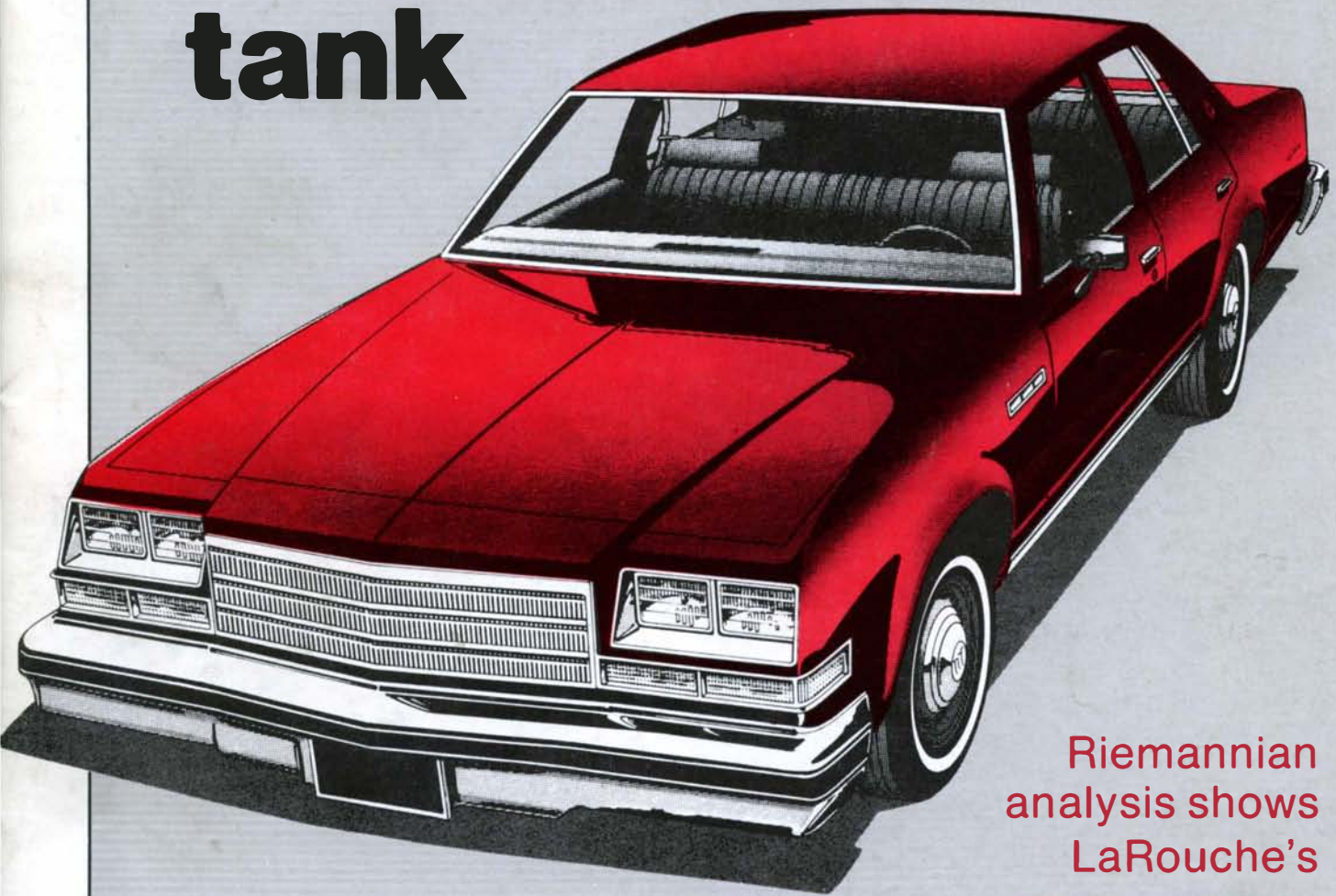


# EXECUTIVE INTELLIGENCE REVIEW

Inside South Africa's  
Bantustans

August 7-13, 1979

## How to fill **AMERICA'S** tank



Riemannian  
analysis shows  
LaRouche's  
energy program  
means economic boom

New Solidarity International Press Service

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# EXECUTIVE INTELLIGENCE REVIEW

## How to Fill America's Tank



An economic breakdown crisis or the highest growth rate in the post-war period. The U.S. faces a clear choice, as our cover story, "How to Fill America's Tank," makes clear. Two programs, the Carter administration's with its emphasis on 19th century technology, and presidential candidate Lyndon LaRouche's—full speed, ahead with nuclear power—have been run through the computer using *EIR's* Riemannian economic model and the results compared. America can be "independent" and collapse, or fill its tank and more. Our SPECIAL REPORT is complete, including a run-down of existing nuclear technology's promise, those fission-fusion hybrids immediately on the horizon—and something more soon to be available that may surprise you.

**Page 18.**

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### **Whither Mexico's oil?**

Who's going to get Mexican oil? As the lead report in this week's LATIN AMERICA report states, it could be the world—receiving not only the oil, but the benefits: Mexico's energy plan involves using oil not only for Mexican development, but to set a precedent in oil-export policy for technology-transfer to the entire Third World. With varying approaches and success, France and Japan are negotiating oil-for-technology deals we tell you about. But the U.S. is also negotiating with a dog-in-the-manger "Common Market" approach that would wind up cutting the rest of the world out. Also: Nicaragua rebuilds, but the IMF demands austerity. **Page 48.**

### **Black Africans hit Britain**

African nations are attacking the British in most ungentlemanly tones at the British Commonwealth meeting now underway in Lusaka, Zambia. An egg or two has even been thrown at the visiting Queen Elizabeth, while Prime Minister Thatcher, accused of being a racist, has entirely lost control of the proceedings. There's reason for the rage, and not only in British efforts to secure recognition for the puppet Muzorewa government in Ian Smith's Rhodesia. As our AFRICA Report also documents, famine is imminent in South Africa's black "homelands"—the bantustans—famine which British-endorsed changes in apartheid laws are ensuring will be of genocidal proportions. **Page 37.**

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## **Chicago, Gangs, and Drugs**

A "gang-busters" series in the *Chicago Defender*, the city's third largest circulation daily, has won investigative reporter Roy Harvey an anti-drug award and critical acclaim, forced former Attorney General Edward Levi to withdraw from a nomination to the city's police commission. While Levi was University of Chicago president, the university played a nasty and initiating role in the spread of youth gangs and dope-running networks on Chicago streets. We are pleased to present the first of several installments to appear in the *EIR*'s PRESS REPORT from Roy Harvey's series: "The Gang — Who Benefits?" **Page 59.**

## **Volcker shoving America over recession threshold**

If Paul Volcker has his way, the U.S. will teeter into an unnecessary recession, with sagging Chrysler being made a test case for the Alexander Haig program of militarization as the solution to U.S. economic ills. The story, in our new U.S. Economy report, leads off this week's ECONOMICS section. Also: Why British industry can't tolerate a strong pound, our forecast on the gold boom, and a startling look inside the nuclear industry's trade organization. **Page 7**





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# A de Gaulle for Iran?

The government of France, according to informed Iranian sources, has made a strategic decision to overturn the feudalist regime of the Ayatollah Khomeini in Iran, and install in its place a republican government led by Prime Minister Shahpour tiar. This is the significance of the well-publicized press conference held by Bakhtiar in Paris July 31, where the exiled leader emerged from six months' hiding to denounce the dictatorship of the mullahs as leading to economic catastrophe.

Comparing himself to the late Charles de Gaulle, Bakhtiar declared that Iran is under the influence of a foreign ideology which he would eradicate in the short-term future—having organized a resistance movement like de Gaulle's Free French. The success of the French-backed Bakhtiar initiative could have very far-reaching consequences in stemming the international drive for a return to a low-technology, genocidal Dark Age that is being led by the British oligarchy.

Like the survivors of Pol Pot's hideous Maoist experiment in Kampuchea, and like the triumphant revolutionaries in Nicaragua, the 35 million Iranians could thus be salvaged for a human future. Given the enormous strategic importance of Iran, a "Gaullist" success there could deal the oligarchists a mortal blow.

The French decision to support Bakhtiar reflects a more comprehensive commitment by President Giscard d'Estaing to challenge U.S. Middle East policy—including throwing full support to the Arab opposition to the Camp David pact. Under the headline, "President Giscard's Arab Plan," the French daily *Le Matin* reported Aug. 1 that France is now taking Western

leadership in relations with the Arab world. Author Henri Lauret, who confirmed his information with Arab diplomats, French government officials, and industrialists, reports that France is leading the European Community into a virtual alliance with Saudi Arabia, Iraq, the United Arab Emirates, and perhaps Kuwait.

The basis of the policy is massive exports of nuclear plant and equipment to create a Euro-Arab zone of economic and energy prosperity and military security. Lauret concludes by "wondering" why Europe doesn't bill these exports in ECUs, the gold-backed unit of account of the European Monetary System.

France's diplomatic offensive coincides with the purge of British intelligence-linked agents under Iraq's new President Saddam Hussein that has included in its sweep Communist Party members, Khomeini-linked Shi'ite Muslims, Kurdish rebels, and a leading British businessman. The purge is expected to consolidate Iraq's alliance with Syria and Saudi Arabia and strengthen the Paris-

Baghdad ties. Moreover, according to highly placed Arab diplomatic officials, it will not have deleterious effects on relations with the Soviet Union, which is expected to support Hussein's crackdown.

It has also been learned that a purge is imminently expected in Syria of similar elements, opposed to the projected Syria-Iraq union. The axe will fall, sources report, on President Assad's brother Rifaat Assad and Deputy Prime Minister for Economic Affairs Mohammed Haider—both among the most corrupt of Syria's officials.

Our information from Paris is that Bakhtiar's press conference evoked an "electric" excitement in the Iranian exile community throughout Western Europe and in the U.S.A. De Gaulle, whose Free French were driven out of the Middle East by a treacherous "ally" Winston Churchill during the Second World War, would be pleased at this turning the tables on the British Empire.

—Nora Hamerman

## The Week in Brief

**Former U.S. Secretary of State Henry Kissinger is running an operation to "domesticate" the Palestine Liberation Organization, using the Socialist International as his tool, the official Soviet daily Izvestia charged July 9. Kissinger who recently returned from the Middle East, will be traveling there again in the near future.**

The Izvestia article is the first public signal from the USSR that it is aware of the Anglo-American plan

to split the PLO and bring a Palestine faction into the Camp David agreement to extend NATO hegemony throughout the Mideast. The "domestication of the Palestinians" was undoubtedly sounded out during the recent talks between West German Social Democrat Willy Brandt, Austrian chancellor Bruno Kreisky, and PLO chief Yasser Arafat. The U.S. is trying to "erode" the PLO by provoking divisions in it, Izvestia point-

ed out, and the European Social Democracy, "whether it wishes to or not, is more and more playing into U.S. hands."

\* \* \*

**Paul Volcker, the new chairman of the Federal Reserve System, is walking into office in time for one of the biggest scandals to hit the staid institution.** Information obtained by the U.S. Labor Party indicates that the Fed has become involved in running an "offshore laundering" operation for international drug networks.

On the recommendation of both the head of the Cleveland Fed and the head of National City Bank of Cleveland, the Cleveland Fed, then the Chicago Fed, began using two airlines controlled by drug kingpins Max Fisher and Max Jacobs, Mid Western Airlines and Air Transit Services, as exclusive carriers of the Fed's shipments of uncollected checks. This uncollected money, totaling an average \$14 billion daily, directly affects key money market interest rates such as the interbank overnight market called federal funds.

Apparently using illegal "insider" information obtained from the two airlines, National City Bank of Cleveland has become one of the nation's most profitable banks largely on the strength of its "arbitrage" operations: the realization of profits by trading on minute interest rate differentials in different types of money market instruments.

Moreover, sources indicate, the check-clearing routes are also used for the shipment of drugs smuggled in by the Jacobs-Fisher "Dope, Inc." networks.

\* \* \*

**The Senate Energy Committee cut President Jimmy Carter's budget request for the development of synthetic fuels by 86 percent at its Aug. 1 session.** Carter had requested an appropriation of \$22 billion for the 1980 budget; the committee asked for only \$3 billion.

Committee members freely ad-

mitted that in so doing, they were throwing \$3 billion down a rathole with no expected return in increased energy production. "The committee has no way of knowing what is going to come out," said Paul Tsongas (D-Mass.) "We're moving without really knowing what we're doing," added Howard Metzenbaum (D-Ohio). Sen. Wendell Ford (D-Ky.) pointed out that Carter's synthetic fuels plan was premised on funding by the proposed "windfall profits tax" on oil, now stalled in the Senate Finance Committee headed by Russell Long (D-La.). "You know and I know what's coming out—nothing," Ford commented. Energy Committee chairman Henry Jackson (D-Wash.) is known to prefer "free enterprise" federal guarantees to the oil companies of a high price for synthetic fuels as a more likely mechanism to get the "experimental program," last tried in Hitler's Germany, underway.

\* \* \*

**U.S. environmental "activists" have announced formation of a new political party, to be known as the "Citizens Party," to field a 1980 presidential candidate.** Its program, according to the party's own Aug. 1 press release, includes a total halt in nuclear power development, a "strong push" for energy conservation, support for solar and wind power, and "citizen control" of the American economy.

Among the "just plain folks" who are founding members of the party are David Hunter, executive director of the Stern Fund, Archibald Gillies, former director of the John Hay Whitney Foundation, Harriet Barlow, director of the Institute for Local Self Reliance, Adam Hochschild, publisher of the counterculture "Mother Jones" magazine, and zero-growth zealot Barry Commoner. Qualified intelligence experts note that it is standard practice, when a wave of terrorism is planned, to establish a "respectable" front group to give the appearance that terrorist kidnappings, bombings, and murders carried out on behalf of intelligence agency objectives

have "mass support" and are a "sociological phenomenon." These sources anticipate a wave of "green terror" intended to disrupt the 1980 presidential campaign, and create a climate favorable to Gen. Alexander Haig, the preferred strongman of the New York Council on Foreign Relations and the Royal Institute for International Affairs.

\* \* \*

**General Alexander Haig provided Americans with a vivid demonstration of his touted, "determination, decisiveness and sharp thinking" when he couldn't decide whether to testify for or against the SALT II treaty during Senate Armed Services Committee hearings July 26.**

The just retired supreme commander of NATO, who has spent the last six months unofficially campaigning for the White House, conceded under pointed questioning that he had "read the treaty with some haste" and wasn't familiar with its details.

Haig's admission came after his formal statement to the panel, a lurid combination of verbiage about the "Soviet menace," distortions of European leaders' views on SALT, vague suggestions that the treaty was "flawed," and a loud demand for more military spending.

Haig's testimony apparently did not impress committee chairman John Stennis (D-Miss.). After repeatedly attempting to pin down Haig on his precise objections to SALT, Stennis finally commented, "The Senators can't say maybe [to the treaty]. They've got to say yes or no."

Prior to his appearance Haig had sought to postpone his testimony until after his former boss Henry Kissinger had testified on the treaty. Kissinger's testimony, however, when delivered Aug. 1, turned out to be a loud plea for an increased U.S. military budget, coupled with a demand that the Carter administration and the Senate step up its anti-Soviet rhetoric and posturing—testimony not differing substantially from Haig's.



# Volcker shoving America over the recession threshold

Federal Reserve Chairman-designate Paul Volcker's statements on monetary policy during his Senate confirmation hearings on July 29 bear one interpretation: the U.S. economy is headed into a deep rather than "mild" recession in the months ahead.

In his testimony before Senator William Proxmire's Banking Committee, Volcker recited the central monetarist doctrine that excessive monetary growth is the source of inflation, and he strongly suggested that as head of the U.S. Federal Reserve he will step on the

## U.S. ECONOMY

monetary breaks harder and faster than outgoing chairman Miller did.

Won't this policy deepen the U.S. recession and increase unemployment? the Senators asked Mr. Volcker. Volcker maintained that "monetary discipline" is the only antidote to double-digit inflation and is therefore in the best interests of the economy and the dollar. Mr. Volcker recalled that in 1971 when the Europeans wanted a strong dollar, he devalued the dollar, and now when the Europeans want a weak dollar to soften the blow of higher oil prices, he intends to deliver a strong dollar.

The irony in this statement is that Mr. Volcker continues to adhere to his 1971 view that the dollar must remain decoupled from gold and its value be determined by "market forces"—a policy whose ultimate consequence is to terminate the dollar's role as the world's principal reserve currency: it is a weak dollar policy. Moreover, Volcker's tight money medicine will decidedly cripple the U.S. economy, whose productive potential is the sole basis of the long-range "investment value" of the dollar.

Whether the omnipresent signs of economic unraveling turn into a deep depression in the months ahead is an entirely political question. The situation of the West German economy provides an illustrative counterpoint to the U.S. in this regard. While the U.S. slides

into recession, West Germany is experiencing a modest boom based on rising exports, which were up 12 percent in volume in March and April over last year's levels, and associated strong growth in domestic capital investment, which was up by 14 percent in those months. As the latest monthly report of the French Banque de Parisbas implies, the West German investment boom hinges on the confidence of West German industry that enough of the OPEC petrodollar surplus will be recycled into Third World industrialization projects to keep West German exports expanding.

Volcker and his colleagues on the Federal Reserve Board like Governor Henry Wallich, on the other hand, have in recent months repeatedly cautioned about "overlending" by West German and Japanese banks to the developing sector at concessionary rates, a trend which potentially could spark a full-fledged economic recovery in the developing and advanced sectors. This stance of keeping the U.S. out of European Monetary Fund-related developments in international lending and trade leaves the U.S. economy in a box, caught between the apparent sole alternatives of inflation and recession.

What course lies ahead for the U.S. economy under Paul Volcker? As is widely recognized by now, in recent months Volcker has been fighting for a tighter monetary policy as vice chairman of the Federal Open Market Committee. The likelihood that Volcker's replacement as president of the New York Fed will also favor a tighter policy will bolster the Volcker position on the FOMC.

Short-term borrowing by U.S. business has expanded by \$32 billion so far this year, dwarfing 1978's \$18.4 billion. Over the last three months M2, the broad measure of the money supply which includes commercial bank time deposits other than c has climbed at a 12.5 percent annual rate. Only two times before in the postwar period has the Fed squeezed monetary growth and boosted interest rates once a recession was underway. The results were 1957-58 and 1973-75.

Even as Mr. Volcker called for "monetary discipline" during his confirmation hearings, news of the

first casualties of William Miller's high interest rate regime and this year's stage-managed energy crisis was hitting the nation's media.

The most serious piece of economic news was the report by Chrysler Corporation that it experienced its largest quarterly loss ever in the second quarter of this year—\$207.1 million on sales of \$3.15 billion—and was asking the Federal government for \$1 billion in cash over the next 18 months in the form of accelerated tax deferrals—clearly to stave off bankruptcy. As the employer of 250,000 auto workers in 13 states, Chrysler's plight has implications far beyond the future of one corporation.

Last week, Moody's Investor Service withdrew its credit rating from Chrysler Financial Corp.'s commercial paper, and reportedly the Federal Reserve Bank of New York has begun to monitor closely the entire, rapidly expanding \$101 billion commercial paper market for repercussions of Chrysler's troubles, as well as Chrysler's own financing needs.

Industry insiders say that Chrysler—which has Henry Kissinger's new home, Goldman Sachs, as its investment banker—is under increasing pressure to drop its unprofitable commercial car operations and reorient entirely toward military production.

As the recent announcement by General Motors that it was placing 12,630 production workers at ten assembly plants on "indefinite" furlough, 45,000 U.S. auto workers have been indefinitely laid off. That figure represents about one-fifth of U.S. auto workers.

A long UAW strike would help send the economy into a tailspin and, according to a source at the Council on Wage and Price Stability, it would also set the tone for disruptive labor-industry confrontations throughout the economy.

Construction follows auto on the list of worst off industries at the present time. The value of new construction contracts rose by 5 percent in June. However, the F. W. Dodge division of McGraw-Hill, which monitors construction activity, noted that the rise in total construction contracts was attributable to inflation, which is running around 10 percent per annum in construction. Even in inflated dollar value terms, contracting for residential construction fell 8 percent from June 1978—the victim of historically high mortgage rates. Contracting for nonresidential construction—manufacturing and office buildings—was up 22 percent in value from a year earlier. Economists are predicting that the gains in manufacturing construction will reverse as soon as capital spending plans are brought in line with recent employment and production cutbacks throughout the durable goods industries.

—Lydia Schulman

## USDA's Energy Office:

In preliminary investigations into the goals and activities of the so-called Energy Office of the Department of Agriculture, an office created by administrative fiat approximately one year ago, this news service has uncovered the outlines of a plan, which, if allowed to proceed, will reduce the most advanced agricultural sector in the world to a parody of a backward, third world economy.

### AGRICULTURE

The Carter Administration proposes to gear up American farm exports to aid the nation's balance of payments, and simultaneously slash energy throughput and capital input levels into the farm sector.

The key to the scheme is the Carter energy policy—as Secretary Bergland put it more than a year ago in testimony to Congress, the plan is to establish "net energy self-sufficiency in agriculture by 1990" with the substitution of gasohol and biomass fuels for gas and oil (nuclear energy, it should be noted, is conspicuous in this equation only by its absence).

This is precisely the type of quick-buck scheme advocated originally for the U.S. by Adam Smith. It is a scheme that violates every fundamental tenet of scientific and technical progress that made American agriculture the greatest and most productive in the world.

#### The FEMA link

With the onset of the new Schlesinger oil hoax in recent months, the Carter-Bergland "Energy Office" in the USDA went into high gear, its director, Weldon Barton, appearing prominently in the speakers lists of a myriad of congressional hearings and other public engagements. No ordinary bureaucrat, Mr. Barton functions as the liaison officer, via an Energy Coordinating Committee, to the Federal Emergency Management Agency (FEMA), the government in the wings empowered as of last month to rule by emergency decree.

The USDA Energy Office's new high profile is aimed at using the emergency hoax to leapfrog implementation of the plan for "energy self-sufficiency" on the farm—or, as Secretary Bergland demanded some

# dung and gasohol

time ago, "collapse the time frame" from conception to adoption of the energy plan.

So far, implementation has taken the form of congressional railroading of a host of relatively small, separate programs to fund "pilot" and other projects, usually tacked on as amendments to major pieces of agriculture legislation.

## Keeping costs down ...

On July 12, Mr. Barton told the Senate Committee on Energy and Natural Resources' Subcommittee on Energy Research and Development that the Department's "vigorous" endorsement of the establishment of a gasohol industry rested on the desire to keep the costs of agricultural production down in the face of increased oil prices.

But, as the *Executive Intelligence Review* has exhaustively documented (see *EIR* Vol. VI, No. 24, June 19-25, 1979), gasohol is a fraud—from the standpoint of energy efficiency and, especially, cost efficiency: a gallon of alcohol's production costs three to four times more in dollars and cents than the volume of gasoline it replaces!

Either Mr. Barton and his mentors are counting on an extended multi-million dollar government handout to build a gasohol industry, or, as Secretary Bergland's "net energy self-sufficiency" formulation and his trumpeting of biomass suggest, the plan is more on the order of a wooden still, fed by hand-collected biomass, on every farm, with the individual farmer substituting his own and his family's muscle for machinery—the type of "cost reducing" approach institutionalized in China and Nazi Germany.

## ... The Chinese way

All indications point to the latter. At the time of his appointment, Agriculture Secretary Bergland was shameless in repeatedly pointing to the Chinese for agricultural wisdom—for, as he said, "China produces one food calorie (at a cost of) two petroleum calories," while Americans use five times as much. Emphasizing the environmentalist/consumerist outlook that has defined his policy orientation in and out of office, Bergland coupled his praise of the Chinese model with a demand for energy conservation and austerity: "We need to undertake some fundamental changes in our own economy ..." he intoned, calling at the same time

for Americans to "appreciate the simple science."

The twisted logic of Bergland's "simple science" is otherwise exemplified in his promotion of "organic" fertilizers and pesticides. He has, for instance, pushed for expanded use of "no till" cropping methods—admittedly less fuel consumptive but dependent on substantial increases in fertilizer, herbicide and pesticide use—and in the next breath advocated implementation of the so-called integrated management program, a scheme to replace pesticides with "organic" pest control, including the use of brigades of unemployed hippies to conduct "bug counts."

The USDA is already committed to funding loan guarantees for up to four biomass energy pilot plants—two to convert agricultural products and wastes to fuel grade alcohol, another to convert farm and forest wastes to combustible pellets, and a fourth to produce a variety of energy products from forest wastes.

Significantly, among the few studies of biomass processes, one sponsored by the Bureau of Mines shows that for a typical wood-to-oil biomass energy production process, one ton of forest product waste is required to produce each barrel of oil!

## Energy and American agriculture

Secretary Bergland's "simple science" is a prescription for disaster. The fact is that the relationship of energy to agricultural productivity, as for all productivity, is straightforward: a decrease in the energy utilization for any given sector decreases output and productivity, and very rapidly escalates cost. The use of low energy-efficiency fuels only further compounds the loss.

A study of Dr. Dvoskin and Dr. Earl Heady of the Agricultural Economics group at Iowa State University demonstrated that a 5 per cent decrease in energy utilization by the agricultural sector for on-farm production will result in commodity price increases of 12 per cent; a 10 per cent decrease in 47 per cent price rises; and a 15 per cent decrease "results in such a large increase in commodity prices that it would seem unlikely to be acceptable even under the most severe energy shortage. ... If restrictions were not limited to on-farm production but also were applied to food processing and transportation, then food cost increases would be larger...."

In fact U.S. agricultural and industrial productivity directly reflects the energy density throughput used to achieve our high output—indeed, continuing increases in this productivity depend upon the development of energy sources of *even higher energy densities*—nuclear energy—the opposite direction to that charted by the Carter Administration.

—Cynthia Parsons and Susan Cohen

# Phase 2 of the EMS?

Negotiations are underway between the French government and four Arab oil-producing nations which may culminate in the formation of a powerful "Euro-Arab zone of prosperity and cooperation," the French daily *Le Matin de Paris* reported Aug. 1. According to well-informed French officials, the story was "commissioned" by a team of high-level government officials working directly under President Giscard d'Estaing at the Elysée Palace. *Le Matin* reports that the French government, with West German support, has discussed

## INTERNATIONAL CREDIT

possible Euro-Arab economic collaboration with the governments of Iraq, Saudi Arabia, the United Emirates, and Kuwait. The French are seeking guaranteed oil supplies for Western Europe in exchange for the transfer of Europe's advanced technology to the Arab world, including nuclear energy technology, needed to foster industrial development in the region. France is also offering military security for the Arab governments, who recently expressed alarm at U.S. Defense Secretary Harold Brown's threat to invade the Persian Gulf. The Arab countries are, meanwhile, considering whether to price their oil in terms of the European Monetary System's currency unit, the ECU—*Le Matin's* way of saying that a gold-backed monetary system is under consideration.

The *Le Matin* piece is the first clear signal that the long-awaited "second phase of the EMS" is about to begin. As *Executive Intelligence Review* has reported on previous occasions, the EMS is no mere currency stabilization scheme, but is a Franco-German war-avoidance plan which would link Western Europe, OPEC, and the Soviet Union in a common strategy to industrialize the Third World. We suggested that, in the second phase of the EMS, the European Monetary Fund might "capture" the huge petrodollar surplus by selling gold-backed dollar bonds to the oil-producing nations and then recycling these funds into long-term development projects in the Third World.

Until recently, both the French and West German governments have delayed implementation of such a "second phase," fearing to break openly with the Anglo-American-dominated NATO and its economic arm,

the International Monetary Fund. The U.S. Federal Reserve and Bank of England have insisted that the IMF assume full control over the petrodollar recycling process and that IMF austerity conditions be applied to all loans to the developing sector. Last week, however, West Germany's development minister, Rainer Offergeld, while visiting Southeast Asia, hinted that his country's policy of acquiescence to the IMF might be ending. In a speech in Thailand, Offergeld promised that the West German government would not ignore Third World criticisms of IMF conditionality.

Another indication of a possible shift in West German policy was an interview with Deutsche Bank's corporate finance director, Michael von Brentano, in the July issue of *Euromoney*. Brentano proposed that developing countries receive longer-term "bond financing" rather than bank credits to aid them in the present oil-induced financial crunch. This would, he said, facilitate the petrodollar recycling process in the event that Euromarket controls interfere with German banks' ability to expand their direct lending. Brentano also called for "far-reaching international cooperation—similar to that which led to the development of the European Airbus, but more global in its approach—to develop cheaper processes for energy production." He suggested a focus on "nuclear energy, including fast breeders."

