that time FEMA goes into effect. The executive board of the agency will be composed of the very individuals who are now participating in the preparations for the cold coup d'etat against constitutional government: Brzezinski, Schlesinger, Blumenthal, William McIntyre and Eisenstat.

On June 20-21, at the initiative of Mondale and Eisenstat, an interim transitional entity was created at the White House pending the activation of FEMA on July 1. Dubbed the Interagency Task Force for the Transportation Crisis, this entity is run out of the office of Defense Secretary Harold Brown and, according to military officers assigned to it, is assigned to pave the way for the declaration of a national emergency under FEMA.

Commented one Energy Department official: "We are not going to do anything that would create the impression that there are supplies of diesel or gas ... We have the power to do whatever we want if we declare an emergency ... The problem is that the American people don't appear ready to accept drastic emergency measures."

These measures, a program of fascist energy austerity, was worked out last March at a series of secret sessions at the upstate New York estate of Mr. Averell Harriman, Arden House. In attendance were representatives of the National Security Council, the Energy Department, other government agencies, and the chief executives of the major oil companies led by British Petroleum and Royal Dutch Shell.

The strategy session determined a counterstrategy leading to economic warfare against Western Europe, possible actual warfare against Western Europe, possible actual warfare against OPEC nations, and massive, artificial shortages of energy in the U.S.A.

The specific gameplan for an emergency-based subversion of constitutional government is based on a scenario authored by Haig and Schlesinger during 1974 which calls for the utilization of an independent truckers strike to paralyze key sectors of the economy, disrupt vital shipments of food and fuel, and launch a "Chile truckers" scenario provocation to justify military intervention and proclamation of a national state of emergency.

Involved in this deliberate provocative utilization of the irresponsible independent truckers are Secretary Schlesinger, Senator Edward Kennedy, President Carter, and certain naval intelligence officers deployed out of the Wharton School of Economics in Pennsylvania.

—*Kathy Stevens*

What is FEMA

The Federal Emergency Management Agency (FEMA) is a disaster management team within the National Security Council that in the event of an "emergency" would completely bypass all constitutionally mandated institutions.

FEMA's intended role is revealed by the fact that it was constituted as the result of Presidential Review Memorandum 32 (PRM-32), drafted last spring by Samuel Huntington with input from Zbigniew Brzezinski. Huntington was the author of a 1975 Trilaterial Commission report, *The End of Democracy*, in which he advocated the wholesale junking of constitutional rule and the institution of a technocratic dictatorship over the advanced nations. This, Huntington argued, is the only form of government capable of managing the ongoing string of crises brought about by the need for extreme austerity measures and the growing likelihood of strategic confrontation with the Soviet Union.

On June 1978, President Carter and John McIntyre, Director of the Office of Management and the Budget, held a White House press conference announcing the formation of FEMA. Under special reorganization authority adopted by Congress in April 1977, FEMA gained "official" congressional approval 60 days later since Congress did not veto the proposal.

The creation of FEMA signified, among other things, that the Pentagon and the Joint Chiefs of Staff would be shut out of involvement in national emergency planning and implementation—including nuclear war! The director of FEMA, appointed by the President, maintains total control over all federal agencies involved in crisis management from his seat on the National Security Council.

Under PMR-32 and the June 1978 presidential order, FEMA will assume on July 1 total control over the following agencies:

1. Defense Civil Preparedness Agency, formerly in the Department of Defense;
2. Federal Disaster Assistance Administration, formerly in the Department of Housing and Urban Development;
3. Federal Preparedness Agency, formerly in the General Services Administration and responsible for designating all strategic stockpile programs;
4. Federal Insurance Administration, formerly in HUD;
5. National Fire Prevention and Control Admini-

The Moorehead amendment

The following is selected from a memorandum prepared by Rep. John Dingell (D-Mi), the chairman of the House Subcommittee on Energy and Power, on House Bill 3930, the so-called Moorehead Amendment to the Defense Production Act of 1950, which was passed by the House this week. The memorandum was inserted in the June 18 Congressional Record

... In general, the bill adds a number of new provisions to the Defense Production Act of 1950 which already provides very broad powers to the President in such matters as priority of contracts, hoarding of designated materials, loan guarantees, loans, purchase of raw materials, and other matters. It also extends certain titles of the 1950 Act from September 1979 to September 1980....

The 1950 Act now defines the term "national defense" which is used throughout the Act to mean "programs for military and economic energy production or construction, military assistance to any foreign nation, stockpiling, space, and directly related activity."

H.R. 3930 changes the definition by striking the word "atomic" so that the term "national defense" also means "energy production or construction" and it is not limited by the word "military."

Comment—This definition change further broadens an already broad law. Under this definition, the President could utilize his powers under the Act to affect all types of energy production without regard to whether it is for military purposes or not. For example, section 101 of the Act authorizes the President to "allocate materials and facilities" to promote the national defense. The section states that this authority cannot be used to control the "general distribution of any material in the civilian market unless" the material is a "scarce and critical material essential to national defense" and the requirement for national defense cannot otherwise be met "without creating a significant dislocation of the normal distribution of such material in the civilian market."...

Under these amended authorities, it is possible for the President to conclude that he could institute a rationing program....

Declaration of Policy—The bill amends the Act's policy statement to declare that in order to insure stration, formerly in the Commerce Department;

6. National Weather Service, formerly in Commerce;

7. Earthquake Hazard Reduction Program, formerly in the White House Office of Science and Technology;

8. Dam Safety Coordinating Program, formerly in the Office of Science and Technology;

9. Federal Emergency Broadcast System, formerly in the Office of Science and Technology.

In addition to these officially mandated components, FEMA is also authorized through its status within the NSC to participate in advance planning and crisis management of terrorism along with the Working Group on Terrorism of the Special Coordinating Committee of the NSC.

By the same presidential fiat, President Carter established an even more specific crisis management command structure within the Executive: the Emergency Management Committee. Chaired by the FEMA director, the committee includes the national security advisor (Brzezinski), the assistant to the President for Domestic Affairs (Stuart Eisenstat), the assistant for policy and intergovernmental relations (David Aarons) and the director of the OMB (John McIntyre).

national defense preparedness, there must be "greater independence in domestic energy supplies." As already noted, it also makes it clear that "materials" include petroleum....

Goals—The bill adds a new section to the Act, which is aimed at synthetic fuels. The section establishes a "national production goal" of at least 500,000 barrels a day of the crude oil equivalent of synthetic fuels and synthetic chemical feedstocks. The bill expects that the goal should be achieved within five years....

Purchase Authority—The new section authorizes the President:

To purchase or make commitments to purchase synthetic fuels and chemical feedstocks, "without regard to the limitations of existing law," for "Government use or resale."...

Reportedly the authority to purchase "without regard to the limitations of existing law" has reference to procurement actions. Thus, the purchase would not be subject to current procurement laws....It could exempt such actions from NEPA, Davis-Bacon, antitrust laws, air and water pollution laws, strip mining laws, civil rights laws, etc....

Oil hoax is run by London Policy Group

Gas lines stretching for blocks, odd-even gas rationing, gas prices shooting toward the sky. These are the now ever-present manifestations of an oil shortage hoax that is being run worldwide by a top-secret policy group based in the City of London.

The group, whose existence is shrouded in mystery, was set up in 1972 to run the 1973-74 oil hoax as a test run for the present scenario of shortages that are wracking the world's economies. It was set up by top Anglo-American intelligence operatives under the direction of John J. McCloy, then chairman of the New York council on Foreign Relations. This policy group, whose members are 21 of the world's top oil companies, is known to "insiders" as the London Policy Group.

At the center of the group is the so-called Seven Sisters oil company cartel: British Petroleum, Royal Dutch Shell, Mobil, Exxon, Socal, Texaco, and Gulf. This super-secret group, acting beyond the reach of any single national government, controls world oil stocks and is ensuring that there is a current and worsening energy crisis in the world despite the documented fact that the world is producing 3 million barrels a day more than last year when Iran was at full production.

The London Policy Group is using the oil weapon to blackmail the governments of Europe, the United States, Japan, and the OPEC countries to accept economic austerity policies through their control of world marketing and refining capacities. Its members' corporate executives are in collusion with the Carter administration to implement long-completed plans for a crisis management government in the United States—including complicity in the related strike action by independent truckers.

The London group created the 1973 "test run" by deliberately tightening supplies prior to their orchestration—via then Secretary of State Henry Kissinger, a leading figure in the Council of Foreign Relations—of the 1973 world oil embargo.

In a parallel fashion, this group has rigged the current shortage of gasoline and other fuels beginning last year with the full cooperation of Energy Secretary James Schlesinger—months in advance of their triggering of the Iran crisis.

They deliberately let stocks of gasoline run low last year leading up to the Dec. 27, 1978 shutdown of Iran's oil fields, while in the first three months of the Iranian "oil crisis," the 20 largest U.S. refineries had greater stocks of crude oil than at the beginning of the crisis.

Why the hoax

What the Council on Foreign Relations and its founder organization in London, the Royal Institute of International Affairs, are planning is what the Council's 1980s Project has called the "controlled disintegration of the world economy," using control of energy as the primary vehicle. This objective was stated clearly in the journal of the Royal Institute, *International Affairs*, in an article written before the Iran coup:

"The energy 'crisis' arises when the fit between the amounts demanded and supplied is brought about primarily through a drastic effect of rising prices. ... Some consumers, some businesses, *even whole industries* would find it necessary to cut back production. ... Some countries would find themselves unable to pay for oil imports on a scale sufficient to sustain economic activity. *The crisis therefore would largely be one of industrial stagnation and unemployment.* ... A variety of 'scenarios' have been constructed on varying assumptions."

The timetable for the scenario is contained in a top-secret internal memorandum entitled "Corporate Strategic Marketing Reports," being circulated to board-level management of one of the Seven Sisters, Standard Oil of California (Chevron). The memo states that Chevron is basing its corporate policy on "the institutional unraveling of the nation" through the escalated disruption of public services, transport, food production, and other infrastructure *by no later than October 1979.* The document also calls for tight security gas dispensation depots. Only motorists who prepay a month in advance will be allowed to drive inside a walled compound by appointment and receive a gasoline supply.

The memo was written between August and November 1978 and became operative policy in January 1979.

Chevron is not an oil company but, like other members of the Seven Sisters, is an arm of London-New York economic warfare operations. Chevron's board includes Charles M. Pigott, a member of the Council on Foreign Relations, the president of Paccar Corporation and the father-in-law of John McCone. Pigott's latter two affiliations connect with the current independent truckers' strike. Paccar helps finance Mike Parkhurst's independent truckers organization. John McCone, the head of the CIA under President John Kennedy, was involved in the 1973 coup in Chile. That coup served as the model for the formulation of crisis management proposals around the 1974 independent truckers strike in the U.S. which was led by Parkhurst and his *Overdrive* magazine network.

Administration complicity

The administration side of the oil shortage conspiracy is marked by a March 2, 1979 closed door strategy session at Averell Harriman's estate outside New York City, Arden House. There key members of the conspiracy met to review the situation. Representatives of all the major oil companies and Schlesinger's office were present, including Exxon, British Petroleum, Shell, Continental Oil, Texaco, Atlantic Richfield, together with press spokesman who would get the line out.

This meeting was convened in part because the participants knew that an actual oil shortage had not been created despite their overthrow of the Shah's government in Iran and his replacement by the Ayatollah Khomeini in February. The Arden House meeting adopted the policy course of forcing the crisis of oil prices and decided to pin the political blame on the countries that had done the most to offset the crisis—Saudi Arabia and other OPEC producers.

Then, in late April, over 100 leading government, business, press, and banking leaders and think tankers gathered in Baden, Austria for the British-Dutch monarchy's exclusive Bilderberg conference. On the agenda was how the policy directive adopted at Arden House was going to be implemented.

By May, the gas crisis was in full swing in California—created by its Governor Jerry Brown and Schlesinger. The Energy Secretary diverted supplies of gasoline away from California at a time when gasoline reserves for the Western states were 5 percent greater than a year before, according to government figures.

And the administration has also been complicit in the Rotterdam spot market speculation—with the assistance of Senator Edward Kennedy. On May 24, the Senator demanded that the Energy Department's Economic Regulatory Administration, headed by the former assistant attorney general in Israel David Bardin, issued an "emergency ruling" to "establish an entitlement benefit of $5 a barrel for middle distillates imported between May 1 and Aug. 31, 1979."

Kennedy, the so-called enemy of OPEC and the oil companies, had worked out this deal days before the ruling with Sen. Claiborne Pell (D-R.I.) and Schlesinger's office. The scheme: give $5 a barrel to the oil companies while the latter secretly divert the oil they buy from OPEC at $15-17 a barrel to sell it for $35 at Rotterdam.

The gas shortage is now nationwide, prompting the governors of New York, New Jersey, Maryland and Connecticut to complain that their states have been short changed. Demanding their "fair share" of the gasoline supplies, the governors are calling on the federal government to intervene with emergency national rationing measures.

—*William Engdahl*

Truckers strike to trigger crisis plan

The often violent independent truckers strike, now in its second week, is part of a five-year-old scenario to place the United States under a crisis management dictatorship, officials of the Federal Preparedness Agency have confirmed.

The scenario is modeled after the deployment of Chilean "independent truckers" in the fall of 1973 to topple the Allende government and install the Pinochet dictatorship.

It was adopted for use in the U.S. by then National Security Council chief Henry Kissinger, then Secretary of Defense James Schlesinger and then White House Chief of Staff Alexander Haig during the 1973-74 energy crisis.

FPA and White House officials state that the present White House crisis management task force is operating—with minor modifications—according to policy outlines and reports prepared by Haig and Schlesinger for intervention into the 1974 truckers strike. "You would be surprised how similar all our considerations are," said and FPA official. "We have a truckers strike, an energy shortage, violence, chaos, gas lines ... it's as if things are repeating themselves..."

The draft action plan

The principal document being followed by the administration is an interdepartmental draft action plan, "In Response to a Nationwide Truck Stoppage" (see below), which was issued on Feb. 3, 1974 by the Office of Preparedness.

It calls for a three level escalating response, with the public being acclimated to accept emergency powers. Appended to the document are a draft executive order declaring a national emergency—without congressional approval required—and a memorandum describing the extraordinary powers of the Secretary of Defense to deploy federal troops to meet "civil disturbances."

Various government sources have confirmed that these powers remain in effect awaiting activation. The minor modifications referred to by FPA officials deal with the existence of new powers granted Energy Secretary Schlesinger to "handle" an energy emergency and the existence of the Federal Emergency Management Agency, a crisis management agency created by executive order and assuming full powers on July 1.

The strike

As in 1974, the independent truckers shutdown is being led by Mike Parkhurst of the Independent Truckers Association and Bill Hill of the Fraternal Association of Steel Haulers (FASH). At meetings held over the weekend and in the early part of the week, the truckers, egged on by Parkhurst and Hill, rejected "concessions" by government officials that removed priority allocation of diesel fuel from farmers and granted truckers a 7 percent "fuel pass-along" surcharge on freight rates. The truckers pledged an "intensified strike" especially in the urban areas of the East Coast and Midwest.