The July Bundesbank report is highly optimistic that the West German economy will be able to weather the recent OPEC oil price hikes without a serious recession. The Bundesbank argues that recycling of petrodollars to Europe and the developing sector will permit West German industry to continue its export expansion—an assumption which would not make sense if the IMF were in full control.

### Anglo-Israeli counterplan

Terrified at the strategic implications of the impending Euro-Arab rapprochement, London's oligarchist elite has attempted to counter the French initiative with their own "mini-Marshall Plan for the Middle East." According to Australian publisher Rupert Murdoch's *New York Post*, Bank of England Governor Sir Gordon Richardson, former British Prime Minister Harold Wilson, and Bank of Israel Governor Arnon Gafney are heading up talks in London around a proposal to "create a \$30 billion fund to spur economic development in Egypt, Israel and other Middle East countries"

willing to endorse the Camp David agreement. The proposed Marshall Plan, the July 31 *Post* reported, would be funded by the U.S., the European Common Market, Japan, Canada, and British Commonwealth nations. A ludicrous parody of the French plan, the British proposal calls for "long-term, low-interest loans" to lure "moderate governments like those in Jordan and Lebanon" into the Camp David agreement, despite the fact that every Arab nation but Egypt has already denounced Camp David ten times over.

—Alice Roth

## Giscard's Arab plan

*In a front page article August 1st, the daily Le Matin de Paris confirmed what readers of the Executive Intelligence Review know already: that French President Giscard d'Estaing has a grand design for the Middle East as part of a broader "Euro-Arab-African" alliance to ensure economic prosperity. Below we present excerpts of this article, authored by Henri Lauret and Jean Leclerc du Sablon. The American press thus far has not covered Giscard's initiative, despite heavy reportage in European media including English-language newspapers like the international Herald Tribune.*

French diplomacy is setting the basis for political cooperation with the Arab oil states. Its ambition is to create a counterweight to the influence of the "super-powers" in the Middle East. The Elysée, presenting itself as the "spokesmen" of the Nine European countries, is counting on drawing considerable benefit from this new offensive in three key areas: energy, defense and big equipment contracts. This strategy, divulged by Arab diplomatic circles as well as by French political and industrial circles, runs counter to American policy for an Israeli-Egyptian peace.

For several months we have witnessed a deployment of efforts for the constitution of a Paris-Baghdad-Riyadh axis, the beginnings of a possible Euro-Arab "coprosperity zone." Coprosperity based on an objective convergence of interests.

In the energy field first: the oil crisis has put the United States on the bench of the accused ...

While Americans were lining up at the gas stations, Europeans ensured themselves security of supply. Especially Paris, which obtained from Iraq—thanks to the successive trips of Foreign Trade Minister Jean-François Deniau and Prime Minister Raymond Barre—assurances of having Baghdad supply one-third their oil requirements. Three-quarters of these needs will be supplied by three states only: Saudi Arabia, Iraq and

the United Arab Emirates, where Giscard made a stop-over July 16 on his way to the Pacific.

As far as armaments are concerned, France, the world's third largest exporter, offers an ideal solution to countries which are concerned with diversifying their sources of supply. Thus, Saudi Arabia, which until now depended essentially on American military industry, has just decided to increase by a considerable proportion its acquisitions from France, buying several billion francs worth of material, in particular in the naval sector ... and in aerospace ...

Iraq, on its side, is seeking to disengage itself from its Soviet protector. Baghdad has just become the buyer of new Mirage F-1s, tanks, and antitank missiles, as well as naval defense equipment.

In addition, these two countries do not want to depend only on American and Soviet [military] advisors, and are calling for technical and personnel aid from Paris. The accord worked out in Riyadh two weeks ago by Defense Minister Bourges dealt mainly with this point ...

The fear of destabilization (from Iran) becoming contagious brought about an unexpected rapprochement between the feudal regime of Riyadh and the "progressives" of Bagdad. There is probably enough here to feed the dreams of those in the General Staffs who think that France could lead, in the name of the Nine or not, a sort of "collective security pact" in the Middle East.

For all these reasons, Giscard is seeking to institute a Euro-Arab consultation mechanism which would form the first pole of the Euro-Arab-African rapprochement whose concept he launched in the beginning of the year.

On the Arab side, Kuwait seems to be playing the role of "good offices." The oil minister of this emirate was just recently in Paris.

The European countries which, led by France, maintained a chilly reserve towards the Israeli-Egypt peace treaty would take, in this "Giscard plan," a favorable position toward the search for a local settlement on the Middle East crisis.

The Elysée feels it is offering a solution other than the separate peace sponsored by Washington. The only solution which in its opinion is credible with Arab countries other than Egypt ...

At a time when the economic power of America is dwindling and the "dollar king" has become suspect in the eyes of Arabs and Europeans, the Nine are playing their ace cards to sell their nuclear plants and other equipment goods. And why not one day pay their oil bill in ECUs, that currency born out of the constitution of the European Monetary System?

## GOLD

### London can't torpedo the bullion price

Gold-mining interests in London have not welcomed the recent record heights of bullion prices. The pace-setting Consolidated Goldfields group is trying to move down the price in what has emerged as a political fight over gold's monetary future. Consolidated is, however, in a losing position.

Last week we carried an *Executive Intelligence Review* interview with Consolidated's research chief, Christopher Glynn, who deplored gold's spot appreciation and advocated "bringing gold down just like in 1975," when the price was flung from \$200 an ounce to \$100 as the

U.S. Treasury began its gold auctions.

Glynn had been delighted when gold started its climb, asserting that its rise would topple the U.S. dollar from its world reserve role. Now, as we reported, he is worried about the fact that Europe—as exemplified by West Germany's Dresdner Bank—"is talking about a new official price for gold."

Consolidated's South African subsidiary, Gold Fields of S.A., is also trying to turn the price around. "The current 'speculative' element in the gold price" causes concern to the firm's director, Robin Plumbridge, according to the July 13 *Financial Mail*. "Plumbridge sees similarities with the 1974 situation and foresees

the possibility of a near-term unwinding of 'speculative' positions in the metal."

The *Financial Mail* was right to put quotation marks around the term "speculative." What may sound like sober precautionary warnings against a gold bubble amount in fact to a defensive effort to keep the year-old European Monetary System from fully remonetizing gold, which the EMS would do by activating its pool of 20 percent of members' gold and dollar reserves as a base for long-term European Monetary Fund credits, and by negotiating a peg between the price of OPEC oil and the price of gold.

When Hans-Joachim Schreiber of the Dresdner Bank recently referred to the oil-bullion link, Christopher Glynn complained: "He is really talking about a new official price for gold."

Consolidated is not an industrial enterprise or even a commodities manipulator; since its founding by

## WORLD TRADE

### West German trade pickup boosts domestic investment

West Germany's economy is continuing its export-led upturn while the U.S. economy skids toward depression, latest trade and economic figures indicate. In contrast to the U.S. picture, West Germany's auto industry boom is "Showing No Signs of Weakening," as a recent headline in New York's *Journal of Commerce* put it. That publication reports "it is now almost certain that the German auto industry will post a new output record in 1979. ... A good export performance will be a strong contributory factor. ... At 13 percent, the gain in export of commercial vehicles

and trucks was particularly impressive. It reflects primarily a spectacular 20 percent increase in foreign sales of light trucks."

The secret to the continued BRD boom while the U.S. economy nose-dives is:

- The availability of relatively low interest credit available to industry for capital formation purposes;
- generous credit issuances to underdeveloped area purchasers of West German exports;
- a government policy of encouraging expansion of trade with the East bloc.

The emulation of such policies in the U.S. has been systematically sabotaged by the Malthusian cult in Washington centered around Secretary of State Vance and National Security Director Brzezinski.

### West German boom a deliberate policy

The West German boom is not a matter of luck but rather a matter of deliberate policy fostered by certain West German banking, industrial, and Schmidt government circles. That this is the case is well recognized by the Anglo-American-centered faction opposed to this West German grouping and their cothinkers in France and in Japan. Hence the denunciations of West Germany's "Russia card" in the latest issue of London's *International Currency Review* and similar denunciations being circulated by the staff of the top Bilderberg-linked Senator Heinz.

### Paribas bulletin concurs

That this is not merely wishful thinking on the part of the West Germans is underlined by the July 1979 issue of *Conjoncture*, a monthly economic bulletin published by the Banque de Paris et des Pays-Bas. As bullish on



Cecil Rhodes, it has functioned in what Rhodes' Rothschild patrons referred to as a "geopolitical" capacity against continental European efforts to modernize Africa. Hence Glynn's sensitivity to the EMS question.

#### Are the bears toothless?

In a July 31 interview, Thomas Wolfe, the Washington consultant who ran the Treasury's gold operations in the Nixon administration, commented on Glynn's projection that gold will fall to \$270 an ounce: "He would never dare say that to me." Wolfe said that French and West German leaders "want the gold market stabilized, period, with a stable gold dollar-price."

Wolfe gave the following breakdown of gold flows this year: 20 million ounces sold at U.S. and International Monetary Fund auctions; 20 million ounces sold on world markets, of which 7 million in gold jewelry; 10 million ounces restituted to the Third World by the IMF.

Of 6 to 8 million ounces bought by Arab investors, a significant amount has been supplied directly by the producer countries.

Taking a conservative 50 million ounces total, Dresdner, along with Swiss and French banks, controls about 15 million ounces, Wolfe estimates—mainly for the account of Western European and Japanese central banks. West Germany, he estimates, had about 120 million ounces officially held for the Bundesbank at year's start, and has enlarged its holdings by 10 percent.

"The governments in the gold market have introduced such stability, buying at least 20 percent of new gold as it comes in, that they dwarf the speculators," Wolfe told *EIR*. "Even though speculative buying [of gold] has risen, there is maybe 10 million of it, compared to over 12 million being bought by the central banks." He reckons that only about 3 million ounces of speculative non-jewelry gold can be cornered by Brit-

ish traders—hardly enough to establish a bear market.

Even on the volatile Chicago Mercantile Exchange, Wolfe added, where contracts are made to buy gold at specified future dates, European muscle "could make or break speculative turn in the price. Dresdner alone is so well positioned at the Chicago exchange that if they wanted to they could stabilize the price singlehandedly."

—Kathy Burdman and  
Susan Johnson

the German economy as the Germans themselves, Paribas gives a detailed run-down of the West German economy's strengths, emphasizing the positive situation in investment in equipment (up 2.5 percent in the first quarter of 1979 over the fourth quarter of 1978), with volume of equipment orders in March and April up 14 percent over the previous year, reflecting capacity expansion to meet export business. "Taken as a whole, domestic demand is very healthy." Besides orders for equipment goods, demand has been "strong in the energy and building sectors, but also in the metals and shipbuilding industries."

Similarly the export sector: "orders from abroad are 12 percent up by volume over their 1978 level..."

As the world's number two exporter, the strength of the West German economy has been important for the world economy as a whole, and Europe most notably, a fact acknowledged by Paribas's wondering

out loud "Will Germany still be the dynamic element and the source of European growth in forthcoming months?"

It is noteworthy that a major aspect of this catalytic role the West Germans have been playing has been toward the under-industrialized areas of Europe, which are slated for incorporation into the European Monetary System as a bridge to the Arab world and Latin America. While German exports were down 22.1 percent to OPEC in the January-May 1979 period in the wake of the Anglo-American group's destabilization of Iran, exports to the least-developed European countries were up 20.1 percent. Exports to the other European Community members shows a 17 percent increase, while sales to the Third World rose a significant 11 percent.

It is against precisely the "North-South" strength being emphasized by both West Germany, especially within Europe, and France, especial-

ly with respect to the OPEC sector, that the new GATT treaty out of Geneva has been designed. Rushed through Congress and hurriedly signed July 26 by President Carter—but boycotted by the underdeveloped sector—the new treaty bans the use of government subsidies for industries in underdeveloped areas. As reported favorably in the August 2 lead editorial of the *Journal of Commerce*, the new GATT pact is sure "to raise political hackles in Europe ... the new law encourages attacks on the industrial policies of European governments, especially those involving government-owned enterprises." Rather than making the U.S. a creative and productive power for development in the world, the Vance-Brzezinski-Carter crew continue bent on dragging down the rest of the world into depression.

—Richard Shulman

## BRITAIN

### British industry gags on Tory medicine

Despite sterling's descent from its high of \$2.33, little relief can be expected for British industrialists whose groans over the effect of a strong pound on export profits have become more audible than usual lately.

The just-published quarterly survey of industrial trends put out by the Confederation of British Industry highlights the worst decline in export confidence since such questions were first asked in the late 1950s. The gloomy forecast is largely linked to government policies which have promoted a strong pound to the

detriment of exporters' price competitiveness and have squeezed company liquidity by jacking up interest rates to 14-15%, with no end in sight. Unlike Japan, British industry has no reservoir of technological capacity on which to rely to compensate for the pound's strength.

The CBI survey, which represents the polling of 1,891 firms in 44 different manufacturing sectors, concludes that optimism about the general business climate in British industry has "deteriorated to a significant extent" and is not expected to improve any time in the near future. High interest rates and the damage resulting from sterling's strength are squeezing company profits enough to choke off future capital invest-

ment, says the CBI. It forecasts the rate on industrial investment this year at "no more than 3 percent" which, it says, will hardly encourage new capital outlays.

These results from the first CBI survey since the election of Mrs. Thatcher stands as a stark comment on the Tory Government's economic policies, which were specifically designed to spur incentives in industry and boost "free enterprise." The increased industrial activity of the past few months is shown by the survey to have been only a temporary phenomenon, due mainly to business recovering from last winter's strikes. Current buoyant prospects for orders are seen as short-lived as business confidence slumps further, costs increase and the pound remains overvalued.

British companies that depend on exports suffer when the pound rises in value, as it makes their products more expensive in other currencies.

## FOREIGN EXCHANGE

### The vulnerabilities of the pound sterling

Behind sterling's dip in the currency markets the week of July 30-August 2 remains the basic fact of its overvaluation. In the near term, the pound will hold up; the 6 1/2-cent drop in its dollar rate July 31 appeared to reflect profit-taking and related adjustments rather than any deep reaction to Nigeria's nationalization of its British Petroleum holdings; and the City of London expressed satisfaction that the July 14 \$2.32 peak had been trimmed.

The volatile sterling forwards were at a discount Aug. 2, amidst continued statements from London that the pound's strength is unwar-

ranted. Lord Shawcross of London and Continental Bankers has projected a \$2 pound; Barclay's New York traders see it holding at the \$2.30 level until late fall when, they say, a miner's strike and other challenges to the Tory government could mean a return to 1974's three-day week, power blackouts, and chaos.

All of this has been basically pre-discounted, and meanwhile the Thatcher government is refusing to make concessions either to the U.K. exporters who are screeching about being priced out of the market, or to a broader array of businesses hit by the high cost of credit. Last week Barclays announced that it expects rates to move even higher—because of continued borrowing demand—softening both long and short-term

gilts prices. Finance Houses Association members proceeded to raise their commercial and industrial lending rate by 1 percent to 14 percent, while Thatcher's Trade secretary told exporters that they shouldn't depend on a cheap pound for their sales.

As Barclays commented to *EIR*, British manufacturing is in such terrible shape that even softer credit and a trade-worthy sterling rate wouldn't help matters all that much. Without North Sea oil, they added, sterling would be below \$1.25 today. And indeed, oil remains the key to the rigged pound overvaluation, one which London expects will keep a floor under sterling, and thus under its own pretensions to do more than juggle other people's money.

#### Deeper vulnerability

This brings us to sterling's deeper vulnerability. The Tory government announced last week that it was post-

The mighty Imperial Chemical Industries—bellweather of British manufacturing industry—had already started complaining when the pound rose to \$1.90 in the spring of 1978. As it went to a four-year peak of \$2.33 last week, ICI's new chairman told reporters: "We are now in real pain. But we have to live with it." The chairmen of British Leyland and Courtaulds, the large textile concern, echoes these sentiments, stressing the "drastic" effect of the pound's strength on future export margins.

Factory closures are now beginning to occur which are directly attributable to the overblown British currency. A frozen food factory in Lancashire, which used to export three quarters of its output to Germany, put up the shutters and sacked 80 employees because, according to the directors, the rise of sterling had priced them out of the market.

Conservative Party spokesmen

say they regret that the high pound is hurting exporters, but they are determined to let "market forces" determine the currency's value. Treasury officials say they won't compromise their new domestic economic programs, such as tight control over the money supply through high interest rates, to bring the pound's value down. They are pleased as punch that the pound sterling is now considered a "petro-currency" and are even entertaining notions of joining OPEC, according to continental sources. "A strong pound is like a mirror," said one government official. "We may not like the way we look, but it's better to see yourself the way you are."

Business spokesmen in Britain are not about to challenge the basic economic assumptions of the Tory government. Sir Ray Pennock, senior deputy chairman of Imperial Chemical Industries and president-elect of the CBI, said industry would

have to "learn to become more efficient" so as to survive with the present policies. "Industry should not moan and wring its hands," he told reporters. "It should say it is a rough situation and will have to learn to deal with it." According to press reports, the Confederation of British Industrialists will refrain from pressing ministers for any policy changes and will instead urge the government to spell out the need for wage restraint, a certain recipe for confrontation with the unions.

—Marla Minnicino

poning its decision on whether to join the European Monetary System (EMS) FROM Mid-September to late October or November, because the Bank of England fears pegging the pound into the EMS's fixed currency grid at an unviably high rate. But this raises questions beyond a delay until labor unrest shaves down sterling.

First, whether or not the Nigerian nationalization was a serious blow to BP and Britain, the fact remains that significant elements of the Commonwealth are up in arms against the Thatcher government's policies, and might go so far as to divest sterling and reorient important trading arrangements toward continental Europe. The same is true of major Arab sterling holders. Second, and this is the crucial question, if the EMS accelerates its moves to activate a gold-backed monetary arrangement and draws oil-producers into it, Britain would get a double

whammy. Poor in gold reserves, it would also be faced with the economic underpinnings of such an entente—a level of state-to-state, tolerably priced, guaranteed oil supplies for Europe that would clamp down BP and Royal Dutch Shell's speculative operations; and a level of energy exploration, development, and nuclear power proliferation that would return North Sea output to its rightful marginal, cost-ineffective status.

On the dollar, meanwhile, the July 28 *London Economist* ran a clinically accurate assessment of the prospects for Paul Volcker's "strong dollar" credit crunch in an article titled "The dollar falls." The *Economist* asserted that the dollar is headed for pre-November 1978 lows; a U.S. recession is the sole remaining remedy, one which will brake but not reverse the "secular decline" of the currency, because recession will erode the last edge of U.S. productiv-

ity that allowed capital gains on dollar assets. Then America will have to resign itself to "piecemeal" abandonment of the dollar's international role, while Japan and West Germany will choose between trade war and exchange controls or finally accept a reserve role for the mark and yen. As we report in *International Credit*, however, the Europeans, Arabs and other major foreign dollar holders will not write off the dollar so easily, and the expansion of the EMS's gold operations could be used to draw the dollar into this orbit.

—Susan Johnson

# With friends like AIF, nuclear needs no enemy

"I was in the small minority who wanted a limited moratorium on nuclear plants just after Three Mile Island to dampen the public backlash. But then I didn't support the Kennedy six-month moratorium because there already was a de facto moratorium and I didn't see the need for anything else."

The words of a moderate environmentalist? An energy aide to Governor Brown of California? Perhaps an underling of James Schlesinger or a think-tanker from Brookings?

The comment came this week from Roger Sherman, chairman of the board of Ebasco Services, a top nuclear contractor, and prime contractor at the Princeton Large

## CORPORATE STRATEGY

Torus fusion energy facility. Sherman is also chairman of the Atomic Industrial Forum, a worldwide trade association for the nuclear industry. The quiet but penetrating scandal the candid Sherman remarks will occasion goes beyond the remarks themselves. For many of the contractors, manufacturers, law firms, engineers, nuclear power operators and other nuclear users who make up the 600 worldwide members of the AIF and its \$4 million annual budget, the conclusion cannot be avoided: the trade association for the nuclear industry is antinuclear.

Consider the following record:

1. The AIF never objected to the October 1978 report on nuclear wastes by Acting Undersecretary of Energy John Deutch, whose false and alarmist conclusions about the hazards of nuclear wastes were an immediate danger not only to the industry that the AIF purports to represent but also to the future generation of power for the nation in which the great majority of its members live.

2. The AIF never objected to the June 18 appointment of Mitchell Rogovin as head of the Nuclear Regulatory Commission's Independent Investigation of Three Mile Island. Rogovin was the general counsel to the openly antinuclear Common Cause, and served as vice chairman of the Center for Law and Social Policy which develops "radical lawyers" who defend terrorists, and which filed three suits to prevent the export of nuclear fuel to India. He is a Fellow and General Counsel to the Institute for Policy Studies, which is known to be connected to the funding, training, and deployment of environmentalist-terrorist groups, in-

cluding the Weathermen, Black September, and the Baader Meinhof gang; and is currently a member of the New York-based Council on Foreign Relations, whose Project 1980s documents demand a "controlled disintegration of the global economy." Nevertheless, an AIF spokesman was quoted in the June 18 *Washington Post* as approving Rogovin's appointment because "he doesn't seem to have an ax to grind."

3. Roger Sherman, AIF chairman, attempted to have members of the Fusion Energy Foundation arrested for holding a public rally in support of nuclear power near the offices of Ebasco. Sherman, in a separate conversation with the FEF, became so irate when an FEF official mentioned the "coincidence" between Jane Fonda's China Syndrome and Three Mile Island that he said that, if the FEF conducted an investigation of the movie, he "would consider them (FEF) irresponsible and cut off all relations."

4. Roger Sherman is supporting John Connally for the Republican Presidential nomination despite the fact that Connally told 15 million Americans on ABC's Issues and Answers, Sunday July 29, that he favored synthetic fuels but with regard to nuclear power, ignored direct questions on the subject.

5. An official AIF representative, Marie Dunkle, told the security director of the Pennsylvania American Legion that the FEF is a "terrorist organization," resulting in the cancellation of a major pre-scheduled FEF address to the Legion's July convention on the need for nuclear power in the world. Marie Dunkle is the AIF official to whom Milton Copulis, policy director of the antinuclear Heritage Foundation, a British intelligence front, directs callers on questions of "pro-nuclear" activity.

6. In a speech to the European Nuclear Congress in Hamburg, West Germany May 8, AIF's president Carl Walsky contributed to pessimism and hysteria by declaring that "we shall be considering the lessons from Three Mile Island and ... I am hopeful that we shall be through this period in one, two, or three years at most. I have anticipated two or three years of near zero orders for nuclear plants and coal plants as well. There will remain, as we now project the future, the small probability of accidents that can kill thousands."

7. The AIF has consistently refused to investigate the possibility of sabotage at Three Mile Island, despite their technical expertise which would confirm that the occurrences at that plant must have involved deliberate intervention. In fact, AIF's Roger Sherman fueled media hysteria by saying "at least the industry is no

longer referring to TMI as an incident, but is being honest about it by calling it a 'major accident.'"

8. The AIF has no program for nuclear power development to which they are committed, a fact that was put to them strongly by, ironically, not their own members but by the heads of the building trades union in a Washington meeting two weeks ago. (See interview.)

—Leif Johnson

## **AIF head supports nuclear moratorium**

*Roger J. Sherman, chairman of the Board of Ebasco Services and chairman of the Atomic Industrial Forum—the nuclear industry trade association—candidly explains his antinuclear position in an interview provided by a Washington, D.C. source:*

**Q:** *What do you think about the cabinet shakeups—specifically Schlesinger's ouster?*

**Sherman:** Schlesinger was a good man, a brilliant kind of guy...but sometimes abrasive. You know, he had a hell of a job to do pulling together all those disparate groups into the DOE.

**Q:** *But he was known as antinuclear.*

**Sherman:** Oh no, he was pronuclear, very much. I really don't know how he stood on fusion. I don't think an unproven and new concept like fusion needed all the funds the government originally asked for. I think what we have is enough. You can't put a lot of money into something that may not pay out. ...

**Q:** *Nuclear export policy is a big item in Washington now. ...*

**Sherman:** We have to probably go with the fast breeder. France is going hell bent for this. I think that France blew up the Iraqi deliveries. Every one is worried about proliferation, the French too, and one possible solution is regional reprocessing plants under broad supervision.

**Q:** *Why would the French blow up the Iraq nuclear parts?*

**Sherman:** It gives them a couple of years to replace them. ...

**Q:** *What is shaping up after Three Mile Island?*

**Sherman:** I was in the small minority who wanted a "limited moratorium" just after Three Mile Island, to dampen the public backlash. I didn't support the Kennedy moratorium because by that time the public opinion polls were swinging back to nuclear—you know crises have only a certain half life—and there was a de facto moratorium anyway, which was sufficient. In fact, the NRC can't process any application right now be-

cause they have their top hundred people on the Three Mile Island case and there's just no supervision for the intricate process of guiding an application through.

The Hart amendment was—I suppose is, I don't know where it is—really crazy. More people would get hurt in evacuations than in any accident. I'm glad, by the way, that the industry is no longer calling Three Mile Island an incident but is being honest about its being a major accident.

**Q:** *Who's organizing the Rocky Flats demonstration? I hear Haig is speaking.*

**Sherman:** Yes, I know about that, but I don't know who is doing it. Rockwell I think, but I was delighted to hear that Haig will be there. He's one hell of a good speaker. I heard him in Washington just after Erlichman and Haldeman were out and he gave a hell of a good speech. As far as being a presidential candidate, I don't know where his base would come from. Personally, I think a Connally-Anderson ticket would be just right. Connally would pick up the conservative Texas millionaire and oil support—he's got a lot of money—and Anderson would pick up the liberals. Haig could be the man above politics, that's the military image, and I think Reagan would be a bloody disaster.

But Connally is very impressive. I know him personally, have been with him in small meetings like a dozen to 14 persons in executive situations and he is just brilliant, quick, incisive, and decisive. I knew him when Ebasco was a subsidiary of Halliburton. He was on the Halliburton board. He wouldn't alienate the liberal and he is very handsome on television. The ladies would go for him.

**Q:** *But what about his attempts to eliminate Davis-Bacon? The unions wouldn't go for that.*

**Sherman:** Well Connally is very astute. You know, if it came to that, I think he would just count up the votes and make up his mind. Ebasco isn't that affected and I'm personally not against Davis-Bacon as long as it's reasonably administered....

Just last week I had a meeting with the building trades leaders in Washington. I felt that I had to attend—otherwise the meeting would have been handled by Paul Turner, who set it up—because the union presidents felt the industry had slackened off from nuclear support. I tried to assure them there was no erosion of industry support.

**Q:** *Did anything concrete come from the meeting?*

**Sherman:** I didn't want to say anything too concrete. You know these guys are consummate politicians. They sit on every word and make more of what you say than what you meant. ...I know the minds of these guys. I was one of the four industry people on the Nuclear Construction Stabilization Agreement. ...

# How to fill America's tank

*Riemannian analysis shows LaRouche's energy program means economic boom*

Contrary to misinformed opinion on the subject of energy, there are just *two* contending policy options for the United States. The first is the Carter administration's combination of energy cutbacks and substitution of so-called synthetic fuels derived from coal for imported petroleum and nuclear energy. The second is a full gearing up of U.S. nuclear production capabilities and the achievement of the needed breakthroughs in fusion and hydrogen technologies. This is the policy adopted by U.S. presidential candidate Lyndon H. LaRouche, Jr.

A nuclear-oriented policy will not only launch a period of tremendous economic boom if pursued in conjunction with an export-oriented monetary and

high-technology investment policy. It will make it possible in the span of little more than two decades to make *water* the primary energy raw material, and electricity, hydrogen, and plasma the primary forms of consumed energy.

Presidential candidate LaRouche posed this alternative in response to the energy and domestic policy message delivered by President Carter on July 15. "The American people have refused to swallow Carter's energy hoax," said LaRouche. "Now we need to get on with an American solution to this problem. Nuclear technology defines the competent scientific future for us and for the world."