Strike organizers have been dispatched into southern California to make sure that the fruit and vegetable harvest is not shipped East. Other organizers and "initiators" have been sent East. On June 25, truckers organized teenage rowdies and motorists off fuel lines to stage a 3,000 person riot against police in Levittown, Pa., resulting in scores of injuries and arrests; martial law remains in effect.

Truckers have also tied up highway traffic for the first time in the New York metropolitan area and have issued appeals to motorists, already angered by mile-plus long gas lines, to join their "protests."

Government officials report that upwards of 40-50 percent of all interstate motor carriage transportation has been disrupted by the shutdown. Some shipments—like agriculture and meat products—which are carried primarily by the independents are occurring at only a small fraction of normal volume. Coupled with the inability of the national rail grid to handle the overload, this raises the prospect of serious food shortages in eastern cities by next week. The Interstate Commerce Commission has declared a railroad transport state of emergency, giving priority to food, fuel and military supply transport.

Trigger for emergency

The strategy of the independents as well as the government is to prolong the strike into the first week of July to allow the Federal Emergency Management Agency to assume full, official control of the crisis on July 1.

David Bardin, the head of the Energy Department's Economic Regulatory Administration hinted this week at forthcoming government policy when he told a congressional hearing that the government may "soon" declare an emergency and "order" refiners to produce more diesel fuel.

Senator Howard Cannon, the head of the Senate Commerce Committee demanded on June 26 that various Carter administration officials report to him immediately on the viability of Parkhurst's proposal, supported by Hill, for a 90-day emergency deregulation of the trucking industry. Numerous government officials are known to favor the move, as does Senator Edward Kennedy, an ally of Parkhurst and principal sponsor of deregulation. Complicit in the energy shortage hoax and the truckers strike, Kennedy has used both to demand that the government declare a national state of emergency.

1974 action plan to militarize the economy

1. Nature of the Plan

A nationwide truck work stoppage, if continued, would create serious problems in the movement of many of the country's essential resources. The early effects in the current stoppage are showing up in the movement of steel products, and vegetables, meats, coal and gasoline. Within a relatively short time, these effects would extend to the whole of commerce and effectively shut down industries, cripple employment, and affect the health and welfare of the nation.

It is the intent of this plan to outline sequential actions that federal departments and agencies may take to reduce the impact created by critical resource shortages and disruptions to the economy and industry resulting from the nonavailability of a large segment of truck transport.

... The first line of attack on the problem is to assure continued free flow of commerce on the nation's highways by nonstriking carriers. This requires protective services by state and local authorities with full support and backing by enforcement powers of the federal government....

The second line of attack is designed to assist governors of states and local authorities to alleviate shortages of these essential commodities through local diversions of transport, the use of military vehicles and other measures....

The third line of attack is on the national scale and is aimed at assuring and at restoring a viable national economy. If the problem develops quickly into a serious enough situation as to require the declaration of a national emergency, options and actions are also provided whereby government takes actions to control commercial activity through mandatory transportation priorities and allocations and other economic controls as necessary....

Who is Mike Parkhurst

The independent truckers deployment to trigger the scenario for a crisis management government in the United States is as deliberate and preplanned with paramilitary objectives and logistical support operations as was the Chilean action in 1973. led by Mike Parkhurst, the independents not only extoll the Chilean model, they are bankrolled, through advertising revenues into Parkhurst's magazine *Overdrive*, by the very same oligarchs who orchestrated the Chilean atrocity.

Parkhurst is the key "field operative" of the shutdown. He works for the same financier interests that rigged the energy crisis. The independent truckers organization was built intially around Parkhurst's *Overdrive* magazine in the early 1960s. "Bag money" comes from advertising revenue.

Overdrive' advertisers include:

The Paccar Corporation. On the board sits John Kennedy's CIA chief John McCone; its president is McCone's father-in-law Charles M. Pigott, a member of the New York Council on Foreign Relations and of the board of Chevron. McCone is also a director of Standard Oil of California (Chevron) and was a heavy funder—through ITT—of the 1973 Kissinger coup in Chile. The firm's financial interests are controlled by the Kennedy-linked Eastern Establishment investment firm of Lazard Freres.

The Cummins Engine Company. The Cummins Foundation funds the Washington, D.C. Institute for Policy Studies, created by Kennedy-era National Security Council member Marcus Raskin and Richard Barnett. IPS creates, controls and deploys "left" terrorism in the U.S.A. The Cummins board of directors is dominated by New York CFR members. Director J. Irwin Miller is on the board of directors of the Ford Foundation and Butler College in Indianapolis, which trained the Rev. Jim Jones. The Cummins Foundation, with the Eli Lilly Foundation, is the biggest funder of the proterror journal *CounterSpy*.

Some of the money conduited through these fronts to Parkhurst was used to create the so-called Roadmansion—*Overdrive* headquarters in Van Nuys, California.

After creating the anti-Teamster FASH organization in 1967, Parkhurst worked with Ralph Nader in 1971 to found a "dissident" group in the Teamsters, PROD, Inc.

Working closely with Parkhurst is his old anti-Teamster ally Ted Kennedy—the man who is using the chaos to call for a national emergency. Senator Kennedy was the keynote speaker at the last *Overdrive* National

Annex A:
Department of Justice and Department of Defense interdepartmental action plan for civil disturbance

This memorandum outlines a plan by which the Departments of Defense and Justice propose (1) to coordinate their preparations for and their responses to any serious civil disturbances that may hereafter occur in a city in the United States, and (2) to assist the President in responding appropriately and effectively to any request he may receive for federal military forces to aid in suppressing such a disturbance....

A principal feature of the plan is the designation of the Attorney General as the chief civilian officer in charge of coordinating all federal government activities relating to civil disturbances....

All essentially military preparations and operations including especially the employment of military forces at the scene of a disturbance, will be the primary responsibility of the Secretary of Defense....

Within the Department of the Army, a Directorate for Civil Disturbance Planning and Operations serves the Secretary and the Army Chief of Staff as the principal military staff agency for such matters....

The dissemination of all public information in connection with the control of civil disturbance shall be undertaken by or as directed by the White House:...

The plan is divided chronologically into four phases:

1. The period of civil disturbance planning and intelligence operations prior to the outbreak of any actual disturbance.
2. The period from the initial outbreak of an actual disturbance to the time at which the President decides to employ federal military force.
3. The period during which federal military forces are employed at the scene of the disorder.
4. The portion of the latter period during which the advisability of withdrawing the federal forces is considered, decided, and acted upon....

As in the recent past, the Secretary of Defense will have the primary responsibility for training, equipping, and designating the forces to be used in controlling civil disturbances. He will also retain primary responsibility for preparing operation plans, determing procedures for alerting and moving the forces, and testing command and control arrangements....

During the early stages of a crisis in which it appears that a request for federal military assistance may be forthcoming, the intelligence organization of the Department of Justice will alert the Attorney General and the Secretary of Defense....

Precautionary steps, such as alerting federal armed forces and prepositioning them relatively near the disturbance area, can be taken by the federal government prior to receipt of a formal request from a governor for federal military assistance....

The executive order will authorize the Secretary of Defense to conduct the military operation. ... The established law enforcement policies may require revision or elaboration during the actual military operations; in that event the Secretary of Defense will refer such matters, military exigencies permitting, to the Attorney General, together with his recommendations. The executive order further authorizes the Secretary of Defense to federalize National Guard units and, if required, to order units of reserve components of the Armed Forces to active duty for purposes of the operation....

Conference, and his efforts to destroy U.S. trucking and the Teamsters were crowned last week with the Kennedy-Carter proposal to deregulate transport.

Boast of Chile model

The October 1973 issue of Parkhurst's *Overdrive* praised the Chilean truckers for their "noble action" in toppling the Allende government. An editorial signed by Parkhurst in the same issue stated: "Where is the spirit of '76 in the American trucker...why can a country like Chile overturn an entire government because the truckers—the owner operators—decide to do something about it?

Mac Vernon, sales director for *Overdrive*, described the Chile scenario in its application to the United States in 1974: "Let's say some kind of depression hits in the next few months. Things keep getting worse, people lose their jobs, maybe impeachment fails by a vote or two. Nixon and the government lose respect...the truckers go on strike...it takes about 10 days before the effects are felt. People will get hungry...there will be no food...the truckers get more uptight. The government tries to move the army in. Then you have a Chile here...it's just like a book...."

Commission report calls for deregulation of synthetic fuels

The three year-old National Transportation Policy Study Commission finally presented its findings and recommendations to House Speaker Tip O'Neill on June 26. The Commission, chaired by Congressman Bud Shuster (R-Pa), calls for deregulation of the transportation industry. The study calls for the abolition of the Interstate Commerce Commission, which was mandated to regulate and improve transportation systems, as well as the elimination of the Federal Maritime Commission and the Civil Aeronautics Board. The entire regulatory structure is to be collapsed into a single regulatory commission and a revised transportation department that will plunge the national transportation structure into chaos by "relying on the marketplace."

The report also calls for a "massive federally financed synthetic fuels industry because that's what our transport system runs on and we can't trust OPEC ... including coal liquification, oil shale, tar sands," declared Congressman Shuster in an interview with *Executive Intelligence Review*.

The proposal is modeled "on the South African program of plunking down a plant in the middle of a coal field. They produce oil at $1.50 a gallon" declared the commission chairman. Asked about the wage differential between the U.S. and South Africa, the Congressman said: "Then we will have to go to world prices, about $25-35 per barrel of oil." The proposals for a remodeled transport system are based on an economy fueled 20 percent by synthetic fuels and by a tripling of coal production. The commission report thus establishes a transport system for an economy based on inefficient, exceedingly costly energy sources—the hallmark of Nazi Germany's economy.

Commission members include Senators Chaffee (R-RI), Tower (R-Tex), Williams (D-NJ) Pressler (R-SD), Gravel (D-Ala), and Long (D-La) and Congressman Howard (D-NJ), Anderson (D-Cal), Florio (D-NJ) and Oberstar (D-Minn). Industry executives also on the commission include top officials of Southern Pacific Co., Herman Brothers, Williams Brothers Construction and Illinois Asphalt. At least one key staffer was affiliated with the Wharton School of Economics, which provided much consultation to the commission. The Wharton School, closely tied and funded by the Mellon financial interests, has done studies on developing a coal economy and work on controlling the labor movement—using Chile as a model.

Congressman Schuster is in the process of drafting a National Transportation Improvement Act, to implement the report's proposals and plans to have it ready by the fall.

Trucking, labor groups blast ICC nominees

Testifying before the Senate Committee on Commerce, Transportation and Science on June 27, spokesmen for the American Truckers Association, the Alliance for Competitive Trucking, and the U.S. Labor Party urged the rejection of three new presidential nominees to the Interstate Commerce Commission. All three representatives charged that the nominees were avowedly in favor of deregulating the trucking industry and were therefore constitutionally unable to serve on an agency whose mandated purpose is the regulation of the transportation industry.

In earlier questioning of the nominees, Republican Senators John Warner of Virginia and Larry Pressler of South Dakota expressed deep concern over the pro-deregulation views of the proposed commissioners, especially former Civil Aeronautics Board member and Alfred Kahn protégé Robert Gaskins. The press is widely reporting that the nominations are in serious trouble because of the powerful opposition by groups which oppose their confirmation by the Senate.

The U.S. Labor Party representative noted that while the nominees had paid lipservice in their adherence to the National Transportation Policy Act, all three thought that they would have "wide latitude" and "broad flexibility" in its implementation. "This is an open admission that the nominees intend to deregulate the industry by administrative fiat," said the U.S. Labor Party representative. "There is no 'wide latitude' in the interpretation of U.S. transportation policy. A regulated industry is essential for the maintenance of a capital-intensive, highly productive transportation system." She then reported on the results of a computer analysis of the effects of deregulation of the trucking industry on the U.S. economy, based on the Riemannian economic model of U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. "The effects will be more costly, in terms of lives lost and cost to the economy, than the Vietnam war."

The representative then attacked the deregulation lobby, led by individuals and institutions such as Ted Kennedy, independent trucker Mike Parkhurst, the Wharton School of Economics and the American Enterprise Institute as a deployment in the drive to militarize the U.S. economy under the guise of "energy crises" and "transportation chaos."

In a related development, Congressman Albert Johnson (D-Ca) and 22 other congressmen introduced legislation on June 20 "to provide for more effective regulation of carriers" in the motor trucking industry. The legislation was drafted by the American Truckers Association and is being presented as an alternative to the Kennedy-Carter deregulation thrust. Sources report, however, that both the ATA and the antideregulation congressmen supporting the bill are being set up by the deregulators with legislation which may indeed act as a foot in the door to deregulation.

Senator blasts Rotterdam

In one of the few manifestations of minimal sanity seen on Capitol Hill in recent weeks, Sen. Bennet Johnston (D-La), chairman of the Subcommittee on Energy Regulation of the Senate Energy Committee charged that the administration is supporting price speculation on the Rotterdam oil spot market. In introducing S.1379, the Refined Petroleum Import Subsidy Act on June 20, Johnston said, "The most infamous and recent example of this (granting of subsidies to oil importers) is the administration's decision of May 24, 1979 to issue entitlements worth $5 per barrel to U.S. importers of middle distillates from foreign refineries. This decision, which drove the Rotterdam spot price of distillate fuel oils to over $50 a barrel has been unanimously denounced by our European and Japanese allies. No justification or analysis of the impact of this decision has ever been offered by the Department of Energy. The department does admit, however, that this decision has had no discernible effect on the ability of the United States to import middle distillates."

Johnston's legislation establishes a congressional veto power over such administrative actions. Johnston adds however, "I confess that by introducing new legislation in this area, I may be placing too little credence on the reliability of our legal system. DOE has disregarded the law with respect to subsidies of residual fuel imports. I have no more right to hope that the department will obey a new law when it shows itself to be so thoroughly indifferent to an existing one dealing with the same subject."

—Barbara Dreyfuss and Susan Kokinda

U.S. moves toward Nicaragua invasion

Carter, from Tokyo, confirms intervention is administration policy

Following a rout at the special Organization of American States meeting where Latin American nations lined up solidly against the U.S. proposal for an OAS military intervention into Nicaragua to prop up the rule of Anastasio Somoza's National Guard, the Carter administration has begun laying the diplomatic groundwork for unilateral U.S. military intervention into Nicaragua.

The pretext for unilateral U.S. intervention, as in the Dominican Republic in 1965, will apparently be a request for "aid" by a non-existent U.S.-backed front. This was the policy indicated by President Carter's statement, upon his arrival in Tokyo on Monday, that

The Somoza family and its personal military machine is and has been nothing other than the enforcer for the Central American branch of what is known internationally as Dope, Incorporated.

while the "U.S. doesn't want to impose a peace on Nicaragua," if the "government of national reconciliation calls for a peacekeeping force, it would be necessary to establish one."

The "government" Carter was referring to was not the Sandinista-backed Reconstruction Government which has the backing of every major Nicaraguan political tendency opposed to the Somoza regime. It is a nonexistent entity proposed by Secretary Vance days earlier at the OAS meeting. Administration officials have stated they have no plans to recognize the already formed Reconstruction Government since its failure to include elements of the Somoza regime—representatives of the dictator's Liberal Party or the hated, mercenary National Guard—deprives it of a "broad base."