"Now is the time to mobilize the nation's resources to move our society rapidly toward a fully nuclear-based economy and also to make this nation again the principal exporter of nuclear plants and technology throughout the world. Environmentalist objections to this necessity are to be put aside as the unscientific mumbojumbo they are."

LaRouche presented the example of India with an urban labor force of 54 million people that includes the third largest number of scientists, engineers, and similar professionals of any nation of the world. But India cannot realize this vast potential because it lacks the capital goods, the technology, the means of production to provide India with new technologies. With a nuclear energy development program as the backbone of the nation's domestic and foreign policy, "we can give India a nuclear industry ... we can give India an enlarged chemical industry," said LaRouche. "India will not benefit only for itself. One billion and a half people in Southeast Asia, the Indian subcontinent, and parts of Africa will be developed and lifted out of backwardness, underdevelopment and hunger through the contributions made by India as the central base of technology for this region."

## In this section

Our SPECIAL REPORT this week presents two energy programs—one based on nuclear energy development; the other, President Carter's, based on synthetic fuel development—and subjects them to the Riemannian econometric analysis pioneered by *Executive Intelligence Review's* economics staff.

The nuclear energy development program is part of a working paper on U.S. nuclear policy that was commissioned by Lyndon H. LaRouche, Jr., an independent candidate for president of the United States, from a team of scientific and technical experts from the Fusion Energy Foundation. The taskforce worked under the direction of LaRouche's Energy Advisor Uwe Parpart and, in formulating U.S. nuclear policy and goals, consulted with leading specialists at major research and production facilities throughout the country.



### Formulating an energy policy

In formulating his nuclear-centered energy policy, LaRouche and the expert taskforce he has commissioned, began with a set of assumptions concerning optimal rates of growth of the U.S. economy and of energy as well as the forms of energy, their present and future availability. These assumptions are:

1) Coal, oil, and gas—the so-called fossil fuels—are much too valuable as feedstocks for the petrochemical industry (e.g., pharmaceuticals, fertilizer); by virtue of their status as highly organized hydrocarbons, to be wasted by combustion. And oil reserves, while at least several times larger than the published estimates, still represent only several decades worth of energy. Coal presents large transport costs and overriding environmental problems associated with the large-scale deposit of carbon dioxide into the atmosphere.

In order to bridge the gap over the next decade, while nuclear generation is fully brought on line, a one-time expansion of oil refinery capacity is required to provide the fuel for transport and other energy needs provided by gasoline and oil.

2) A desirable and feasible rate of nuclear energy growth is on the order of 7 percent per year. This growth rate is compatible with the required rates of growth in the other productive sectors in order to increase nuclear output—like the steel and machine tools sectors—and is also consistent with historically achieved rates of growth during the 1950s. This is the growth rate required to make U.S. nuclear energy generation greater than 50 percent of total energy output and to provide the level of nuclear energy required for economic “takeoff” in the Third World.

There are, as well, a number of related, qualitative features which define the characteristics of nuclear expansion.

The most productive use of nuclear energy will

occur in the context of clusters of nuclear plants interfaced with industrial and agricultural production facilities. This productive complex is known as a nuplex and can be built around coastal or river-sited floating nuclear installations. The nuplex is the basis for building and rebuilding the cities of the world, and for making the U.S. the advanced capital goods and high-technology supplier to growing world markets.

The nuplex concept underscores the advantages in development of high temperature gas reactors and high temperature breeders, whose process heat can be used for a variety of productive purposes, from desalination to chemical processing.

The development of HTGR's will also open the way to the production of hydrogen as the means of replacing combustion of oil and gas. The first phase of hydrogen production may include the use of HTGR process heat in combination with low grade coal and steam.

The production of huge amounts of cheap hydrogen will become possible once hot fusion plasmas can be maintained economically. The major production process will likely be the *photolysis* of water by ultraviolet radiation emanating from “seeded” plasmas. Thus, commercial fusion means not only unlimited electricity but a new resource base derived from the fusion-driven “plasma torch.”

The development of all hydrogen-related technologies must be undertaken now in conjunction with the nuclear production buildup and expansion of fusion research. About five years will be required to develop the various hydrogen technologies to commercially feasible form. These include the upgrading of hydrogen-burning internal combustion engines, and the solution of the materials and purity problems associated with development of low-cost and/or compact hydrogen storage systems and fuel cells based on metallic and rare earth hydride compounds.

The following report, developed by a special economic and scientific taskforce from the staff of *Executive Intelligence Review*, the Fusion Energy Foundation, and the nuclear industry summarizes:

- The year-by-year input requirements to meet production targets for a growing and balanced mix of nuclear reactors;
- The research and development program required for the realization of more advanced nuclear technologies by the end of this century;
- Carter's energy program, what it is and its cost;
- The basic economic impact, evaluated by LaRouche's Riemannian econometric computer model, of both the nuclear-based and the Carter synthetic fuel policies.

Once this material is reviewed as a whole, the implications and the choice between the two energy options will be clear: America must go nuclear.

# Goals and parameters of nuclear program

The nuclear energy development program which is detailed here is geared to recommitting the U.S. population to a program of city building and urban reconstruction to restore a developing educational system and build centers of industrialization using high-technology industrial processes. The same commitment informs the nuclear export policy of this program. Exported nuclear plants and the industrial and agricultural centers attached to them—termed nuplexes—will form the basis for industrializing the developing sector.

Both aspects of the program are based on the utilization of a mix of nuclear reactors that are either commercially available today or can be reasonably expected to be so in the near future—given the national commitment to develop nuclear as a primary power source.

The energy growth that is projected by this program over the next two decades will come largely from the expansion of the production of Light Water Reactors (LWRs), both the Pressurized Water Reactor (PWR) and the Boiling Water Reactor (BWR) types. Such production expansion is only feasible through the insti-

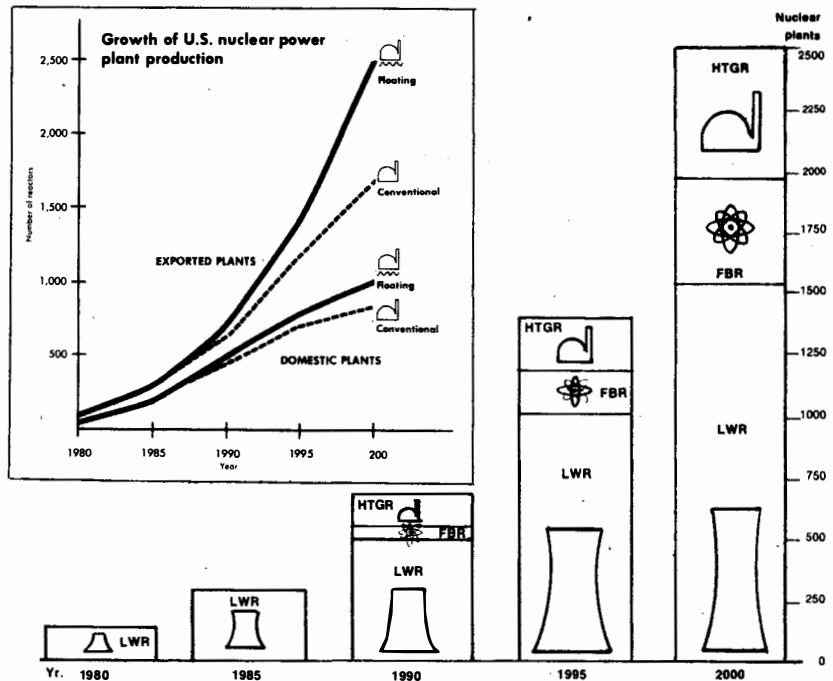
tution of standardized designs—a concept recognized as possible, but not yet implemented by U.S. reactor manufacturers.

In addition to the LWRs, two other reactor types are slated for introduction in the 1980s. The High Temperature Gas-Cooled Reactor (HTGR) which can be constructed now, will begin to come on line in the late 1980s. No HTGR reactors of the 1,000 megawatt category exist now because all orders were cancelled during the 1974-75 recession. This reactor type is called a converter and uses fuel more efficiently than the LWRs. It is also very versatile, not only producing electricity by using heat to generate steam for steam-driven turbines. Advanced reactor designs will produce electricity more economically by direct cycle gas-driven turbines, eliminating the steam cycle. Other advanced designs would produce high temperature process heat directly for use in industrial applications in nuplex centers.

The other reactor type is the Liquid Metal Fast Breeder Reactor (LMFBR) which can be expected to come on line at the end of the 1980s, provided the

## U.S. nuclear plant production to the year 2000

This chart indicates cumulative production figures to the year 2000, averaging 1,000 megawatts installed electrical capacity per plant. It also indicates what proportion of the total production is made up of Light Water Reactors (LWR), Liquid Metal Fast Breeder Reactors (FBR), and High Temperature Gas-Cooled Reactors (HTGR). The initial trend is for reactors produced in the U.S. to be installed in the U.S. During the late 1980s, nuclear plants and the technology for producing them will be exported.



## LaRouche's nuclear development program

- Use the nuclear power development program as the basis for city-building in the United States and in other sectors of the world economy, especially the Third World sector.
- Install 1,000 gigawatts of domestic nuclear capacity by the year 2,000.
- Export 1,500 nuclear reactors of 1,000 megawatt capacity to the developing sector by the year 2,000.
- Create 750,000 high-skilled jobs in nuclear plant construction for American workers by the year 2,000.
- Expand and modernize basic U.S. industry, most immediately the steel and machine tool sectors.
- Implement an oil-for-nuclear-technology trade policy with major Third World nations.

current U.S. program is expanded immediately. The Clinch River Breeder Reactor program must be restarted while at the same time the design of a commercial plant that incorporates the experience of the French Super-Phenix breeder reactor and the U.S. breeder program begins. Incorporating the French designs and results will facilitate meeting the rather stringent schedule laid out in this program for U.S. nuclear power development.

The importance of the breeder program is in the development of a reactor that produces more fuel than it burns and thus can produce fuel for other reactors, both LWRs and LMFBRs. The LMFBR is also a more efficient power producer than the LWR (a 40 percent conversion efficiency compared to about 30 percent for the LWRs) and will eventually replace the Light Water Reactors in that capacity.

In the 1990s, an even more efficient breeder will come on line with the advent of the Fusion-Fission Hybrid Reactor—often called a “fission fuel factory.” This type of reactor can produce fuel at three to four times the rate of an LMFBR. A hybrid can be used, therefore, to fuel an expanded LMFBR construction program after the turn of the century.

To meet the production goals set for the next two decades by this program—especially the export requirements—the mass assembly-line production of reactor plants will be required.

The projected mix of reactor types is based on construction capabilities that, although optimistic relative to current projections, are judged to be attainable given a gear-up of the economy and investments. These estimates are based on discussions with experts associated with the production facilities that manufacture the reactors and their components, including those involved in floating nuclear plant construction. Most agreed that these goals could be met by their industry given that the appropriate climate was fostered.

### Meeting the nuclear goals

The nuclear energy development program has set as a goal installing 1,000 gigawatts of domestic nuclear capacity and exporting 1,500 nuclear reactors of a 1,000 megawatt capacity to the developing sector by the year 2,000. Initially the focus will be on domestic production, siting 500 gigawatts by 1990 so that nuclear represents 55 percent of domestic electrical energy production. Also by 1990, 185 gigawatts will have been exported. By the early 1990s, floating nuclear plant production

should be in full gear, correlating with a sharp rise in exports and a tapering off of production for domestic use.

How are these goals to be met?

At present, the U.S. nuclear industry is running at less than 50 percent of capacity. Of the three factories producing reactor pressure vessels, the Babcock and Wilcox plant in New York State has been shut down until orders pick up. Even if the industry were brought to full capacity tomorrow, the U.S. could only manufacture 30 nuclear reactors per year.

The first step in meeting the production goals outlined in this nuclear production program for the United States, therefore, will be to bring the industry to full capacity and at the same time expand existing facilities by 50 percent in the next two years.

In four years, at least one new vessel fabrication plant must be built. The vessel production capacity of these plants can be raised to 45 per year by 1981 or 1982 and to 65 by 1983 if a single plant with an annual output of 20 vessels comes on line. Every succeeding year or two it will be necessary to bring on line another vessel production plant until 20 are in operation by the year 2,000. In the near term, the virtual shutdown of vessel production means that the first few years of the nuclear expansion program will be slower than would be necessary in light of existing production capacity were it being fully utilized.

A large proportion of the nuclear reactor output by the year 2,000 will be of the floating variety, both for export and for domestic use. These floating reactors are built on barges at special facilities similar to shipyards

## Fabrication and production plant goals for nuclear expansion program

Year	Number of component* fabrication plants (10-20 components/yr.)	Fuel production (metric tons of UO <sub>2</sub> )	Number of fuel enrichment plants (2300 metric tons/yr.)	Number of fuel fabrication plants (600 metric tons/yr.)	Number of fuel reprocessing plants (1500 metric tons/yr.)	Number of floating plant assembly sites (4/yr.)
1980	3	3750	2	6	0	0
1985	7	9450	5	16	5	5
1990	9	27,900	12	47	11	17
1995	14	52,650	23	88	25	39
2000	20	90,300	40	151	45	NA

\* Includes pressure vessels and steam generators only.

and then towed to their destination along a coastline or in a river. The special advantage of this method of construction is that not only can the plant be constructed in advanced sector countries where the skilled labor currently exists, but also little land-based infrastructure is required to site and utilize these plants in developing nations. In fact, floating nuclear plants can be used to begin development of areas that otherwise would have to depend on labor intensive means of energy production.

Today there is one partially completed floating nuclear plant facility in Jacksonville, Florida capable of assembling four plants each year. This facility should be completed in 1981, with the first four plants floating off the assembly line in 1985. Expansion of this facility and construction of 19 additional plants with larger capacities will meet the requirements of constructing some 950 floating nuclear plants for both domestic use and export by the year 2,000.

These projections are based on considerations that assume that the length of time necessary to construct a nuclear plant can be reduced from the current 10-12 years to six. But this shortening of production time does not take into account the effect of industry-wide implementation of standardization and mass production techniques that have already been introduced by the Soviet Union at the Atommash complex that is in the process of mass-producing nuclear plants. Other new technologies will also affect production time such as the recently announced use by the Soviets of the plasma arc for machining specialty steels used in reactor construction.

To fuel these reactors, more fuel enrichment, fabrication, and reprocessing plants must be built. There are now three fuel enrichment plants. Each plant has a capacity to produce 2,300 metric tons per year of UO<sub>2</sub>, the chemical form in which the fuel is fabricated into rods.

The average 1 gigawatt nuclear plant requires a charge of 90 metric tons to start up; 30 metric tons are replaced each year. On this basis and on the basis of the number of reactors projected to be in operation by the year 2,000—both domestic and exported—40 enrichment plants will be required.

Fuel fabrication into the configurations of rods and bundles now occurs at five or six plants each with a capacity of 600 metric tons per year of UO<sub>2</sub>. At that unit size, 150 such plants will have to be in operation by the year 2,000.

The Barnwell, South Carolina nuclear fuel reprocessing plant has a potential capacity to handle 1,500 metric tons per year of UO<sub>2</sub>. It should be completed by 1981. Best estimates at the present time are that a facility with twice the capacity, or 3,000 metric tons a year, would be optimally cost effective. It will be necessary to construct 17 such plants by the year 2,000 to meet the demand for fuel reprocessing.

### The bill of materials

To manufacture 2,500 nuclear power plants by the year 2,000 will demand a full mobilization of existing U.S. basic production plant and equipment and the expansion and growth of basic U.S. industry.

Over 140,000 engineers will have to be trained to

## Materials and labor for nuclear construction program

Year	Steel (mil. tons)		Cement and concrete (mil. tons)	Total (mil. man-years)	Manpower	
	Carbon	Alloy			Skilled workers	Engineers
1980	7.0	0.6	15	0.8	158,000	32,000
1985	19.0	1.7	41	2.0	332,000	68,000
1990	45	5.7	136	5.4	454,000	86,000
1995	90	14.4	373	11.4	625,000	114,000
2000	158	25.2	654	19.9	760,000	140,000

all figures cumulative

design, build and staff the nuclear reactors even as standardized design and assembly line production becomes the mode of manufacture. There are now about 32,000 engineers in the nuclear industry. Tens of thousands of highly skilled construction and manufacturing jobs will have to be filled by the next generation of workers, intensively educated and trained on the job to build a mass production industry out of what is now a handicraft.

To build a nuclear power plant requires at least 30,000 tons of carbon steel, 1,700 tons of stainless, and 3,000 tons of other alloy steels. Most projections indicate that the U.S. steel industry will not be able to meet expected demand by the early 1980s. Over 30 million tons of additional capacity will be needed by the mid-1980s just to meet basic demands; more will be needed for the large-scale nuclear program being projected.

The table of total material and labor requirements summarizes the basic inputs, providing cumulative totals to the year 2000 for the 2,500 nuclear reactors slated for production, the fabrication facilities to build the pressure vessels and steam turbine systems for reactor production, and the fuel cycle and fabrication facilities. The amount of steel needed just for this program requires the construction of at least two 8 million ton per year greenfield plants in addition to upgrading and expanding existing capacity.

Specialty steel capacity was significantly expanded in the 1960s in anticipation of an expanding nuclear industry. Much of that capacity is now "excess" and idle. By the mid-1980s additional stainless and other specialty capacity must be on line.

One serious bottleneck to the gear up of basic industry is the machine tool and metal working equipment sector. At present, the lead time for delivery of the most advanced machine tools, such as a computerized boring mill, is two years. New capital goods production technologies need to be introduced to cut these lead times.

Quality control of reactor materials, especially the thick pressure vessels, is now time consuming and adds to the delay of reactor component fabrication. More advanced testing methods, such as X-ray techniques, ultrasonics and dypenetrants, can be applied to quality control in the nuclear industry. Other advanced methods, such as neutron radiography, are now under development.

Without the introduction of computerized and highly automated production technologies, the U.S. will not have enough qualified engineers and technicians to meet a high-technology 7 percent per year growth rate in electricity production. Technologies, like that to be used at the Soviet Atommash facility to produce standardized reactors based on the Henry Ford concept of assembly line production will eliminate the one-of-a-kind engineering requirements of the current U.S. nuclear industry.

### The role of nuplex

It is a goal of the nuclear development program to implement an oil-for-nuclear-technology trade policy with major Third World nations and to use nuclear as the basis for building cities in the underdeveloped sector.

## Materials and labor requirements per plant

Type	Materials (tons)					Man-hours labor	Comments
	Steel	Stainless	Alloy	Cement	Concrete		
LWR	47,900	2,030	4,870	59,700	564,000	12 million	for a 1000 MWe plant
FBR	30,700	1,720	3,510	33,400	317,000	14.2 million	
HTGR	73,760	3,192	11,600	49,440	426,400	13 million	
Reprocessing plant	51,400	4,520	7,080	88,000	745,000	16 million	LWR reprocessing 1500 metric tons/yr. capacity
Enrichment plant	331,000	16,400	32,100	120,000	1,200,000	69 million	Diffusion plant, 2,300 metric tons/yr.
Fuel fabrication	22,010	169	304	2,800	27,300	1.3 million	No PU recycle, 600 metric tons/yr. capacity
Fuel fabrication	21,040	60	134	4,025	40,100	1.2 million	With PU recycle, 150 metric tons/yr. capacity
Basic component fabrication plant	30,000 tons of basic structural steel				50,000	3 million	to build all kinds of fabricating plants, i.e., pressure vessels, generators, turbines, etc.
Floating nuclear plant construction facility	40,000 tons of basic structural steel				500,000	70 million	This plant will initially produce 4 1000MWe plants/yr., but later will be expanded to 8 plants/yr.

LWR = Light Water Reactor    FBR = Fast Breeder Reactor    HTGR = High Temperature Gas Reactor

The nuplex and "Integrated Industrial Complex" is this nuclear power plant of the future, providing energy as heat and electricity to power concentrations of industrial and agricultural processes. The nuplex concept is particularly important for the developing sector where the infrastructure for energy, industry and agriculture does not exist and must be developed from the ground up.

A significant portion of the reactors slated for export from the United States will be, therefore, part of a much larger development package which could include an aluminum production plant, a steel production plant, a synthetic fuel production plant, a chemical fertilizer production plant, and desalination plant, or a combination of these and other facilities. The design of the nuclear reactor or reactors nuplexes will have to be tailored to the type of production facilities to be built and the entire nuplex design must be tightly integrated.

All current reactor designs—the Light Water Reactor, the Liquid Metal Fast Breeder Reactor, and the High Temperature Gas Cooled Reactor—can be used in nuplexes. But the reactor best suited is the HTGR. The most efficient and productive nuplexes can be designed and constructed if a cheap source of high temperature process heat is available with temperatures in the 1400 to 2000 degree Fahrenheit range. The HTGR is the only reactor that can meet these temper-

ature requirements and has been featured in the most recent design of several nuplexes. The lower temperature reactors, like the LMFBR and the LWR, will be able to produce process heat or steam also, but at temperatures of 1000 and 600 degrees Fahrenheit respectively. They can be effectively and economically used in certain types of nuplexes, but they are not as versatile for such applications.

In addition to the higher temperature process heat and steam applications and the production of electricity, the waste heat of all three reactor types can effectively be used in the nuplex as well. This low temperature process heat or steam can be used to desalinate water, heat entire cities, support aqua-culture, provide year-round crops in cold climates, to mention a few applications.

The HTGR has been designed and is currently being developed for nuplex applications by General Atomic Company in the United States and by the West German government. Although these research and development programs have been underfunded during the past 5 to 10 years, it is estimated that given the appropriate funding levels, commercial-size reactors with temperatures in the 1400 to 1600 degree Fahrenheit range could be available for production within 7 to 10 years and could be used in nuplex designs in the 1990-2000 period and beyond.



# Research and development for a fusion economy

Successful realization of the nuclear energy program will be based on the continual development and introduction of ever more efficient types of nuclear technology. The ultimate goal of this effort must be a crash program for thermonuclear fusion power development to guarantee the vast energy and raw materials supplies needed for the next century. The major steps in this program can be achieved by the end of the century if initiated with an investment of approximately \$50 billion for advanced nuclear technologies research and development over the next decade.

In the recent past, U.S. government expenditures on advanced research and development have paid off ten to twenty-fold in real economic growth. The result of the NASA program of the 1960s, for example, was a \$14 return for every \$1 of government investment. A \$50 billion investment in nuclear technologies research can be expected to meet or surpass that payoff—in sharp contrast to Carter's recently proposed national energy program which would pour tens of billions into 19th century technologies such as coal gasification.

President Carter has asked the American people and the U.S. Congress to rubberstamp his \$142 billion program for "American energy security." Over 10 years, Carter's plan would pour these billions down the sinkhole of synthetic fuels development and into such economy-wrecking boondoggles as his proposed—and totally incompetent—National Solar Bank.

With a research and development investment of approximately \$50 billion in nuclear technologies over the next decade—that is, for merely one-third of Carter's inflationary, economy-wrecking program—America can be put securely on the road to a nuclear future. This investment would aim the U.S. toward the goal of commercialization of thermonuclear fusion power, the technology that can guarantee virtually unlimited cheap energy supplies and vast new supplies of raw materials for the coming decade.

The goals of the nuclear research and development program are these:

1. The completion of the nuclear fission fuel cycle through the use of the fuel breeding reactor and the reprocessing of spent reactor fuel.
2. The further development of high-temperature gas reactors of various sizes and designs and their use—along with high temperature fast breeder reactors—for heat in industrial, chemical, and agricultural applications, and for the preliminary testing of hydrogen production.

3. The development of the fusion-fission hybrid breeder reactor to guarantee sufficiently fast growing amounts of fuel for all types of fission reactors.

4. The construction and testing of the first prototype commercial deuterium-tritium burning fusion reactor.

5. The initial research and development on the use of fusion reactor-grade plasmas for materials processing and extraction.

6. The exploration of a large number of fusion concepts to determine the conditions for burning of so-called advanced fusion fuels which produce electricity directly, with virtually no waste heat or radioactivity.

The benefits of nuclear technology are only secondarily located in its ability to efficiently generate electricity and expand energy supply. The greater economic contribution will come from the increased use of nuclear-derived energy in all forms in integrated combinations of raw materials processing, industrial production, and agricultural applications. This type of integrated, nuclear-based production is called a nuplex. The use of hot plasmas from fusion reactors to separate and extract all sorts of raw materials is known as the "fusion torch."

To achieve the enormous economic benefits of nuplex and fusion torch technologies, a balanced combination of large-scale engineering and basic scientific research will be required over the next two decades. These will be made possible by the consolidation of a fully rounded nuclear electrical generating and export industry in the next decade.

The most immediate step to be taken is the removal of the artificial bottlenecks standing in the way of the full-scale operation of the nuclear industry by the standardization and licensing of an adequate number of spent fuel reprocessing plants (such as the facility at Barnwell, South Carolina), the completion of the Clinch River breeder reactor, and the granting of U.S. licenses to foreign (e.g. French) breeder designs. That will also provide the context for solution of the secondary program of waste storage of the nuclear wastes remaining after reprocessing.

With that base, R&D work can proceed on the design and testing of various types of heat and radiation reaction blankets to make full industrial use of the next generation of higher temperature reactors, the high temperature gas reactor and the fast breeders.

The development of the fusion-fission breeder reactor and the first deuterium-tritium fusion prototype

can proceed in parallel, based on the most promising fusion reactor types, such as the tokamak. The hybrid can breed new fuel about 10 times faster than the fission breeder, and is absolutely necessary to meet the projected fueling requirements. Likewise, parallel research will be undertaken on the preliminary stages of fusion torch, hydrogen production, and nuplex processing technologies during the next decade. All these areas of R&D will require not only expansion of the nuclear industry but also a vast expansion of R&D inputs from high-technology industries such as aerospace.

The most important area of research, however, will at all times be the fundamental scientific investigations associated with the fusion program. It is still not well understood what sort of plasma conditions are most conducive to the ignition of fusion plasmas and their efficient burnup. The most important clues to the solution of this problem are provided by the many instances of self-ordering processes in plasma which cause a profound qualitative change in its physical state. The study of such processes must be at the core of the research program.

The required fusion development program therefore involves the following features: construction and engineering of mainline reactor prototypes; testing of several backup designs; research on alternative concepts, such as the imploding liner; and broad-based fundamental theoretical and experimental investigations of the self-organizing features of plasma processes.

The pace-setting component of the program, the basic research area, requires the development of a qualitatively new type of research facility. This fundamental research center must impart to staff and students a mastery of the actual historical development of the past breakthroughs in mathematical physics, as well as the means for combining theoretical work in mathematics and physics with crucial experimental testing of new hypotheses. As soon as is practical, these centers should be located in every region of the country.

It is this research which will ultimately make it possible to construct highly efficient advanced fuel fusion reactors with full nuplex and fusion torch capabilities. The end result of the nuclear R&D program of this century will be a complete industrial revolution at the beginning of the next century.

### **The fusion development program**

The advanced sector, led by the United States, has the opportunity to begin the massive building of cities centered around nuplexes at the same time that a vigorous international program in research and development is conducted on the frontiers of science.

The foremost need in such a research and development program is the upgrading of the current U.S. fusion program which, as seen in results obtained last August with the Princeton Large Torus tokamak reactor, maintains a leading place in world fusion research.

Over the 1980-1990 period, a \$50 billion international effort is required to ensure that the world's population will have an inexhaustible source of power into the next century. The commitment to solving the remaining scientific, engineering, and materials problems in fusion and to designing commercial-scale electric-power reactors must be led by the United States.

In the near term, a number of experiments both in magnetically confined and inertially confined fusion will be producing important results that are expected to solve the remaining materials and engineering problems on the road toward developing commercial reactors. The Princeton results themselves showed that the tokamak geometry for magnetically confined fusion was capable of achieving temperatures higher than was required for ignition—44 million degrees Celsius. The next step is to accelerate basic system design and materials development.

It has long been recognized in the scientific community and by the predecessor to the Department of Energy, the Energy Research and Development Administration, that the rate at which scientific and engineering progress can be made in the fusion program depends directly on adequate levels of funding. Yet the U.S. program is now on the lowest and slowest of the five funding time tables developed by ERDA: Logic II, which does not see the production of a fusion reactor any earlier than 2015. Logic I does not even provide the funding levels for the program to achieve a commercial fusion reactor.