Through its tactic of forcing Somoza to "hand over" power to a "legitimate" successor, the U.S. is moving rapidly to create such a front, to head off snowballing support among Latin American regimes for the Reconstruction Government. Sandinista forces are pushing forward from the south and north toward Somoza's capital, Managua, and fighting rages in the city itself. With Somoza's forces "virtually defeated," in the words of one spokesman, six Latin American governments have already broken relations with Somoza, and Panama, Cuba, and Grenada have granted recognition to the new government. Thus, what U.S. officials refer to as the "danger" of a chain reaction of recognitions of the new government is growing.

Intervention signals

With U.S. policy being guided by Secretary of State Cyrus Vance, an old hand at U.S. military interventions (including the Dominican Republic operation and the 1967 coup in Greece), the signals are clear that the Carter administration is determined on a course of a military bail-out of Somoza's machine, though not of the dictator himself.

On Thursday, June 21, Secretary of State Vance went before the OAS to ask for OAS aid in the creation of a government of national "reconciliation," and an "interamerican peace-keeping force to help restore order." Mexican Foreign Minister Jorge Castañeda responded immediately to Vance. Defending the Nicaraguan population's right to overthrow tyranny, Castañeda described the rampages of Somoza's forces as reminiscent of the "last days of Nazi fury." Mexico is "categorically opposed" to any OAS intervention of any kind, Castañeda said, and presented a counter-resolution stressing the need for "scrupulously respecting the principle of non-intervention" into internal affairs.

In three days of the session following Castañeda's speech, not one Latin American stood to support Vance's proposed resolution.

On Saturday, the Mexican proposal with minor modifications was passed by the body. Vance's proposals were quietly withdrawn without a vote.

Undeterred, Secretary of Defense Harold Brown appeared on NBC's Issues and Answers the next day repeating that an interamerican peace-keeping force in Nicaragua "is still conceivable."

On Monday, Carter "volunteered" U.S. aid.

On Tuesday morning, Brown, CIA Director Stansfield Turner, National Security Council Advisor Zbigniew Brzezinski, Vice President Walter Mondale and Deputy Secretary of State Warren Christopher met to decide a course of action on Nicaragua following the OAS defeat. The decision: Somoza must go.

That afternoon, Undersecretary of State for Latin America Viron Vaky testified before a House committee that "no possible negotiation, mediation, or solution" exists while "he [Somoza] remains in power."

By Wednesday, Costa Rican Foreign Minister Calderón Fournier announced Somoza could possibly resign within "hours," and a new be government named. Two likely candidates to replace Somoza are reported in the Mexican press, both from Somoza's Liberal Party and the Nicaraguan "Congress."

—Gretchen Small

United Brands: drug runners behind Somoza

In a gruesome scene brought vividly into millions of American homes by television cameras last week, a Nicaraguan National Guardsman calmly walked up to ABC reporter Bill Stewart, casually lifted his semiautomatic rifle, and opened fire at point-blank range. Sickening as this spectacle was, it was merely another "incident" among countless others like it that have occurred daily in Nicaragua during recent months. The sight of an unarmed man having his skull blasted open by National Guard executioners has been witnessed by untold thousands of Nicaraguans. What happened to Bill Stewart has also happened to thousands of Nicaraguans.

In the city of Esteli two months ago, when the National Guard recaptured it from the Sandinista National Liberation Front (FSLN), wounded Sandinistas as well as civilians were dragged from their beds in the local hospital and shot in the street. Those unable to walk were shot in their beds or on the operating table.

Then the hospital's doctors were herded into the street and machine-gunned.

What happened to Bill Stewart also occurred in Chinandega, Masaya, Leon, Rivas, and the *barrios* of Managua during the past few days and weeks. Wherever the National Guard of Anastasio Somoza has passed, in cities and hundreds of smaller villages, there are almost no males between the ages of 16 and 25. Those that did not join the FSLN have been executed as rebel "suspects." "We do not take prisoners," one National Guard officer told reporters earlier this month.

In some areas, civilians remaining in towns recaptured by the Guard were simply rounded up at gunpoint and shot, under the rationale that they must be Sandinista "sympathizers." In other villages, Somoza's troops entered chanting anti-Somoza slogans—anyone who came out to greet them was gunned down. In yet another case, a town's professionals—lawyers, doctors, business—were lined up for inspection. Those with dirt under their fingernails were charged with having collaborated with the Sandinistas, and shot.

Entire villages have been wiped off the map with napalm. Thousands of women and children have been slaughtered during National Guard saturation bombings and artillery barrages using nerve gas, 500-pound bombs, and antipersonnel shrapnel shells known as "pac-pac" bombs. In the capital of Managua, most of which the FSLN controls, three-quarters of the population has been deliberately left without water, food, electricity, and over 60,000 have been left homeless as the National Guard has razed entire neighborhoods. The Sandinista-held eastern portion of Managua has been under incessant shelling for almost a week. Epidemics of gastroenteritis and polio are now spreading through the city.

As Mexican Foreign Minister, Jorge Castañeda, asserted at last week's OAS meeting, Somoza reminds the world of the worst days of the "Nazi fury."

All told, since the FSLN began its latest campaign almost one month ago to rid their country of the Somoza dictatorship, at least 25,000 civilians have died, and 150,000 have been left homeless.

Yet this devastation is only the most recent in *decades* of similar Somoza actions against Nicaragua. Since it was installed in power 46 years ago with the help of a U.S. Marine occupation force, the oligarchic Somoza family has brutally enforced the most backward social and economic underdevelopment imaginable on this country of little more than two million inhabitants. In 1933, Gen. Anastasio Somoza, the late father of the current dictator, minced no words in describing the lengths his regime would go to in order to maintain its feudal order: "I will pacify this country," he said, "even if I have to kill every other Nicaraguan to do it." His son is now attempting to fulfill that promise.

These atrocities are committed with the full complicity of the Carter administration. They have nothing to do with making Central America "safe for democracy" or saving Nicaragua from "communism." The Somoza regime, "friend" of America, is merely imposing regressive International Monetary Fund "conditionalities" on Nicaragua, and is protecting 80 years of drug trafficking into the United States. The Somoza family and its personal military machine is and has been nothing other than the enforcer for the Central American branch of what is known internationally as Dope, Incorporated.

The key vehicle for Dope, Inc.'s activities, in Nicaragua and throughout Central America and the Caribbean, has been that notorious multinational enterprise, the United Fruit Company.

"Yanqui imperialism?"

It is common knowledge among Latin American political leaders and historians that the Somoza family was installed by the United Fruit Company (UFCo), as was every other "banana republic" dictatorship in Central America and the Caribbean since the turn of the century. There is no lack of documentary evidence on how United Fruit brought to bear its private navy, known as the "Great White Fleet"—the largest private flotilla in the world—its intelligence apparatus—more extensive that that of most governments—and its huge financial resources, in such countries as Nicaragua, Guatemala, El Salvador, and Honduras.

However, it has long been assumed in Latin America that United Fruit—rechartered as United Brands in 1970—was a creation of "yanqui imperialism." Nothing could be further from the truth.

United Fruit, known as "The Octopus" by Central Americans, was consciously established during the first decade of this century as a "clone" of the colonialist British East India Company, which plundered the Asian reaches, China and the Indian subcontinent for 300 years and set up the international opium trade networks that survive down to the present day.

This was not a "company" in a capitalist sense. It was a crown-franchise, acting only on the basis of British crown policy. Just so, the United Fruit Company. The British oligarchy, grouped around their King or Queen, extended their East India Co. to the Western Hemisphere as the United Fruit Co. and made certain "Yankee clipper ship" Episcopalian families the directors. These were would-be American "lords," emulators and fanciers of the degenerate British nobility, whose financial and landed interests are direct subsidiaries of the "finest" of City of London banking. These same Anglophile families are known today as the "Groton Mafia"—the Harrimans, the Vances, the Bundys.

United Fruit was founded and remains financially controlled by these New York and Boston-based patrician families who were brought in as junior partners of the East India Company at the end of the last century. And like their predecessors, they run dope. According to U.S. drug enforcement authorities, an estimated 25 percent of the cocaine that enters the United States annually is smuggled on United Brands' ships.

The seemy history of United Brands/United Fruit leads straight into the board rooms of Zionist banking houses in London and New York, which for generations have served as the hand-picked "court Jews" for the murkier operations of the British nobility. From there, it leads into the back-rooms of American organized crime, whose leading figures include Max Fisher, acting chairman and chief executive officer of United Brands from 1975 to 1978 and Detroit Zionist Lobby kingpin cited by authorities as the leading conduit for narcotics into the U.S. midwest. The story of United Fruit also overlaps with such entities as the Sonneborn Institute, which was instrumental in the founding of the Israeli intelligence agency, Mossad, during the 1940s. Delving yet deeper, one finds the likes of I.I. Davidson, a known international arms smuggler and recruiting agent for mercenaries. Intimately connected at every level of the development of United Fruits are the top names of the Meyer Lansky Zionist mob, and the original core of the New Orleans-based Sicilian mafia, on down to the "button men" who carried out the assassination of John F. Kennedy and made countless other "hits" and attempts on Central American leaders.

To its "credit," United Fruit so far this century has engineered two Marine invasions of Nicaragua, a war between Honduras and El Salvador, an attempted Nicaraguan invasion of Costa Rica thirty years ago, and more than a dozen coups d'etat. In the bloodbath that followed the Company's 1954 coup against the republican Arbenz forces in Guatemala, 35,000 people were murdered by death squads. Another 40,000 to 50,000 have been killed by repressive rampages in El Salvador and Honduras. When added to the deaths suffered under Somoza in Nicaragua, it is safe to estimate that United Fruit's commitment to preserve "banana republics" and obliterate all potential for the development of sovereign nations modeled on America's own founding principles has taken hundreds of thousands of lives during the last 25 years alone.

This is the story of United Fruit: it is the anathema of everything the American republic ever stood for. It is the story of dope pushers, assassins, and mass murderers hired to keep Central America as a backward fiefdom of an Anglo-American "empire."

The Caribbean East India Company

Among the American patrician families who have played key roles in both United Fruit and the British East India Company are the Forbes and the Lees of Lee Higginson, and early ancestor who took part in both the West Indies "triangle trade" of rum, slaves and molasses, and the East Indies opium trade. Other old-line Episcopalian families involved with UFCo are the Peabodys of Morgan-Peabody, whose patriarch, J. Endicott Peabody, established Groton prep (the American Eton) to train succeeding generations of U.S. policymakers in British policy.

In 1899, these and other Anglophile families arranged the merger of the Boston Fruit Co.'s "Great White Fleet" with International Railways of Central America (a railroad crisscrossing the region) to form the United Fruit Co. When a member of a British intelligence-controlled anarchist cult assassinated President William McKinley in 1901, Teddy Roosevelt, who was related by marriage and shared the outlook of this Anglophile elite, assumed the Presidency. His policy of "gunboat diplomacy" in the "banana republics" produced UFCo's first major expansion.

An estimated 25 percent of the cocaine that enters the United States annually is smuggled on United Brands' ships

In the 1930s, the "Groton mafia" associated with UFCo reorganized the company's management. The business was dirty, and it was turned over to some dirty people. The decision was made to hire mobster Sam "the Banana Man" Zemurray as UFCo president, a post he held until the 1950s.

From this time on there was a division of labor. The patricians set the policy that would result in thousands of deaths, and hand-picked Zionists were hired to administer the resulting holocaust.

Despite certain board members' squeamishness at Zemurray's Rumanian Jewish pedigree, he was well qualified to handle the logistical end of UFCo. He had been the owner of a rival firm, Cuyamel Co., that UFCo purchased for $31 million in 1930. Zemurray had founded that company in 1910, with a bankrupt steamship line reputedly owned by the New Orleans mob, and with financing from "Our Crowd" Jewish investment houses in New York. Zemurray's first act as head of Cuyamel had been to overthrow the Honduran government, securing his company lucrative banana plantation franchises.

Zemurray, with the notorious gangster Charles Matrenga, was also co-leader of the New Orleans mob, the oldest organized crime outfit in the U.S., dating back to the Civil War. Joseph Macheca, the founder of the New Orleans mob, worked directly under the legendary founder of the mafia, Mazzini, who in turn was an agent in the employ of Lord Palmerston, the 19th century architect of Britain's opium policy. Appropriately, Zemurray was given UFCo at the point that narcotics traffic was replacing the British trade in bootleg liquor of the prohibition period.

Zemurray had come to the U.S. as part of the same wave of immigration (sponsored by the Baron de Hirsch Foundation) that brought the Bronfmans, Jacobs, Fishers and others to this country. With Rothschild backing them from London, they welded together a nationwide organized crime network during Prohibition, and then, in the mid-1930s, shifted their profitable business fronts from bootleg liquor to narcotics. Through Zemurray, these families were given the UFCo to facilitate that traffic.

In 1943, at the death of Charles Matrenga, the entire UFCo company board attended the funeral.

UFCo and Israel

UFCo's close relationship with the New Orleans mob was not the fruit company's only tie to organized crime circles. In the late 1940s, through Sam Zemurray and other employees, UFCo became engaged in a massive project to smuggle weapons to the Haganah in Israel using puppet Central American governments. As one result of this project, the Israeli Mossad was created. Today Israel, in return is among the leading arms suppliers to UFCo's puppet Central American dictatorships, including Anastasio Somoza.

For the Haganah project, Sam Zemurray was coopted by Edmund de Rothschild to the board of the Palestine Economic Commission (PEC) which would shortly evolve into the state sector of the Israeli economy. Co-sponsoring him for this high-level Zionist post was Sen. Herbert H. Lehman of the "Our Crowd" investment house, Lehman Bros., who headed the U.S. side of the PEC. Lehman Bros., which acquired its initial fortune running cotton and slaves past the Union blockade of Charleston and New Orleans, was the first "Our Crowd" bank brought onto UFCo's board.

Two spin-offs from the PEC are still active today: Ta'as Industry and the Maritime Fruit Co. (MFCo), an Israeli corporation modeled on UFCo. Ta'as produces those non-U.S. weapons that Israel, together with U.S. weapons, transports to Central America in MFCo. ships. A "special advisor" to MFCo is Sol Linowitz, the Panama Canal Treaty negotiator. Also associated with MFCo is Israeli MP Shmuel Flatto-Sharon who is wanted by French authorities on charges of stock and diamond swindling. According to U.S. intelligence sources, Flatto-Sharon is the head of a substantial mercenary force based in California and is involved in international assassination deployments. Flatto-Sharon is also currently attempting, the sources say, recruitment of a 2,000 man mercenary force to aid Anastasio Somoza.

While on the PEC, Zemurray procured the ships that later formed MFCo's fleet. MFCo ships recently delivered a sizeable shipment of tanks, missile launchers and artillery pieces to Somoza's National Guard.

In smuggling embargoed weapons to Israel in the 1940s, Zemurray used the good offices of UFCo's "banana republics," and notably, Nicaragua. The overall operation in support of Israel brought UFCo together with members of every branch of the Zionist mob, "respectable" and not so respectable:

Rudolf Sonneborn, "Our Crowd"-linked Swedish financier who married into the American Schiff family (Dorothy); the overall project was code-named "The Sonneborn Institute";

Max Fisher, at the time a junior "Zemurray" as head of both a small oil company (PAZ) and Detroit's Purple Gang; Fisher would become acting UFCo chairman in 1975;

Tibor Rosenbaum, the first Mossad Director-General of Finance and Supply who would become number one money launderer for Zionist mafia chieftain Meyer Lansky;

Maj. Louis Bloomfield, attorney for the bootlegging Canadian Bronfman family, who had worked under the North American head of British intelligence, Sir William Stephenson, during World War II. Bloomfield would shortly set up the Permindex Corp., a modernization of the old Brooklyn-based "Buggsy" Siegel and Lansky mob, "Murder, Inc." Members of the same Lansky mob would later set up UFCo's Central American drug operations.

With Zemurray's backing, several Central American dictators acted as fronts for gun shipments by the Sonneborn Institute. The most important was Anastasion Somoza, the father of the current dictator, who had acted in this capacity for the Haganah since at least 1939. In 1947, Somoza granted diplomatic status to a member of the Institute, Yehuda Arazi, in exchange for large sums paid into Somoza's secret London bank accounts. Arazi, known as "the most daring and colorful of Haganah's 'arms procurement experts,' " was an "ex" member of Britain's counterintelligence division and worked closely with Lansky's "Murder, Inc." crowd in Brooklyn.

The same Zionist networks gun-running into the Mideast during the 1940's are now the principal conduits for arms to United Fruit's "banana republic" dictators. Most prominent among these figures is I. Irving Davidson, a top Zionist lobby-Meyer Lansky "fixer" who helped funnel surplus U.S. warplanes into Israel in the late 1940s. A "close friend" of Shimon Peres, Davidson is today the sole marketing agent for Israeli-made Uzi machine guns in Central America and the Caribbean. Not surprisingly, Davidson is also a partner in Somoza's plywood business.

Guatemala 1954

The United Fruit coup against the Arbenz government of Guatemala in 1954, probably one of the most cited cases of "yanqui imperialism" in modern times, ironically underscores the very threat to fundamental U.S. national interests posed by UFCo. Following World War II, Guatemalan republicans led by Jacobo Arbenz attempted to wrest their country from the backwards plantation-economy imposed by United Fruit, and steer it on a nation-building course patterned after the American and Mexican revolutions. The core of this republican movement was the 1946 land reform, which was designed to break up United Fruit's huge non-productive holdings. Over 85 percent of United Fruit's lands were idle, and Arbenz intended to expropriate—with compensation—all such holdings over 223 acres.

A stable, developing Guatemalan republic would have been an invaluable ally of the U.S. in a community of interests among viable republics throughout Latin America. This is what United Fruit sabotaged. The policies UFCo recruited the U.S. to enforce in Central America were those against which the American Revolution was fought.

United Fruit stalled the implementation of the agrarian reform, while laying the groundwork for the coup. In 1952, New York Times publisher Arthur Hays Sulzberger, in collaboration with United Fruit public relations director Edward Bernays, began cultivating the myth that Arbenz had "gone Communist." Bernays, meanwhile, set up a "war room" at United Fruit's offices in Boston, which coordinated the coup operations with the State Department and the CIA. With the directorates of these and other agencies in the hands of current and past United Fruit employees, the U.S. government itself became nothing but a proxy for UFCo's operation to maintain "banana republics" throughout the region.

Bernays propounded the philosophy of his company in the following terms: "The conscious and intelligent manipulation of the organized habits of the masses is an important element in democratic society. Those who manipulate this unseen mechanism of society constitute an invisible government which is the true ruling power of our country. ... It is the intelligent minorities which need to make use of propaganda continuously and systematically. In the active proseletyzing minorities, in whom selfish interest and public interest coincide, lie the progress and development of America."

To the board of United Fruit, Arbenz's actions meant not simply the loss of their Guatemalan holdings but the threat that a revolution influenced by the Mexican and American systems would sweep Central America. The company responded by tracking down every Guatemalan nationalist for slaughter and having the government changed twice before a suitable puppet could be found, Carlos Castillo Armas.

Commenting on the U.S. government's role in the affair, one CIA agent who played an important part in overthrowing Arbenz stated: "Carlos Castillo Armas, after serving briefly in a three-man junta, selected himself as president. ... Armas was a bad President, tolerating corruption throughout his government and kowtowing to the United Fruit Company more than to his own people. The United States could have prevented this with the vigorous exercise of diplomatic pressure on Castillo Armas. ... After 1954 Guatemala was a typical Latin American banana republic with polarized political forces spawning personal violence. ... Guatemalan security officials sponsored death squads which eliminated opposition leaders. ... Castillo Armas was (eventually) killed by a member of his palace guard."

UFCo, Kennedy and Cuba

The same "secret team" that ran the 1954 Guatemalan coup also handled the Bay of Pigs invasion of Cuba. The one feature that the Kennedy administration added to the project was the inclusion of United Fruit's organized crime networks in key roles of the invasion schema. John F. Kennedy was no newcomer to organized crime; his father Joseph Kennedy had made his initial fortune selling bootleg whiskey from exclusive British liquor franchises to the same gangster elements involved with UFCo.

Plans for the Bay of Pigs invasion became utterly fantastic: Cuban exiles trained in Guatemala under protection of Castillo Armas were to be transported to Cuba on two banana boats of the United Fruit Co.; hit teams trained at a camp provided by the New Orleans mafia were to infiltrate Cuba and assassinate Castro; agents of the mob's casinos and drug rings in Cuba were to proclaim a "national liberation struggle;" and the U.S. fleet was to invade in support of these "patriotic" forces. The entire operation failed miserably.

Kennedy, despite his initial full commitment to "facing down the Soviets" in Cuba, ultimately refused to carry out the hard-line thermonuclear confrontation that his Anglophile policy advisors demanded. As in the 1962 Cuban Missile Crisis that followed, Kennedy refused to follow the British oligarchy's policy of turning Churchill's "Cold War" into active military confrontation.

The close connections between the United Fruit Co. and the networks named by New Orleans District Attorney Jim Garrison as being behind Kennedy's assassination shortly afterward is graphically illustrated in the case of William Gaudet, publisher of the UFCo-funded *Latin American Report* in the 1950s and early 1960s.

At the time of his employment by UFCo, Gaudet worked out of the International Trade Mart (ITM), a New Orleans branch of the Permindex Corp., which was created as a front for Meyer Lansky's "Murder, Inc." by British Special Operations Executive agent Maj. Bloomfield, with funding from the Mossad's Tibor Rosenbaum. Sharing offices with Gaudet was Lee Harvey Oswald's "Fair Play for Cuba Committee" and many others named by Garrison as being involved with Oswald in the Kennedy assassination. Among these were Clay Shaw, who headed ITM with Zemurray's successor in the New Orleans mob, Carlos Marcelo. Also involved was Edward Bannister, Southeastern Regional Director of Division Five (Counterintelligence) of the FBI, for which Bloomfield served as the

To its "credit," United Fruit so far this century has engineered two Marine invasions of Nicaragua, a war between Honduras and El Salvador, an attempted Nicaraguan invasion of Costa Rica thirty years ago, and more than a dozen coups d'etat.

chief recruiter and agent-handler at the time of the Kennedy assassination. Bannister was named by Garrison as being in charge of providing Oswald with a credible Communist cover.

When Oswald traveled to Mexico on his notorious trip to visit the Soviet and Cuban Embassies there, UFCo agent William Gaudet's signature appeared directly below his in the registry of the American Embassy during an unexplained sidetrip. Curiously, the Warren Commission never looked at Gaudet's connection to Oswald, nor at Garrison's other evidence. At least three Commission members had close personal of family ties to the United Fruit Co.

Max Fisher and United Fruit's Caribbean drug connection

On May 13, 1975, Max Fisher, a leading member of the Zionist lobby with long-standing organized crime ties, was named UFCo's acting chairman and chief executive officer, three months after the previous chairman, Eli Black, fell to his death from the 44th floor of the Pan Am building in New York. The decision to put Fisher in charge of UFCo, a move that Black publicly called "a conspiracy," began two weeks before the latter's alleged suicide.

Max Fisher's tenure as chairman of United Brands coincided with a dramatic increase in the flow of narcotics from Latin America and the Caribbean into the United States. It figures. Max Fisher is the Detroit mob, and a top narcotics smuggler. The year of his appointment to the UFCo board was a policy turning-point in London, when the financial decision was taken to use the IMF and World Bank to force the governments of Central and South America to adopt marijuana and cocaine as major "cash crops." So, Max Fisher was suddenly placed at the helm of the Western Hemisphere's "East India Company."

Fisher's takeover was aided by leading Zionist figures like Sol Linowitz of Coudert Brothers law firm and Xerox Corp. Linowitz had Xerox purchase a position on UFCo's board, a move which coincided with his first personal intervention into the Panama Canal situation. Linowitz's interests are also indicated in his promotion of an attempted takeover of the Marine Midland Bank, on whose Board of Directors he sits, by the world's leading drug-financing institution, the Hong Kong and Shanghai Banking Corporation. Marine Midland handles the international transactions of the National Bank of Panama—which operates with no regulation, and therefore suits the "money laundering" requirements of the international drug traffickers.

Another Fisher sponsor was Herbert Lehman of Lehman Brothers, a big investor in Fisher-controlled oil companies.

Fisher's presidency at United Brands also coincides—not accidentally—with the fact that during the past five years, Central America has become one of the leading markets for Israeli arms shipments, which are handled by Shaul Eisenberg, who also runs Israel's oil industry with Max Fisher. Eisenberg was formerly Mossad station chief in Vienna. The Ta'as Industry which provides the weapons from Israel was started up with equipment originally smuggled to the Middle East from Detroit by Max Fisher and his Purple Gang.

In a recent interview, a highly reliable source in the Detroit area was asked to identify the specific link between Fisher and dope traffic. "In one word," he agement and until recently one of its favored Central American "presidents". Nicknamed the "Detroit Kid," Vesco was recruited to organized crime as a second generation of Fisher's Purple Gang friends.

The $224 million Vesco took with him into exile in Costa Rica had been "embezzled" from International Overseas Services (IOS), a $2.2 billion consortium of offshore mutual funds, banks and shell companies that Vesco took over with loans arranged by its real controller, Edmund de Rothschild. From that point on, Vesco served as one of many "cut-outs" directly linking the Rothschild family to international drug and money-laundering operations, and related areas of highly illegal but lucrative investment. Vesco ran a network of "bagmen"—"mutual funds salesmen"—who traveled the world depositing and withdrawing dirty funds from unregulated bank accounts in a "shell game" system designed by Mossad agent Tibor Rosenbaum and his lieutenant, Slyvain Ferdman, who was Lansky's chief money launderer.

At present, Vesco has a share in the drug traffic carried on United Brands ships through a pact he concluded with one Dino Cellini—"Lansky's top man ... his right arm," according to mob sources.

UFCo has been involved in two coups since Max Fisher joined it. The first coup took place in 1975, when UFCo board members leaked that Fisher's deceased predecessor had paid a $1.25 million bribe for a partial reduction of Honduras' new banana tax. The leak resulted in the assassination of the head of the Honduran government, and Fisher's predecessor, Eli Black, who jumped out the window two days before the SEC announced it would investigate the charges.

In 1978, the Honduran government was overthrown and replaced by an even bloodier, more repressive regime. The excuse for dumping the Melgar Castro government was another report on bribes paid by the dead Eli Black. The report was drafted by Max Fisher.

The new three-man Honduran junta installed by this bloodless coup is headed by Gen. Policarpo Paz García, who is a member of the World Anti-Communist League, which includes many neo-Nazi groups and a notorious Central American narcotics network headed by Paz García. Paz García has been an outspoken champion of the extermination policy now being carried out by United Brands in the effort to save Somoza in Nicaragua.

—Scott Thompson and Chris Curtis

Muslim Brotherhood targets Syria

Iran-Israel-Egypt axis promotes turmoil in Arab world

The Syrian government has officially charged that "Israeli spies" and British and American intelligence services were behind the brutal June 16 massacre of more than 60 Syrian army cadets by the fanatic Muslim Brotherhood assassins.

The Syrian charges come amid growing exposure of the Muslim Brotherhood's activities throughout the Islamic world, and growing conflict between the Brotherhood's supporters—whose power bases are Egypt and Iran as well as Israeli intelligence—and a grouping of both "moderate" and "radical" Arab states including Saudi Arabia, Iraq, and Syria.

The Syrian charges, as well as the events surrounding them, also confirm beyond a doubt what *Executive Intelligence Review* has been documenting for months: that the Muslim Brotherhood is an international intelligence operation—interfacing such agencies as the U.S. Heritage Foundation—designed expressly for the subversion of the Islamic world. And new evidence of this activity continues to emerge daily.

Bloodbath in Aleppo

The bloodbath in Syria, which also left at least 40 wounded, was perhaps the worst act of terrorism in recent Middle East history, far outstripping any such incident in Israel. With the complicity of Ibrahim Youssef, a Syrian captain, who, secretly, was a member of the Muslim Brotherhood, Syrian soliders and cadets were led into a lecture hall at a military academy in Aleppo. Then, after the doors were locked, assassins poured hand grenades and automatic weapon fire through the windows.

Syria's Interior Minister Adnan Dabbagh declared that Syria would "liquidate mercilessly" the Muslim Brotherhood, whom he called "agents" of the British and the CIA. A ruthless counterattack against the Muslim Brotherhood, *both inside and outside Syria*, has been launched by Damascus. Fourteen people have been condemned to death for the murders; hundreds have been arrested. Significantly, both drug-running and arms-smuggling networks—the same networks that are behind Ayatollah Khomeini in neighboring Iran—are being hit hard by Syrian police.

The attack in Syria signals the emergence of the British intelligence-controlled Khomeini clique and the alliance of Egypt and Israel in Camp David as a single military-political bloc run by Great Britain and the United States. Backed by the Anglo-Americans, the Egypt-Israel axis and Iran are together being deployed against Iraq, Syria, and Saudi Arabia.

The immediate aim of the Aleppo massacre, the British *Financial Times* admitted, was an "attempt to touch off an uprising which would halt the proposed Syrian-Iraqi union under the leadership of a unified Baath party." The very date of the Aleppo incident, June 16, was the same day that President Assad of Syria went to Iraq to meet with President Bakr to ratify the merger. The fact that the merger of the two countries was not realized and that instead only a "unified political leadership" between Baghdad and Damascus was formed, is a direct result of the Aleppo Muslim Brotherhood operation. Another result of the Aleppo incident was the cancellation by Assad of his scheduled trip to Moscow the last week of June.

Iran—which until now has kept its distance from the NATO-backed Egyptian-Israeli alliance—suddenly has begun moving into an overt pact with the Anglo-Americans, and the massacre is the first result in Syria of Israeli-Iranian support for the Muslim Brotherhood. In an interview with *Al Ahram*, the largest Egyptian newspaper, Ayatollah Shareatmadari proposed that Iran and Egypt work together to battle "the infiltration of foreign and communist elements" in the Middle East—a code phrase for going after Syria and Iraq. Implicitly, the ayatollah, who had just forged a unity pact with Khomeini in his home in Qom, was also proposing a pact with Egypt's treaty partner Israel as well. Iranian officials have also confirmed that they have reopened discussions with British and American military and intelligence personnel at the official level for rebuilding the shattered Iranian army.