The following steps must be taken to achieve the most rapid progress toward the large-scale introduction of fusion energy:

- Increase the fiscal 1980 budget allocation by supplemental appropriation to the level required to maintain the construction schedule for the engineering test facilities for both the magnetic confinement and the inertial confinement programs, and begin the design and development work for an engineering power reactor (EPR) by the year 2000.

- This requires an upgrading of the fiscal 1981 budget level as a transition to an Apollo-style fusion program which is necessary to produce the EPR commercial demonstration reactor.

- After the funding requirement is met, the remaining bottleneck in gearing up for a crash program for fusion power development is the inadequate number of trained scientists and engineers that are needed to solve the remaining basic theoretical questions of plasma physics and to build a whole new series of industries that will be required to develop commercial fusion reactors. A brute force educational program, like the one undertaken by NASA, is needed to set up as quickly as possible the fundamental research centers to train the next generation of scientists and engineers in the quantity and quality required. The Fusion Energy Foundation and others in the scientific community have long

## What is the fusion torch

With the advent of fusion energy a new technology comes on line for materials processing known as a fusion torch. By exposing materials to the temperatures attainable in a fusion plasma—in the range of tens to hundreds of millions of degrees centigrade—any atomic species can be ionized, have one or more electrons removed from it, leaving it in a charged state. In the presence of electric and magnetic fields, this ionized material can be separated or combined to produce chemically pure materials or fabricate the desired compounds.

The torch uses the high temperature plasma generated in a fusion reactor, preferably of a cylindrical rather than a toroidal configuration. The reactor need not be a net energy producer, but simply capable of sustaining a fusion burn. Part of the plasma is shunted out of the reactor in such a way as to avoid transmission of neutron radioactive contamination, and the material processing occurs in a separate chamber where the plasma is collected.

The implications of this technology are enormous for the potential expansion of natural resources. With the fusion torch and cheap, abundant energy, mining of low grade ore, unfeasible with conventional techniques, is made possible.

It has been estimated that ore processing using the fusion torch can be economically competitive with present methods, even extracting elements from dirt. One of the striking results of this kind of processing is that aluminum, significantly more abundant than iron but more expensive to produce, would become relatively inexpensive and could replace many uses iron now fulfills.

In addition, large amounts of ultraviolet and x-ray radiation can be produced in desired frequency ranges. This energy could be applied to photolytic chemical processing, a technology still to be developed.

Although the concept of the torch has been in existence since the 1960s, there has been only a small amount of theoretical work done to date, and no experimental work.

A crash development program, testing both the magnetic switching and the plasma centrifuge concept for materials separation and the various possibilities for photolytic chemistry should make it possible to add this technology to the industrial arsenal even before the achievement of commercial energy production using pure fusion devices.

recommended that a panel of leading scientists, engineers, and industrial experts be convened to make recommendations to Congress on the organization, structure and funding of an accelerated fusion program to begin in fiscal 1982.

Such a panel has been convened by Rep. Mike McCormack (D-Wash.) who noted in announcing the formation and goals of the panel on June 26: "Nuclear fusion has the greatest potential of any advanced energy technology. It offers a literally inexhaustible and practical energy source—all the energy that mankind can use for all time. Our goal is to have the first commercial demonstration fusion plant on line by the year 2000."

The panel, led by Dr. Robert Hirsch of Exxon Research and Engineering Company, includes scientific and industry experts: Dr. Fowler of Lawrence Livermore Lab, Dr. Furth of the Princeton Plasma Physics Lab, Dr. Trivelpiece of Science Applications, Inc., Robert Smith, chairman of the Board of Public Service Electric and Gas, and Dr. Tihoro Ohkawa from the fusion division of General Atomic Company.

At hearings and closed door deliberations on July 10 and 11, the panel considered recommending a sig-

nificant increase in fiscal 1980 appropriations for fusion and a 50 to 100 percent increase in fiscal 1981. Rep. McCormack has recommended a \$500 million fusion program by FY81.

### The fusion budget

To get the nation back on the track as a world leader for growth and development requires nothing short of an Apollo Project centered around fusion research. The nuclear energy development program proposes a total fusion budget of over \$6 billion for fiscal year 1981. The bulk is allocated for alternative magnetic fusion systems, and \$1.5 billion for inertial confinement research.

These figures are based on past studies done by the Fusion Energy Foundation, updated for 1980 dollars, and on the actual fusion funding in the past three years. The primary source for the magnetic confinement program is the detailed Energy Research and Development Administration study, *Fusion Power by Magnetic Confinement Plan*, Vol. 1-4, ERDA 76/110 (July 1976).

These budget figures for magnetic confinement were

arrived at by taking the most advanced ERDA plan in this study, termed Logic V, and adding to the Logic V 1980 budget those funds suggested by Logic V, but not actually appropriated for experimental and engineering facilities in 1978 and 1979.

The projections for the inertial confinement program were made using previous outlines of program plans presented by the Department of Energy's Laser Office, the Lawrence Livermore Laser Division Annual Report for 1976 and consultations with research scientists.

Funding for 10 basic research centers represents a target figure to be authorized, but not spent until the scientific manpower is built up to support a full research program that will back up the mainline fusion efforts.

The fusion budget figures break down as follows:

- 1) For fiscal year 1980, the budget for both magnetic and inertial confinement fusion must be supplemented by a total of **\$220 million**.
- 2) For fiscal year 1981, the proposed budget is geared toward maximum effective effort with funding for the magnetic confinement program totaling **\$2.827 billion** which includes **\$1.130 billion** for the Procurement, Construction and Engineering (PACE) program for tokamaks; **\$377 million** for the PACE program for new engineering facilities; and **\$440 million** for alternative concepts PACE.
- 3) The proposed fiscal year 1981 budget for inertial confinement totals **\$1.904 billion** and includes **\$1.200 billion** for construction of major projects; **\$364 million** to fund operations for major areas of study; and **\$340 million** for equipment.
- 4) Basic research program is to be funded at the level of **\$2 billion**.

## Hydrogen's role in a nuclear-powered economy

While nuclear-generated electricity and the direct application of process heat will be the principle energy sources for industry and the economy for the future, beginning in the 1990's we will increasingly replace gasoline as the principal liquid fuel for transportation. The best candidate as a substitute for liquid fuels, which will be needed as a petrochemical feedstock, is hydrogen.

There are two major areas of application for hydrogen as a fuel. The first is in the form of fuel cells in transport—automobiles, trucking and buses. The second application is the direct use of hydrogen in standard internal combustion engines, with some modification.

The use of hydrogen as an internal combustion fuel in vehicles has undergone experimental work by the auto industry and others, but the major problem has been the transport and on-board storage of an explosively flammable liquid or gas. Some experimental work on engine modification has been done, but they do not meet economic or performance criteria, at this time.

Much safer and more promising than the transport and storage of hydrogen directly is the use of hydrides. A solid hydride is produced by applying hydrogen under pressure to rare earth metals which absorb the hydrogen gas. As the temperature of the hydride is raised (it is stable at room temperature) the trapped hydrogen molecules are released. This safe source of hydrogen can then be used directly in combustion or in fuel cells which produce electricity directly and can be used for electrical vehicles.

The use of fuel cells using hydrogen has undergone considerable experimental work, both in the U.S. and abroad. The set of electrodes in the hydrogen fuel cell

uses ionic hydrogen, activated by a metallic coating on one electrode, in combination with oxygen to produce a direct current. Consolidated Edison is now building a 4.8 MW fuel cell power plant in New York, which will be installed by 1980. The potential conversion efficiency of these fuel cell systems is 65-80 percent.

A major economic problem in the hydrogen economy at the present time is finding a cheap source of the hydrogen itself. After 1990, the availability of fusion-based plasma technologies, hydrogen can be derived through photolysis of water—the use of ultraviolet light to irradiate water. This can be done through the use of any heavy impurity introduced into the fusion plasma.

In the intermediate term, High Temperature Gas-Cooled Reactors, under commercial development in the U.S. and West Germany, can be used in advanced thermo-chemical reactions, now under investigation. The Nuclear Research Center in Juelich, West Germany has been experimenting with this method of "splitting" water.

In the immediate term, methanol can be used as a substitute for gasoline fuels, and can be produced economically as a byproduct process from conventional steel production. In the process developed by a steel industry researcher, Robert Jordan, the input of pure oxygen into the blast furnace and capture of the rich top-gas produced is combined with hydrogen in a reaction chamber to produce methanol. This should be the method of basic blast furnace steelmaking in all new facilities around the world over the next two decades; and in the nuplex, an integrated industrial processing complex, a ready source of liquid fuel would then be produced on-site as methanol.

# The U.S. commitment to nuclear power

Since the end of World War II, U.S. industry has exhibited a commitment to a program for rapid implementation of nuclear energy and for international dissemination of the benefits of an increasingly nuclear powered economy.

The rapid development of nuclear energy became the centerpiece of U.S. energy policy, in explicit to-be-implemented terms, with President Eisenhower's proposal for an Atoms for Peace program which he made at the United Nations in December 1953.

On Feb. 17, 1954, Eisenhower sent a message to Congress requesting that the Atomic Energy Act of 1946 be amended to meet the new reality of the mid-1950s. That message read in part:

"Since 1946, there has been great progress in nuclear science and technology. ... The anticipations of 1946 ... have been far outdistanced. In 1946, economic industrial power from atomic energy sources seemed very remote; today, it is clearly in sight—largely a matter of further research and development, and the establishment of conditions in which the spirit of enterprise can flourish.

"... These (atomic weapons secrecy) restrictions impede the proper exploitation of nuclear energy for the benefit of the American people and of our friends throughout the free world."

Eisenhower and the Congress's clear intent in amending the Atomic Energy Act was to create a civilian nuclear industry based on sound American System principles:

"Industry's interest in this field is already evident. ... In amending the law to permit such investment, care must be taken to encourage the development of this new industry in a manner as nearly normal as possible. ... It is essential that this program so proceed that this new industry will develop self-reliance and self-sufficiency."

The conclusion to this Congressional message sums up the general focus of U.S. nuclear policy:

"The destiny of all nations during the 20th century will turn in large measure upon the nature and the pace of atomic energy development here and abroad. The revisions to the Atomic Energy Act herein recommend-

ed will help make it possible for American atomic energy development, public and private, to play a full and effective part in leading mankind into a new era of progress and peace."

It need only be mentioned that in 1967 Eisenhower proposed a joint Arab-Israeli development program for the Middle East that was based on the use of nuplexes, nuclear-powered agroindustrial complexes, as part of the solution to the continuing tensions in that area.

Former President Nixon also strongly supported the rapid development of nuclear energy. In his April 18, 1973 Message to Congress on Energy Policy, he stated:

"The major alternative to fossil fuel energy for the remainder of this century is nuclear energy. ... It is estimated that nuclear power will provide more than one-quarter of this country's electrical production by 1985, and over half by the year 2000.

"Most nuclear power plants now in operation utilize light water reactors. In the near future, some will use high temperature gas-cooled reactors. ... At present, development of the liquid metal fast breeder reactor is our highest priority target for nuclear research and development.

"... Every effort must be made by the government and industry to protect public health and safety and to provide satisfactory answers to those with honest concerns about this source of power.

"At the same time, we must seek to avoid unreasonable delays in developing nuclear power.

"Our nuclear technology is a national asset of inestimable value. It is essential that we press forward with its development."

In addition to fostering research of the fast breeder reactor, Nixon was also committed to the development of fusion energy.

"The waters of the world contain potential fuel ... sufficient to power fusion reactors for thousands of years. ... I have proposed in my 1974 budget a 35 percent increase in funding for our total fusion research and development effort to accelerate experimental programs and to initiate preliminary reactor design studies."

# The President's impossible program

The energy program for the United States, as President Carter and his administration have formulated it over the past four months, is a grab bag of proposals ranging from antitechnology, high-priced production boondoggles to plans for synthetic fuel production emulating the Nazi war economy.

The basic assumptions of the Carter program are as follows:

1. The single stated purpose of Carter's energy strategy to the year 2,000 is to decrease the dependence of the United States on oil imports from member nations of the Organization of Petroleum Exporting Countries.

2. This independence from OPEC will be achieved without regard to the costs to the economy in terms of cost of energy, cost of capital investment to build alternate energy sources, or cost of unreliability of decentralized energy systems.

3. Nuclear energy is basically unsafe and advanced nuclear technologies, such as the fast breeder reactor, are not necessary since, under the Carter program, light water reactor-produced energy will undergo only a minimal growth rate.

4. Instead of investing capital to produce energy, capital will be spent to save energy at whatever cost.

5. The growth rate for primary energy and electricity until the turn of the century will be approximately half the rate of growth seen in the U.S. since World War II.

The cost to Americans of this program alone will be \$150 billion.

## Conservation

On July 15 and 16, President Carter proposed to the nation not an energy program, but an *import reduction program* to reduce U.S. consumption of OPEC oil. On April 5, the President had outlined these programs in his energy message on conservation and solar energy. At that time, he proposed that immediate conservation steps be taken including congressional approval of mandatory conservation measures to impose limits on thermostats for heat and air conditioning, "saving" between 195-390,000 barrels of oil per day, voluntary state plans to reduce gasoline consumption which could be federally enforced; mandatory weekend closings of gasoline stations, saving 120-270,000 barrels per day; and the curtailment of oil-produced electric power to

be replaced by coal-produced electricity brought in through voluntary or federally forced wheeling of power, saving 100-200,000 barrels per day.

Later in his July 16 message, the President announced the allocation of about **\$2 billion** to subsidize conservation in homes and commercial buildings to save approximately a half million barrels of oil per day. The total direct cost of this conservation, however, is **over \$11 billion**. This includes \$1.14 billion lost in federal taxes through the \$300 tax credit to families spending \$2,000 for home conservation investment, and approximately \$8 billion that the 4 million projects families would spend on this equipment.

This \$11 billion cost does not include the wasted energy that will go into producing insulation, storm windows, etc., which must be subtracted from the investable surplus of the economy. This cost, which is supposed to save a half million barrels of oil per day, also does not include the millions of dollars utilities are supposed to lend to customers to insulate and convert from both oil and electric to natural gas heating.

For \$11 billion, it is projected that over a decade about 1.8 billion barrels of oil will be "saved." For that same cost, over 10 gigawatts of nuclear-generated electrical power could be installed.

## Conversion to coal

After the 1973 oil embargo, the then Federal Energy Administration issued orders for the voluntary conversion from oil and gas to coal for 105 existing electrical power plants. *Not one* utility voluntarily converted to coal because of the combined physical impossibility and economic consequences of such a program. In 1977, the orders were made mandatory and a series of still continuing court cases were initiated by utilities and industrial users who estimate the cost of production would increase close to 2 percent if the conversion orders were followed.

The second part of the National Energy Plan submitted by Energy Secretary Schlesinger and the Department of Energy in April of this year, set targets of reducing oil imports by 300,000-450,000 barrels per day by 1985, in the most ambitious conversion program put forward by the administration. The President, in his July 16 energy speech, upped the conversion ante to save 750,000 barrels per day by 1990.

It is known by the utilities and the National Coal



Association that most oil-burning utilities in the Northeast could not possibly stockpile millions of tons of coal at their urban plants. The boilers themselves would have to be torn down and rebuilt, according to the American Boiler Manufacturers Association, and investment in pollution control devices would drain **hundreds of millions of dollars** out of utility investment funds.

The Edison Electric Institute estimated in 1977 that the cost of conversion of existing plants and the guidelines for future coal-burning plants would add **\$50 billion** to the construction and operating costs of the utilities, making the entire program "financially disastrous." Furthermore, the diversion of these funds from the building of larger and technically more efficient new plants represents an absolute tax on the electrical industry and consumers.

Since all experts agree that the utilities cannot financially or physically comply with this 50 per cent reduction in the use of oil by 1985, 1990, or at any time, the only *real* effect of this policy will be to *shut down* approximately half of the existing oil burning capacity or force the electrical utilities to burn synthetic liquid fuels which will *double* the cost of delivered electric power to their customers.

### New supply initiatives

The hallmark of the Carter program for the past two years has been to pour federal research and development tax money down the sinkhole of developing "new" energy supplies, all of which at least *double* the cost of present energy supplies. The fast breeder has been put on ice; the Energy Department put in a fiscal year 1979 budget request that did not include the high temperature gas cooled reactor; the thermonuclear fusion budget is not keeping up with inflation; and the coal MHD (magnetohydrodynamic) program is under the threat of shutdown.

Instead, the administration proposes what New York Senator Moynihan accurately called a "crash program for 19th century technology," including coal synthetics, solar-biomass energy (including gasohol), and marginal fossil fuel reserves (shale oil, Devonian shale for gas, etc.). In the National Energy Plan, part II, submitted in late April, the perspective was laid out of having these "backstop" technologies ready to be commercially deployed in the 1990s if the price of

## The cost of Carter's energy programs

### A. Import reduction program-1980-1990

Program	\$ billion
1. Energy Security Corporation	88.0
2. Oil Shale Tax Credit	1.0
3. Unconventional Gas Tax Credit	1.0
4. Utility Use Reduction	5.0
5. Conservation	2.0
6. Transportation Efficiency	16.5
7. Low-Income Assistance	24.0
8. Solar Bank and Tax Credits	3.5
	<hr/>
	141.0
9. Additional Conservation Programs	1.2
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April 5	142.2
Average cost per year	\$14.2 billion

### B. FY80 budget allocation in nonproductive energy technology expenditures

1. Solar energy	.845
2. Conservation	.963
3. Coal synthetics	.291
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	2.099

### C. Grand Total—Expenditures for FY80 (A + B)

\$16.299 billion

imported oil made them competitive. In Carter's July 16 program, cost became no consideration.

The President is now proposing the formation of an Energy Security Corporation, funded to the tune of **\$88 billion**, which would produce 2.5 million barrels per day of oil equivalent by 1990. This money is supposed to come from the windfall profits tax on the oil companies after a phased decontrol of oil prices by 1981. In addition to financing the **\$88 billion** energy supply program, the taxes looted from the higher prices paid by U.S. tax payers and industry are supposed to pay for the added **\$2 billion** conservation program, the **\$24 billion** over 10 years to low-income families, the **\$5 billion** to utilities for coal conversion, the **\$1 billion** oil shale tax credit, the **\$1 billion** for unconventional natural gas development, the **\$16.5 billion** for mass transportation, and the **\$3.5 billion** for the solar bank proposed by the President in his April 5 energy speech.

This adds up to a **\$144 billion** tax on the standard of living of every U.S. citizen which will go into income subsidies and supply development subsidies to produce energy that most people will not be able to afford. All this by 1990.

Since the enactment of the first National Energy

Act last year, liquid fuel from biomass, or gasohol, has enjoyed a 4 cent per gallon federal tax exemption. On April 5, the President recommended that the exemption be extended beyond the Oct. 1, 1984 cut-off in the act. On July 16, he proposed that this exemption be permanent and that tax money be used to subsidize gasohol production to the tune of \$16.80 per barrel. The optimistic production estimates for gasohol, set as the national goal, is 120,000 barrels by 1990. This will cost the taxpayer about **\$200 million**.

Though virtually no one takes the stated goal of producing 20 percent of U.S. energy consumption from solar as a serious proposal, the DOE FY80 budget request to Congress plans on spending over **\$800 million** in R&D money and tax credits and loans for passive solar heating, research into direct electricity conversion from the sun, industrial process heat from solar, and various other possibilities. None will or can be implemented without massive subsidies to residential consumers and other end users.

The President also proposes to replace about 2.5 billion barrels of oil per day with various "backstop" technologies by 1990. This includes: about 400,000 barrels per day from oil shale, using a **\$1 billion** tax credit; 500,000 from unconventional gas with another **\$1 billion** tax credit; 100,000 from biomass, and 1.5 million from coal liquids and gas. This coal synthetics program would require mining at least an additional *150 million tons* of coal each year. This synthetics program would soak up most of the \$88 billion in the Energy Security Corporation, between now and 1990.

Leaving aside for a moment the physical effects such as a program would have on labor productivity and plant and equipment, just consider what we would be getting for *our* money.

Schlesinger's second National Energy Plan estimates that the replacement of 1 million barrels per day oil equivalent with synthetics entails building 20 synthetics conversion plants at a cost of about **\$32 billion**. The fuel that will be produced will sell for at least **\$40 a barrel** of oil equivalent. This means that the price of energy "independence" which is supposed to lower our oil bill and the cost of energy throughout the economy will double as "domestic" synthetic oil is substituted for the oil being sold to the U.S. by OPEC.

The Schlesinger plan, written three months ago, concludes, therefore, that coal synthetics should be brought on line in the 1990's only as the world price of oil makes them competitive. Carter has since decided that regardless of the cost to the economy, the 1990 goal of 1.5 million barrels per day will be met.

## How the alternate

The following report of a computer-generated analysis of alternative energy scenarios for the United States is drawn from a larger body of work in preparation under the direction of 1980 presidential candidate Lyndon H. LaRouche, Jr., a contributing editor of *Executive Intelligence Review*. Reproduced below are the graphic analyses of two energy scenarios: first, a crash commitment to synthetic fuels production as proposed by the Carter administration, and second, a crash commitment to nuclear power at the rate sufficient to generate an additional 7 percent of capacity per year.

As the graphs indicate, the *EIR's* Riemannian economic model, as programmed by the journal's economics staff, shows that the proposed synthetic fuels scenario would produce a form of economic breakdown by late in the 1980's, while the commitment to nuclear energy production would produce an economic growth rate exceeding—after 10 years—any previous postwar growth rate.

The data employed for the comparison are detailed exhaustively in the following section. In brief, the Riemannian model was programmed according to these specifications:

For each scenario, the capital costs of construction of new energy-producing facilities were added to the basic capital costs of the economy. The change in the price of energy produced was added or deducted from this incremental capital cost.

The cost of the two scenarios was then compared, and the difference—a massive difference in the case of the synthetic fuels production plan—was treated as a nonproductive expenditure in the final modeling.

In addition, for the synthetic fuels scenario, the productivity ratio was held constant through the entire period of the projection. In the case of the nuclear scenario, productivity was held constant for the first three years, and then increased by 5 percent per year for the remaining years of the projection. The basis for the different treatment of productivity under the two scenarios was a linear correlation of the change in energy prices with the annual change in productivity in manufacturing industries for the U.S. economy during the postwar period. There is a precise correlation between lower energy prices, measured in kilowatt-hours per dollar, and the rise in manufacturing productivity, measured in output per manhour, over the period examined, within any five-year period.

# energy policies stack up

The conclusion to be drawn from this correlation, a common conclusion, is that under conditions of energy price reduction, business tends to invest in more energy-intensive technology, which increases labor productivity. For example, the slow growth of productivity of the U.S. economy since 1973 is frequently traced to higher energy prices and the reduction of new investment in energy-intensive technologies.

Since the nuclear scenario involves a projected saving of over \$15 billion by 1987 in the cost of generated electricity in postwar history, it was decided to assign an annual rate of productivity increase at the upper range of the postwar characteristic level, with a three-year lag reflecting the time required for business to realize new investment decisions based on the expectation of cheaper electrical energy.

Given the extreme increase in the cost of all forms of energy projected under the Carter program, the assignment of a steady, rather than falling, level of manufacturing productivity probably represented an overly generous concession to proponents of the President's program.

## The cost of synthetic fuels

The largest single component of the increased cost of energy projected under the administration's scenario is the assumed rise in the price of oil to the level required to make the synthetic fuels program feasible, or \$42 per barrel of oil. The assumption of a general level of \$42 per barrel for oil runs contrary to the established assumptions of the administration program, which treats the enormous cost of synthetics as a special case, to be brought down to the otherwise-prevailing cost of oil through special government subsidies. However, we do not believe that the administration's assumptions accurately reflect the real-world consequences of the synthetic fuels program.

Apart from the \$88 billion projected construction cost of 25 synthetic fuels plants, and the \$18 billion annual subsidy required to hold the price of 2.5 million barrels per day of synthetic fuels down to market prices, the costs of the program will be enormous. They include:

**1. Environmental costs:** Coal hydrogenation on the scale projected by the administration requires gigantic amounts of water. In a 1977 study for the Department of Energy on the subject of synthetic fuels, the Hudson

Institute concluded that virtually the entire available water supply of North Dakota, South Dakota, and Wyoming would be used in such production (presuming that the synthetic fuels plants were located virtually at the mouth of coal mines in those states), wiping out agriculture in those states.

**2. Predictable cost overruns:** The capital equipment capacity, especially in the steel industry, does not presently exist to provide the vast amount of steel tubing required to build these plants. Therefore, the relative price of capital goods involved in the production of synthetic fuels—capital goods already affected by capacity bottlenecks—would have to rise spectacularly, throwing all current cost estimates up the chimney.

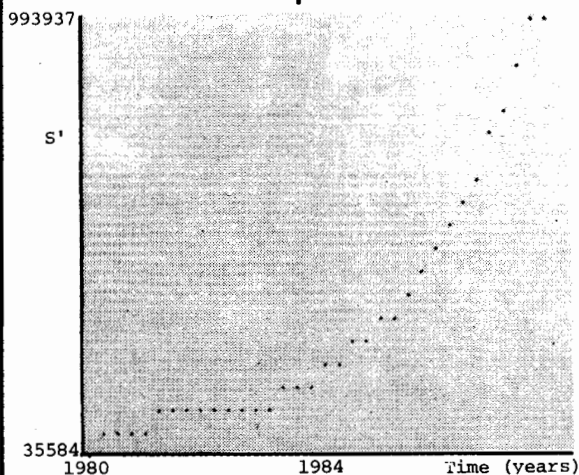
**3. Damage to other capital goods sectors:** The capital costs of coal mining development, synthetic fuels plants construction, soil-to-coal reconversion, and so forth would adsorb virtually the entire stock of several categories of capital goods. The physical goods would simply not be available for investment in other areas, crippling the capital goods sector of the economy.

Therefore, the assumption that the special costs of synthetic fuels can be "contained" within the administration's current, admittedly large, price estimates, is entirely insupportable. The secondary and tertiary costs would probably be several times in excess of the primary costs.

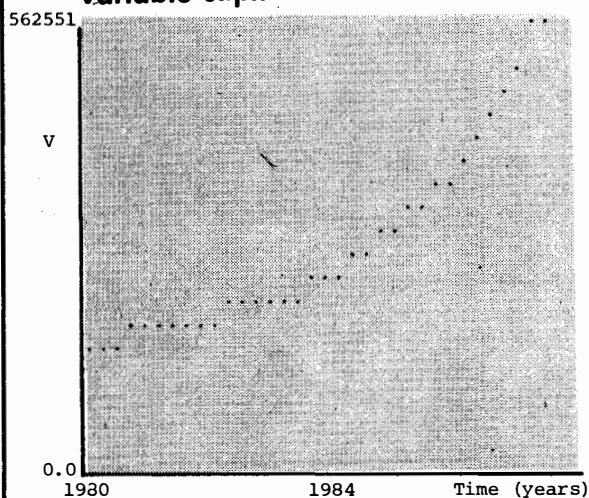
There are several ways to estimate these costs, but the simplest and most direct involves application of classical economics ground rent theory. What Carter has proposed is a strictly Ricardian ground rent case study, in which the resource in question, oil, is limited in availability by a federal import quota. All the marginal production of oil in this case is expected to come from synthetics, under the assumption that domestic oil production will not rise substantially. In this case the cost of the entire resource is determined by the marginal cost, i.e. the cost of synthetic fuels. In other words, even if the nominal cost of part of oil consumption is artificially held down below the level of synthetic fuels production, the total economic effect will be equivalent to a general \$42 per barrel oil price. This assumption follows the thinking of the Hudson Institute's current scenario—which formed part of the basis for the administration's proposals. Hudson simply assumes that the cost of synthetic fuels will have to become generalized.

## The LaRouche nuclear development program

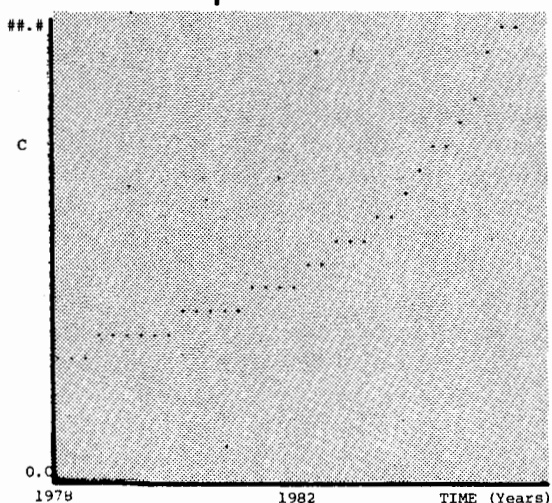
### Reinvestible surplus



### Variable capital



### Constant capital



Therefore, for purposes of programming, the increase in the price of \$42 per barrel was programmed into the computer, ranging from \$22.65 billion in 1980 to \$177 billion in 1988. This price figure, calculated as a nonproductive expenditure, contains embedded within it the costs mentioned above.