Behind the scenes

The key to who is behind the Aleppo atrocity is found outside Syria.

At the end of May, a secret meeting was held in West Germany, bringing together Muslim Brotherhood leaders from Syria, Jordan, and Egypt. The topic of discussion was planning the Aleppo massacre.

In attendance at the meeting was Issa Al-Attar, the head of the Syrian Muslim Brotherhood. Since the 1960s, Attar has been in exile in Aachen, West Germany, working out of the Mosque Bilal, which is linked into the Islamic Council of Europe. The Islamic Council of Europe is led by Salam and Abdel-Rahman Azzam, both of whom retain prominent positions in the Muslim Brotherhood. The Islamic Council is directly implicated in the early strategy sessions mapping out the Aleppo operation. The Mosque Bilal serves as a covert station for deploying Khomeini-Muslim Brotherhood forces from Paris and London across Europe and into Iran and the Middle East.

In an exclusive interview, Attar bluntly stated what he is up to: "I was effectively the chief of the Muslim Brotherhood in Syria.... Now, I am not only working with the Muslim Brotherhood but with all organizations that are interested in our people.... There is a need for democracy [in Syria] and I am sure that soon the people will restore democracy."

Attat's Mosque Bilal also has connection, with Said Ramadhan, a leading member of the Egyptian Muslim Brotherhood who was indicted as a conspirator in the assassination attempt against the late President Nasser. Ramadhan now operates out of Geneva from the Institute of Islamic Studies, which he established. At the time of the Aleppo incident, Ramadhan was in Jordan as the on-the-ground coordinator of the operation.

Ramadhan intersects with one Yusuf Nada, his close friend, who is the chief contact man for Ahmed Elkadi of Pensacola, Florida, the number one leader of the Muslim Brotherhood networks operating out of the U.S. Last month, Nada, Ramadhan, and others made a visit to Iran to plan an expansion of the Khomeini movement.

Syria was selected as a prime target for the "expansion" operation.

Syria cracks down

In response to the activation of the Muslim Brotherhood in Syria, the government there, in cooperation with the Soviet Union and several other Arab states including Saudi Arabia, has initiated a harsh crackdown to root out the Muslim Brotherhood at all levels. Interior Minister Dabbagh issued a statement that Syria is determined to liquidate Muslim Brotherhood networks not only in the Middle East but in West Germany, Austria, and Switzerland—an important move against Ramadhan and Co.

Syrian officials are keenly aware of the role that Iran and the Egypt-Israel axis, backed by the Anglo-Americans, played in the atrocity. The Syrian news agency has linked the Aleppo incident to Camp David and has accused the U.S. of plotting to force Syria either to accept Camp David or go to war with Israel. Last week, the latter "alternative" became very real

Iran: the Brotherhood's Mideast command center

The June 16 bloodbath in Syria is in the most direct sense attributable to the fact that the Muslim Brotherhood has assumed power in one of the keystone strategic countries of the region—Iran. As this publication has repeatedly charged, the "Iranian revolution" was nothing more than the installation of the Muslim Brotherhood into state power. Events over the past days have strongly confirmed these charges.

The reins of Brotherhood power in Iran lie less with Ayatollah Khomeini per se, than with the "revolutionary tribunals" headed up by Ayatollah Khalkhali. Khalkhali's "tribunals" have been the implementers of the bloody "Islamic justice" of the Khomeini regime and have as well been the command center for deploying Muslim terrorist groups to different countries, often under the pretext of seeking "vengeance" against the deposed Shah of Iran.

According to the Caracas paper *El Universal* of June 26, it was Khalkhali who contracted for the terrorist "Carlos" to hunt the Shah down in Mexico and assassinate him. *El Universal* identified the Ayatollah as the head of the secretive Fedayeen-e Islam, an organization which the paper identified as the Iranian sister organization of the Arab Muslim Brotherhood.

Highly informed sources confirmed this report to *Executive Intelligence Review* this week, and added that the Fedayeen-e Islam is "master" in Iran. The sources claimed that Khalkhali is an intimate collaborator of the international leadership of the Brotherhood—Said Ramadhan, Yusuf Nada, and the Azzam clique—and that inside Iran the Brotherhood is an "elite force" which includes in its membership top Khomeini controllers Said Ghotbzadeh and Ibrahim Yazdi. This "force" is "above the Komitehs," or revolutionary committees of Khomeini, and maintains total control over the Iranian prison system: "When you are arrested and sent to Qasr Prison, you are in the hands of the Muslim Brotherhood. Even Khomeini cannot reach you. You are held incommunicado. They have their own guards."

So tight is Khalkhali's control over the prison system, the sources added, that he literally lives and when Israeli warplanes engaged Syrian fighter planes in a dogfight over southern Lebanon.

Syrian investigations into the Aleppo murders have also revealed that the arms used in the attack were American M-16s, Israeli Uzis, and Egyptian black market weapons.

Zeroing in on the Egyptian connection, the Syrians are going after President Sadat for his complicity in the affair. The Syrian press is pointedly recalling that it was none other than Anwar Sadat who last month pledged to plunge Syria into a "sea of blood" in retaliation for the refusal of Damascus to endorse the Egypt-Israel pact. Further evidence incriminating Sadat was put forth by the French daily *le Monde*, which reported that the newspaper of the Egyptian Muslim Brotherhood, *Al Dawa*, has been bitterly attacking Syria lately, undoubtedly with the backing of Sadat.

Both Jordan and Lebanon have been drawn in by Syria to crack down on the Muslim Brotherhood. According to *Le Monde*, Jordan is particularly anxious to cooperate as a result of its growing concern over signs of "Islamic resurgence" in Amman. Even the Muslim Brotherhood-infiltrated, pro-Khomeini Palestine Liberation Organization—or at least some factions—want to help Syria because it is alarmed by the rising influence of the Brotherhood in the Gaza Strip.

In addition to going after the Muslim Brotherhood directly, the Arabs and the Soviets are targeting Egypt and the Egypt-Israel alliance while bolstering the alternative—a comprehensive peace with a Palestinian state. Soviet Foreign Minister Andrei Gromyko last week reiterated that President Brezhnev and the U.S.S.R. leadership would never cooperate with Camp David. He stressed that the Palestinians must have a state, "a small, I repeat, even a small state." This was the first such explicit reference to the West Bank-Gaza Strip option that the Soviets have ever made.

At the saame time, the Iraqi press has leaked a report presenting evidence that Nasser was assassinated and implicating Sadat, who reportedly has protected the assassin, a Dr. Al-Atifi, for the past decade. Significantly, the story was picked up by the Jordanian press.

The story follows Saudi Crown Prince Fahd's green light last week for the overthrow of Sadat. When asked if the Saudis were apprehensive as to who might succeed Sadat if the Egyptian leader were deposed, Fahd replied: "We don't know who may succeed Sadat, but a more radical government would not be worse in terms of the situation his policy has put us in. Fahd went on to contradict the traditional image of the Saudis as anti-Soviet by saying that the development of diplomatic relations between his country and the Soviet Union is a "probability."

Significantly, the Soviet daily Red Star has forecast the crumbling of the Sadat regime and reported the growing unrest in the Egyptian army.

—*Nancy Parsons*

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sleeps in Teheran prison!

Aside from his notoriety as a pederast and sadist, the sources stressed, Khalkhali is a drug addict with connections into drug-running Brotherhood circles in Dubai and Kuwait—connections which led to his arrest in 1969. These connections also explain the trip Khalkhali made to Dubai last month, during which the rulers of Dubai agreed to impose a ban on alcohol in the principality—undoubtedly to encourage a rise in opium usage throughout the United Arab Emirates and the Arabian Gulf area,

The Dope, Inc. connection

That the activities of the Iranian branch of the Muslim Brotherhood have been coordinated by the international kingpins of Dope, Inc.—the London-centered cartel which runs the $200-billion-per-year global drug traffic—has been widely known to leading Western intelligence services, and is confirmed by the following shocking report in the June 25 Daily Telegraph of London entitled "Iran Drugs Could Swamp Britain":

Britain and Western Europe face a serious increase this summer in the supply of illicit drugs from the Middle East and Asia as a result of the revolution in Iran.

With the breakdown of the gendarmerie and government agencies to supervise opium growing, Iran's farmers are expected to harvest well over 600 (tons) of opium, most of which will find its way into the hands of the traffickers....

A month ago fields throughout the Western provinces of Lurestan, Kurdestan, and Azerbaijan, and in Khorassan in the northeast, were aflame with the bright red opium poppy....

Together with neighboring Afghanistan and Pakistan, Iran now forms a new "Golden Triangle" to add to the one in southeast Asia, and threatens to double the amount of drugs, both opium and heroin, reaching Europe....

While posing a critical problem for Europe's drug enforcement agencies, the opium is also causing great concern among Iran's religious leaders, politicians and medical services.

The Psychiatric Society of Iran recently estimated that there were about two million opium addicts in a country of little more than 36 million. They called on Ayatollah Khomeini ... to declare the use of opium religiously proscribed.

But the Moslem holy book, the Koran, is a little unclear on drugs, though the Ayatollah did warn of the dangers to society....

Now, in a country where alcohol is banned along with many other forms of escapism, opium is becoming socially acceptable again.

British promote Syrian strife

In the wake of the Aleppo massacre, the British press has jubilantly heralded what London sees as the emergence of "religious discontent" in the Arab world to block the consolidation of an Arab alliance against Egypt, Israel, and Iran. Following are excerpts from two major British assessments.

The Guardian, *June 26, 1979: "Divisive Rulers Threaten to Send Syria Along the Road to Civil Strife," by David Hirst.*

The massacre of more than 60 Army cadets in Aleppo has blown the lid off a deteriorating situation which the ruling Baathist regime has long sought to hide....

Syria has not escaped the religious revivalism that is sweeping most of the Moslem world. It has its roots in much the same discontent that exists elsewhere, the same disillusionment with ideologies and institutions, borrowed largely from Western experience, to which the Moslem world has been unable to adapt....

The regime has announced that it will smash the Moslem Brotherhood. If the iron fist is its only response, it will get nowhere, for its inability to track down the perpetrators of earlier killings is notorious....

The iron fist will only breed more recruits to terrorism. ... The propaganda campaign against the Moslem Brotherhood is so crude and strident that it will antagonise the rapidly swelling ranks of the religious-minded.

President Assad's regime is besieged.

The London Observer, *June 24, 1979: "Arab Anti-Sadat Front Is on Point of Collapse" by Patrick Seale.*

Three months after banding together to condemn President Sadat for his peace treaty with Israel, the anti-Egypt front looks as if it could well collapse under its own internal contradictions. Today Sadat seems in better shape than his opponents.

Latest evidence of their weakness was the failure last week of Syria and Iraq to bring about their much-heralded union. There is rejoicing in Cairo at this setback.

An effective, institutionalised union of Iraq and Syria—a potential grouping 20 million strong, underpinned by oil revenues of some $8,000 million and fielding armies of about 400,000 men—would have been a credible alternative to Egypt's natural predominance. But it was not to be....

The main stress comes from the brutal ending of the honeymoon between the Islamic revolution in Iran and its Arab neighbours. In the last month, relations between Iran and Iraq have worsened to the point where Tehran Radio calls for a mass uprising against the Baghdad "gangsters and tyrants" and their replacement by a "rule of divine justice."

The fallout from events in Iran has caught the Iraqi Baathist regime in a pincer movement: Kurdish guerrilla armies are on the warpath again in the northern mountains, while in the south Iraqi Shias ... are being stirred to frenzy by the charismatic Khomeini across the border. Faced with such formidable problems, Iraq is in poor posture to take on either President Sadat or Israel.

The fragile sheikhdoms of the lower Gulf, which also contain large, increasingly restless Shia and Iranian communities, have been shaken by the revival of ancient territorial claims against them, made in recent weeks by prominent Iranian divines.

In a trice, revolutionary Iran—both fervently nationalistic and militantly pan-Islamic—seems a good deal more dangerous to Iraq and the Gulf States than the secular Shah ever did, for all his geopolitical ambitions.

If Iraq and the Gulf are understandably preoccupied with Iran, Syria has its anxious gaze on Lebanon, where its 30,000-man Army suffers constant humiliation from Israeli raids against which the Syrians dare not retaliate.

At home, prominent Alawis—the sect to which the Syrian President belongs—continue to fall to hit-and-run assassins, generally believed to be Islamic activists. Last week's massacre in Aleppo of 32 army cadets is a clear indication that Assad faces a serious terrorist threat from these Muslims.

It is the internal trouble plaguing both Syria and Iraq which prevent them embarking on unity and presenting a credible alternative strategy to Sadat's.

Saudi Arabia, the third major ... partner in the anti-Sadat coalition, is less immediately threatened than Iraq or Syria, but it also has its problems, of which perhaps the most important is the division in the ranks of the ruling princes....

For the moment at least, there is little on the Arab scene to shake President Sadat's confidence that he is on the right lines.

Taiwan's economic success strategy

An exclusive interview with Economics Minister K. S. Chang

Over the past year, when newspaper headlines were filled with stories on the anticipated "China trade boom" expected to follow normalization of U.S. relations with the People's Republic of China, the *real* China trade boom—that with the Republic of China (Taiwan)—went almost unreported. Yet in a year when U.S. two-say trade with Peking only broke $1 billion for the first time, trade with Taiwan topped $7 billion, more than six times trade with the PRC. In 1978, Taiwan's total foreign trade outstripped that of the PRC for the second year in a row, reaching $23.7 billion compared to Peking's $21.3. This year, Taiwan's first quarter exports and imports both grew 41 percent, which means that even if the rate of growth slows somewhat, total trade could top $30 billion, of which one-third, or $10 billion, would be with the U.S.

These figures amply demonstrate that trade with Taiwan is and will remain for the indefinite future vastly more important for U.S. business than trade with the PRC, a fact underlined by Taiwan's becoming the seventh largest trading partner of the U.S. in early 1979.

Placed against these facts, the shrill media campaign fed by the Carter administration last summer and fall touting the supposed benefits of the "China market" which would consume untold billions in U.S. capital exports is exposed as a hoax having nothing to do with economics. In light of recent events, it appears that the campaign was in fact political propaganda designed to create a climate more receptive to Carter's Dec. 15 severing of diplomatic and military relations with Taiwan and the establishment of relations with Peking. No sooner was normalization announced than China began instituting draconian austerity measures for its domestic economy and drastic cutbacks in its foreign purchases of capital goods because of a severe economic crisis.

Taiwan's foreign trade boom is the outcome of a highly successful economic development policy carried out by the ROC since the 1950s. In early April, while here for a seminar on Doing Business with Taiwan, the ROC's Minister of Economics, K.S. Chang, granted an exclusive interview to the *Executive Intelligence Review* in which he laid out the strategy that created the latest economic miracle in Asia, a story not known even to many of Taiwan's supporters in the business community.