### How the model works

These constraints are analyzed by the computer program in the following way. The Riemannian model starts with a data base which divides the economy (or an economic subsector) into four categories, measured in constant-dollar sales of tangible output. The categories are variable capital (V), or the tangible consumption of the goods-producing labor force; constant capital (C), or the total raw materials and machinery costs of production; "d," or all expenditures that are not returned to the production cycle, including consumption of non-goods-producing workers and production of goods not used in the production cycle, like office buildings and tanks; and reinvestible surplus ("S'"), or the margin of production available for reinvestment back into the production cycle.

The program then calculates ratios for the change in these categories, showing the composition of the reinvested capital, or  $V/V+C$ ; the rate of nonproductive spending, or  $d/S$ ; and the rate of productivity, or  $S/V$ . The program then solves three simultaneous differential equations (or multiples of three for a multi-sector model) showing the rates of change in these measures.

Changes in the absolute values of C, V, d, or S' are used by the program to calculate further changes in the above ratios. The final printout shows the new absolute values for the basic categories within the economy's tangible output.

At the outset of 1979, the ratios for the U.S. economy stood as follows:  $V/V+C = .19$ ;  $S/V = 5.11$ ;  $d/V = 4.5$ . In other words, variable capital was a small proportion of constant capital; the rate of surplus was over five times the rate of variable capital; and non-productive expenditures were 4.5 times variable capital.

Adjusted for the changes in absolute values for both programs, and with the productivity assumptions noted earlier, the model produced the graphs displayed here.

The first set of graphs show, respectively, the level of reinvestible surplus production for the nuclear scen-

ario, the level of variable capital production for the nuclear scenario, and the level of constant capital production for the nuclear scenario.

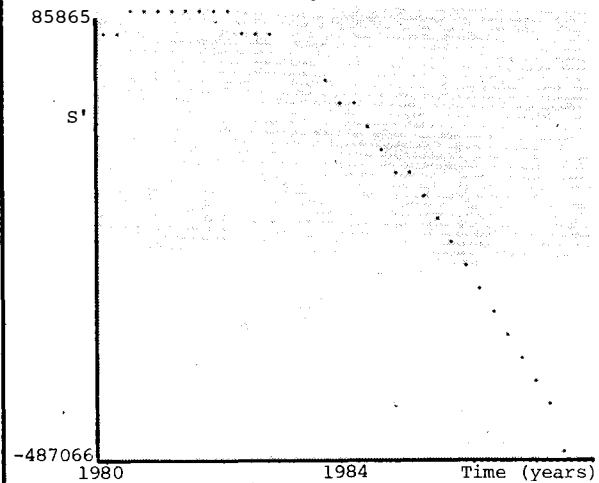
The second set of graphs show the reinvestible surplus, variable capital, and constant capital for the Carter administration's scenario.

One aspect of the first set of graphs must be set in the proper context, namely, the exceptionally high growth rates projected. By the final year projected, the model shows the U.S. economy to have reached an annual growth rate of 20 percent—in excess of any growth rate since the height of the World War II war mobilization. To be more precise, the model shows that there are no *physical* constraints to the achievements of such a growth rate. It is not at all likely, however, that such a growth rate could be achieved without major changes in the way the economy is organized. The model shows that the physical volume of production will exist for such a growth rate, with the assumption that the technology and skilled workforce exist to transform a 7 percent rate of growth of cheapening electrical energy into the production process. The technologies certainly exist off-the-shelf. However, relative to the rate of growth projected, there is currently nowhere near the required levels of either skilled manufacturing workers or engineering personnel. To realize the physical possibilities shown by the model, the United States would have to undertake a tremendous training and educational effort, returning to the levels of graduating physics PhD's and associated measures of the population's capacity to absorb technology of the early 1960's.

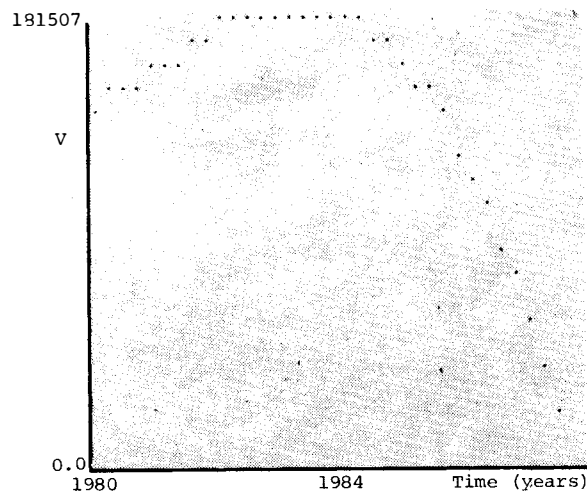
In regard to the second set of graphs, which show the virtual disappearance of economic activity by the late 1980's, a different type of explanation is required. At a certain point, the consequences of the synthetic fuels program makes it impossible for the economy to exist in the mode reflected in the 1979 ratios cited above. A basic change in state must occur, possibly a drastic and permanent lowering of living standards. What the vertical drop in the parameters shows is a coupling of the differential equations, reflecting a "singularity," or discontinuity, in the economic trend. What the model shows is that the economy cannot function with the Carter program after several years. Short of a dictatorship enforcing lower living standards, or some comparable transformation, the program is *impossible*.

## The Carter energy program

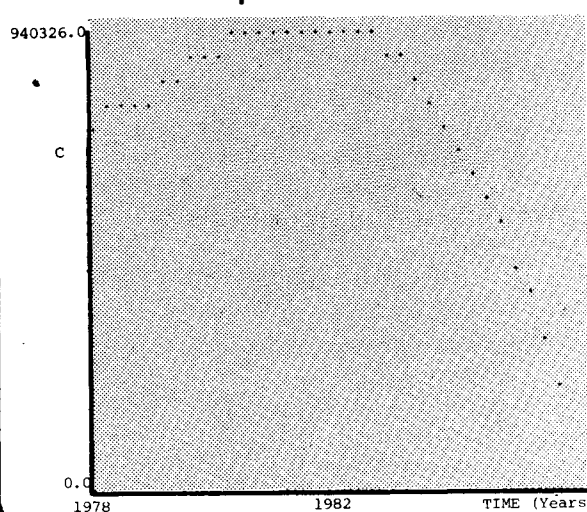
### Reinvestible surplus



### Variable capital



### Constant capital



# The world is going nuclear

*In Western Europe, Japan, and the East bloc, nuclear energy is the power source that will fuel the future. Their programs reflect a commitment to develop nuclear energy not only for domestic use, but for export and to foster cooperation between East and West.*

*The Soviet Union and West Germany are now considering proposals for a "shared" energy grid which sees energy from nuclear power as primary.*

*The following is a breakdown of these nuclear development programs.*

## France

**The national plan:** The national nuclear energy expansion program will meet the goal of providing 54 percent of the country's electricity and 20 percent of total energy consumption by 1985.

**Current nuclear capacity:** In 1978, nuclear power plants provided 13 percent of France's electrical energy. As of March 31, 1979 there were: 15 units in service, including one breeder reactor, with a combined output of 7,350 MW; five to start operating later this year, with a combined output of 5,700 MW; 27 under construction.

France is committed to supplementing its pressurized water reactors with the breeder reactor, which produces more fuel than it consumes. One experimental 250 MW plant, the Phenix, is already in operation and the 1,200 MW Super Phenix is under construction.

## The Soviet Union

**The national plan:** The USSR will be generating 30 percent of its electric power from nuclear power plants by the year 2000. The Soviets are working on controlled thermonuclear fusion power research and the mass production of nuclear reactors.

The Soviets' revolutionary complex of factories called "Atomash" will complete its first reactor in 1980. Atomash is the first step of American developed assembly-line technology into the nuclear age. The Soviets have standardized reactor design in several sizes: Atomash will turn out 400MW and 1,000MW light water reactors and eventually a larger 1,500MW model. Each takes three years to build with the third year devoted to testing and quality control.

## Eastern Europe

CMEA heads of state in Moscow, June 26-29 approved a 10-year nuclear power development program which calls for constructing 37,000 megawatts of new atomic capacity for electric power generating between now and

1990 in the non-Soviet European members of the CMEA plus Cuba alone.

The USSR and other CMEA members have offered to expand their nuclear power networks into Europe, starting with an interface between the electric power transmission grids of Eastern and Western Europe, to allow greatly increased efficiency by taking advantage of the wide time zone differences—with varying peak usage hours—across the continent.

## Italy

**The national plan:** A plan formulated two years ago by the Italian state electrical utility ENEL called for nuclear power to provide 60 to 70 percent of Italy's energy needs by the year 1991.

In the spring of 1978 the first big plant was brought on line. This was the 850 MW Caorso plant. The ENEL plan calls for 12 more plants on-line by 1987, at 1,000 megawatts each, and between 43 and 59 new plants by 1991, all at 1,000 megawatts. By the year 2,000, there should be 90 to 120 functioning nuclear plants in the north and south of Italy, the last ones at 1,250 megawatts each.

**Current nuclear capacity:** As of spring 1978, four nuclear power plants were operating in Italy, with a combined production capacity of 2,800 MW.

## West Germany

**The national plan:** When Helmut Schmidt became chancellor of West Germany in 1974, construction of 40,000 megawatts of new electrical generating capacity was projected by 1985.

**Current nuclear capacity:** There are 15 nuclear power stations operating in West Germany today. They supply 13 percent of national electricity supply. Twelve plants are under construction which would add nearly 15,000 MW to the national generating capacity, although work on three has been temporarily halted by court action.

## Japan

Between 10 and 20 percent of Japan's electricity production is nuclear. By 1990, the government plans that nuclear generation will supply at least 20 percent of national consumption. Japan now has 20 operating nuclear plants with a total of 12,129 MW generating capacity. Six new plants, with a projected capacity of 4,189 MW are in construction and four additional stations slated to generate 5,831 MW are in the planning stage.

# Africans blast British at Lusaka Commonwealth meeting

The African members of the British Commonwealth have decided to turn the Commonwealth Conference into a head-on confrontation with the British over London's anti-industrialization policy for Africa and over the use of the pro-British regimes of Abel Muzorewa in Rhodesia and P.W. Botha in South Africa to enforce the policy.

The Nigerians and Zambia President Kenneth Kaunda have taken the lead in this effort. The day before the conference opened on Aug. 1 the Nigerian government nationalized the holdings of British Petroleum amid reports that Nigeria, Britain's largest trading partner, had begun a broad economic attack against the British.

Kaunda, who is chairman of the Commonwealth meeting taking place in the Zambian capital of Lusaka, has leveled a stream of blistering attacks against Britain's Thatcher government, as well as previous British governments extending back to 1965.

An interview with Kaunda published in the July 30 *Times of Zambia* the day before Thatcher arrived in Lusaka was headlined "KK Lashes Thatcher." Most significantly, Kaunda attacked Thatcher and past British governments for having attempted unnecessarily to turn the struggle for independence of the British colony of Rhodesia into an East-West conflict. On July 27, the day Queen Elizabeth II arrived in Zambia for a nine-day official visit, Kaunda warned Thatcher that "the continent of Africa will be up in arms against her and her Government" if she tries to push British policy down Africa's throat. The Zambian press is characterizing the British government as "arrogantly racist." The *Zambia Daily Mail* said that "it is unfortunate to have a head of government such as Mrs. Thatcher who is so racially biased."

In another anti-British move, Kaunda called an unscheduled meeting of the heads of state of the five frontline African countries supporting the struggle for independence being waged in Rhodesia by the Patriotic Front. The meeting began July 30 and included President Agostinho Neto of Angola and President Samora Machel of Mozambique, both countries which are not members of the British Commonwealth and are strongly

opposed to British policy. The meeting, which conspicuously ended the day before the Commonwealth Conference began, was called to work out a common policy on Rhodesia.

## British plans

The African decision to challenge the British has thrown Thatcher's strategy for the conference awry. Britain had sought to avoid any decision being taken on the Rhodesia question, leaving Mrs. Thatcher's hands free to engineer recognition for the pro-British government of Muzorewa after the conference. The Africans' firm statement on the question, plus their demand that Thatcher put her cards on the table, has made it impossible for the recently elected Tory leader to play according to her scenario.

The British had intended to use the Commonwealth Conference to tighten IMF controls on Africa, preventing backward and impoverished African countries from adopting a viable high-technology development strategy. The British system condemns Africa to be a mere supplier of raw materials.

The content of British conference policy was leaked by the July 24 *Financial Times* of London, which reported the contents of a confidential background paper that was prepared by the Commonwealth Secretariat in London and reflects the thinking of Commonwealth Secretary General Ramphal. The paper says that private capital markets can no longer solve the economic crunch hitting the non-oil producing developing countries. It proposes that "the role of official agencies, particularly the IMF, is especially important in this context."

Zambia is only one country which is bitter about IMF efforts to blackmail its government. In return for a much-needed credit tranche earlier this year, the IMF demanded that goods purchased with the credit come from South Africa. Now South Africa, under a series of pretexts, is refusing to ship the desperately needed food and other products to Zambia. It is understood that Zambian capitulation to British policy would quickly change the mind of the South African government.



### Muzorewa question

Also on the agenda of the Lusaka conference is the question of the Muzorewa government in Rhodesia. The British hope to gain acceptance for a Rhodesian government that will not only not threaten the British IMF policy, but will actually serve, along with South Africa, to enforce that kind of policy on the rest of the continent. Mozambique and Zambia have been repeatedly attacked by Rhodesia, for example, while Angola has been repeatedly attacked by both South Africa and Rhodesia.

In his press interview Kaunda also hit Thatcher's fixation with "Soviet influence" in southern Africa. "I understand she is very frightened of Russian influence in this part of the world.

"It is very sad, because when people become frightened they lose their reason. I hope she hasn't reached that stage.

"In the end what we've always been trying to avoid, East-West confrontation, is taking shape. All because of certain stupid decisions by successive British Governments. ..."

Kaunda went on to add that it is "incredible" that he is now blamed by the British for going to the Soviets for arms for self-defense when it was these British policies which forced him to such a step.

The *Times of Zambia* added that Thatcher "demonstrated the blind and pusillanimous arrogance that has marked successive British governments' attitudes to Rhodesia." The *Zambia Daily Mail* pointedly said that the southern African problem is made worse "when a British Prime Minister openly supports rebels who have been condemned by every sensible person in the world."

### The Nigerian nationalization

The Nigerian move against British Petroleum, of which 51 percent is owned by the British government, was not expected, and has already been denounced as "naked political blackmail" in the pro-British *New York Post*. The British were openly hoping that the Nigerians would choose simply to cut oil production as a way of protesting British policy, which would have fed into the overall energy-austerity scenario being pushed by British-influenced policy circles internationally.

As a result of the nationalization, Nigeria has acquired an immediate additional 250,000 barrels per day of output which it can market in direct state-to-state deals if it wants, thus circumventing the control over the marketing process of the oil formerly handled by BP.

—Doug DeGroot

## Pretoria's apartheid

South Africa's historic Malthusian policy of apartheid received a sudden new impetus in legislation which came into force July 13. The change is murderous, a shift from limiting the growth rate of cities to depopulating them, banishing millions of blacks to "tribal homelands" where it has been arranged for them to die. This is a part of the larger British strategy of reducing world population to perhaps only one billion by the year 2000.

An important feature of the policy that is about to inflict such horror on the African population is a synthetic fuels program adopted a decade ago by South Africa's "Nationalist" government, and imported as a model for the U.S. Carter administration's energy policy.

The new South African apartheid law increases by five times the fine imposed on an employer who is caught employing Africans in an urban or white farm area if the Africans lack official permission for their departure from the tribal areas called bantustans. The law condemns perhaps two million of nine million Africans now in such areas to return to the bantustans, where primitive agriculture provides less than subsistence, malnutrition is the rule, and starvation is on the rise. Mass firings have occurred since passage of the law; Africans are calling this "a time of weeping."

Minister of Apartheid Piet Koornhof has made a show of magnanimity by giving large categories of illegal workers some months in which to have their status regularized. Few of them—except for live-in domestics—will succeed, because their sub-tenancies in overcrowded townships like Soweto are necessarily *sub rosa* and do not meet the criteria laid down by the new law for "available housing."

The new law is only the leading edge of a sweeping reorganization of labor policy which is being carried out by Prime Minister P.W. Botha and his circle of British Tory-oriented advisors and party associates. Most of the reorganization is embodied in reports, issued in early May, by two parliamentary commissions, the Wiehahn commission on trade union policy and the Riekert commission on control over the influx of Africans from the bantustans.

The combined recommendations represent a major new step in the devolution of the South African economy, underway since the 1974 oil price increases, away from industrialization and city-building in favor of mere raw materials export.

The thinking behind the Wiehahn report is that the policy of reserving skilled jobs for whites should be

# changes mean genocide

relaxed in order to reduce the wage bill; black unions should be recognized in order to bring black workers under tighter control.

The Riekert commission, faced with huge and growing black unemployment and the first reappearance of white unemployment in years, recommended that the perhaps two million Africans now living and working in urban and white farm areas without government permission be deported to the bantustans, and that control over the influx of blacks into urban areas be intensified and also applied to rural whites.

Concurrent with these measures, extremely labor-intensive projects, such as coffee, tea and cotton plantations, are being put in place with all possible speed in the bantustans. Marijuana cropping is among the considerations in at least one known case. Quasi-military force is contemplated to make the projects work.

Incredibly enough, the whole program is being lauded by the international press as representing "greater and more hopeful racial change than we have had in the nearly 31 years the Nationalist Government has been in power," in the words of the Oppenheimer-dominated *Rand Daily Mail*. A *Washington Post* editorial of May 27 accepted that report as authoritative.

The centrist government of John Vorster was topped with the help of those two newspapers, who accused him of spending millions secretly but ineffectively promoting sympathy for apartheid in newspapers and magazines abroad; his successor, Prime Minister P.W. Botha, is now lauded for an unprecedented intensification of apartheid itself. The international press conduits for British policy propaganda are only greasing the skids for South Africa's Minister of Apartheid, Piet Koornhof, and Minister of Finance Owen Horwood, who have been touring Europe and declaring "We are entering a new era. We must bridge the gap between the haves and the have-nots—apartheid is dead." If so, genocide has taken its place. Any journal, newspaper or reporter who says otherwise is complicit.

## How apartheid works

Apartheid or "separate development" is the chief means by which South Africa has been prevented from becoming an industrial republic. That, in turn, has prevented the development of the entire African continent. The withholding of industrial culture from Africans was an essential part of British rule. The basic features of what is today called apartheid were pushed through the South African parliament by the British mining houses and became law as the 1913 Land Acts. The mining

houses were not motivated simply by a desire to ensure for themselves a supply of cheap labor. They were acting for the inner British policy circle to keep South Africa backward by denying it, as far as possible, an advancing quality of African skilled labor power and corresponding growth in purchasing power.

The ruling National Party, which claims to have broken with the British almost 20 years ago, has continued the Malthusian British policy with all the zeal of a convert to a cult suicide doctrine.

Today, after decades of increasing concentration, ten million Africans—one-third of the total population and one-half of the black population of the country—are crowded into primitive reserves where existence was recognized as below subsistence long before the population reached today's level. Until now, private investment in the bantustans has been forbidden by law, and state investment has been insignificant relative to the threshold necessary to generate a general rise in per

## Bantustan health care: there is none ...

*An interview last night with Dr. Alan Sorkin, Professor of Economics at the Johns Hopkins University School of International Health in Baltimore, was made available to the Executive Intelligence Review last month about health care among the black and white populations of South Africa.*

**EIR:** *What are health expenditures and health conditions for blacks in South Africa?*

**Sorkin:** Government expenditure on the health of blacks is about one-eighth of that for whites, but the really neglected problem is that of the rural blacks, especially those in the so-called homelands. The homelands are somewhat like Indian reservations in this country, only the government won't let you leave unless you can get a job in the cities. [One-third of South Africa's population or one-half of the country's Africans—about 10 million people—live in the homelands—ed.] The bulk of the homelands have no health care at all—only a few missionaries, who have clinics. Otherwise, there are only the medicine men and witch doctors. Some observers are sympathetic to the use of these, but I am not. They know nothing about Western, scientific medicine; they are only good for psychological problems. ...

## All South Africans eating less

Average annual per capita meat consumption,  
1969-77

1969-71	41.1 kg
1972-74	41.0 kg
1975-77	40.7 kg

Source: South Africa Meat Board

Drop in per capita food consumption, July 1977-June 1978, over  
previous 12 months

Milk products & eggs	-6.0%
Meat	-4.2%
Vegetables & fruit	-3.3%
Bread & grain products	-1.5%
Sugar & jams	-15.0%

Source: Based on Rhodesian Financial Gazette, Jan. 26, 1979, and official South Africa consumer price indices.

The above figures show that per capita food consumption in South Africa is decreasing for the population as a whole, with accelerated decline beginning in the second half of 1977. The figures on the right represent an *absolute* decline in total South African consumption in every category except bread & grain products.

Figures for the African, Colored, and Indian populations alone would be far more dramatic. The 50 percent of the African population that lives in the bantustans are the worst sufferers.

capita consumption. Eighty percent of bantustan families have incomes (including cash remittances and the worth of their own produce) of only one-half to one-tenth of what the government itself claims as the minimum necessary budget on which an urban African family can survive. "These people are hungry," an agricultural training worker in KwaZulu reported to the South African weekly, *Financial Mail*, Feb. 16, "There are people here who by all normal standards should be dead."

Able-bodied Africans are permitted out of the bantustans on one-year contracts for work in mines, farms, factories and homes, in jobs that correspond to the low level of culture to which they have been confined. Almost no bantustan family can survive on the produce of its own petty farming, and hence requires support from the remittances of an absent family member working in the so-called "white area." Yet not all families receive remittances, and few receive them regularly.

*Between 20 and 30 percent of all bantustan children born alive die before their first birthday, and at least half are dead before their fifth.*

A series of studies published in the *South African Medical Journal* from 1965 to 1968 indicated that protein-calorie malnutrition, which produces kwashiorkor and marasmus, was "extremely prevalent" among the black population in general. Severe malnutrition in infancy produces gross, permanent mental retardation and physical stunting.

### Genocide

During the 1970s, malnutrition has shot up. It must

have shot up again in 1977, when the demand for laborers from the bantustans collapsed under the continued pressure of recessionary conditions, but African unemployment was on the rise well before that. Real wages for Africans also declined from at least 1977. In fact, at least from the second half of 1977, per capita food consumption has been dropping for South Africa's population as a whole, with an *absolute decline in total food consumed* by the country's growing population in every category except bread and grain products!

Against this backdrop, three developments in the current year have intersected to make a full scale famine in the bantustans imminent, and clearly a matter of government policy. The worst drought in years has burned up crops throughout the southern cone of Africa. The maize crop (the staple of the African population) in South Africa and Rhodesia is expected to be a 100 percent loss for subsistence farmers, and even white-owned farms, where some irrigation is practiced, are expected to lose 30 percent of their maize. In a second blow, the South African government increased the price of gasoline and diesel fuel by 40 percent in June. The price hike will also have a crippling, perhaps lethal effect on African-owned bus and taxi services that criss-cross the bantustans, limiting the population to destinations accessible by foot.

Then, as of July 13, Koornhof's law to destroy unauthorized "white area" African employment, and so slash remittances to the bantustans, has hit with the force needed to precipitate outright famine, if famine is not already in progress. Black school children have recently been caught eating paper, instead of writing on it.

### Synfuels and war production

The draconian measures recommended by the Wiehahn and Riekert commissions are not simply a response to world recessionary conditions. They flow principally from the disastrous economic course which the South African leadership has charted over the past decade. The decade has seen a major reorientation of the economy toward raw materials export on the one hand, and war production and expensive, inefficient synthetic fuels production on the other.

First came the big infrastructure projects designed to gear up copper and coal exports, without a corresponding expansion in the manufacturing base or cheapening of energy production. At the same time came the sequence of huge leaps in the defense budget, producing a five-fold increase in expenditure between 1971 and 1977. Then came the decisions to build Sasol 2 in 1974 and Sasol 3 recently for coal liquefaction.

The synthetic fuel plants, at a projected combined cost of \$6.7 billion, and defense spending over the last three budgets at \$1.8 billion annually, represent such huge investments that a major program for nuclear power is necessarily ruled out. Sasol 2, now nearly complete, is said to be the largest engineering project under construction anywhere in the world.

The consequences of this massive diversion of productive resources are not limited to harsh measures against the black population. The consequences start at the top. South Africa depends on a very small number of professional, semi-professional, and technical workers whose growth is critical to the country's industrial development. In 1975 this top layer numbered only 405,000 of a total workforce of 9.2 million. Commencing in the early 1970s, this not very affluent layer began to experience increasingly difficult conditions. While the black majority of the population contributes half of these professional and technical workers, the greatest concentration of them is found in the white population (one white worker in seven). White workers have experienced declining real wages since 1973, and white unemployment—nonexistent at the beginning of the decade—has reappeared.

Emigration figures are also telling, since the top layer is heavily represented among emigrants. The figures reflect the adverse conditions of the whole skilled layer, and not simply the loss involved in the departures, although that, too, has become significant. Starting in 1977, the number of emigrants has exceeded the number of immigrants. The cutting edge of advances in social productivity is being destroyed.

The synthetic fuels and war production programs,

and the social upheavals they bring in their wake, are the beginning of the end for South Africa as a potentially industrial nation. When Oxford don R.W. Johnson published his book, *How Long Will South Africa Survive?* in 1977, he savored his conclusion that "South Africa's long attempt to escape from the colonial role of purveyor of raw materials ... will have failed ... by 1979-80."

The British wittingly sabotaged the South African economy by promoting the synthetic fuels hoax. The coal liquefaction idea was originally introduced into South Africa by the British/Zionist Anglo-Transvaal mining finance house, when it negotiated a license for the Argo process from Nazi Germany in 1935. Anglo-Transvaal is closely allied with the Oppenheimer interests. The financing of Sasol 2 was organized by New York's Dillon Read investment house, also allied with those interests.

Included in these circles is Felix Rohatyn, who sits with Oppenheimer's top lieutenants on the board of Engelhard Minerals; he is reportedly a candidate for heading President Carter's proposed synthetic fuels agency, the Energy Corporation of America, which is designed to bring the South African program to the U.S.A. Carter's National Transportation Policy Study Commission issued a report in June calling for a massive federally-financed synthetic fuels industry including coal liquefaction, oil shale, and tar sands. The chairman of the commission, Pennsylvania Congressman Bud Shuster (R) reports that his proposal is "modeled on the South African program. ... They produce oil at \$1.50 a barrel." When queried on the difference between South African and American wages, Shuster conceded, "then we'll have to go to world prices of about \$25-35 per barrel." He proposes that the government spend \$4-5 billion annually to subsidize production until the world price reaches that level. Carter adopted and announced the basics of the Shuster commission report in his July 15 energy address.

South Africa's synthetic fuels and war production programs are promoted by liberals such as Foreign Minister Roelof Botha and Defense Force chief Magnus Malan, who claim the country faces a "total onslaught" from the outside world. They advance a self-fulfilling prophecy. Their autarchic measures gut the economy's productive capacities, leading to brutal social policies which only do further damage to the economy. The end result must be—as in Hitler's case—a war of conquest to loot neighboring populations.

—David Cherry

# Hitting hard on the issues

*LaRouche tells Illinois antidrug dinner 'we must fight to win'*

*On Sunday, July 22, presidential candidate Lyndon H. LaRouche of the U.S. Labor Party addressed 400 persons attending the First Annual Awards Dinner of the Illinois Anti-Drug Coalition in Chicago. We present excerpts of the candidate's remarks, followed by some samples of the press coverage that LaRouche's tour has provoked in the south and the midwest. LaRouche has said that his campaign will define the issues of the 1980 presidential race. The following speech brought him standing ovations at several points, and the media have begun to take notice.*

I want to speak to you about three points tonight. First, I want to indicate what I see as the hope that should inspire us to desire to realize the potentialities of our children's minds.