Minister Chang was very clear on the essentially "dirigist" approach taken by his government in guiding and channeling economic activity to ensure development, starting with an intelligent land reform that avoided alienating the landlord class or causing serious economic losses while it turned all land over to the farmers. Mr. Chang indicated the role the government played in developing infrastructure and education in the early period, while market forces created by the land reform spurred the early development of light industry. In an interview with this publication last summer, Mr. Chang's deputy Mr. H.K. Shao, head of the Board of Foreign Trade, also pointed out how even today, government credit policy is used to foster specified changes in the country's industrial structure. Presently, high-technology industries receive preferential treatment, while labor-intensive projects are discouraged and penalized financially. Also, contrary to the stock prescriptions of the World Bank, the International Monetary Fund and the U.S. Government, Taiwan erected stiff protectionist barriers during the formative period of its development which it is only now tearing down.

The primary drawback of Taiwan's development program is its very limited applicability. It cannot serve as a model for the rest of the Third World, which does not have Taiwan's unique combination of circumstances, including the American security umbrella it enjoyed from 1950 to 1978, and the significant infusions of aid and capital from the U.S. that made a big difference in the early days. In fact, no major underdeveloped nations today can possibly afford to proceed in stages from light to heavy industry—precisely the opposite. Only major development projects centered around agro-industrial-energy nuplexes to develop entire regions can competently begin to lift the poorer countries out of backwardness.

Nonetheless, Taiwan's success has meant the ability to give its own people a living standard that already approaches the less developed countries of Europe, and is rising fast.

—*Peter Rush*

From agriculture . . . to heavy industry

K.S. Chang, the Republic of China's minister of economics, gave the following interview to Executive Intelligence Review *while he was in New York City in early April.*

EIR: *Taiwan has become the sixteenth largest trading nation in the world, and the seventh largest trading partner with the U.S. Is this phenomenal growth the result of following a national plan, and if so, what was the planning strategy that has brought Taiwan from a tiny agricultural country in 1950 to a significant industrial country now?*

EXCLUSIVE INTERVIEW

Chang: Our strategy of development was formulated in the late 1940s and early 1950s. We started off our economic development plan in 1953.

We believed that to develop our economy we had to first develop our agriculture. So in the early 1950s we implemented our land reform program. Under this program, we turned the land over from the landowners to the tillers. We did that not by any political pressure, but by economic means. We bought the land from the landowners and resold it to the tillers with a 10-year repayment schedule. The government compensated the owners with either rice bonds, cash, and/or stocks in industry. In so doing, the tillers had their own land. They had incentives to work hard and could improve their land so the productivity of the land improved rapidly and the income of the farmers also increased year by year.

On the other hand, the landowners had their compensation invested in industries. At that time, of course, the industries were very small. The industries at the beginning of our economic development were only producing goods for local markets. And since the farmers had money, they constituted a vast local market, and the industries grew steadily to supply the demands from the local markets. As our people grew richer, they needed more consumer goods, and the size of the factories became larger. As the factories became larger and larger, they had the ability to export. At that point, our strategy was to develop light industries. In many other countries, when they began their industrial development, they jumped to the area of heavy industries, but we refrained from going into heavy industries at the beginning.

We believed that there were many favorable factors to developing light industries first, because with light industries you have a ready local market. You do not need so much capital. The technology is simple. Moreover, when you expand, you will easily have a foreign market. This was the strategy in the 1950s. When we entered the 1960s, we still made great efforts to develop agriculture into cash crops such as mushrooms, asparagus and others. We also made great efforts to expand our foreign markets and this was the strategy in the 1960s. In the 1970s, we went into heavy industries, the petrochemical industry, iron and steel, electronics. This is the strategy of our industrial development and we believe this is the right way for a developing country to carry out economic development.

EIR: *From what you have said, I see a major difference between your strategy and that of the World Bank, which advocates light industries for export instead of heavy industries for developing countries, in that your approach was not geared to exports as such, but began on the basis of domestic demand and a viable agricultural base for a rural market....*

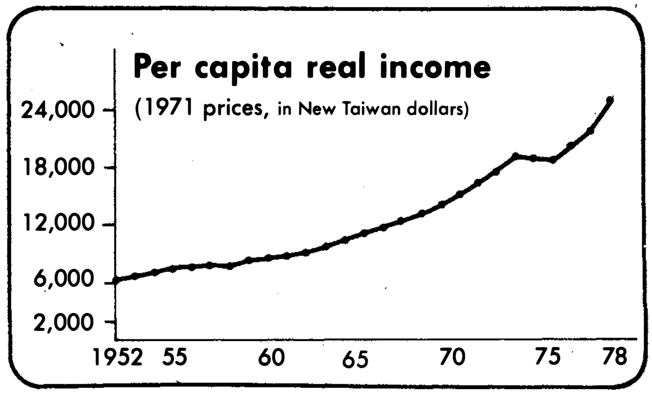
Chang: Yes, in the initial stage.

EIR: *When did you begin to phase in heavy industry?*

Chang: There is no clear demarcation between periods, but in a general way you can classify it. For example, our steel industry. We started thinking about having a steel industry back in 1950, but each time we had a second thought about it and decided it was not time to have a steel industry, until 1972, when we decided to build a plant. In the petrochemical industry, we started to think about that in 1964. Before we start a new industry, there is a lot of thought and planning.

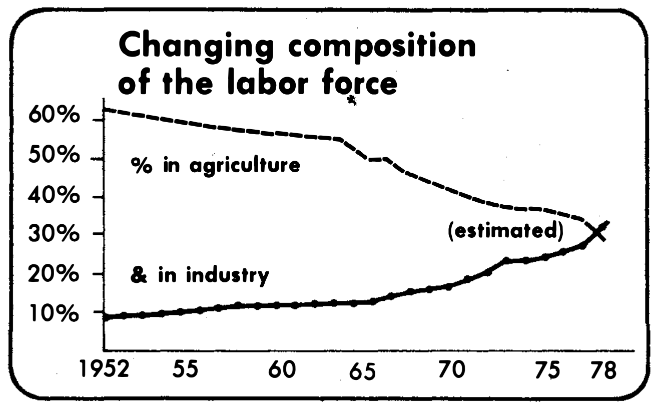
EIR: *One of the most serious bottlenecks developing countries face is a shortage of skilled labor, both the highly skilled engineers, technicians and scientists, and a well-enough educated work force to function in a factory situation. How did your policies and planning deal with this problem.*

Chang: As you know we have six-year compulsory education, which was introduced in the early 1950s, and an additional three years of free education, which has been available since 1966. Almost all boys and girls take advantage of the full nine-year program. After nine years, 70 percent of the students go on to high school or vocational school for another three years. After that, 50 percent of high school graduates to on to colleges and technical schools for another four years. So our first nine years prepares the basis for skilled labor, and then a third of our high school students go into college and major in science and technology. We have about 300,000 students altogether in college.



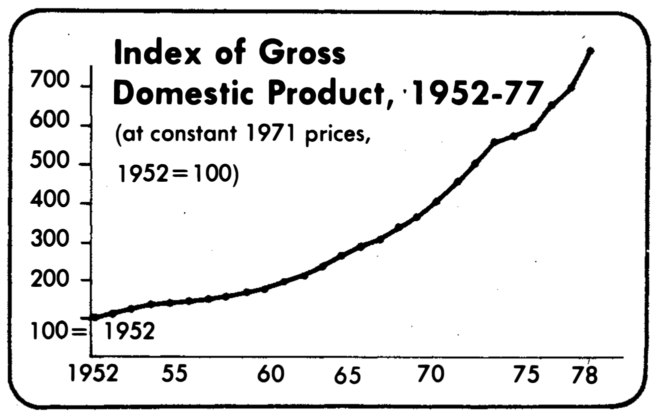
EIR: *What is the level of personal consumption in Taiwan?*

Chang: Last year, personal per capita income as distinct from per capita GNP was $1,300 and we had a savings rate of about 29-30 percent—the rest was spent—and 25 percent goes to taxes. Descriptively, I can tell you this. With respect to nutrition, there is a per capita consumption of 2,900 calories, which is very high—higher than Japan—and 80 grams of protein, which compares very favorably with Japan. The lifespan is now 71.3 years—in 1952 our life span was 58. We have nine-year education, and 99.8 percent of school age children are in school; 99.9 percent of homes have electricity, and the average family home has a television.



EIR: *What you have told me strikingly reminds me of what Japan did after the Meiji Revolution of 1869, which included a decision to change the entire land structure as the first step, and then go into light industries as the path to heavier industry and development. Of course, Japan is the only example, until the most recent period, of a previously underdeveloped country making a rapid leap to industrialization.*

Chang: There is a big difference, really a big difference. Many countries, including Japan, during the period of their early development, had to exploit, had to sacrifice, one section of their population, but in our development none of our people have suffered. We have the most equitable distribution of the results of our development. The top 20 percent in income of our families have only four times the average income as the lowest 20 percent.

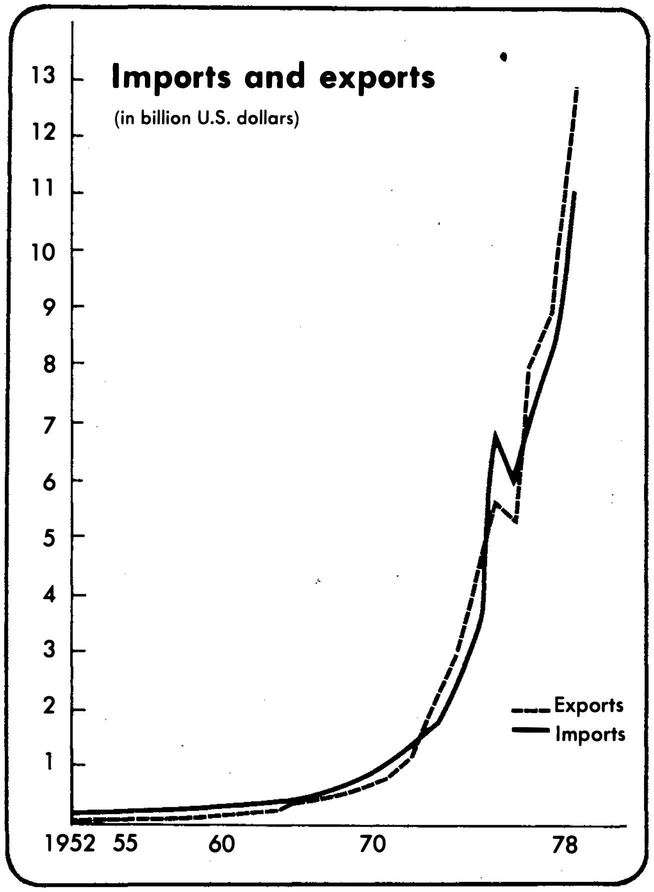


EIR: *I want to ask you a question about the economy of mainland China. On the surface, they have made a move that looks similar to your policy in the 1950s—they want to shift to light industries, especially for export. Do you think the PRC can successfully copy your experience?*

Chang: If they want to copy us successfully, they have to copy us in our political thoughts, our political system. Under the communist system, it cannot work, it just cannot. They ration food to their own population, they have very restrictive and limited education, how can they compete in a capitalist market?

Yes, they could try to sell even below the cost of production, but this can only be done at the expense of their own people, who make $30 a month. And besides, the markets are limited, and if they threaten to flood the market, quotas will be put up against them.

And about their heavy industries, it is not possible to launch 120 projects all at one time. If they try, their own people will suffer even more. To launch a heavy industry, it takes four, five, or six years before there is output, and during this period you need exports, so the people will suffer.



EIR: *What do you think of their planning...*
Chang: No planning...

EIR: *I agree, their planning is very bad. It is my sense that they really do not know what they are doing.*
Chang: I want to add something about our strategy of development. First, we also developed out infrastructure at the beginning. Harbors, electric power, etc., even before we had other heavy industry. On mainland China, the infrastructure is very poor.

EIR: *The European countries have moved to establish a new monetary system, one intended to soak up the excess Eurodollars in Europe and use them to finance development. What efforts are you making to establish economic ties with the leading countries of the European Monetary System, like France and Germany?*
Chang: Frankly speaking, in the past years, most of our efforts were directed toward the United States and Japan, and we are now beginning to put more emphasis on the European markets. We want to diversify our purchases from Japan to the United States and Europe. We are now going to change our industrial structure in such a way that we can buy less from Japan and buy more from the United States and Europe.

For instance, if we develop our steel industry, we can buy less steel from Japan, if we develop petrochemicals we can buy less, and we are now developing our power plant equipment, and we are going to have joint ventures with American companies. Such equipment can not be manufactured 100 percent in my country. The majority of parts and components have to be imported from the United States in order to build the entire equipment in Taiwan. And also we are developing high-technology industries and we can buy technology from the United States.

EIR: *I believe that U.S. policy toward the PRC is to give Peking hegemony over most of Asia, especially Southeast Asia, as part of playing the "China card" against the Soviet Union. How do you feel about the U.S. strategic posture toward the PRC?*
Chang: I don't really think the U.S. wants to give all Asia to Communist China. The United States favors China only because it wants to keep Russian influence from Asia and Southeast Asia. United States is now, so-called, playing the "China Card" against the Russians, but as soon as the Communist Chinese become strong enough or secure enough in Asia, Communist China will come together with Russia. I don't know whether you agree or not. Because Communist China is much weaker, it has to break with Russia, and play the "America card" against Russia. But I think, maybe within 10 years, they will reconcile with Russia because the gap between them may be less.

Trans World casinos?

Bout with Dillon, Read put TWA's future as an airline in jeopardy

Edwin Smart, Chairman of Trans World Airlines, remarked to a financial reporter some 18 months ago that "the airline may have to be liquidated." Today, at least one major commercial bank in New York is giving even odds that TWA, the nation's number two flagship carrier, will indeed expire within the next two weeks.

It is not hard to show that TWA's liquidation is the inevitable outcome of policies instituted nearly 20 years ago, when the basically sound, Howard Hughes-owned airline was taken over by a financial group headed by Dillon, Read—the investment bankers—Metropolitan Life, and a gaggle of Ford Motor-Bendix Corp. "whiz kids" brought in to run things. The TWA story is a case study in what happens investment bankers take over a well-run high technology company.

Over the two decades, in the words of one veteran airline-operating man, management has "done just about everything wrong that I could think possible." He was referring to profitable routes that were wrecked; expanding, money-making freight operations that were abandoned; critical overseas routes that were traded or sold; already developed markets that weren't exploited; and, most disastrous, a fleet that wasn't replaced. Accounting tricks were employed to justify management's decisions. These policies add up to what the London *Economist* politely terms "asset stripping."

The results are readily apparent. TWA has the oldest average plane in the industry—12 to 17-year-old Boeing 707's form the backbone of their operations. It is plagued with large seasonal fluctuations in ridership, and retains a workforce demoralized by what employees judge to be management "stupidity."

The company's stock, once over 100, has been bumping along in the low 20's throughout the 1970s. As an indication of things to come, on June 6, TWA stock bounced up nearly two points with the company's announcement that it will build two gambling casinos in Nevada. As Edwin Smart explained to *Aviation Week* in February 1978, "TWA is not even primarily an airline, because two-thirds of our profit last year came from Hilton International and Canteen Corporation."