Second, I want to define the fight against drugs as a fight. It is not a matter of going out and doing good things to try to prevent children from becoming drug addicts. Those things are absolutely necessary, but many parents who have done those useful and necessary things have found themselves the victims of the drug culture. Despite the family's attempts at developing a child, trying to give the child guidance, giving the child all the things a parent is capable of, including inspiration to ensure that that child becomes what that child must become, the child still finds itself dragged down to the peer group of the street, the peer group of the drug addiction rampaging in our schools. We must improve our efforts to make that child stronger. But we cannot succeed unless we destroy this *organized* menace of drugs.

Drugs is not an individual decision, although, there is an individual decision involved. The child capitulates under pressure; the pressures are greater, the susceptibilities are greater from case to case, but drug addiction would not exist in the way it exists unless it were organized. We have to fight the organization of drugs; otherwise efforts on the local level will fail, as necessary as they are otherwise.

Finally, I want to indicate to you that the fight can now be won. We can win the fight in the same sense as winning a war...

## **Developing our children's minds**

Let me talk to you about India, which may seem far removed from drugs, but it isn't. India presently has an urban labor force of 54 million people. This labor force includes the third largest number of scientists and engineers and similar professionals of any nation in the world. ... Within a few years, India will have an urban labor force of 100 million people. If we use only existing technologies—those known to us or those about to be known to us—India by the year 2025 will have approximately a quarter of a billion people as an urban labor force. This labor force will be producing by standards that we associate with skilled workers in the United States, or better. India, at that point, will be producing *double* the gross product of the world in 1979.

India is unable to realize that potential so far because it lacks the capital goods. It has the people; it has a very high culture among many of its people. It also has a section of its people who are very much deprived and left in backwardness. Development has been inadequate to bring all the Indian people to that level of culture. But India is a great nation with great potential.

We in the United States, we in Japan, we in Western Europe have the technology, the means of production to provide India... with new technologies. We can give India a nuclear industry. Indian nationals are the largest component of nuclear scientists and technicians of any nation in the world. Many of those scientists are working in the United States, in Britain, in France, in Germany, in Italy.

We can give India an enlarged chemical industry. It already has a good chemical industry and a good pharmaceutical industry, which need to be expanded. We can give India an expanded steel industry to produce specialty steels of the type they need. They now have a good basic steel industry that needs to be improved.

India will not benefit only for itself. We have a half billion people in Southeast Asia. We have a billion more people in the rest of the region, along the Indian Ocean coast of Africa and India, the subcontinent, Pakistan, and Bangladesh. One billion and a half people

will be developed and lifted out of backwardness, underdevelopment and hunger through the contributions made by India as the central base of technology for this region. We, and Japan, and Western Europe have to develop India, so that India can play a part in lifting the entire region out of backwardness and hunger.

Our children will do that. Our youth today, our children, will be employed in producing the things that the people of the developing sector need. It is they who will make the machine tools; it is they who will make the capital goods that go out to these countries as our capital-goods exports.

The challenge, the opportunity for our youth and our children as a labor force is great. Our children, our labor force, will play a vital part in lifting the world out of misery. If we do not do this, then between now and the year 2000, the world population of perhaps four billion today might fall to two billion or even one billion persons through famine, epidemic, and social chaos.

We are not merely people who have to take care of ourselves. We don't live our short lives on this planet between birth and death merely to stuff our guts or to please ourselves, or to satisfy our animal side. We die. What do we take with us? Can we take gratification with us? Can we take the gratification of lust with us? Can we take status with us? No. What's important is what we do with this body and mind of ours in that short interval between life and death. Do we make that life meaningful? Do we distinguish ourselves from the laboring ox or talking parrot? Can we look at ourselves and say we today and future generations each have the right to stand proud because we know the human race is benefiting from what we're doing?

A mother can say, "I'm developing children. Look at their minds; look at what they're doing; look at what they're accomplishing." Parents who sacrifice can say, "We're developing children; look at what they're doing."

We have a mission, we of the United States. We have a mission to use the great potential we have to transform this world. Each of our people, each of our children, has a right to say, "I am a part of that; I have a purpose in life. I can stand proud before all future coming generations because I have lived my life for a purpose."

Those means now exist to us. It is our duty to give our children, our youth, that self-image, that perspective of hope, and say, "You, your mind, your life is of eternal, immortal importance if you make it so...."

### **We must destroy the evil of drugs**

You have to fight drugs and the people who push them. You can't be nice with a burglar, with an assassin. These are not just petty assassins, not just petty criminals. They're people who stand above suspicion, people

of great prestige and, collectively, of great power.

The reason we still have the drug problem is not because our children are guilty. When you see a child who has OD'd, don't blame the child. Yes, the child should have had the strength to resist, but don't blame the child. Somebody was pushing drugs; somebody was benefiting from it; somebody was using drugs to destroy our society—and deliberately so—and profiting great wealth from that.

Police agencies and other agencies have fought drugs since they were brought into this country in 1927. It was brought in by the same group that was running the Prohibition gangsters, the same big names—one big family name in Canada, Bronfman, has \$7 billion in wealth based on, first, illegal, bootleg, rotgut whiskey and, then, on drugs. These people infiltrate the leadership of our national parties. They control whole institutions in Washington, including a section of the Department of Justice.

You're not going to clean up the drugs by being nice. You're going to have to clean out the citadels of power in this country. Forget party labels as such—you're going to have to sort out the ones who fight drugs and sort out the ones who push decriminalization. That is evil—it may be done through weakness, cowardice, or complicity, but it is evil! And you have to fight it.

The same problem arose in Italy in connection with terrorism. Terrorism is organized by the same forces that organize drugs in this country, the exact same command structure. Italy was having thousands of people murdered every year through international terrorism, and nobody could seem to stop it. We and others proposed to use political intelligence methods to get to the citadels of power, to the people above suspicion. The leadership of one entire major political party in Italy was behind the terrorism and also behind the drugs in Italy, which is not as serious a problem as here. You have to get those people.

There is a great hue and cry about this, but we are succeeding even if we haven't yet succeeded. Our analysis of the terrorism problem has been used over the past 18 months by the Italian secret services together with the French intelligence services and other countries' intelligence services. We are beginning to crack terrorism. We are going into the Bank of Italy; people there are being cleaned out by police agencies. We are destroying an entire party in Italy which is responsible for drugs. We are cleaning out sections of intelligence services, including Israeli intelligence. The Chinese Communist foreign intelligence service had an agent arrested last week in connection with terrorism. Major bankers, people in high places in this country, are going to be indicted as complicit.

This is a fight; people are dying. One of our closest collaborators, Judge Alessandrini, in Milan was murdered by these people....Our friends....are being mur-

dered, but we have to save Italy from terrorism. We have to save Europe from the scourge of terrorism.

Some people want to bring it here.

The same thing is true of drugs: we must fight. You cannot be nice. You cannot say that you have to be nice to such and such a politician who tolerates decrim. No! That is the enemy of my child. That is the enemy of my neighbor's child. That is a person who is condoning the destruction of this country. *That is treason!*

If you don't use harsh, bitter, divisive words and if you don't mobilize hard, divisive action, you'll never clean up the drug problem. You don't do that by sitting back and saying, "Well, I can't do anything. I have to be nice; I have to educate people." If you say that, then you are condoning the problem because you are refusing to use adequate methods to prevent another child from being destroyed...

### How we can win

Can we win? Yes. This country, like other countries, is in the greatest crisis in memory. The parties are falling apart; seventy to seventy-five percent of the people hate Washington and everything it stands for. They hate most city governments, most state governments—and with justification. Sometimes their hatred is a little misplaced; sometimes they blame Carter for things that may be the responsibility of Congress, but nonetheless their attitude is essentially correct.

These people are now moving. They are moving on the question of energy, on many questions. They see our way of life being destroyed. They know there were many faults with what this country did in the sense that it failed to deliver on its promise to many of our citizens. We have to get that train going. We have to make sure that those citizens who didn't get on the train get a chance to get on it. We made a promise to our citizens and the very possibility of delivering on that promise is being destroyed. Those who have, are losing it in the main. And those who didn't quite get it, are being denied the opportunity ever to get it.

The country is angry. The world is angry. It is in such times that the ordinary rules of political life and processes no longer obtain. It is no longer necessary to put up with this. Take the case in Michigan where a school board cleaned out drugs from the school, and the American Civil Liberties Union came in and protested the fact that the school had cooperated with the police department to find the drug pushers and their accomplices among the students. This was considered a violation of civil rights.

Then the school board sent out an inquiry to the parents to see what they thought of the whole business, and, according to the figures I received, they got back 3,000 "we approve" and 12 to 15 "no." That is exemplary of the attitude of most American parents once they are given hope that finally somebody will do something about this. Under these circumstances, it is possible to win.

## Press sees a winner...

**Marietta (Ga.) Daily Journal, July 20, "Labor Candidate Visits Cobb":** Another president named Lyndon?

It's possible, according to Lyndon H. LaRouche, Jr., the official presidential candidate of the U.S. Labor Party, who helicoptered into west Cobb County Thursday. [Mr. LaRouche is an independent candidate—ed.]

"The two-party system is finished," LaRouche said.

"This will be a third party year—the first third party year of any significance since Teddy Roosevelt was elected."

LaRouche held a press conference after helicoptering from Hartsfield International Airport in Atlanta to the west Cobb estate of Mitchell L. WerBell III on Macland Road.

WerBell said he is not endorsing LaRouche, but was meeting with him concerning security which the WerBell organization provides for LaRouche and many other public figures.

LaRouche, 57, is chairman of the U.S. Labor Party and was also its presidential nominee in the 1976 elections, when his name was on the ballot in 26 states. He also appeared on national television on election eve in 1976, warning that the election of Jimmy Carter would lead the nation into nuclear war.

LaRouche said he is pulling together a multiple-party organization, trying to consolidate representatives of all groups into a core of support.

He said he is shooting for \$20 million to \$40 million in campaign funds, but so far has raised "only peanuts."

"But we have to get organized before we can raise the funds," he said.

His strategy, he said, will be to define issues so intensely that it will foul up the "beauty contestant" candidates from the major parties.

"We will stir up a whole nest of issues," LaRouche said. He said he is a serious contender for 1980.

"I'm going to win it," he said. "We're in danger of losing everything we've fought for for the past 200 years."

LaRouche advocates a return to the commitment to technological process. "That's how we became an industrial power," he said, "We have too many services and not enough productivity."

He believes nuclear energy should be expanded, and one of the hottest issues in the 1980 race will be the drug problem.

LaRouche helped establish the National Caucus of Labor Committees in the 1960s, which formed the U.S.



Labor Party in 1973. He has been publicly endorsed by Rolland McMaster, general organizer of the International Brotherhood of Teamsters, as well as Dr. William Banks, supreme president of the International Masons and of WGPR-TV, Detroit.

LaRouche said his southern organization is just getting into swing. Regional offices are headquartered in Atlanta.

He campaigns internationally for the application of his political-economic solution to the deepening global depression, particularly in West Germany, where his wife, Helga Zepp-LaRouche, a West German national, is chairwoman of the European Labor Department (the European Labor Party—ed.).

LaRouche carried a cane, but said it was for defensive use rather than assistance in walking, on the advice of WerBell. The candidate says he has been the target of more than one assassination attempt.

LaRouche said former Texas governor John Conally is "the brightest of all the jerks running" for president, but warned, "Don't trust him."

He said the American people "haven't had a decent president since the anarchists shot McKinley."

**St. Louis Globe Democrat, July 27, "Presidential Hopeful Seeks a Miracle":** Lyndon H. LaRouche, U.S. Labor Party candidate for president, startles most people who hear him speak for the first time.

On a campaign visit to St. Louis Thursday, LaRouche said:—President Carter will suffer an emotional breakdown and won't make it to the 1980 election.

—Secretary of State Cyrus R. Vance—and not Carter—orchestrated the reshuffling of the President's cabinet last week.

—Former White House Chief of Staff and NATO Commander Alexander Haig as the Republican candi-

date for president will be a good bet to beat Senator Edward M. Kennedy as the Dem. candidate in 1980.

—A world military crisis will be created later this year when a tanker will be torpedoed at the mouth of the Persian Gulf, thus establishing an issue on which Haig can demonstrate his leadership and knowledge.

—"The real issue in the 1980 campaign is 'can middle America pull itself back together and clear that gang at the Council on Foreign Relations out of power in Washington?'"

During LaRouche's visit here, Michael Lady, president of Local 1744 of the Oil, Chemical and Atomic Workers Union, announced his endorsement of the Labor Party candidate.

LaRouche, who lives in New York City and was reared in New England, says he is aware much of what he says jolts the unsuspecting.

"I realize what I am attempting is unheard of," he said. "If I win, it will be uphill all the way ... a miracle, and it won't be because of me personally, or my credentials, or any media campaign. It will be because of the state of the country."

He says the outcome of the New Hampshire and Iowa primaries next year will be of great importance to his campaign. New Hampshire, the state of his birth, is his early trump card, he says.

"There are two big factors there. The first is the French-Canadian-American population which I believe I can win, and the second is the role of the town hall meeting, which I believe I can turn to my advantage.

"I will tell you this: I will run the Cadillac of the campaign in New Hampshire. If I make a credible showing there, and in Iowa and Puerto Rico, I should be able to attract the 20 million to 40 million necessary for running a competitive campaign with Kennedy and Haig."

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## ...Or fears a winner

**St. Louis Post-Dispatch, July 28, "Third Party Candidate Campaigns for Presidency":** Lyndon H. LaRouche, Jr. is probably criticized less than any other declared candidate for the presidency of the U.S. It's not that LaRouche has fewer enemies, rather it is unlikely that many persons have ever heard of him.

But LaRouche said here Thursday that he is not discouraged by the lack of recognition.

LaRouche, founder of the right-wing U.S. Labor Party, was in St. Louis to build support for his campaign to capture the presidency next year.

His party has nothing to do with organized labor. Instead, its publications often refer to a purported national conspiracy orchestrated by "the Council on

Foreign Relations crowd in and outside of the Carter Administration" and a Zionist lobby supposedly led by the ADL.

LaRouche also strongly supports the expansion of nuclear power plants and considers environmentalists to be "pests." He said he plans to enter some presidential primaries and that voters dissatisfied with the Democrats and Republican parties will turn to him for leadership.

He had no kind words for his competition. He called Carter "a pathetic fool" and variously described other potential candidates as "a smart thief" and "an intelligent Judas." He said that the U.S. is not run by Carter, but by Secretary of State Cyrus Vance.

Asked why he's waging a campaign that even he admits is a long shot LaRouche replied, "because I'm going to win."

## Congressional Calendar

### **M**ost of Carter program stalled

Major portions of the President's energy proposals are now stalled until after the August recess of Congress. The efforts of the administration and friendly congressmen to get bills through have come to naught.

Senate majority leader Robert Byrd explained a week ago:

"I found members of the policy committee, the committee chairmen, and the members of the energy committee quite willing to cancel a week, or even two weeks [of the recess] if necessary, in order to get the energy legislation passed. But in those discussions Mr. Muskie, the chairman of the Budget Committee, felt that a task force should be appointed to study the budgetary implications of the energy bill. Senators Bellmon and Muskie felt that their study would require more than just a few days; in fact, they believed it would require a few weeks. I felt that their proposal was justifiable..."

The chairman of the task force appointed by Muskie is Sen. Gary Hart (D-Col.), an intimate of Ted Kennedy. The "study" could take a very long time.

Regarding the "windfall profits tax" with which President Carter wants to finance a synthetic fuels program, Byrd reports that Finance Committee Chairman Russell Long stated that he could not report that legislation out of committee before the recess.

### **H**ouse votes standby rationing

The one part of President Carter's energy program not now stalled in House committee is standby gas rationing. That part, however, is stalled in Senate committee.

The House reversed itself July 31 and gave the president broad authority to come up with a rationing plan, by dropping the demand that any plan be subject to a one-house veto before an emergency. One amendment was added—weakening the requirement on building thermostat settings—and then another amendment was added—giving either house the right to veto the plan at the time the President wants to implement it, but not in advance.

Environmentalist congressmen were upset. "This is the only thing the public has seen come out of Washington as a conservation measure," said Connecticut Democrat Toby Moffett after the House vote. He was referring to the thermostat requirement of 78 degrees in summer and 65 degrees in winter. The amendment permits more comfortable temperatures for commercial establishment during business hours provided they showed "comparable energy savings" during off-hours. Said Moffett, "Now we're sending the public mixed signals."

The standby gas rationing authorization now requires the President to submit his plan 60 days before his announced intention to

implement it. The House or the Senate can then veto it within 15 days of submission.

The rationing authorization is only part of a bill that would give the president broad conservation powers. The Senate has passed the conservation part, but not the rationing part. The House has now granted rationing authorization, but has not acted on the conservation measures.

### **H**ouse backs Breeder program; McCormack backs fusion

As in 1978, the House once again went on record in favor of the Clinch River Liquid Metal Breeder Reactor (LMBR) program. The LMBR technology, already operational in France and the Soviet Union, is the only fission technology that produces more fuel than it consumes, making it an essential fuel-recycling feature of any broad nuclear development program. The Carter Administration's effort to kill the breeder program by eliminating funding in the Department of Energy appropriations bill was rejected July 26 by a 237-182 vote. The bill goes to the floor from the House Science and Technology Committee with full funding for Clinch River stipulated.

A contingent of industry-oriented, urban Democrats—of the Daley-machine variety—appear to have been responsible for attempts to save the breeder program. The

breeder has no place in the administration's energy program, which emphasizes only pre-20th century technologies.

This important energy battle now shifts to the Senate, where the same Department of Energy authorization bill has been reported to the floor *without* breeder funding. Energy committee members like Bennett Johnston (D-La.) and Jim McClure (R-Idaho) plan to lead a pro-breeder fight.

It is unlikely that either house could override an almost certain presidential veto of breeder funding. But continued, vociferous congressional support reflects the pronuclear sentiment of constituencies which no president, or presidential candidate, can successfully ignore.

On the day of the House vote, Mike McCormack (D-Wa.), the leader of pro-nuclear forces in the House, announced that he is requesting a major increase in funding of magnetic-confinement approaches to the development of fusion power. "The goal of this accelerated effort would be to have a magnetic fusion electricity demonstration-plant on line before the end of the century. I consider nuclear fusion to have the greatest future potential of any advanced energy technology."

McCormack's funding request is related to the breeder program vote, because the transition to an economy based on safe, clean and virtually inexhaustible fusion would depend beforehand on accel-

erated applications of fission technology, including fusion-fission hybrid generating plants. The fuel-conserving features of the breeder program would permit the interim period step-up of fission and hybrid development without encountering the difficulties of uranium-supply shortfalls.

### **Republicans chart British campaign**

Several days ago, House Republican leaders met with GOP chairman Bill Brock and announced that they will model the 1980 Republican election campaigns on the policies and tactics of British Prime Minister Margaret Thatcher. The Republican campaign will be focused around the budget issue, with Republican candidates asked to use rhetoric about free enterprise and tax cuts as the basis for a carbon copy of Thatcher's austerity campaign platform and programs. The Republican National Committee has even hired Jim Killough, the political consultant who ran Thatcher's publicity drive. Brock was in Britain during the last four weeks of the Tory leader's campaign. House Republicans were treated to a film last week on British Tory methods.

Spearheading the sale of this plan to freshmen GOP Congressmen is Rep. Newton Gingrich (R-GA.), a former history professor, who, in the words of the *Washing-*

*ton Post*, has "an admiration for British politics."

"Newt is interested in far broader issues than the budget" an aide declared. "He's involved in completely reorienting the way U.S. politics operate. So while we're not working for a Parliamentary system per se we are moving in that direction."

A Republican Economic Policy Statement released July 26, authored by a committee chaired by Senator Danforth (R-Mo.), supported a whole array of cheap labor programs and economic austerity policies. The statement recommends more effective IMF surveillance over "the surplus economies," meaning the developed nations. It also calls for close control over the Eurocurrency markets and an end to the role of the dollar as the world's reserve currency.

The statement coincides with Republican presidential campaign strategy. The programmatic points are taken from British programs.

—Susan Kokinda  
and Barbara Dreyfuss

# Who's getting Mexico's oil?

*State-to-state negotiations put France in lead for share of oil reserve*

Despite the best efforts of a sensationalist press campaign against an oil spill resulting from Mexico's Ixtoc-1 oil field, the real significance of this enormous June 3 oil find in the Campeche Gulf is not lost in knowledgeable circles: Mexico has more oil than ever. As Diaz Serrano, director of the state-owned Pemex oil company, told the press last weekend: "We want everyone to know that the Mexican oil industry is the owner of the largest offshore oil deposit in the world and one of the largest in the entire history of the oil industry."

The current figures of 40 billion barrels of proven Mexican reserves and 200 billion, potential, are once again shown to be gross underestimates.

Who's going to get it? This is the fundamental question as the scramble for world oil continues.

There are three sets of negotiations now ongoing: Mexico-Japan, Mexico-France, and Mexico-U.S. President José López Portillo has defined 1979 as the year of "decisions" preceding Mexico's achievement in late 1980 of a 2.25 million barrels per day "oil production platform." Exports at that time will total 1.1 million barrels per day. The basic goal Mexico has announced to help diversify exports is a 20-20-60 split between Japan, Europe, and the U.S., respectively.

Mexico's strategy in the three sets of negotiations has been public and unvarying, expressed in two areas. The domestic component is an unyielding commitment to convert the oil wealth into a massive industrialization program. This means oil-for-technology package deals with oil partners. The international component is a drive to use the negotiating potential of oil on the side of international agreements to spur oil development and equitable exploitation of energy resources worldwide. This is the "oil-for-peace" plan—López Portillo has warned that the alternative is "apocalypse." He will present this proposal to make energy "the common responsibility of mankind" to the Non-Aligned Nations meeting in Havana in early September and the United Nations General Assembly later the same month.

How have Mexico's negotiating partners responded? France has embraced both aspects of the Mexican energy strategy and its negotiations are moving ahead strongest. An agreement for oil deliveries of 100,000

bdp starting in 1980 should be signed soon, the amount France had asked for, and technology and trade deals are moving ahead full speed. Of particular importance is that France and Mexico are advancing in port development negotiations on the Gulf coast, where oil deliveries to Europe would be facilitated. Ports have been pinpointed by Mexico as one of the key bottlenecks in development efforts.

Japan, in negotiations with Mexico on all fronts, has shown hesitancy in accepting the oil-technology link and has held back from full collaboration on the López Portillo energy proposal. The result of this "go-slow" approach: expected Mexican deliveries for 1980 to Japan have been cut back sharply from 220,000 bpd to 100,000 bpd. But the negotiating picture remains fluid.

The United States, alone of the three negotiators, has chosen to ignore both facets of Mexico's energy strategy. The Carter administration has insisted on labor-intensive ruralization projects for Mexico in preference to real backing for heavy industry and capital goods production. National Security Advisor Brzezinski is reported to have summed up the administration's approach thusly: "We cannot tolerate another Japan south of the border."

As for the López Portillo proposal, there has been official silence. But unofficially the word is that it's a "public relations ploy."

The result is that U.S.-Mexico negotiations are going nowhere, regardless of whether a gas accord is signed during the late September Carter-López Portillo summit.

And observers see an especially hot two months in U.S.-Mexico relations shaping up as a U.S. hard line becomes policy. The issues: a U.S.-Mexico-Canada Common Market which Mexico sees as a threat to its sovereignty; the outcry launched around potential environmental damage from the Ixtoc-1 oil spill; and the orchestrated backroom efforts to force Mexico into a peso devaluation.

Not far removed from these issues is the threat of direct invasion. Using the line, "informed sources say," a front-page Baltimore Sun article on July 29 recalls

earlier U.S. invasions of Mexico and then warns that "both sides know there are limits to U.S. tolerance" of Mexican political and economic independence. "Just as the U.S. could not accept a truly hostile nation to its south, Mexico does not want to reawaken the imperialism of the past."

—*Timothy Rush*

## France, Mexico agree on oil for technology

A number of top French government and private sector officials converged on Mexico City last month to work out the details of the "economic association" between Mexico and France. The French Commissioner of Planning, the Central Bank governor, and the head of the European Center for Industrial Cooperation met with Mexican government officials to begin implementation of the wide-ranging economic cooperation accords reached during the late February state visit of French President Valéry Giscard d'Estaing. In exchange for 100,000 barrels per day of Mexican crude oil (shipments to begin in 1980), France is providing Mexico with the technology and financial and technical aid to carry out the López Portillo administration's 10-year Industrial Development Plan. The price of Mexico's oil is still under negotiation.

The tone of the working meetings was set by the French ambassador to Mexico, Jean Rene Bernard, who lauded López Portillo and Giscard d'Estaing's shared "rational and humanistic" approach to the global energy crisis and emphasized the importance of developing nuclear energy as a substitute for oil. Restating France's endorsement of López Portillo's proposal to reorder world energy policy in the context of a new world economic order—based on the principle that energy is the "common responsibility of all mankind"—Bernard indicated where France's interests lay, saying, "Mexico-U.S. relations are of interest to us, but [more interesting is] what Mexico thinks about the future of the world energy situation." He referred to the proposal the Mexican President will present to the U.N. in September.

### Nuclear energy

French aid in developing Mexico's nuclear energy capacity figures high in the oil-for-technology agreements. Planning Commissioner Michel Albert announced that France will begin making investments in Mexico in the near future in the area of nuclear energy, as well as in the petrochemicals and capital goods sectors. France has offered not only technical nuclear aid, but to

provide enriched uranium should the U.S. back out of its supply agreements. The French Atomic Energy Commission president toured Mexico last May, and Mexico has set a goal of building 20 nuclear power plants by the year 2000 to assure that the electrical needs of its ambitious development program will be met.

The priority which France has put on its political-economic relations with Mexico was underscored by the signing of a \$300 million "swap" arrangement between the Central Banks of Mexico and France. This bank-to-bank financial-monetary agreement, which puts \$300 million at Mexico's disposal for short-term balance of payments adjustments, was characterized by French Central Bank governor Bernard Clappier as a direct result of the López Portillo-Giscard summit and a "first" ever for France.

### Private sector

Much of the French investment in Mexican development projects will be channeled through the French private business and industry sector. The French National Confederation of Businessmen (CNPB) has just issued a detailed report on the Mexican economy, and announced that on Sept. 19 it will open a "liaison bureau" to encourage and coordinate investment, headed by the president of Celanese Corporation in Mexico and head of the large petrochemicals equipment firm, Constructions Metalliques de Provence. The CNPB is sponsoring a 10-day technology transfer conference and exhibition in Mexico City in early November.

Representing a layer of French private business, Olivier Giscard d'Estaing, president of the European Center for Industrial Cooperation, visited Mexico in late July where he met with Mexican Natural Resources and Industrial Development Minister Jose Andres de Oteyza. O. Giscard d'Estaing, brother of the French president, expressed French interest in selling railroad cars to Mexico, which suffers from a serious transport bottleneck, and in modernizing Mexican port facilities. He singled out, in particular, a project to build up the gulf port of Coatzacoalcos as the hub of an industrial complex and expanded energy and transportation grid.

### Ongoing consultations

France and Mexico have maintained an ongoing, tight consultation on political and economic affairs—as provided in the Giscard-López Portillo accords. French Mines and Energy Minister Francois Wicomb stopped in Mexico for talks with government officials after meetings in Washington June 22 which focused heavily on coordinating French and Mexican attempts to curb oil price speculation on "spot" markets like that in Rotterdam. Mexico's under secretary for Planning and Budget, Ms. Rosa Luz Alegría, traveled to Paris for a meeting with President Giscard d'Estaing only

days before the Tokyo Summit of advanced sector countries, to discuss joint Mexican-French diplomacy around the López Portillo proposal for a global energy policy and a world conference of producers and consumer nations.

—Mary Goldstein

## Mexico-Japan ties hurt by Tokyo's slow pace

The recent decision by Mexico's national oil company, Pemex, to sell Japan only 100,000 barrels of oil per day over the next few years signals that many problems continue to exist in the relations between these potentially highly complementary countries.

The Pemex decision was relayed to the Japanese earlier this month by the assistant director of the company, Ignacio de Leon, when he traveled to Tokyo to negotiate the details of a long-term oil contract between the two countries.