The progressive liquidation of the airline by asset stripping is in marked constrast to the line's strong health in the 1960s. After Dillon, Read wrested control from Howard Hughes in 1960, delivery was taken of the Boeing and Convair jets previously ordered by Hughes, and profits took off. The jets, much more efficient than propeller planes and requiring less maintenance, produced a "breakeven" at 50 percent passenger load instead of the 65 percent necessary for the prop planes.

In the airline industry, once breakeven is achieved, it is calculated that 90 cents of every dollar of income is profit, and in the 1960s, intercity and overseas passengers flocked to the airports. TWA stock soared to the low 80s in 1966, when Howard Hughes was bought out, to over 100 by the end of the decade.

While every airline was netting substantial profits, Trans World Airways was in an unusually advantageous position because, unlike Pan American, the other flagship carrier (international operator), TWA had extensive domestic routes with the potential for rapid expansion of services. This would have necessitated large equipment expenditures and an aggressive fight for expansion of routes. But in 1968, TWA chairman Charles Tillinghast, a former Bendix lawyer, made a critical decision—against the airline. Tillinghast decided to buy Hilton International Hotels, a holding and management company that operates hotels owned by other investors or governments, with the funds that should have been ploughed back into the airline.

In 1972, the fate of the airline was virtually sealed by Tillinghast's decision to buy Canteen Corporation for $122 million from International Telephone and Telegraph. What followed was a series of giveaways, losses, flight and route cancellations, and irregular bookkeeping probably unequaled in any major U.S. corporation. The most spectacular giveaway case was that revolving around Hendryk Kwaitkowski.

Where does the money go?

Hendryk Kwaitkowski is reportedly now a Bahamian citizen who lived for a lengthy time in the U.S. by some inexplicable oversight of the U.S. Naturalization and Immigration Service. In 1970 he was named exclusive broker for sales of surplus TWA planes, although he was not an employee of TWA, which has its own sales department (as do most airlines). On Jan. 1, 1975, C.E. Meyer Jr., TWA Senior Vice-President (now President), for Finance signed a contract with Kwaitkowski Aircraft, Inc., headquartered at 30 Rockefeller Plaza, to broker the sale of a dozen Boeing 747's, the line's most modern, to the Shah of Iran, 27 Lockheed L-1011's to Saudi Arabia, and the line's remaining old Convair 880's to a domestic buyer. Kwaitkowski was given an incredible 10 percent commission. Ordinary brokerage goes for 1 to 2 percent. He was also given a $4 million cash advance and a monthly cash payment of $10,000.

TWA later repurchased one of the 747's at a loss of $5.5 million, and then found that the aircraft had been fitted with inferior engines which had to be replaced.

On July 14, 1978, TWA signed another contract with Kwaitkowski and Intercontinental Aircraft, Ltd., of the Bahamas, giving Kwaitkowski a modest 7 percent commission on this round of sales, plus $10,000 a month—plus something else: paragraph 7 the agreement states, "Upon execution of this New Agreement, TWA shall pay to KAI (Kwaitkowski) $850,000." There is no indication of what the payment was for.

One industry source questioned by *EIR* about this agreement responded, "Why don't you find out what Kwaitkowski does with the money?" So far we haven't been able to. It has been estimated by an industry analyst that Kwaitkowski has received tens of millions of dollars for his "services."

In 1974 a former junior accountant at the airline sued TWA demanding reinstatement. He charged that he had been dismissed unjustly when he reported to management a $100 million shortage on the airline's books. The truth of the charge cannot now be confirmed. The ex-employee cannot be located. But the accounting procedures of the company, as sources familiar with TWA practices confirm, are well suited to covering up such items. These accounting procedures have been used to show, for example, that categories of "profits" are not profits at all, and that the company operations showing these profits are "unprofitable."

When the airline quit the highly profitable air cargo business (freight-only flights' in December 1978, account proceedings were produced to show that the business was "unprofitable," because freighters flew half empty. Airport personnel at Newark called attention to the fact that Flight 17, for example, a freighter bound for Los Angeles, always flew full. But management records showed that this particular flight always returned "light." In their accounting system, foreign traffic being loaded for forwarding on this flight was not counted as payload. Hence, the fullest of payload flights was accounted "light."

In the same way, TWA dumped its Far Eastern lines by claiming unprofitability—a substantial portion of revenues generated by Far Eastern operations was called "domestic," substantially deflating those revenues for accounting purposes. Passenger-flight operations have been treated in the same way. In 1977, when a late-night departure from Philadelphia was abruptly scotched, the crew protested that the plane was packed on almost every flight. The incident threatened to turn into a scandal when the airport manager demanded that the company restore the flight.

Flight personnel recall instances of flights taking off which were never registered on the computer, or were never listed in the flight schedules; they recall arbitrary schedule changes that collapsed ridership on particular flights. They also recall instances in which the company would announce a cargo flight cancellation and, as shippers moved to other carriers, use the drop-off of shipments to justify the cancellation of the flight. In 1975, the Civilian Aeronautics Board publicly condemned TWA's "failure to take full advantage of an essentially profitable route structure."

One of the most amazing stories was that of a DC-9 commuter flight out of Kansas City several years ago. A crewman recalls: "This flight was always packed; I just can't remember an empty seat. One month, when the captain went to get his monthly bid sheet, he couldn't find the flight so he figured they had put on the larger 727 to handle the crowd. When he checked, he found the flight had been cancelled. The reason? 'Ridership had failed to show an increase'."

The route giveaway

Perhaps the most grievous self-inflicted wound was the massive route swap with Pan Am in 1975, in which TWA yielded to Pan Am its most profitable European and Oriental routes including Frankfurt, Guam, Honolulu and Hong Kong. The loss was so great that TWA didn't bother to juggle statistics. It explained to the CAB that year that "the effect of the route swap is not precisely quantifiable" but the "greatest value...is that it will enable TWA to gain from the routes being transferred to it by Pan American a part of the financial contribution it will lose by relinquishing its Pacific route to Pan American." In other words, the airline said, TWA will not lose as much as if Pan Am had given nothing in return for the TWA routes.

The profits lost in giving up the lines are difficult to measure because of, for example, TWA insistence that the Honolulu route be counted as "domestic" rather than part of Pacific operations. But direct cash payouts through March 1977 amounted to over $10 million. These included dismissal costs, station closing costs, and upwards of $1 million worth of paper and legal work.

While TWA gave up Frankfurt—worth $100 million a year to U.S. flagship carriers—it got "exclusive" rights to Paris. Pan Am, however, continued to fly charter flights to Paris. The TWA exec who negotiated the deal, company President Forwood Wiser, became Pan Am's chairman and president 10 months later.

The generally accepted "insider story" was that David Rockefeller of Chase Manhattan ordered the swap to stave off an impending Pan Am bankruptcy. True or not, the swap was in complete accord with the Dillon, Reed asset-stripping policy. With a fleet of aged planes, a disorganized rate structure, and looming recession, TWA management may well claim that all they can do now is run the planes for all they are worth and if casualties from accidents or terrorists increase, there is no choice but to liquidate the airline, since re-equipping would cost about $5.9 billion.

The financial press has set the stage for the move. In August 1976, Business Week wrote a feature titled, "Can TWA afford its high cost of flying?" noting the obvious about its equipment age and failure to plough profits back into new planes. The Feb. 19, 1978 *New York Times*, noting the aged fleet of aircraft, adds "The 250-plane fleet is suffering the after-effects of the neglect that began when the airline's founder, the late Howard Hughes, controlled the company. Mr. Hughes, it is generally conceded, milked the company to build up his other companies." The truth was just the opposite.

Howard Hughes

When Transcontinental & Western Air, Inc. TWA's corporate predecessor, was awarded routes to London, Lisbon, Paris, Frankfurt, Rome, Milan, Athens, Zurich, Madrid, Algiers, Tripoli, Cairo, Jerusalem and Bombay in July 1945, Howard Hughes, who already owned three quarters of the airline's stock through the Hughes Tool Company, began creating the international airline that would revolutionize world transportation. Hughes' competition was Pan Am. Pan American's guiding influence was Winston Guest, whose business and private life was determined by his marriage to a cousin of former British Prime Minister Winston Churchill.

Hughes knew planes. From World War II experience he knew that their range and capacity was just being tested. He envisioned the larger airships and jets of the 1960s, and helped design the Lockheed Constellations which became the workhorse of the TWA fleet.

But more important, Hughes organized and trained a workforce of the most skilled personnel. Recent retirement lists of TWA pilots are dotted with the names of World War II flying aces families to many veterans. The staff training center in Kansas City became a model for other airlines, many of which sent their employees through the TWA courses. What Hughes considered his most important innovation was the Kansas City repair facility, which, by 1960, employed 6,000 and became Kansas City's third largest industry.

In order to extend the flying time of his aircraft, Hughes subjected each plane to a thorough overhaul at the end of each 6,000 flying hours. Each plane was completely inspected, overhauled, and then flight tested as though it was a new plane undergoing shakedown testing.

Hughes could build and run an airline, but he was always short of capital. Like Henry Ford, Hughes steadfastly refused to increase the amount of outstanding TWA stock. He preferred to raise debt-capital instead, knowing that his opposition would use their stock ownership to vote him out at the first available opportunity. Yet he was forced to turn for debt capital to those he correctly mistrusted. In 1945 for example, Hughes borrowed $30 million from Equitable Life, a sum that was upped to $40 million the following year. In 1947, after two years of losses, when Hughes had to get Equitable's consent for extended borrowing, he was forced to agree to place his stock in an Equitable-controlled voting trust if TWA ever defaulted. In this lay the first elements of his downfall in 1960. His fundamental error was political, not financial.

Hughes' ultimate capital base was his ability to leverage Hughes Tool profits and assets to capitalize the airline. If the U.S. high-technology U.S.defense sector prospered, Hughes Tool and related airframe and defense-related industries close to Hughes would prosper. That depended who controlled Washington, and how they proposed to dispense government contracts.

Of the many attacks on the "military industrial complex" in this period, some were directly aimed at Hughes. In 1949 a Senate Committee chaired by Senator Brewster of Maine, charged Hughes with failing to deliver planes according to agreed-upon Air Force specifications. Hughes denied the charge, noting that the Senator from Maine had a large block of Pan American shares. The probe was expeditiously dropped.

Flagging demand for oil equipment, drooping government contracts, and the airline slowdown during the 1957-58 recession really caught Hughes short, at the very time he was switching to jet aircraft. Hughes wanted to buy between 70 and 100 Convair 880's and Boeing 707's in 1956, the largest order ever for aircraft. When the first Boeings were delivered in 1959, Hughes was desperately short of cash, although Hughes' TWA, unlike other airlines, had fully pretrained repair crews ready for maintenance.

In the fall of 1959, Hughes tried to arrange joint financing with the manufacturers of a new $400 million capital development program involving a large group of Lockheed Electras and Convair 990's. How this deal was thwarted is still unclear, but it was coupled with a pullback by Bank of America, a staunch Hughes supporter until 1959. If the program had succeeded, it would have put TWA far in front of its main competitors, Pan Am and American, and similarly saved Convair and Lockheed.

By March 1960, Hughes' thinking was quite straightforward: he needed short-term cash desperately. Hughes Tool was running out of cash. On March 1, Irving Trust tightened the noose by cutting off further revolving credits for the airline. Dillon, Reed then offered to put together a refinancing plan which brought in Metropolitan Life as a major lender.

Dillon, Read proposed that Met Life, Equitable, and the banks provide $160 million in senior financing, plus an additional $150 million in junior and revolving fund financing for the tool company and airline. Hughes got his short-term cash by obligating the tool company to guarantee some $67.5 million. This left him extremely vulnerable if the long term financing due to be closed on July 21 fell through. It fell through.

In the weeks leading up to July 21, Met Life and Equitable announced that they would only enter the Dillon, Read plan if two qualifications were met. If at any time there was a change in management that they considered adverse, they would demand a voting trust to vote Hughes 77 percent of TWA stock and, if such an "adverse change" took place before the closing, they were not obligated to go through with it.

Twenty-four hours before the closing, the President of TW, former Navy Secretary Charles Thomas resigned, an "adverse change" that brought down the whole deal.

There is a certain plausibility in the account given of his resignation. According to *Fortune* magazine, Thomas, in May of that year, was offered the chairmanship of the Irvine Ranch, a 95,000 acre undeveloped tract of land outside of Los Angeles—later famous as Charles Manson's hangout. In fact, Thomas might just as well have become the manager of these vacant areas, since he was generally incompetent at the airline, and had achieved the post through a concession by Hughes to the insurance companies and Dillon, Read.

After playing the Thomas card, it was a matter of reeling Hughes in. By September, Hughes agreed to the stock trust, but on condition that he could buy it back by paying debt.

Met Life's hatchetman, chief financial officer, Harry Haggerty, known at the time as the "man with a heart of stone," agreed to let Hughes buy out the stock trust for a premium of 22 percent. Hughes tried once again to bring General Dynamics, parent of Convair, into a refinancing deal with the bank creditors—he was fully aware that the insurance companies were orchestrating his destruction—but this too fell through, and on Oct. 30, Irving Trust and Equitable threatened to foreclose on the tool company and personal notes given by Hughes, thus threatening to take his base of operations away in bankruptcy proceedings.

"The Hughes problem had been solved"

Met Life gave Hughes "until the end of the year" to come to terms. On Friday, Dec. 30, 1960, 35 banks and financial executives from Met Life, Equitable, Irving Trust, Dillon, Read, Lazard Freres, Lehman Brothers and others sat in the conference room at Chemical Bank headquarters in New York to watch Hughes Tool financial vice president Raymond Holliday sign the articles of defeat. As one Luce publications writer gloated: "The Hughes problem had been solved."

In early December, 1960, before Hughes had formally capitulated, Grant Keehn, president of Equitable, called Ernest Breech, then retiring chairman of Ford, a front man for the McNamara-RAND "whiz kids" and previously of Bendix Corporation. Keehn asked Breech to act as one of the three trustees controlling Hughes's TWA stock. Keehn told Breech that it was not a question of corporate politics but rather, "it was his (Breech's) duty to the nation."

Breech, together with the other Met Life appointed trustee, a Morgan-run nonentity named Irving Olds who was a former head of U.S. Steel, quickly elected a new board of directors (using their control of Hughes's stock). They called in Charles Tillinghast from Bendix, who agreed to become president only if Breech would become chairman—to which Breech agreed. To guarantee that Hughes was financially out of the picture the trustees arranged a new financial deal, bringing in Prudential, this time with a proviso that if the voting trust were ever dissolved, the insurance companies would call in all their loans immediately.

Events in Washington proceeded in step with the takeover of the airline, Dillon, Read senior partner Douglas Dillon became Treasury Secretary under newly elected John F. Kennedy, and laid the basis for the subsequent wrecking of the American currency by institutionalizing through London the Eurodollar market and other "off-shore banking." Robert Strange McNamara's Whiz Kids flooded Washington to dismantle long-standing defense contract commitments, disorganize development programs, and bounce protechnology personnel from the Department of Defense.

Ultimately, putting TWA back together again rests on bringing the high technology industrial forces together with the political desires for growth and economic development held by the majority of Americans. Then the nation can answer with a resounding "no," the sardonic question asked in a recent TWA employee bulletin: "Are we (the employees) to become hotel desk clerks and vending machine mechanics?"