Though some Japanese sources have tried to explain the jolting Mexican decision as due to shortages of crude oil in Mexico and logistical problems, most business and government officials acknowledge unhappily that the decision was based on political considerations. Simply put, Mexico is unhappy with Japan, and though the government of President José López Portillo is potentially willing to export large amounts of oil to Japan, it is avoiding any hasty decisions until a full "package deal" of oil-for-technology is worked out.

It is expected that a long-term oil contract will be concluded between Japan and Mexico in mid-August, when Japan's Minister for International Trade and Industry Esaki travels to Mexico City. Last week, one of Esaki's top aides, Natural Resources and Energy Agency Director N. Amaya, visited Mexico City to work out the final details of the contract and is reported to have offered \$500 million in advance payments for oil and Japanese technical help in several development projects, as sweeteners to the deal. While the results of Amaya's talks are not yet known in detail, it is unlikely that his efforts worked to improve the terms of the contract for Japan. The contract is believed to guarantee Japan 100,000 barrels of crude oil per day starting in 1980, with the amount to increase up to 200,000 to 300,000 barrels per day in the last years of the 10-year pact.

It is not too late for Japan to gain access to high quantities of Mexican crude. Should there be an overall improvement in Mexico-Japan relations, the delivery quantities stipulated in the contract would increase as

well, more in the area of the 20 percent of the overall exports Mexico originally earmarked for Japan.

### Problems with Japan

In Mexico's view, the problem with Japan involves two fundamental issues: the slow pace in discussions between the two countries on a "package deal" involving an exchange of oil for technology; and, the overall direction of Japanese foreign policy, especially on political issues relating to energy. Significantly, both of these issues directly involve the United States.

The influence of the United States in the direction of relations between Mexico and Japan cannot be underestimated, as Japan now finds itself in the unwanted position of "middle man" between Washington's determination to impose its views on Mexico and a Mexico determined to become less vulnerable to American pressures. Washington has traditionally claimed a "special relationship" with its southern neighbor and even low-ranking officials in Japanese corporations gossip about the American pressure on Japan to limit its relations with Mexico and not "interfere" in U.S. "territory." Mexico, on the other hand, is trying to diversify its international economic and political relations and reduce its "special relationship" with the United States, while obtaining the technology it needs for its ambitious industrialization strategy.

In the middle stands Japan—hoping to develop in Mexico a new, reliable source of oil and an export market for high-technology products, while lacking the political will to buck Washington's demand to stand clear of Mexico.

Japan's middle-man position has led to hesitancy in Tokyo to develop a wide-ranging relationship with Mexico, and caused a slowdown in talks on a "package deal" involving an exchange of oil for technology that Mexico has demanded. After more than a year of regular negotiations, high Mexican officials are now quietly expressing suspicions about Japan, and are unsure that the Ohira government in Tokyo is committed to such a "package deal." These suspicions have been fueled by the Ohira administration itself, which is ordering its representatives in Mexico to state that official Japanese policy is to separate the oil and technology issues.

Currently, discussions are continuing between Mexico and Japan concerning cooperation on industrial projects throughout Mexico, especially in transportation, ports and steel. However, most of these discussions have been ongoing for more than a year, and though most Japanese companies acknowledge the need to link the issues of oil and technology, not one of the major projects being discussed by the two countries has been finalized. Japanese officials place much of the blame for these delays on Mexican officials, who, they claim, have failed to be specific in proposing economic cooperation

between the two countries. Despite these claims, the lack of political will on the part of Japan cannot be denied.

Until recently, the Ohira government has tried to deflect American pressure on Japan concerning Mexico by delegating all responsibility for negotiations with Mexico to the powerful business sector of Japan. Despite the efforts of the large business federation Keidanren, and its director, Toshio Doko, to organize orderly negotiations, fierce competition for contracts has split the business community and slowed the pace of discussions.

Last year, Mexican President López Portillo requested that the Japanese centralize their business negotiations with Mexico, and through Keidanren, a six-man committee comprising Japanese industrial firms was established. From the Mexican side, a government task force comprising four officials was established to act as liaison to the Keidanren team.

Recently, the discipline of the Japanese business community has broken down, and numerous groups have carried on their own negotiations with Mexico. Three factions have developed, all competing especially for the contracts to import Mexican crude to Japan.

The first group is centered around the energy-minded Industrial Bank of Japan (IBJ), and includes the two largest trading companies—Mitsubishi and Mitsui. In this case, the oil importing would be handled by these two companies, which already import huge amounts of oil from the Middle East, and are very experienced in this field.

A second group is comprised of Japan's independent oil companies and refineries, led by the large Idemitsu Corp. Working closely with this group are some trading companies, including the fourth largest, Marubeni, and a chief rival of the IBJ, the Bank of Tokyo.

The third group is a loose coalition of the Japanese subsidiaries of the international "major" oil companies, led by Nippon Oil.

Last month, as competition between these groups rose, the IBJ made an unusual offer of \$500 million in advance payments to Mexico for crude oil to be delivered next year, in an effort to gain an inside track in the negotiations with Pemex for the oil import contracts.

Such fierce competition has naturally soured the Mexican government toward Japan. In all of the scrambling for oil contracts, Japan lost its focus on the Mexican government's oil-for-technology requirements. Moreover, unrealistic demands by the Japanese business sector—such as changes in Mexico's labor laws—have inevitably alienated a Mexico proud of its constitutionally guaranteed rights for workers.

More than specific negotiations, however, Mexico been concerned with the overall direction of Japan's foreign policy. Japan has yet to clarify its position on

one of the most important foreign policy issues today: the proposal by President López Portillo for an international conference of energy producers and consumers which seeks an orderly marketing arrangement for oil, linked to the modernization of the developing countries, and a new world economic order. López Portillo has made this proposal the cornerstone of his foreign policy, and Japan's failure to actively organize support for the proposal has severely reduced Mexico's trust in Japan.

Moreover, the recent announcement of support by Japanese Foreign Minister S. Sonoda for the Camp David treaty between Israel and Egypt did not go unnoticed in Mexico. This statement, which damaged Japan's relations with such key oil-producing nations as Saudi Arabia, Iraq and Kuwait, was a fundamental shift away from Japan's policy of the last five years of cultivating a "special relationship" with the Arab countries so as to guarantee supplies of oil.

### **Hope in the future**

Though most Japanese business officials acknowledge that Mexican-Japanese relations are not currently good, some sources have recently expressed hope that the decision by the Japanese government several weeks ago to take charge of the talks might help improve the situation. The government has ordered the three competing groups to cease all talks with Mexico, and all negotiations are now being handled through Japan's Ministry for International Trade and Industry, MITI. The trip to Mexico City last week of top MITI official Amaya was part of this new government policy.

One source has noted that the MITI has traditionally favored package deals in discussions with the Arab oil producers, and may be coordinating its Mexico talks with a section of the business community, led by IBJ, also traditionally favorable to package arrangements.

According to this source, the first hint of this cooperation between MITI and IBJ came when IBJ issued its proposal to Pemex for \$500 million in advance oil payments. Initially opposed by the tight-fisted Ministry of Finance in Tokyo, the IBJ proposal was soon thereafter given the go-ahead when the MOF rejection was overruled. The source said it was likely that IBJ held secret consultations with MITI before making the proposal, which was then issued as a factional maneuver designed to improve the climate of negotiations between Mexico and Japan. The MOF opposition, the source noted, was likely overruled by MITI, with the help of some leading politicians in the ruling Liberal Democratic Party (former premier Takeo Fukuda was mentioned).

Though the decision by MITI to intervene and take overall leadership of the negotiations with Mexico appears to have cost IBJ any chance of gaining the inside track with Pemex, the source noted that IBJ will still emerge in a commanding position within the Jap-



anese business community concerning Mexico, as MITI has now adopted the initial IBJ \$500 million proposal as official government policy.

Despite many intriguing aspects of this account, it should be noted that other sources have voiced an opposing view, that the IBJ-MITI proposal for advanced payments is designed as a "compromise" with Mexico, i.e., an "alternative" to a full package deal. If this is the case, of course, the proposal will only further hurt relations between the two countries.

Whichever account is true, it remains to be seen what effect the government taking charge will have on the relations between Mexico and Japan. Without a clear change in Tokyo's political direction, the prospects for the relations blossoming to take full advantage of potential cooperation are not good.

—Peter Ennis

## U.S. wages energy war against Mexico

U.S.-Mexico relations are at rock bottom, despite the rosy media and Carter administration predictions of an impending deal on U.S. purchase of Mexican natural gas. Washington policy toward Mexico has maintained its singleminded focus, what Mexican press angrily identifies as "myopia": to break Mexico's policy of measured oil development-for-industrialization in order to claim that country's massive reserves of oil and natural gas for U.S. strategic stockpiles.

Nowhere is the bent of U.S. policy clearer than in the intense and "cross party" pressure exerted on the Lopez Portillo administration to accept some form of "common market" "energy-sharing" scheme, viewed by Mexico as a veil for an energy grab and a virtual declaration of war by the United States. While pressing for Mexico to "share" its energy resources, Washington has steadfastly refused to acknowledge Mexico's demand that large-scale technology transfer to aid Mexican industrialization be the basis of any "interdependence" between the two nations.

Washington clearly views the question of concluding a natural gas accord with Mexico in strategic terms far surpassing the resource itself. As the *Baltimore Sun* stated, in a July 26 "leak" on the gas talks, a Mexico-U.S. deal would "serve as a sign of the cementing of an 'energy alliance' between the U.S. and Mexico."

### Gas negotiations

Gas negotiations were reopened in April, after a breach of more than a year, ever since Energy Secretary

Schlesinger torpedoed negotiations between six private U.S. gas companies and Mexico's state oil company, Pemex, on the grounds that Mexico's asking price was too high—particularly relative to the price of Canadian natural gas.

This new round of talks is being handled directly by Washington, with involvement of State, Commerce and Treasury Departments, as well as the National Security Council.

State Department Undersecretary for Economic Affairs Richard Cooper told journalists July 25 that the U.S. is "on the verge of negotiating" the framework of an accord that would set guidelines for price scales and volume, leaving U.S. private gas companies to sign the actual sales deals. An accord would presumably be sealed at the planned (no date has yet been set) "summit" of Mexican President José López Portillo and Jimmy Carter in September.

Whether a deal is in fact close remains unclear, despite official leaks to the contrary. The *Los Angeles Times* published a front page "inside" report Aug. 2 that the talks had once again collapsed. It is likely that price remains a point of contention. While Canada conveniently began raising its gas price—now heading toward \$3.50 per thousand cubic feet by next spring—toward the Mexican price formula, which works out to be \$3.80, the *formula itself* for price increases is still a sticky point, according to Department of Energy sources. Washington wants to peg Mexican price increases to the world market price of number 6 heating oil, while Mexico is pressing for a peg to the somewhat higher price scale of number 2 heating oil. Mexico has stated categorically that it will accept nothing less than a "just price" for the gas it sells.

### How much gas?

Just how much gas would be available to the U.S. in the event of an agreement with Mexico? Vice President Walter Mondale told the National Association of Governors conference in early July that purchase of "great quantities" of Mexican natural gas (he did not mention a volume amount) is one of the highest priorities of the Carter Administration. But Mexican official statements strongly contradict these projections.

The only gas available for sales abroad, the government has declared, would be whatever surplus Mexico does not use domestically. This policy has been reaffirmed—as government policy—repeatedly over the last months by Pemex director Jorge Diaz Serrano and Natural Resources and Industrial Development Minister Jose Andres de Oteyza, who said May 9 that Mexico's "surplus for export is relatively small." A U.S. gas company insider told *EIR* that the volume of gas available is definitely below the 2 billion cubic foot amount discussed in 1977.

# The Common Market: a 1980 election issue?

Gov. Jerry Brown of California flew to Mexico last week to propose to President José López Portillo that Mexico, the U.S. and Canada form a North American Common Market.

The spectacle of a declared U.S. presidential candidate launching his campaign by flying to a foreign country to promote a proposal which is anathema to that country's leaders tells a great deal not only about Brown, but also about how the Mexico issue is already being manipulated in the 1980 presidential campaign. Of the major presidential contenders, only the U.S. Labor Party's Lyndon LaRouche has attacked the Common Market ploy and instead endorsed López Portillo's world energy development program.

Brown, Robert Dole, John Connally, and Ted Kennedy have all recently endorsed the Common Market scheme as an important element in "solving U.S. energy problems." None of the four make any pretense of the fact that they see such a Common Market as a convenient arrangement to override Mexico's nationalist oil policies and dictate Mexican oil policy from Washington.

The idea of a North American Common Market, as documented in past issues of Executive Intelligence Review, began as a project of such New York investment houses as Lazard Freres and Blyth Eastman Dillon. The Common Market figured in the recommendations of the Carter administration's Presidential Review Memorandum 41 on U.S.-Mexico relations last winter. There it was tagged a "North American Community."

Now, with an assortment of endorsements from top 1980 presidential contestants, the issue is moving front and center in the campaigns.

In Congress, the idea is "making it to the surface," in the words of one West Coast thinktanker. Sen. Max Baucus (D-Montana) opened the first round of hearings on "North American Interdependence: the Next Decade" in the International Trade Subcommittee of the Senate Finance Committee on June 6. Though witnesses generally avoided the term "Common Market," out of deference to Mexican and Canadian nationalist sensibilities, all proposals converged on the same theme.

This spells disaster for U.S.-Mexico relations. Mexico has defined a mutually profitable relationship with the U.S. based on an exchange of oil for the technology and capital goods it needs for full-scale industrializa-

any stripe would undermine its sovereignty; and it is concerned that a flood of cheaper manufactures would undermine its industry. As Foreign Minister Jorge Castaneda put it in a press conference June 4, the Common Market "would be a decisive obstacle for the country and for the consolidation of our industrialization."

## By any other name as bad

Kennedy and Brown in particular have played up the "energy side" of a Common Market and stressed their hopes of using Mexico to "bust OPEC." This plays into the strongest area of Mexican nationalism and courts the quickest rejection—leading some observers to conclude that in these hands the proposal is purely a pressure tactic to force concessions from Mexico in other contexts.

Numerous other Common Market supporters seek to downplay the energy component, and in many cases try to duck the Common Market label entirely.

At the Baucus hearings, Rep. Arlan Strangeland (D-Minn.) urged a North American Energy Summit. William G. Phillips of the U.S. Chamber of Commerce called for a North American Continental Trade Commission; Sen. Peter Domenici (D-N.M.), a North American Planning Commission; Paul Oreffice of Dow Chemical, a North American Alliance. Senator Baucus emphasized "strengthening research and development capabilities" in Canada and Mexico. An aide explained his approval this way: "We don't talk about a Common Market. We talk about a free trade zone. We want to start from the other end of the telescope: What do they want?" Baucus has suggested that further integration "should start ... with a private sector institute or other similar organization to devote itself to investigate possible ways to increase North American trading patterns."

The West Coast academic who praised the Baucus hearings for bringing the Common Market issue "to the surface" is among the ones saying "energy is not primary" in the arrangement. He stresses labor flows. Nor is he concerned with the label. "Both Canada and Mexico will have to recognize the facts of life, and come to a de facto agreement in the next years."

But with candor he admits: "Mexico is scared to death of the idea and ought to be scared to death."

—Timothy Rush

# 'Modernization the only road for Mexico'

Last week, Mexico's President José López Portillo led the dedication ceremony for a Mexican plant that will produce world-class oil drilling equipment of Mexican design. This is a first for Mexico: only the United States, the Soviet Union, and Romania currently possess such technology.

"Accelerated modernization brings advances and, without doubt, it brings pain," said López Portillo, making reference to the oil spill from the Ixtoc-I well. "The lags are more evident than the advance. But it is the only road. ... Let us not cancel the single option for progress that we have. Let us courageously face progress and modernization. We cannot continue re-apportioning misery: we must create wealth ..."

Mexico's Industry Minister Oteyza was clear on the same point in a statement he made last week: "All developing countries must run the risks inherent in development. After the [Three Mile Island nuclear] accident in the U.S., we were asked if we would slow down our nuclear development. My response was unequivocal. We will take all precautions ... but we will not slow down nuclear development. We have the obligation to accelerate it. The same for Ixtoc-I."

## Campaign against Pemex

Both inside and outside Mexico there is opposition to the President's policy to use Mexico's vast oil wealth to industrialize. Opponents are waging a sensationalist campaign designed to discredit Mexico's state-owned oil company Pemex around the Ixtoc oil accident.

The *New York Times* charged July 29 that faulty Pemex engineering was the cause of the accident. The Swedish daily *Dagens Nyheter*, on July 24, headlined a front-page article: "Oil Catastrophe the Fault of the Company." Its source was "engineer" Herberito Castillo, head of the Mexican Workers Party and a bitter critic of Mexico's 1977 decision to rapidly built up the oil industry. "Keep it in the ground" was Castillo's cry. *Dagens Nyheter* cites Castillo's charges that the cause of the accident was that Pemex was developing resources "too fast."

And on July 30 the French weekly *Le Nouvel Ob-*

*servateur* covered "The Murder of a Sea." "Is this the beginning or the end of everything?" The weekly then charged Pemex with indifference in the face of the accident.

In Mexico, an alliance of the "left" and "right" wings of antiprogress forces has brought together the Mexican Communist Party and the fascist National Action Party in calls for the resignation of Pemex Director Jorge Diaz Serrano.

But Pemex workers are backing the oil company. In a national manifesto, they charge: "... it's obvious that there are foreign interests in collusion with unworthy Mexicans. ... These interests want us to sell our gas cheap and waste our oil." The semi-official daily *El Nacional* condemned the members of the Seven Sisters multinational oil cartel, based in the U.S. and Britain, as "the most interested parties in creating a controversy around our oil."

## Diaz Serrano: 'Ixtoc is not a catastrophe'

*In recent days, the director of Petroleos Mexicanos, Jorge Diaz Serrano, has moved to counteract the sensationalist campaign surrounding the Ixtoc-I oil accident. We reprint below excerpts from two major interviews, not otherwise available in English. The first is with Excelsior on July 31.*

**Q:** To what do you attribute the enormous campaign raised against Ixtoc? Are there foreign interests involved?

**A:** I don't know ... [but] I believe oil is the most coveted commodity at this moment and it wouldn't be surprising if there were individuals who wish to prevent Mexico from moving ahead in its march toward progress, in its growth, above all, in its independence ... [individuals] who wish Pemex to return to the former times when work was carried out with foreign participation in production (Mexican oil was nationalized in

1938—ed.). Pemex has not done this since 1938 and we do not intend to do so now.

**Q:** *From various statements, it is clear that Pemex is hurrying to find new oil deposits. If we are seemingly exploiting the oil indiscriminately, how is Mexico to participate in the proposition President López Portillo will make to the United Nations, that oil be declared the "reserve of humanity?"*

**A:** Everything in your question indicates that you believe the taste for oil will last a long time and the oil itself, only a short time. ... I wish to inform you that the figures on our reserves indicate very clearly that, at current consumption, we have oil for 60 years. This is a goodly period of time if you think that the highly developed countries are fully decided on finding substitutes for oil.

*The following is from a Mexico City press conference which Diaz Serrano held on July 27.*

I repeat, gentlemen: [Ixtoc] is a serious accident, but not a catastrophic one. There is no way accidents can be totally avoided given the rate at which Pemex has been drilling over these last years. We can hardly speak of catastrophe at the very moment in which we are discovering enormous quantities of energy.

... Petroleos Mexicanos can be improved. We've been wrong and made mistakes. But at the same time, we're an institution that has overcome obstacles which seemed insurmountable. ... In the last two years Pemex has, through hard work, launched Mexico into the international arena, not at the mercy of other nations, but as master of its own resources and with ample maneuvering room in negotiations.

We will forge ahead with optimism in the tasks of oil development. We will advance, calculating the risks, but aware that if we were to turn back, the dangers would be greater.

... At no time has Pemex attempted to misrepresent what we know, or attempted to cover up or minimize the accident. We are a serious and responsible institution which faces its difficulties with seriousness and experience.

**Q:** *What will happen if the oil spill reaches the U.S.?*

**A:** ... I can't answer that. We will have to wait and see if it reaches [the U.S.].

**Q:** *I would like to know if Pemex's international image has suffered in regard to financing, etc.?*

### The truth about Ixtoc-I

On June 3, 1979, Mexico hit one of the most extraordinary oil deposits in the historic string of finds dating back to 1972. When the Ixtoc-I exploratory well broke into an oil-bearing pocket some 3,000 meters below the shallow Gulf of Campeche, the pressure was so great that it blew out the drilling apparatus. The existing technology could not hold it.

Due to the pressure, attempts to cap the well failed and Petroleos Mexicanos (Pemex) has been forced to drill two relief wells next to Ixtoc-I which will eventually disperse the pressure over a wider area. Best estimates project a capping by late August. According to information released July 30 by Pemex Director Jorge Diaz Serrano, there are some 15 other such uncontrolled wells around the world, four of them marine.

The oil spill from the well, approximately 20,000 barrels a day, has stayed offshore due to the Mexican Gulf currents. The potential for environmental damage is speculative and will not be of any lasting effect.

**A:** ... Our production has not been affected, since this was an exploratory well. We were only seeking geological information. Our offshore production is proceeding normally and our relations with the banks, the financial institutions and in oil circles are good ...

**Q:** *Are we to understand that there are groups that are interested in curbing our oil production?*

**A:** We believe that the Mexican petroleum industry is making its presence strongly felt on the international level. ... It's logical that there are certain groups, which I cannot name, that have an interest in Mexico not becoming an independent country and an important exporter.

**Q:** *Are the pressures from these sectors which are interested in reducing Mexico's oil potential domestic or foreign?*

**A:** I believe these pressures are entirely foreign. I don't think there are some Mexicans who don't want our oil industry to move forward. I don't believe that there are people in Mexico who deliberately try to impede the progress of our nationalized oil industry.

# Nicaragua rebuilds

*But IMF demands shattered country adopt 'austerity'*

Despite the obsession of most of the U.S. eastern press over whether Nicaragua is becoming "another Cuba," the real story of what has been unfolding in Nicaragua since the Sandanista victory two weeks ago is the awesome task of lifting that country out of the destruction left by Anastasio Somoza and putting it on a course toward full economic development. As the first laws and policies of the Government of National Reconstruction (GRN) immediately made clear, Nicaragua is driving home to the entire international community the fact that there is only one fundamental issue at stake in the Third World: underdeveloped nations must repudiate the imposed "plantation economics" of the International Monetary Fund and the looting policies of the London-centered Dope, Incorporated financial nexus, or they will perish under the Pol Pots, the Somozas, and the Khomeinis. How "anti-U.S." Nicaragua becomes depends not on Cuba, but on which side of this issue Washington chooses to stand.

On its first day in power, the GRN junta promulgated a series of laws against organized crime, banning

drug use, gambling, and prostitution. To anyone familiar with the Somoza regime, this dramatic step means more than a moral gesture: it is crucial for the nation's rebuilding process. Somoza ran a typical IMF-Dope, Inc. regime. The population was kept in labor-intensive, bestial backwardness to feed the drug-based Central American operation set up by Max Fisher's United Brands. The regime did not moonlight in organized crime; it *was* organized crime. Somoza's National Guard was sent into its barbaric rampages crazed on cocaine and marijuana. The new government also publicly reported that 40 acres of carefully cultivated marijuana had been found on land belonging to the Somoza family, and invited international authorities to inspect Somoza's drug empire for themselves.

Three days after the crackdown on Somoza's drug operations, the GRN took the next step to clear the way for reconstruction. All debts left by Somoza resulting from weapons purchases made during the final two months of his regime were declared void by the junta on July 21. Besides large sums owed to Argentina and Israel, the junta announced that it has possession of documents proving that the IMF was guilty of financing the purchase of weapons used by Somoza for unspeakable war crimes, and that this debt would therefore not be recognized.

The repudiated IMF debt consists of \$26 million in Special Drawing Rights disbursed as part of a \$66 million credit package signed in May, with the express approval of the Carter administration. According to then-Treasury Secretary Michael Blumenthal, Washington okayed the loan because the IMF is "apolitical." This week the "apolitical" IMF suspended the remaining \$40 million credit, saying that whereas Somoza had agreed to IMF conditionalities, the new government must submit an acceptable "austerity program" to the Fund.

Also annulled, according to the GRN statement, was an unspecified debt to the World Bank, which Somoza used to pay \$2,000 in fees daily to mercenaries, in addition to "bounties" of \$5,000 to \$10,000 for such deeds as the assassination of Sandinista leaders.

It is not the GRN's intention to antagonize potential international lenders. In fact, the junta's policy statement on debt stressed that it will honor the remainder of Somoza's debt and called on the international com-

## International aid to Nicaragua (delivered or pledged as of Aug. 1)

Country	Dollar value	Items
Cuba	—	60 doctors sent, 500 more promised. Potentially thousands of teachers have been offered
Mexico	—	Over 200 tons of supplies have been shipped. Two planeloads arrive daily in Managua. Scores of doctors, architects, and technicians have been sent.
United States	\$3.5 million	One planeload arrives daily
Venezuela	\$20 million	Loan made available through the Inter-American Development Bank. GRN had requested \$60 million.
West Germany	\$5 million	Loan
EEC	\$0.6 million	Loan.
Italy	\$0.06 million	Loan.
Spain	—	One 90-bed mobile hospital.
Dominican Republic	—	20 tons of food and medical supplies.

munity to provide urgently needed credit. The GRN's terms are generous: according to reliable sources, between a third and a half of the staggering \$1.3 billion debt Somoza left stems from arms purchases that wreaked almost incalculable destruction.

However, the junta is making it clear that its right to develop will not be compromised by financial pressure. At a press conference July 25, junta member Alfonso Robelo stated, "The foreign debt will be renegotiated on terms and conditions most favorable to the national interest, and its repayment will be strictly tied to the process of economic recovery and the gradual restoration of the economy's capacity."

The reconstruction process is beginning from almost ground zero. Not only has the Nicaraguan economy been warped from decades of IMF-style austerity, aggravated by awesome losses and destruction perpetrated by the National Guard during the civil war, but on top of this, Somoza took with him every hard national asset that wasn't bolted down. And what he couldn't take with him he either sabotaged or mortgaged [see below]. When the new junta took over and examined Somoza's books, it found that almost every fixed Somoza asset had been mortgaged for hard cash, which quickly left the country. The nationalization of the private banks last week was received with relief by many businessmen, since it was discovered that the banks' liabilities exceeded their assets severalfold in many cases. Somoza also cleaned out the treasury, leaving less than \$5 million in foreign reserves.

According to the GRN, reconstruction will require international financial aid totaling \$3 billion over two years. So far, pitifully little of this has come through. Mexico and Cuba, as expected, have led in aid to the rebuilding process, whereas the United States and Western Europe—the economies which could help the most—have contributed almost nothing. Mexico is sending twice the number of supply airlifts the U.S. is, and tens of Mexican doctors, architects, urbanologists and other professionals are already aiding Nicaragua. Cuba has sent 60 doctors and Fidel Castro has personally pledged another 500. Further, Cuban education minister Arela de Santos announced that Cuba is willing to make the full experience of its successful 1961 literacy campaign available to Nicaragua, including "all the teachers Nicaragua could need."

Despite the trickle of international aid, the junta has already taken remarkable strides to reorganize the economy, particularly in agriculture, where the focus is on the use of the most advanced technology possible to generate maximum surplus. The immediate goal, according to Agriculture Minister Jaime Wheelock, is to feed an estimated one million citizens now victims of severe food shortages. The 800,000 hectares of Somoza's holdings—equivalent to about half of the country's arable land—were immediately expropriated by the government. Instead of dividing up the land into un-

productive small units, the junta has announced that both large-scale cooperatives and state businesses will be introduced. Wheelock emphasized this week that the modern agro-industries salvaged from the Somoza era will be preserved as high-technology state enterprises, and the surplus will be plowed into infrastructure, housing, and school construction.

"We cannot turn these lands over to groups of peasants who lack the skills to make them profitable," said Wheelock. "It will be much more beneficial to the peasants if we operate them technologically."

—Chris Curtis

## What Somoza did to Nicaragua

As barbaric as Anastasio Somoza's reign of terror was already known to be, the stories now coming to light in Nicaragua of grotesque tortures, mass graves, dungeons, and sheer destruction encountered by the new government as it takes stock of where Nicaragua stands reveal a depth of horror difficult for the mind to comprehend. The genocide committed by Somoza and the National Guard, including the sheer irrational bestialism employed to that end, has only been surpassed in the post-Hitler period by the Chinese-run Pol Pot regime in Cambodia.