—Leif Johnson

IBT's Fitzsimmons slams dereg

Frank Fitzsimmons, general president of the International Brotherhood of Teamsters, strongly attacked deregulation of the trucking industry in testimony before Senate Commerce Committee hearings June 26. Senator Ted Kennedy, a voluble supporter of deregulation, teamed with Carter administration officials Brock Adams, Secretary of Transportation; White House inflation poobah Alfred Kahn; and presidential economic adviser Charles Schultze to back the administration plan to "cut away some Federal regulation" of the industry on the pretext of saving energy and saving the consumer $5 billion a year.

"Even if there were some solid basis to deregulation," Fitzsimmons told the Commerce Committee, "the risk to the lives and livelihoods of our members and ... the lives of anyone using the intercity highways is so great that deregulation should be rejected." Fitzsimmons said the administration plan would flood the highways with tens of thousands of independent truckers "responsible to no one and under extreme economic pressures to disregard highway speed limits and hours-of-service regulations."

Fitzsimmons's denunciation was similar on many points to a forthcoming U.S. Labor Party brief on Kennedy's deregulation schemes. Using presidential candidate Lyndon LaRouche's computer economic model, the Labor Party has shown that deregulation will cost an additional 33,000 lives each year on the highways. The modeling also identifies the future point at which trucking industry deregulation would irreversibly disrupt the country's economic life.

IAM's Wimpy: 'I'm gonna bust OPEC'

William Wimpisinger, self-proclaimed leader of the "liberal left" wing of the AFL-CIO and president of the International Association of Machinists (IAM), has again demonstrated why he is Ted Kennedy's closest cohort in the labor movement. Last week, Wimpy brought into the limelight an IAM suit filed six months ago in Los Angeles federal district court accusing the Organization of Petroleum Exporting Countries (OPEC) and each member nation of violating federal antitrust laws!

By making OPEC an "illegal cartel," the suit seeks to impound all moneys now being paid to individual OPEC countries for oil.

In addition to ballyhooing Kennedy, Wimpisinger works closely with such environmentalist notorieties as Ralph Nader and Barry Commoner in the Citizens' Energy-Labor Coalition, of which Wimpy is a founder. A little less than a year ago Wimpisinger announced his complete political agreement with Doug Fraser, president of the United Auto Workers union. Fraser had called, in so many words, for a "people's party/class war" onslaught against industry and the government, which Fraser and Wimpisinger pledged jointly to organize.

AFL energy adviser describes her 'Zionist politics'

A reporter in Boston, Massachusetts has made the following report available to the Executive Intelligence Review.

On June 11, I had a chat with the new AFL-CIO energy adviser to the Massachusetts AFL-CIO. I thought her remarks enlightening. The adviser, Janet Weiss, has reportedly been hired with federal funds through an arrangement with the office of House Majority leader and Kennedy sidekick Tip O'Neill.

Weiss's 'energy advice' to the AFL-CIO is as follows: 'Conservation is the key. ... Solar used to be seen by labor as the enemy, but no more.... People have a lot of doubts (about nuclear). ...' How did she come by this advice? Ms. Weiss described how the Department of Energy funded the Massachusetts State Labor Council to hire her, ostensibly as a representative of Americans for Energy Independence. But, she admitted, "I actually came to this job by way of my Zionist politics."

—*L. Wolfe and Molly Kronberg*

Multis prepare round two of oil blackmail against direct OPEC sales

The multinational oil companies are prepared to check the current momentum of state-to-state oil transactions between the OPEC nations and Europe, by means of supply and pricing blackmail of crude and refined products which will make the current oil hoax look mild by comparison.

This was the message conveyed to this column by an insider in the Anglo-American conspiracy to block burgeoning Euro-Soviet-OPEC cooperation and preserve the multis' stranglehold over the world economy. Arnold Safer, an ally of Senator Ted Kennedy in backing a U.S. policy of busting OPEC, this week stated bluntly that the monopoly the multis hold in tankers, refineries, and manufacture of petroleum products would be used as a weapon against the economies of those nations who go too far in state-to-state agreements that bypass the multis. "Sure you'll see a certain amount of direct sales, but how far it goes depends on how much the consuming nation depends on refining capacity controlled by the companies. Certain countries are better equipped with state-owned refineries and tankers, but as a global policy it won't work. The multinational companies, I can tell you, don't like it."

Safer was alluding to countries like West Germany which are still heavily dependent upon the multis for petroleum products such as heating oil and gasoline through the massive Amsterdam-Rotterdam-Antwerp refining center. With the exception of France and to a lesser extent Italy, most of continental Europe is in a position similar to Germany's.

The tanker mafia

On the OPEC side, Safer boasted that because OPEC does not possess its own tanker fleet but must rely on leasing from large tanker concerns, OPEC could not guarantee that tankers carrying cargoes of OPEC crude sold state-to-state would ever reach their destination. "Cargoes are traded many times over on the high seas. The OPEC countries know this; that is why they have for so long tried to build their own fleets—with little success, I might add."

Because much of the international tanker leasing industry is controlled by the same international financial interests which are behind the multinationals, the OPEC nations, particularly those of the Persian Gulf, have been working to create their own fleet. This has become a particularly hot issue within the oil producers' cartel. At this month's meeting of the United Nations Conference on Trade and Development (UNCTAD), a Kuwaiti representative defended OPEC against accusations of profiteering at the expense of the Third World by attacking the companies, noting that "it is the companies which are preventing us from building our own fleets" which would increase Kuwait's ability to sell oil directly to the Third World. Only this week *Pravda* ran an interview with Abdel Rahman Sutan of the Arab Maritime Petroleum Transport Company, who stated, "The Western oil monopolies would like to stifle the Arab tanker fleet in its cradle." *Pravda* commented that until recently, the companies have held "all spheres of the oil business in their own hands—exploration, transport, processing, and manufacturing of petroleum products ... now they only have the last three. So OPEC wants to create its own tanker fleet, and this has created great alarm in the cartel."

Euro-Arab dialogue

Commensurate with OPEC's efforts to build a fleet, the Mideast oil producers have demanded that the basis of their industrialization be the construction of refining and petroleum product manufactures. According to the *London Oil Reports*, Europe has agreed to assist OPEC in such a development program and in the long term rationalize even further its own refining capacity. This is the significance of the Italian state-owned company ENI's agreement this month to build a refinery in Iraq.

But in the short term, Europe may be forced to impose nationalization on multinational-owned refineries if the multis pursue their energy blackmail to further extremes.

—*Judith Wyer*

Italy's Socialist Party is linked to terrorist Red Brigades

Antiterrorist officials investigating the murder of former Italian Prime Minister Aldo Moro have announced a "profound reconsideration" of the case following their questioning of top leaders of the Italian Socialist Party (PSI) over their contacts with known terrorists involved in the Moro killing. Most important of those who have been questioned thus far is Bettino Craxi, general secretary of the PSI, who has been heralded by the *New York Times* as their candidate to head the next government of Italy.

It was revealed yesterday that not only did Craxi and PSI Vice-Secretary Claudio Signorile meet with Pace, a Red Brigade terrorist who is charged with *direct participation* in the Moro murder, but a letter from jailed terrorist mastermind Toni Negri states that it was Bettino Craxi who pushed Negri to contact Moro's wife on April 30, 1978 to tell her that time was running out on meeting the Red Brigade's demands.

These new revelations follow a series of exposés in the past few weeks in the Italian press which have rocked the Italian political scene. According to stories appearing in press throughout Italy—*Corriere della Sera*, the Italian Communist Party's *L'Unita*, and *La Repubblica*—other top leaders in the Italian Socialist Party are *evidentiarily* linked to Red Brigade controllers.

Last week it was learned that a Roman magistrate investigating the Moro murder had obtained information from wire-taps linking PSI parliamentarian leaders Giacomo Mancini and Antonio Landolfi to the financing of a magazine run by Franco Piperno. Piperno, the still-at-large member of the trio accused of masterminding the Moro kidnapping and assassination and the partner of Padua University Professor Antonio Negri, who is currently in prison awaiting trial for the crime, published the Autonomi magazine, *Metropoli*. Another member of the *Metropoli* editorial board is Oreste Scalzone, another "brain" behind the Moro murder, who is also in jail with Negri.

The evidence showing *Metropoli* as a center of terrorist control is accumulating daily as the investigation continues. On May 29, two Red Brigades suspects, Adriana Faranda and Valerio Morucci were arrested at the Rome apartment of Giuliana Conforto, an instructor at the University of Costenza in Calabria which was founded by Mancini. Conforto told police she was housing the two terrorists at the behest of Piperno.

The last issue of *Metropoli*, confiscated by the police, carried an article by Piperno titled "The Sooner they Pay"—a hit list which targeted several judges who were investigating the Autonomi. The names, addresses, descriptions, schedules, and favorite restaurants of the judges were found in the personal files of Faranda and Morucci. Furthermore, ballistic experts have since identified the 'Skorpion' machine pistol found with Morucci as the one used to murder Moro's five-man bodyguard during the kidnapping and later to murder Moro himself.

PSI leader Riccardo Lombardi's top protégé, vice-secretary of the PSI Claudio Signorile, contacted Piperno as part of the PSI's effort to pressure the Andreotti government to comply with the Red Brigades demands for negotiations toward an "exchange of political prisoners."

The tightening police dragnet around the PSI is confirming allegations made by the European Labor Party in Italy over one year ago to the effect that to stop terrorism in Italy, investigations to find the actual terrorists must begin with the PSI controllers at the top. By applying this method, investigators have uncovered first the Autonomi "controllers" and now their contacts in the PSI.

Also under investigation is the financing behind Piperno's "research center." According to *L'Unita*, money was coming from Formet, a company linked to the Cassa per Il Mezzogiorno, an operation masterminded by PSI leader Giacomo Mancini and FIAT magnate Gianni Agnelli.

While the investigation tightens around the PSI, the Committee Against Repression in Italy, headed by Negri collaborator Sylvia Frederici held its second press conference at New York University in New York on June 28. Frederici was accompanied by Negri's attorney Bruno Leuzzi-Siniscalchi who is in the U.S. filing a legal suit to block collaboration between Italian magistrates and Dr. Oscar Tosi, a U.S. expert on voice identification. The committee bitterly denounced the Andreotti government for placing the PSI parliamentarians under suspicion of terrorist connections.

—*Michele Steinberg*

New Trade Deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Egypt from various	$167 for natural gas gathering, processing, and refining from Gulf of Suez oilfields; $465 mn for 900 mw suburban power station	$632 mn	$214 mn World Bank; $35 mn EEC; $35 mn EIB; $25 mn Japan	Loans announced
Thailand from Japan	power plant on barge, built by C. Itoh ? Co., Nippon Kokan KK, and Mitsui	$68.2 mn	Jap. co's and govt aid program providing $55.2 mn	Letter of intent
Peru from USSR	USSR announced it would finance the 80,000 hectare Olmos irrigation project to be built by USSR, a western country, and Peruvian contractors	$1 bn	Soviet	contract will be signed in November
Iran from U.S.	Nearly completed Anaconda copper mining project cancelled. Project had been arranged between Nelson Rockefeller and Shah after Selection Trust had withdrawn from project	$1 bn	NAv	
Egypt from OPEC	Saudi Arabia, Qatar, and UAE withdraw from Arab Organization for Industrialization. Three British (Westland Aircraft, Rolls Royce, and British Aerospace) and one U.S. (American Motors) left.	NAv	$1.04 bn credit withdrawn	
Pakistan from U.S.	Suspension of U.S. sale of 50 F-E military aircraft	NAv	NAv	

Cancelled Deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Saudi Arabia from U.S.	Cancelled purchase of 50 F-E military aircraft	NAv	NAv	

Abreviations:
U = Undetermined
NAp = Not applicable
NAv = Not available

Status:
I=deal signed
II=in negotiation
III=preliminary talks

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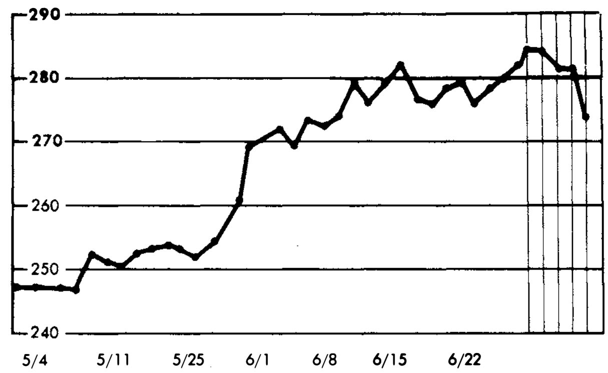
Gold

London afternoon fixing

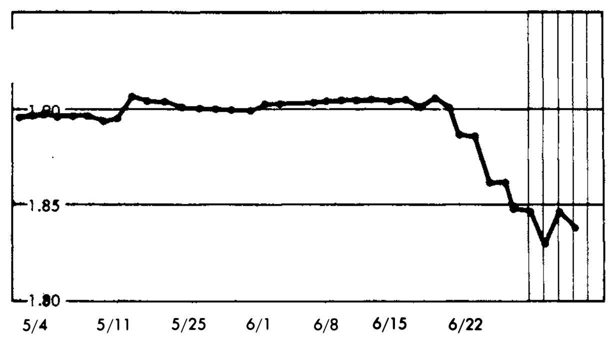
June 25	283.85
26	281.45
27	281.90
28	275.90
29	277.50



The dollar in deutschemarks

New York late afternoon

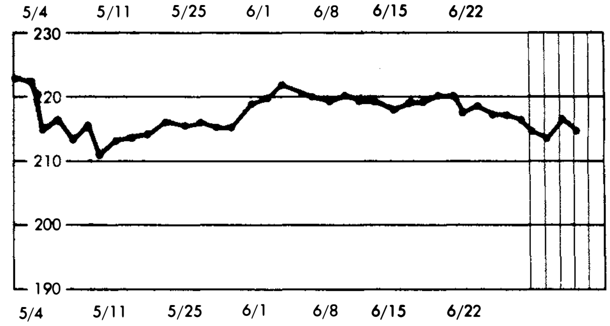
June 22	1.8565
25	1.8377
26	1.8537
27	1.8435
28	1.8445



The dollar in yen

New York late afternoon

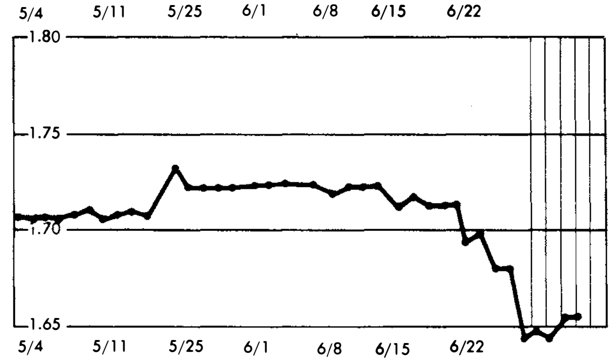
June 22	215.90
25	212.50
26	218.50
27	216.15
28	216.65



The dollar in Swiss francs

New York late afternoon

June 22	1.6560
25	1.6415
26	1.6680
27	1.6650
28	1.6658



The British pound in dollars

New York late afternoon

June 25	2.1405
26	2.1507
27	2.1470
28	2.1620
29	2.1670