The reports presented below are horrifying, but they are not simply the products of a crazed madman determined to hold onto power at any cost. Somoza's Nicaragua, like Pol Pot's Cambodia, represented the final stages of what London policymaking circles advocate as global policy: a new Dark Age. The International Monetary Fund, the Carter administration, Israel and international narcotics traffickers all pumped millions of dollars, men, and weapons into Nicaragua to defend Somoza, knowing full well the nature of his regime, in the determination that if they could not win, there would be nothing left with which others could build a nation.

Serving as war correspondent for the Mexican daily *Uno Mas Uno* in Nicaragua, Carmen de Lira wrote on July 28: "Each one of us knew some brutal act by the Somozan army. Personally, I cannot forget the three hanging bodies of those young Sandinistas who became lost after the battle of Naranjo and fell into the hands of the Guard: The three hung from the trees with their chests ripped open, their genital organs in their mouths, their hearts nailed with stakes. Others remembered the horrible action of the Guard against the children, whose eyes they poked out."

Mexican doctors arriving in the first international brigades to aid the reconstruction, de Lira wrote, confirm the reports.

Mass graves are being discovered across the country

still, a Venezuelan correspondent for *El Nacional* wrote in the first days after the war ended. The journalist reported how he walked with families while they searched through bodies that were disemboweled, grotesquely tortured, or chopped in half, looking for missing relatives.

Prisoners still lie in as yet undiscovered dungeons crisscrossing the hill underlying Somoza's "bunker," the fortified quarters sitting atop Managua from which he ruled. Access ways to the secret dungeons were left mined by the Guard, requiring a special squad of experts in explosives and tunnels to free 150 prisoners still left alive—a full eight days after the war was won. "The search will continue," Antar, the head of the Sandinista squad leading the search, told the press, "because we have reports that there are more cellars and the soldiers swear they hear moanings at night." Antar added that specialized equipment that indicates the presence of underground cavities has been requested from the Red Cross to aid in the urgent search. "Almost all the Tiscapa Hill, where the installations of the presidency, the security office, the tank forces and military hospital were, is crisscrossed by dungeons. ... In some they stored weapons and explosives; in the majority, human beings."

In these cellars were the majority of the torture chambers. A secretary at the Colombian Embassy in Managua told of reports by fleeing National Guardsmen that here Somoza himself would personally attend torture sessions, among whose features were such throwbacks to the Inquisition as snakepits and lions' dens.

### War wounds

Like the mining of the prisons so that no one could ever escape, Somoza has left a legacy of war wounds to the next generation. One-eighth of the population—300,000 people—were left wounded, mutilated, or permanently deformed according to figures released by the Red Cross, much of the damage resulting from the use of various kinds of internationally outlawed antipersonnel weapons. Included among these were fragmentation grenades, whose phosphorus detonators have left thousands blinded, most of them children.

Forty thousand persons were killed in the final six weeks of the 10 month civil war alone, most of them civilians trapped in the cities napalmed and firebombed with tanks of dynamite and gasoline by Somoza's Air Force. The names given to their counteroperations by the Guard forces reveal their strategy, not to win a war, but simply to destroy: "Operation Level and Burn" and "The Nero Strategy," as Commander "Bravo" of the Guard called it, after the Roman emperor who burned Rome. Where resistance is met, the towns will be destroyed, Bravo bragged. In Leon, people were driven into a stadium by Guard troops, and then bombed from the air. In Masaya, where Somoza made his last "counteroffensive," the entire center of the town was brutally

### U.S. Treasury: 'What do they want, cities? Ridiculous'

When asked if the Carter administration intends to supply some of the \$3 billion in reconstruction aid requested by the new Nicaraguan government, a spokesman at the U.S. Department of Treasury had the following to say:

"Three billion is ridiculous. They don't need that much to get the economy going. What are they trying to do, turn the whole place into one big modern city?"

firebombed for hours, while Guard troops surrounding the city shot those trying to flee the flames. In Managua, indiscriminate bombing of the city continued for over a week.

Not even Hitler carried out the sweeping extermination campaign leveled at the youth of the country as a whole as did the Guard. Everybody, especially those over 11, was liable for execution by Guardsmen on suspicion of being a Sandinista.

It is no wonder that the National Guard was, by the end, largely composed of mercenaries, and virtually all drug addicts.

### The final plunder

Forty years of Somoza's rule have left 70 percent of the population illiterate; 75 percent of the children malnourished to a significant degree; and, according to estimates, only half the children born reach the age of five. One-third of the entire national economy was controlled by Somoza's businesses; one half the cultivable land in the country owned by Somoza and his family.

In his last days Somoza took as much of that with him as he could: the National Treasury had barely \$5 million left in reserves; the rest was drawn in last-minute checks by Somoza and his fleeing retinue. Thirteen of the nation's shrimp boats, the majority, were stolen. The cattle herd, according to a French agricultural advisor in Central America, was almost entirely slaughtered in the last days of the war, and shipped to sell in the U.S. on Somoza's private shipping lines. The herd, urgently needed to feed the starving population, will take years to rebuild. Every business and bank in the Somozan empire was found mortgaged way above assets. As junta member and private businessman Alfonso Robelo stated, "This country was nothing but a source of hard cash for investment abroad."

Now the country is carrying out the process of reconstruction, with one million of the pre-war population of 2.5 million Nicaraguans left without resources by the war.

—Gretchen Small



# The gangs—who benefits?

Reporter Roy Harvey's exposé of Ed Levi and the Blackstone Rangers

In June of 1979 journalist Roy Harvey of the *Chicago Defender*, Chicago's third largest daily newspaper, began an investigative series entitled, "Chicago Gangs: Who Benefits?" The series continued through 18 installments (over a month of publication) and, by its conclusion, entirely changed the face of politics in Chicago. It exposed the "people above suspicion," Edward and Julian Levi of the University of Chicago, the University's think tanks and community and religious front organizations, to be behind the formation and deployment of the drug-and-crime controlling "street gangs" of Chicago in the 1960s—the Blackstone Rangers, the Black P. Stone Nation, and more recently the El-Rukn.

In his introduction to the series, reporter Harvey asked the crucial question behind any such investigation: "Who benefited?":

"While most of the gang leadership went to prison or were murdered ... the gang controllers—the sociologists, the preachers, the poverty pimps and the lawyers—went on to ... new 'sociological experiments.'

"Some of them worked to further dismantle the Chicago police department, which had interfered with their experiment; others set themselves up as the nemesis of industry and the development of nuclear power; others, with their foe Mayor Daley gone, moved into City Hall."

Harvey's series, which won for him and the *Chicago Defender* the Outstanding Service Award of the Illinois Anti-Drug Coalition, succeeded in answering the question, "Who benefits?" It found that the same political machine which put Mayor Jane Byrne in office and which has undertaken to dismantle Chicago as an industrial and commercial center, created the gangs in the 1960s to help carry out this process. As Harvey documents in the series, in the words of University of Chicago sociologist Irving Abraham Spergel, who headed the University's OEO-funded "gang school analysis study" and published a book on his "study" in 1969:

"Gang youths ... can be useful as the shock troops, the putschist elements, the essence of the rabble or the mob which attacks and serves to topple the existing

political regime or at least to seriously threaten the existing political structure."

The Chicago gangs were used to introduce drugs, terror and "community control" to the city, starting with its Woodlawn ghetto. They were recruited, paid, and protected by the University of Chicago, the Federal Office of Equal Opportunity (OEO), and by then University of Chicago provost and president Edward Levi—later appointed to the post of U.S. Attorney General.

By the conclusion of the gangs series, the *Defender* was the best read newspaper at Chicago's City Hall. Several members of Chicago's City Council were heard to express their desire to "take the University of Chicago apart brick by brick." Parents' groups, community groups, and political associations organized meetings around the series and flocked to the *Defender's* offices to get copies of the articles and more information. "We didn't have the staff to pursue all the leads," Harvey told *Executive Intelligence Review*. Community people called the *Defender* "brave."

Then on July 23, the first response was heard from the Byrne machine. Edward Levi, a Byrne nominee to head the Chicago Police Board, abruptly withdrew from consideration with no explanation. The entire city knew the reason, however. The *Defender* went to press with the headline, "Levi Withdraws: Credit Defender Gang Series."

The method and principles which Roy Harvey used to break the Chicago gang story are the same as those which Alexander Hamilton sought to impose on American journalism, when he wrote: "It was by the press that the morals of this country have been ruined, and it is by the press that they shall be restored." The honest use of investigative journalism exemplified in the *Defender* series demonstrates that, to accomplish this goal, investigative journalists must have the courage to pursue their objectives all the way to those at the top—what Harvey did in the Chicago gang series.

In contradistinction, the Institute for Policy Studies and its Fund for Investigative Journalism have besmirched the name of investigative journalism through their stable of paid liars such as Seymour Hersh, Woodward and Bernstein, Jack Anderson, et al. with

their phony "watergating" investigative frauds. At the top, the Fund for Investigative Journalism is controlled by the political bedfellows of the very institutions, universities, and individuals exposed in the Chicago gangs series.

The Fund's frameups, coverups, and other assorted lying techniques carry out a "deception operation" against the population on two general levels. The first is the direct political purpose of the specific lying operation involved—the answer to the question, "Who benefits?" The second is the deception involved in the

broader misrepresentation of investigative journalism as an "objective," "safe" and glamorous Hollywood career. On the deepest level, the welfare of American society demands that reporters such as Roy Harvey and the *Chicago Defender* dedicate themselves to the moral standards that made this country great.

With this issue of *Executive Intelligence Review*, we begin an extensive reprinting of sections of Mr. Harvey's articles. For the full series, send to the Chicago Defender, 2400 S. Michigan Ave., Chicago, Ill. 60616.

—Fay Sober

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## Chicago Defender: 'cui bono?'

*This is the story of a sociological experiment called variously the Blackstone Rangers, the Black P. Stone Nation, and most recently, El-Rukn....*

*Dozens of books have been written about the Chicago gangs of the late 60s; a myriad of Ph.Ds and other degrees were issued; and hundreds of youth and other Southside residents were murdered; policemen were maimed and killed; whole communities were destroyed.*

*Who benefited?*

*While most of the gang leadership went to prison, or were murdered by rival gangs, or fled Chicago, the gang controllers—the sociologists, the preachers, the poverty pimps and the lawyers—went on to write their books, or up the academic ladder, or on to new "sociological experiments."*

*Some of them worked to further dismantle the Chicago police department, which had interfered with their experiment; others set themselves up as the nemesis of industry and the development of nuclear power; others, with their foe Mayor Richard Daley gone, moved into City Hall.*

*In working to solve a crime—such as the creation of the Blackstone Nation and the other street gangs, it is first necessary to pose the question: cui bono? Who benefits?*

## June 18: The P. Stones—a university creation

This is the story of a sociological experiment called the Blackstone Rangers, the Black P. Stone Nation, and most recently, El-Rukn—the story of the gang that was created.

Not by a university alone, by itself, but with help: help from Presbyterians and Jesuits and other priests and preachers, by federal officials, urban planners, freelance sociologists, behavior modification psychologists, and philanthropic foundations.

The 60s were crazy years: the era of the Vietnam

war and assassinations. People said—and did—crazy things.

It was the era of the Black Liberation Army: the era that spawned the Symbionese Liberation Army and other terrorist organizations and pseudo-religious cults that foundations and government agencies played an overt part in creating.

It was an era that watched its own social disintegration: a breakdown of authority in political organization, law, education, culture.

The genocide in Vietnam provided the moral standard—the backdrop—by which to judge one's behavior: What did hard work and discipline ever get anyone? reasoned the youth and the liberal. "Genocide," they answered. Therefore, do-your-own-thing: hedonism and permissiveness predominated; "alternative" education, culture. ... Youth was hailed as untainted, creative.

The national hysteria was reflected in Chicago in the creation of the gangs.

While, on a national level behavior modification psychologists were experimenting with their rewards and punishments, in Chicago the experiment went one step further: Award the bad behavior, award hooliganism, gangsterism.

This national anti-authority hysteria (conservatives were generally driven further to the right, into a desperate defense of the genocide in South East Asia) was intersected in Chicago by the University of Chicago, which had a problem, and found such hysteria useful.

The University did not want to be swallowed up by a ghetto; further, it wanted to expand southward—it wanted the land.

The University had the problem before. As writer John Gunther noted in a series of lectures he gave at the University of Chicago (published as "Chicago Revisited," U. of C. Press), "Thanks to the developing national impulse for urban renewal ... the University has acquired 26.5 acres of additional land from a reclaimed slum area so that it can expand its South Campus...."

The sentence contains no glimmer of the violence and tragedy involved in that simple expansion south.

The story begins with the creation of the University, founded in 1890 by a grant from John D. Rockefeller (who was to donate over \$35 million) and monies from Marshall Field.

As Gunther notes, the U. of C. has always been a pioneer in theoretical and practical sociology.

The University is home for the School of Social Service Administration (just south of the Midway), a greensward often referred to in the heyday of urban renewal and the Blackstone Rangers as the DMZ (demilitarized zone).

Gunther boasts that the U. of C. sociologists are capable of "the most extensive empirical investigation of the social characteristics of modern cities" imaginable.

Comments Gunther: "Demographers in the department can practically tell you what the population of Indianapolis will be at 10:05 a.m. on July 17, in the year 2093...."

The statement reportedly caused some residents of Indianapolis to worry: is the University of Chicago expanding eastward?

The University is celebrated for its "Chicago School of Economics" which among other things is famed for putting together the economic program of Pinochet's Chile.

The University is also home for the Chicago Theological Seminary, which like the sociology and economic departments, hardly confines itself to ecclesiastical matters.

The University—located on some 200 acres on Chicago's South Side—was plagued with "its greatest crisis," notes Gunther: "the neighborhood problem."

During World War II, a massive wave of southern immigrants, black and white, moved into Chicago. The whites largely dispersed to other neighborhoods.

Comments Gunther: "The University found itself beleaguered. It was hemmed in. It was cut off by an atrocious slum. ... The problem was not a 'Negro' problem per se, but rather one of Negroes on a miserably poor level of subsistence." Poor Negroes.

Not to worry. What had the University of Chicago trained all those sociologists and urban planners and demographers for?

The war to "stabilize" the Hyde Park-Kenwood area was turned over to the "indefatigable, tough-minded lawyer, Julian Levi, brother of Edward...."

Gunther observes: "If Edward is a poniard (dagger), Julian is a sledgehammer...."

For the purposes of the northward expansion, Julian Levi founded the South East Chicago Commission. "It came close to being a vigilante organization ... every

pertinent law on the books, municipal, state and federal was utilized ..." to assume control of Hyde Park-Kenwood.

What good was a Law School if it couldn't be useful to the University?

Forty-eight acres of Hyde Park were bought up; buildings were demolished; the land was cleared. And then another 101 acres was bought up, and cleared. Marshall Field III had donated \$100,000 to the project. The total cost in rehabilitating and buying up Hyde Park had cost \$250 million. Expensive, but the University had only put out about \$30 million.

Chicago has provided the cultural relativist University of Chicago with a social laboratory since the university was founded. A 1929 book entitled "Chicago—An Experiment in Social Research" (U. of C. Press), reveals the university's fascination with its convenient pool of urban guinea pigs. By 1923, the University's social research department was formalized.

The Hyde Park experiment was appraised this way by urban affairs specialist (and publisher of "The Chicago Reporter") John McDermott: "I am familiar with the criticisms of renewal in Hyde Park from Rossi and Dentler (The Politics of Urban Renewal) and Msgr. John Egan. God knows the urban renewal plan was far from perfect (but) frankly, I'm getting a little bored with this tired argument over the past. ... It was a crude and unsophisticated approach, perhaps, but not an evil conspiracy."

For crudity and evil, it was nothing compared to the Blackstone Ranger-Woodlawn experiment.

In his book, "The Closed Corporation, American Universities in Crisis," James Ridgeway called the experiment "urban-counterinsurgency (Urbcoin)."

Ridgeway quotes a Harvard urban planner on Julian Levi's methods: "When Levi wants to empty a place, he'll get an insurance company to cancel its policy, then turn around and get the city to condemn the place because it doesn't have any insurance."

By the mid-50s, Hyde Park had been pacified, or as real estate developer Dempsey Travis calls it, "regentrified."

It wasn't but five years later, however, and the war was on again: the University of Chicago planned to expand south, into Woodlawn.

July 18, 1960, the University laid its expansion plans before the Chicago Land Clearance Commission.

The University realized quickly, however, that their plans would run into opposition unless there was a community organization that leaned in their direction.

The U. of C. has never had any problems creating gangs, or counter gangs.

Enter counter-insurgency expert Saul Alinsky.

—to be continued

### Taking a bull by the horns

The national leadership of the Teamsters union has taken the first steps in a campaign that could end, once and for all, the violent, chaotic disruptions of the nation's transportation system by "independent truckers strikes."

In a strongly worded statement issued early last month, Teamster General President Frank Fitzsimmons demanded that Congress immediately place all unregulated sectors of the trucking industry under full government regulation. Fitzsimmons charged that the unregulated trucking industry is in "a state of total disarray" and that the independent truckers hauling exempt commodities are getting the worst of it.

"Responsible independents are pleading for regulation to a deaf Interstate Commerce Commission" (which regulates the trucking industry), Fitzsimmons stated. "Because of a lack of regulation and union representation the nonunion independent truckers are going broke." Instead, he said, independents are left with no organization or spokesman to represent their needs.

Once the exempt commodities are brought under ICC regulation, the independent truckers can be brought under the umbrella of the Teamsters union, where their legitimate grievances can be dealt with without violent strikes.

There are already more than

20,000 independents hauling regulated commodities who have chosen to be members of the Teamsters. The Teamsters are now saying that rather than less regulation, as the Carter administration and Senator Edward Kennedy jointly propose, the trucking industry, including the "independents," is in crying need of more regulation.

A soon-to-be-released study on trucking deregulation commissioned by 1980 presidential candidate Lyndon H. LaRouche strongly supports Fitzsimmons' findings. The study locates the nonregulated sector of the trucking industry and the independents as a weak link in an otherwise highly efficient transportation system.

The study finds that the Teamsters are the single most important positive regulator of the trucking industry. Under the National Master Freight Agreement, the Teamsters effectively set standards for safety while guaranteeing the standard of living necessary for truck drivers who are the most productive in the world. This in turn forces the trucking industry to stay modern and competitive.

The union, together with ICC regulations, guarantees the profitability of the industry and protects it from cut-throat competition.

The independent truckers, es-

pecially those who haul exempt commodities, exist outside this system; they represent a battering ram against the regulated sector.

The independents are periodically deployed by agents of the Kennedy machine such as Mike Parkhurst of *Overdrive* magazine, for violent shutdowns which threaten the entire economy. Last month's "strike" is a vivid example of such a deployment. One industry source described the independents as "like a herd of cattle who are easily stampeded in one direction or another...."

If Kennedy has his way—as the LaRouche report shows—the highways will be turned over to hordes of independents. The Teamsters union will be busted, safety and wage standards will become a thing of the past. Using the computerized economic model developed by LaRouche, the cost of deregulation was calculated: \$500 billion in lost production in less than five years, more than 3,000 additional highway fatalities a year—a social cost greater than the Vietnam War.

Teamster President Fitzsimmons is aware of these consequences. "Direct action, violence and periodic shutdowns will become the rule if Congress votes for deregulation," warned Fitzsimmons. "The chaos we are now witnessing in some areas will become a national disaster."

—L. Wolfe

## FACTS BEHIND TERRORISM

### Counterterrorist forces close in on Italy's PSI

For the past four months, investigators in Italy have come closer and closer to the ruling circles of the Italian Socialist Party in their search for the murderers of former Italian Prime Minister Aldo Moro and the controllers of the Red Brigades terrorists. Beginning with the April 8 arrest of Padua University Professor Antonio Negri and his associates in the Autonomi organizations, more details have come each week to light implicating leading figures of the PSI in control and protection of terrorist operations.

During the week of July 22, law enforcement officials closed in on one of the most powerful factions of the PSI—the Calabrian section, led by PSI factional chieftain Giacomo Mancini—with the arrest of Mancini's former son-in-law Paolo Lapponi for involvement in Red Brigades kidnappings and other planned terrorist operations. Since the time of the Negri arrest, PSI leaders, including Bettino Craxi, head of the PSI who had been proposed as the Prime Minister for Italy, Mancini, and other important PSI leaders had been under investigations by magistrates investigating Red Brigades controllers. In early June, the University of Cosenza in Calabria—a major base of the Mancini faction—was exposed as a center for logistics and safehousing of Red Brigades terrorists. Craxi himself was questioned by magistrates investigating the killings due to the PSI's direct con-

nection to known Red Brigades controllers such as Piperno, the still at large Autonomi leader who ran the *Metropoli* magazine.

The arrest of Lapponi evolved following a raid on an isolated farmhouse located in Rieti, Calabria, where police arrested three individuals: Ina Maria Pecchia, and two cousins, Gianpietro and Piero Bonano. In the farmhouse, police found a terrorist arsenal, including an arms cache and ammunition, documents belonging to the Red Brigades, manuals for the home production of bombs and tear gas, and a sound-proofed prison, complete with chloroform, which had been prepared to house a kidnap victim. Further evidence found at the farmhouse indicates that the group using this location was directly involved in the Moro murder, as well as the assassination last month of a colonel of the military police, Antonio Varisco. It was questioning of Rieti suspects that produced Lapponi's name and led to his arrest several days later while in the company of his supposedly estranged wife, Giuseppina Mancini, daughter of the powerful PSI leader.

The most critical information to emerge following the Rieti arrests however, is the fact that the Red Brigades operations are thoroughly interfaced with the Calabrian mafia networks. The interrogations of Pecchia and the Bonano cousins have established the following crucial points of further investigation:

- The Red Brigades and the Unita Combattenti Comunisti (UCC), the group which carried out the kidnapping and murder of Giuseppe Ambrosio, held joint meetings and shared their weapons supply. The UCC is known to have links to the Calabria mafia through the investigation of the murder of Giuseppe Andre, a serviceman who was killed in July, 1978.

- *Metropoli* magazine, the Autonomi publication which was closed down last June after the arrest of several of its editors for involvement in the Red Brigades, was financed by a 20 million lire payment that came from a kidnapping operation. Pecchia has stated Negri, Piperno, and Oreste Scalzone, another Autonomi leader arrested with Negri in April were involved in this transaction.

- Paolo Lapponi was an active member of the Rieti operation, along with Febrizio Panzieri, who is presently in prison awaiting trial for the unsuccessful attempt to kidnap industrialist Roberto Campilli on July 12. False identification cards bearing photos of both Lapponi and Panzieri were found in the farmhouse.

The fruits of the Rieti arrests are still not fully known. However, exposing Mancini's links to the organized "kidnapping industry" and to drug running, both common means of financing terrorist groups, is vital to stopping the terrorist menace in Italy.

—Michele Steinberg

# WORLD TRADE REVIEW

## New Trade Deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Taiwan from U.S.	Western Electric International will supply undersea cable connecting Guam and Taiwan	\$60 mn.	NAv	Winning bid announced
Greece from U.S.	Olympic Airways will purchase 5 more Boeing 737s	\$55-66 mn.	NAv	Boeing announcement
Mexico from U.S.	F.L. Schmidt of New Jersey as major supplier will supply Empresas Tolteca de Mexico with a cement plant	\$43 mn.	\$24 mn. Exim loan	NAv
Brazil/Colombia/Poland	Poland is invited to participate in coal production in Colombia, exploration in southern Brazil	NAv	NAv	III
Hungary from France	Thomson-CSF will install microwave telephone system in Budapest. Operational by 1980.	NAv	NAv	I
Tanzania from W. Germany	Tanzania has granted uranium prospecting rights to the Bonn-based Uranerzbergbau on condition it not export any material found to South Africa, Rhodesia or Namibia.	NAv	NAv	I
USSR from Italy	Finsider steel group will furnish USSR 45,000 metric tons. of specialty steel plate	NAv	NAv	I
Venezuela/Brazil	Venezuelan oil sales to Brazil will be upped from present 20,000 to 50,000 bpd. Venezuela will purchase Brazilian nuclear technology. Both countries will work together on tar sands technology (with heat for processing possibly supplied as a byproduct of nuclear energy generation)	NAv	NAv	Agreement signed by both countries' foreign ministers
<b>Update</b>				
Brazil from France	Tucuruí Dam project in Amazon basin will be delayed for one and possibly more years due to Brazilian budget cuts. Schneider Empain group is the major contractor for the project's powerhouse.	\$400 mn. for powerhouse	French banking consortium	Informed sources—announcement not yet official
Iran from Japan	Mitsui will resume construction in Oct. on the 80 percent completed Bandar Shahpur petrochemical project (LNG plant; ethylene and aromatic plants)	\$3.1 bn.	Funding of cost overruns in negotiation with Iran government	Mitsui announcement

**Abbreviations:**

U = Undetermined  
NAp = Not applicable  
NAv = Not available

**Status:**

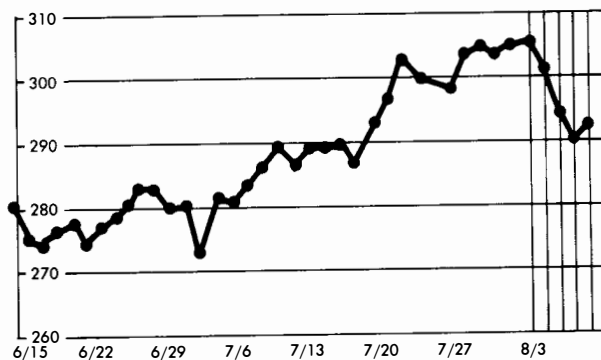
I = deal signed  
II = in negotiation  
III = preliminary talks

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## Gold

London afternoon fixing

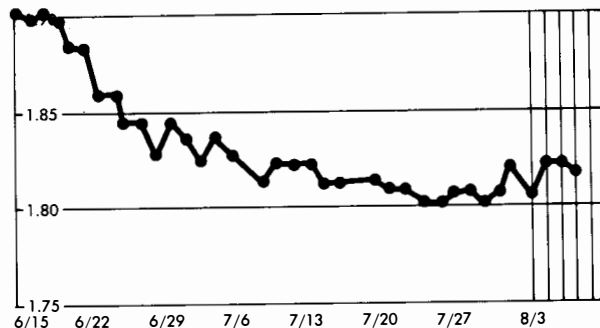
July 27	305.80
30	301.44
31	296.45
August 1	290.10
2	291.50



## The dollar in deutschmarks

New York late afternoon

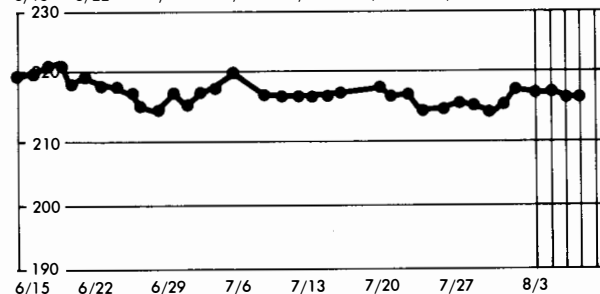
July 26	1.8210
27	1.8185
30	1.8367
31	1.8350
August 1	1.8288



## The dollar in yen

New York late afternoon

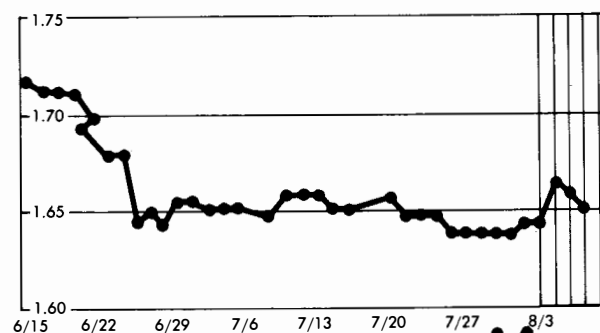
July 26	215.20
27	215.25
30	217.15
31	216.90
August 1	216.10



## The dollar in Swiss francs

New York late afternoon

July 26	1.6460
27	1.6425
30	1.6705
31	1.6640
August 1	1.6570



## The British pound in dollars

New York late afternoon

July 26	2.3250
27	2.3180
30	2.2930
31	2.2425
August 1	2.2610

